In need of increased long-term social spending

It will be impossible to reach the Millennium Development Goals without greater fiscal income, control of foreign debt, and eradication of corruption. Also needed are sustained growth and long-term public spending.

Social Watch El Salvador
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Large increases in the prices of electricity and public transportation, the constant increase of basic living costs, rates of violence among the highest in Latin America, with an average of 12 homicides per day, and the weakness of democratic institutions, all contribute to a country in critical condition at the political, economic and social levels.

With more than a third of the population living in poverty, nearly three million emigrants, high rates of underemployment and unemployment (more than 40% combined) and lagging behind in regional economic growth, El Salvador needs to change its public policies in favour of greater social investment and an equitable distribution of wealth. In the last years there was neither economic growth nor implementation of measures – such as job creation or significantly increased social investment – directed at reducing poverty; however, there was a constant increase in basic living costs.

In 2004, the incidence of poverty ascended to 36.4% of the population, absolute poverty to 12.6% and relative poverty to 22%, with the greatest concentration in rural zones (43.7%). Nevertheless, these figures contrast with the 2003 El Salvador Human Development Report, produced by the UN Development Programme (UNDP), which states a poverty level of 42.9%.

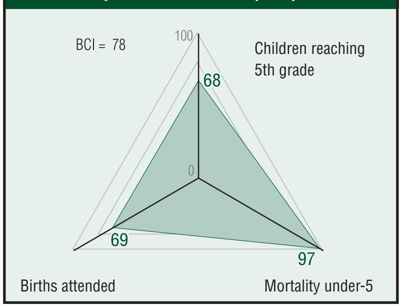
After one year in existence, "Solidarity Net", the Government's programme for the alleviation of poverty, has made no real impact and has been criticized as the monthly allowance of USD 15-20 per family in extreme poverty implies a total daily amount of USD 0.1 per person. Furthermore, it did not reach all the population set as its goal, and it spent much on publicity costs.

Aid from remittances

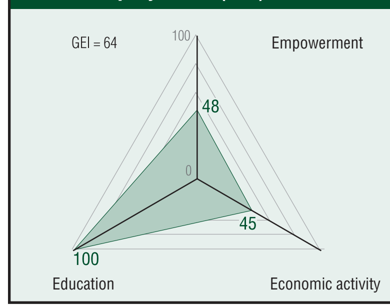
President Elías Antonio Saca stated to the UN that the proportion of people in extreme poverty was reduced by 18 percentage points between 1991 and 2004, from 33% to 15%. The UNDP has questioned the official method of determining poverty and has signalled that government statistics do not take into account poor people who are "expelled from the country" and sustain the national economy with their remittances.

The remittances, which in 2005 surpassed USD 2.83 billion, allow many families to satisfy their basic needs. The Economic Commission for Latin America and the Caribbean (ECLAC) and the UNDP have indicated that remittances alleviate poverty by between 7% and 8%. Figures from the Central American University (UCA) establish that each year some 145,000 people emigrate, with a total of 2.8 million Salvadorans living abroad, a figure equivalent to one fourth of the population.

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



Low public expenditure for health

The public expenditure for health continues to be one of the lowest in Central America, representing 3.3% of Gross Domestic Product (GDP), while private expenditure (direct investment from the population) constitutes 4.9% of GDP. The health system is inequitable, regressive, unsustainable and inaccessible to the poorer sectors.

A large part of the funds assigned to health are allocated to salaries (more than 70%, on average) and the rest are distributed for medication, medical supplies and other costs.

Suspension of "voluntary" fees

In 2006 the Minister of Health acknowledged that the public health system has survived thanks to great amounts of funding from the charging of "voluntary" fees actually imposed on patients, who generally cannot afford this service cost and who pay it to the detriment of other basic needs. The total amount of these funds is calculated at USD 18.2 million.

A complaint lodged with the Consumer Protection Authority by civil society organizations revealed the compulsoriness of the so-called "voluntary fee", leading the President of the Republic to order the suspension of this charge.

Lack of funds

Nevertheless, there are no mechanisms for supplying these funds to the Ministry of Public Health and Social Security, which has admitted having a deficit of approximately USD 5 to 7 million, in view of which it could request a budgetary supplement for the 2006 fiscal exercises and the 2007 general budget.

In spite of this deficit, in 2005 this Ministry was one of the State portfolios that had a budget surplus. Under the heading of infrastructure the Ministry used only USD 11 million of the USD 31.3 million available.

In relation to the fulfilment of the Millennium Development Goals (MDGs), there have been no concrete actions in the assignment of resources that indicate a willingness to attend to these requirements, no mechanisms that permit a social monitoring of all its phases (planning, budgeting, execution, evaluation).

The infant mortality rate has been reduced, but not the maternal mortality rate, nor have there been improvements in aid during childbirth, for HIV/AIDS and tuberculosis, or vaccination against measles. The World Bank proposes a minimal package of health and nutrition services that demands an additional 0.2% to 3% of GDP.

1 Members of the organizations that compose Social Watch El Salvador (APSAL, CIDEP, Human Rights Consortium, FUMA) would like to thank Carolina Constanza, Armando Pérez, Claudia Hernández, Jorge Murcia and others for their support.

Education: insufficient resources to achieve MDGs

In recent years, the Ministry of Education (MINED) has made efforts to improve the coverage and quality of the national system, among these the creation of a Presidential Commission and a long-term National Education Plan known as “Plan 2021.” This plan integrates the international requirements of Education for All (EFA) and the MDGs.

Nevertheless, the assigned financing is insufficient.

The percentage of GDP dedicated to education (3.14%) is half of that recommended by UNESCO (6%) and is below the Latin American average (4.5%). Achievement of the MDGs would require an additional investment of 1.8% of GDP in the next 10 years. The resources exist, but greater tax revenue and private investment are needed, as well as increased bilateral and multilateral cooperation. “Plan 2021” intends to arrive at 6.29% of GDP, a goal compliant with the MDGs, but which lacks adequate backing under the current administration.

Of the entire school-aged population, 12% do not attend classes. In 2004 the average level of education was at 5.6 grades; 6.9 grades in urban areas and 3.7 in rural areas. In rural areas, 27.1% of women are illiterate, and at the national level 17.7% are, in contrast with 13% of the men.

The index of gender parity was 0.95 in primary and secondary education, with a slight advantage for the male pupils. Gender equity in education is a significant challenge, considering the loss of 4 and 7 percentage points at, respectively, the national and rural levels, in relation to 1991.

Other indicators like enrolment in primary school, progress to 5th grade and illiteracy reveal advances, greater in rural areas.

Public expenditure in education passed from 1.7% of GDP in 1990 to 3.4% in 2001. In 2002 and 2003 it underwent a decrease of 3.3% and 3.2% of GDP respectively, down to 2.88% in 2004; then increased again to 3.1% in 2005 and 3.14% in 2006. In 2006, the general budget for education is USD 510 million, and although it grew by USD 6 million with respect to 2005, it is still USD 47 million below the budget recommended by Plan 2021 and represents only 17.29% of public expenditure.

Fluctuations in recent years (after the Millennium Summit) reflect the lack of a consistent policy of increasing resources to achieve the MDGs. Even so, the global enrolment rate increased from 1.2 million students in 1992 to 1.7 million in 2003. Of these enrolled students, two thirds are in rural areas, where poverty is concentrated.

Despite the elimination of “voluntary” fees in 2006 in the public schools and the assignment of a school budget for each student, 85.2% of educational centres consider that budget insufficient and in 2006 40% of the total cost of the education of each student will be supplied by his or her family.

In this sector the distribution of resources must also be reformed. Between 72% and 75% of the funds are consumed by preschool and basic levels, between 12.4% and 10.4% go for administrative costs and other costs, while investment in educational quality represents only 16% of total expenses per student.

TABLE 1

Indicators of the MDGs in education

EL SALVADOR					GROUP OF LOW TO INTERMEDIATE INCOME		
	1991	2002	2004	CHANGE	1990	2002	CHANGE
Net primary enrolment							
National	78	88	88	10	95	93	-2
Urban	87	91	90	3			
Rural	71	84	87	16			
Completion of fifth grade							
National	58	74.1	75	17	85		
Youth literacy (15-24)							
National	85	93	94	9	93	95	2
Urban	94	97	97	3			
Rural	76	88	90	14			
Ratio female/male pupils in primary and secondary education							
National	99		95	- 4	90	97	7
Urban	100		100	0			
Rural	98		91	- 7			

Source: Report of the Advancement of the Achievement of the MDGs. Education as a key factor of development. MINED. 2005.

Greater social investment is feasible

Between 1996 and 2003, the funds intended for social development increased from 4.7% to 7.3% of GDP. In education they increased from 2.2% to 3.1%, but in health only from 1.4% to 1.5% of GDP. The World Bank has expressed that more social investment is needed for the poor to benefit from economic progress and that this investment is feasible.

In order to reach the MDGs, the World Bank suggests that in the next ten years social expenditures increase from 3.2% to 3.6% of GDP, which demands a gradual increase of 4% in GDP by 2009. According to ECLAC, in order to achieve the MDGs high rates of growth are needed, but that these would be lower if there were an improvement in income redistribution. For El Salvador, without this improvement the necessary rate would be 5.4%. The average annual growth rate in the region is 2.8%.

These facts should be considered by the Government, which preferably should make its own estimates and, based on these, take the necessary and urgent measures to design a national budget that allows the achievement of the MDGs.

All social sectors coincide in the need for an increase in tax revenue and the GDP in order to obtain the resources that social investment requires. The differences are founded in the manner in which it is done. Social Watch, the Global Call to Action against Poverty and other civil society organizations consider a better distribution of the country’s wealth necessary. Measures must be taken for a fully progressive fiscal reform, so that more taxes are paid by those with higher incomes. It is also necessary to increase the production of goods and services (especially giving incentives for agricultural production and new technologies) to strengthen the State and make it more efficient, generate worthwhile jobs and regulate economic activity, eradicate corruption, avoid tax evasion on the part of businesses along with other bad practices and control public indebtedness. Approximately 25% of the national budget is directed toward the payment of debt.

Among these measures, the eradication of corruption is the most urgent. This only requires political will and is an action of good management and transparency. After 17 years in the government, the Nationalist Republican Alliance (ARENA) has been involved in noted cases of corruption for amounts in the millions, but those responsible are not in prison. During 2004, due to income tax evasion the State failed to receive a sum of USD 2.5 billion. Clearly the resources can be made available. ■