

## ■ EL SALVADOR

# Setbacks in democracy and development



Social development indicators show some progress, but not enough, and economic growth is low with no benefits reaching the poorest households. Civil society participation, an essential element in the promotion of inclusive social security reforms, has been threatened by the Special Law against Acts of Terrorism that adversely affects the exercise of rights to free expression and organization.

### Social Watch El Salvador

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The economic, social and political dynamic of Salvadoran society is generating deterioration in security and well-being to such an extent that academic sectors claim that the country is heading towards a “precipice”.

Year after year, unresolved problems with health, education, civil security, access to drinking water and other issues deepen the economic, social and cultural inequalities between a small group who hold economic and political power and the great majority whose needs are not met.

On top of all this, approval of the Special Law against Acts of Terrorism has criminalized civil protest and social organization.

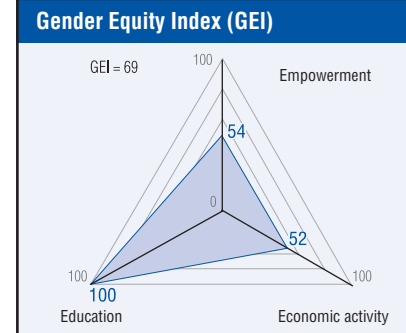
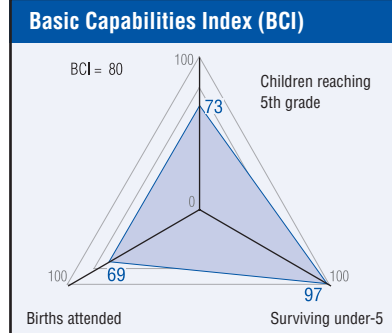
### Deteriorating economic condition of the population

Extreme poverty and social exclusion constitute a violation of human dignity that denies the right to economic and social well-being and to develop as human beings. Poverty reduction requires increased economic growth and reduced economic and social inequality. It is necessary to implement state policies of wealth redistribution.

The Economic Commission for Latin America and the Caribbean (ECLAC, 2007) includes El Salvador in a group of six Latin American and Caribbean countries that it considers are able to reduce poverty and build more equitable societies given a different income distribution model, which is feasible.

El Salvador's economic growth rate is one of the lowest in Central America and benefits from this growth do not reach the poorest households. Currently, out of each USD 100 generated, USD 62 remains in the corporate sector, USD 32 goes on workers' salaries and USD 6 on taxes.

In 2004 and 2005 El Salvador registered the lowest growth rates in the region (1.5% and 2.8% respectively) and in 2006 the second lowest (4.2%). In addition to this limited growth the trend for opportunities in the labour market has been towards



less secure types of employment, while salaries are low and the price of public services has risen, all of which has reduced the quality of life and encouraged emigration (Concertación por la Paz, la Dignidad y la Justicia Social, 2007).

The cost of the basic family basket (a family's basic monthly needs in food, housing, education, health services, transport, etc.) was calculated at USD 699.2 for April 2007. However current minimum salaries are: USD 174.24 in the commercial and service sectors, USD 157.24 for *maquila* (assembly factory) workers and USD 81.46 in the agricultural sector. To cover the goods and services of the basic family basket at least four minimum salaries would be needed. Suffice it to say that average monthly expenditure on just drinking water, electricity and telephone services amounts to USD 64.05.

An improvement in economic conditions for the general population would require policies to fight tax evasion, mainly on the part of big companies, and public sector corruption. In the words of former US ambassador to El Salvador Douglas Barclay, “approximately 64% of taxes are not collected... If they were, there would be more than enough money to improve things...”

Data from the Central Reserve Bank shows that in 2004 tax evasion amounted to almost USD 2.57 billion and in 2005 over USD 1.3 billion. Of the latter, USD 702 million represents corporate tax evasion and USD 600 million is value-added tax (VAT) that is charged but not remitted to the Treasury.

### Half way to 2015, health in a poor state

Among the areas where minimal progress has been made towards the Millennium Development Goals (MDGs) in El Salvador is that of chronic and global

malnutrition. The former fell from 22.8% to 18.9% (a reduction of 3.9 percentage points) and the latter from 11.8% to 10.3% (a reduction 1.5 percentage points) over a 10-year period (1993-2003) (UNDP, 2007). This slow rate of progress is discouraging.

The greatest progress has been achieved in child mortality reduction, mainly in the 1990s after the armed conflict in the country. According to UNDP data, under-five mortality was 52 per 1,000 live births in 1991 and 31 per 1,000 live births in 2005. Similarly, reported data for under-one mortality was 45 per 1,000 live births in 1991 and 25 per 1,000 live births in 2005 (UNDP, 2007).

In relation to these indicators it is significant that higher mortality rates are to be found in rural areas where there is a high incidence of poverty and a lack of access to basic services.

The maternal mortality rate in El Salvador is one of the highest in Latin America. It rose from 158 per 100,000 live births in 1991 to 172 per 100,000 live births in 2003 (UNDP, 2007).

Faced with this data, in 2005 the Ministry of Public Health and Social Assistance (MSPAS) undertook a study that produced a figure of less than 72 per 100,000 live births, but this research was carried out with a methodology that precluded comparison with data from previous studies. Even with this statistical manipulation the figures are high and the causes of death remain the same: poverty and limited access to reproductive health services.

The evolution of public expenditure on health demonstrates that this has not been a priority area for the government over the last 10 years. As a percentage of GDP, during the last decade investment in health rose from 1.3% in 1997 to 1.7% in 2007 (Finance Ministry, 2007), a limited growth of just 0.4

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percentage points and insufficient for meeting the health needs of the 80% of the population covered by MSPAS.

Total expenditure on health from all sources rose from 8.8% of GDP in 2001 to 11% in 2007 (Finance Ministry, 2007). The majority of this consists of private expenditure<sup>2</sup> on the part of private citizens who struggle to pay health care costs in a deteriorating economic situation for families. This private expenditure represents 7.3% of GDP.

Corruption clearly exists in the health sector and involves high-placed officers such as the Salvadoran Social Security Institute (ISSS) Director and the Minister of Health.

In addition, a hospital reconstruction programme financed with loans approved in 2003 has been abandoned. From a USD 169.4 million projected budget, by 2005 only USD 15.23 million of work had been completed (9.5%) even though the planned period of the programme was five years. Among the institutions adversely affected is the Maternity Hospital, the principal centre for women's health care.

### HIV/AIDS: fourth most common cause of death

HIV/AIDS represents the fourth most common cause of death in the country. On average four people are infected daily and thousands hide their condition for fear of stigma and discrimination.

Recorded HIV/AIDS infection rates have been rising since 1984 due to the continuing or increasing incidence of unsafe practices and to improvements in detection with the greater availability of free HIV/AIDS testing at a national level (UNDP, 2007, p. 57-58). Recent data shows that in late 2006 there were over 18,500 registered cases of infection but according to UNAIDS the level of unregistered cases is high and the number of infected people could be between 25,000 and 50,000.

The ISSS coverage provides care to more than 1,280 people in the form of antiretroviral therapy, medical attention in case of opportunistic disease and attention during pregnancy to prevent infection at birth.<sup>3</sup> However, there is insufficient compliance with current procedural protocols, a sporadic availability of drugs, sometimes caused by late delivery, and a constant shortage of reagents for the CD4 cell<sup>4</sup> count test, all of which exposes many people to the occurrence, or increased complication, of opportunistic diseases and to death.

Since 1994 there has been an ongoing debate aimed at finding a consensus for health reforms but now in 2007 it seems that this may fail. The Executive has presented to the Legislative Assembly his proposed Law for the Creation of a National Health System that, in contravention of a government

commitment, has not been arrived at by consensus. According to the Civil Alliance against Health Service Privatization, this move responds to a service privatization agenda that would further extend citizens' exclusion from health services.

### The right to education now

Education indicators show progress in relation to 1990 when expenditure represented only 1% of GDP because the budget priority then was defence, due to the armed conflict.

The most significant progress has been made in illiteracy reduction and increased coverage for pre-school and the first two cycles of primary education. However, stagnation persists in the level of education achieved, coverage deficiencies for primary third cycle and secondary education, low quality standards and geographical and gender inequity. Current literacy programmes have reduced illiteracy, principally in the 15 to 24 age group. In 1991, 85% of the population was literate and in 2005, 95% (UNDP, 2007).

When examining trends in education finance it can be seen that the total amount spent has increased from USD 471.2 million in 2002 to USD 527.5 million in 2007. However, the general trend as a percentage of GDP shows a decrease from 3.3% of GDP in 2002 to 2.8% in 2006 and 2.7% in 2007. Average expenditure on education in Latin America is 4.5% of GDP, while the expenditure recommended by UNESCO is 6% of GDP.

The goals set in the National Education Plan called for an allocation of USD 558 million in 2006 and USD 613 million in 2007, but combined actual expenditure fell short of this goal by USD 134 million in the first two years.

### Endangered pensions system

The pension system in El Salvador was privatized 10 years ago. The government transferred to the Pension Funds Administrators (AFP) money that had been paid in by workers, while maintaining responsibility for the pensions of workers who were over 35 in 1996 and who remained in the old pension system. Six years after this privatization a reform was introduced that raised retirement ages. A person who previously could retire after a minimum of 30 years work now also needed to be 55 years old in the case of women and 60 in the case of men.

A study published in 2006 by Consensus for Dignified Employment in the Maquila (CEDEM) shows that the pension system is deficient in the economic and social benefits that it provides and is unsustainable in fiscal terms. Among the deficiencies highlighted are: 1) the exclusion of informal sector and domestic workers; 2) the high level of pension-related debt taken on by the state when it transferred public system reserves to the AFP, which increased the public debt to almost USD 8.24 billion in June 2006; 3) even when a person stops paying into the system, the AFP continues to charge a commission for administering his or her account, which adversely affects the amount of their pension at retirement.

One of the main problems with the pension system is the wrongful retention of payment instalments

by employers who fail to remit them to the ISSS. In 2006 the Attorney General's Office reported 748 cases of wrongful retention of instalments, with maquila companies being the most frequent offenders. A total of 54 maquilas owed approximately USD 940 million to the ISSS, plus an additional 10% in delayed remittance charges. The average debt per company was USD 4.4 million.

In 2007 the government has to pay out approximately USD 345 million to retirees but does not have that money and the state's debt is three times greater than the proceeds from tax collection. In June 2006 the debt was calculated at USD 7.19 billion.

The government created a Pensions Trust Fund to pay pensions and the AFP has authorized the Multisector Investment Bank (BMI) to use money paid in by their affiliates to pay the pensions of retirees. The amount lent for 2007 was USD 345 million.

Because the government has such a high level of debt it is likely to have problems with repaying the AFP, so the entire system is at risk and the future pensions of affiliates are endangered.

### Criminalization of civil protest

The fight against the causes of poverty and the promotion of inclusive social reforms in the fields of health, education and the supply of drinking water, as well as other initiatives aimed at improving the quality of life and increasing well-being for the population, must be carried out from a nationwide perspective and with the broad participation of all sectors of national life, particularly the more impoverished and traditionally excluded ones. However, this participation is now under threat.

On 21 September 2006 the Special Law against Acts of Terrorism was passed. This law has a clearly negative effect on citizens' ability to exercise their rights of free expression and organization, and has characteristics that are unconstitutional. According to human rights organizations and the Human Rights Defence Office itself, this law has created ambiguous criminal categories that lend themselves to arbitrary enforcement and in its present form it criminalizes social protest.

In fact, by July 2007, 14 men and women who are leaders of social organizations had been arrested with an excessive use of force and are in prison because they peacefully demonstrated against water privatization. ■

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2 Out of this total, 1.7% corresponds to MSPAS, 1.7% to ISSS, 0.2% to the Teachers Benefit Association and 0.1% to Military Health Care, the remainder being accounted for by private expenditure.

3 <[www.iss.gov.sv/comunicaciones/comunicados/comunicadospdf/DIA%20VIH%2006.doc](http://www.iss.gov.sv/comunicaciones/comunicados/comunicadospdf/DIA%20VIH%2006.doc)>

4 White cell lymphocytes that control the defence of the organism.