

## ■ EL SALVADOR

# Economic and social rights: there is no political will



In El Salvador, with its highly concentrated and unequal distribution of riches, poverty reaches more than a third of the population. The economy, which is concentrated on foreign investment, is kept afloat by remittances from abroad. Since a lack of political will, rather than a shortage of resources is what limits the reduction of poverty, the United Nations has made numerous recommendations to the Government regarding its lack of compliance with the economic, social and cultural rights of Salvadorans.

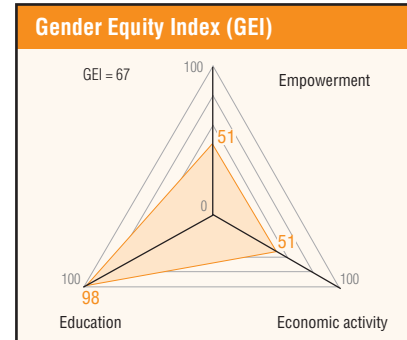
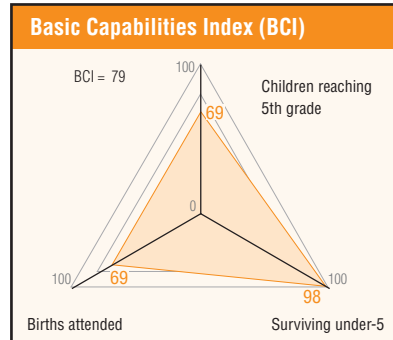
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El Salvador is currently experiencing a dramatic rise in inequality in the concentration and distribution of wealth. Although GDP per capita for 2007 was USD 2,867<sup>1</sup>, poverty reaches more than one third of the population. The Gini index puts El Salvador within the 20% of countries with the highest inequity in the distribution of wealth, with 0.54, compared to a worldwide average of 0.40 and 0.41 for Latin America. As a result, a poverty map shows that of the country's 262 municipalities, the average household poverty rate is as high as 49.9% in 32, located in 10 of the 14 departments in the country.<sup>2</sup> A total of 68 municipalities are in a situation of extreme poverty.<sup>3</sup>

A report by the Special Rapporteur on Violence against Women in 2004 concluded: "The consolidation of democracy in the country is hampered by lack of justice and security. The resistance of various stakeholders makes change particularly slow as a small elite class continues to control the wealth and resources with influence over security forces, politicians and the judiciary. This situation is an obstacle to achieving an inclusive and just society."<sup>4</sup>

By 1995, of total production by local companies, 66% was kept as profit while 34% went to worker salaries. Ten years later, profits jumped to 75% while salaries accounted for only 25%. This means that 113,000 business owners keep 75% of what is produced by 2,591,000 workers.<sup>5</sup>

The Attorney's Office for the Defence of Human Rights and various social organizations have expressed their concern over the economic and so-



cial inequalities, whose negative impact is felt most forcefully by children, women, older and handicapped people and indigenous peoples. The latter is a group not even recognized in national censuses and the Government has declared the Salvadoran society to be ethnically homogeneous, in spite of the existence of indigenous peoples like the Nahua-Pipil, the Lenca and the Cacaotera.

One example of the lack of attention to the economic, social and cultural rights of a good part of the population is the deplorable state of healthcare: preventable chronic illnesses like diarrhea and dengue fever, which each year become lethal epidemics, are tightly linked to poverty; shortage of medicines and increasing HIV infection. To this can be added the lack of will to rehabilitate public hospitals, in spite of the availability of loans for this purpose since 2005.

### Trade deficit and remittances

Since 2002, the economy has hovered on the edge of recession, growing at an average of 2% between 2002 and 2006, although improving slightly to 4.2% in 2006 and 4.7% in 2007. These figures do not reflect the purchasing power of working people, which has steadily declined. Today, a minimum salary in the rural areas (USD 85.80) will not cover the basic food basket, which costs USD 118.80. The minimum salary for the *maquila* (manufacturing) sector (USD 162) barely covers the basic food basket, which for in urban areas costs USD 159.90, leaving barely USD 2.10 for other needs, including electricity, health, transport, water, housing and education.

The economic situation directly affects the population's enjoyment of its economic, social and cultural rights and contributes to increase the flow of migration leaving the country in search of better living conditions. According to UNDP, an average of

700 Salvadorans emigrate daily. In the absence of a policy for social investment, their remittances keep the economy afloat and allow many families to have access to housing, education and food.

The Government has focused its economic strategy on attracting foreign investment, in spite of which, after two years into the free trade agreement (FTA) with the United States, the figures show benefits have gone primarily to non-productive sectors, such as imports, banking and services.<sup>6</sup>

According to studies by the Centre of Research on Investment and Trade (CEICOM in Spanish), two years after the FTA was implemented, the trade deficit continues to grow, increasing by 18.5% in 2007 in relation to 2006. Meanwhile, foreign direct investment (FDI) has slowed down. From 2004 to 2005 it grew by USD 424 million, which represents a 14% increase, while from 2005 to 2006 it grew by barely USD 245 million, or a rate of 7%.<sup>7</sup> The sectors most damaged were the industrial (*maquila*) and agricultural sectors. The *maquila* industries grew by 2.1% in 2006, dropping to 1.4% in 2007, while exports declined by 1% compared to 2005.

In agriculture, exports have fallen by 3%, while imports have doubled. In early 2008, 40,000 tons of white corn and 70,000 tons of rice entered the

1 Banco Central de Reserva de El Salvador and Dirección General de Estadística y Censo: <www.bcr.gob.sv/estadisticas>.

2 Usulután, Sonsonate, Santa Ana, San Vicente, San Miguel, Morazán, La Paz, Chalatenango, Cabañas and Ahuachapán.

3 "Nuevo mapa de pobreza a escala municipal". FLACSO-El Salvador and Fondo de Inversión Social para el Desarrollo Local: <www.rree.gob.sv/web/site/comunidades/dlocal/Concepto%20Mapa%20de%20Pobreza.pdf>.

4 Ertürk, Yakin (2004). "Integration of the human rights of women and a gender perspective: violence against women." Report of the Special Rapporteur on Violence against Women of her mission to El Salvador (2-8 February 2004). UN Commission on Human Rights, E/CN.4/2005/72/Add.2.

5 "Los ricos más ricos de El Salvador." *Equipo Maíz*, 2007.

6 The most favoured industries are the large agroindustrial firms, which essentially number only three.

7 CEICOM. "Informe del Segundo Año de Implementación del TLCAC CAFTA DR en El Salvador". Draft summary, available at: <www.ceicom.org/informes/INFORMEITLC.PDF>. According to the report, "until September 2007 the FDI increased by USD 1.01 billion, due to the financial sector growing by USD 787 million. This figure is part of the financial operations, a product of the sale of the main banks in the country to large world financial corporations in 2006, directly related to the FTA with the United States."

country, leading towards the loss of its productive sovereignty. To this must be added the increasing export of ethanol, which has contributed to the rise in basic cereals, owing to land pressure from sugar cane crops bordering on the crops of corn, rice and beans. All of this is increasing the country's economic dependency, particularly on the United States, to the detriment of its internal productive capacity. Finally the FTA has facilitated the violation of labour rights. There are cases of maquila companies that massively and indiscriminately lay off or fire workers, declare themselves bankrupt and leave the country without paying severance pay or benefits owed to workers.

### Tax evasion and corruption

Added to low economic growth is the Government's inability to effectively deal with tax evasion and public corruption, two mechanisms by which the State is divested of the resources needed for social investment in such essential services as health, education, housing and drinking water, without having to resort to loans. In order to implement its *Red Solidaria* (Solidarity Network) programme, for example, which is part of the official strategy for combating poverty, the Government took out a World Bank loan for USD 21 million in 2005.

In 2007, the Global Call to Action against Poverty in El Salvador (GCAP-ES) presented a study on tax evasion and corruption, reporting that large corporations evaded a total of USD 2.58 billion in taxes in 2006. The National Budget for 2007 was USD 2.94 billion.<sup>8</sup> GCAP-ES estimates that if the amount of tax evasion is totalled over the last 18 years (with the same party in government), the figure surpasses USD 25 billion. With this money, the Government would not have the debt it has today, the repayment of which is equal to 25% of its expenses.

The sum for public corruption over the last 18 years is calculated at USD 1.20 billion. If to this is added the figure for tax evasion for 2006 (USD 2.58 billion), the total sum of money extracted from public funds would equal USD 3.78 billion. With this sum, the Government could eliminate its financial problems and cancel a good part of its internal and external debt.

With USD 2.58 billion it would be possible to invest in health, education, public works, transport, housing and urban development, and environmental protection, and revitalize the agricultural sector. With these investments, the Government would still count on USD 1.13 billion for building 113,000 homes at USD 10,000 each, annually. Thus, in eight years the housing deficit – estimated at 537,000 units – could be eradicated. Moreover, if we take into account that year after year there would be more money joining the public funds, in a short time it would be possible to eliminate illiteracy and infant mortality.

### Needed is political will

On the basis of the preceding analysis, Social Watch in El Salvador echoes the more than 65 recommendations that the UN has made to the Salvadoran Government regarding lack of compliance with economic, social and cultural rights, particularly as the country has sufficient resources to reduce the number of people in poverty; what is lacking is the political will to do so. The main recommendations are:

#### *Committee on Economic, Social and Cultural Rights*

- That the State take all necessary measures to reduce poverty and to improve its social development strategies, including coordination measures among the various institutions, as well as evaluations to assess the impact of plans and identify their shortcomings.
- That it assess the impact of the Free Trade Agreement, which entered into force on 1 March 2006, on the enjoyment of economic, social and cultural rights by its population, particularly the most vulnerable sectors, and adopt remedial measures, as required. The Committee also recommends that the State consider the possibility of re-establishing the Forum for Economic and Social Agreement,<sup>9</sup> bearing in mind its inspiring principles.
- That it take the necessary measures to encourage the population to remain in the country, through the creation of jobs and the payment of fair salaries.

- That it take the necessary measures to consolidate a national health system based on equity and accessibility, in accordance with article 12 of the International Covenant on Economic, Social and Cultural Rights, guaranteeing essential health services for the entire population, in particular for vulnerable groups, by increasing the budget allocated for such purposes.

#### *Committee on the Elimination of Discrimination against Women*

- The Committee is concerned about the high level of poverty among women, especially rural and indigenous women.
- The Committee notes with particular concern the precarious employment conditions of women working in maquila industries, where their human rights are frequently violated, especially insofar as safety and health are concerned.
- The Committee observes a lack of gender-disaggregated data in the reports, as well as insufficient information on indigenous women.

#### *Committee on the Elimination of Racial Discrimination*

- The Committee notes with concern the vulnerability of the indigenous peoples in respect of enjoyment of their economic, social and cultural rights, particularly as regards land ownership and access to drinking water. ■

8 GCAP-ES. "La corrupción en El Salvador": <[www.cidpelsalvador.org/GCAP](http://www.cidpelsalvador.org/GCAP)>.

9 One of the Peace Accords that put an end to the Salvadoran civil war and which is, to date, one of the major matters pending in the compliance with the agreements.