

## El Salvador

### A new development model based on social inclusion

Recently, El Salvador has taken firm steps to establish a universal social protection system. The Government's strong political commitment and social dialogue have contributed significantly to this process.

The Universal Social Protection System (SPSU) introduced in 2009 seeks to ensure universal social protection in the areas of health, food, income security, and vocational training. In 2014, Congress adopted the Development and Social Protection Act (LDPS), in order to institutionalize the SPSU and enhancing its operation.

These initiatives are transforming the structure of the social protection system in El Salvador with an impressive socio-economic impact. Between 2008 and 2012, poverty rates fell from 39.9 to 34.5 per cent, while inequality, measured by means of the Gini index, dropped from 0.48 to 0.41.

National social protection floors (SPFs) guarantee access to essential health care and basic income security for children, persons of working age, and the elderly.

185 countries have adopted the Social Protection Floors Recommendation, 2012 (No. 202), an approach to achieve universal social protection.

This brief presents a successful country experience of expanding social protection.



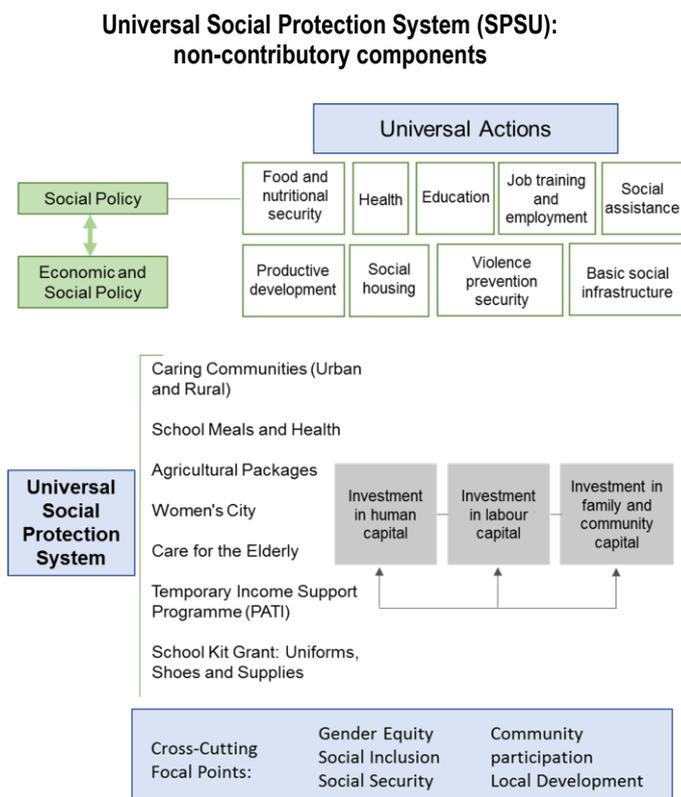
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### Main lessons learned

- Investment in social protection is a reliable way to reduce inequality, as shown by the positive impact on the Gini index in El Salvador.
- Linking social programmes to productive development, for example, by including micro-enterprises as suppliers in social protection programmes, generates positive effects on local economies.
- The experience of El Salvador's Universal Social Protection System shows that social dialogue is essential to implement political agreements aimed at increasing and maintaining social expenditures.
- The rights-based approach adopted by El Salvador is an essential element to support universal policies for social protection.
- Mainstreaming social protection strategies, programmes, and processes through developing a legal framework supports and ensures their continuity. A good example is the enactment of the Development and Social Protection Act in El Salvador.

## 1. What does the system look like?

Social protection in El Salvador is structured through its Universal Social Protection System (SPSU). The SPSU is guided by rights-based principles and by a strategy based on a life-cycle approach, with a focus on gender equality. The system includes non-contributory universal interventions, which ensures a social protection floor for the whole population, and is complemented by contributory components.



Source: STP, 2013.

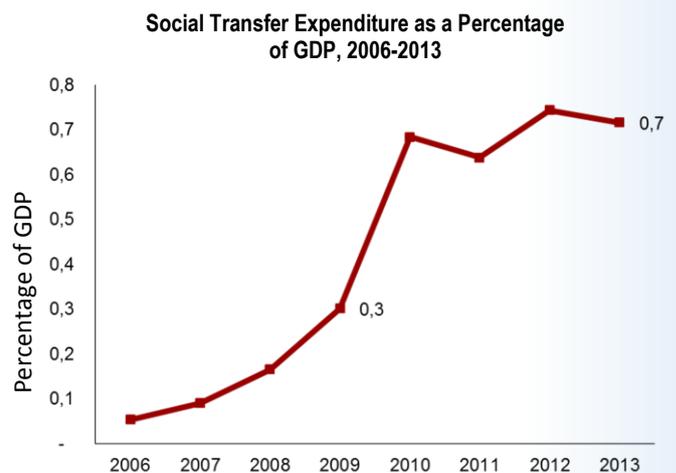
The Technical Secretariat of the Presidency (STP) is responsible for coordinating the System and a number of institutions and ministries take part in its implementation.

**Benefits.** Although the SPSU follows a universalist approach, the non-contributory components are mainly targeted at persons who are socially vulnerable. Caring Communities (urban and rural) is considered to be the main programme and involves interventions for specific age groups. For example, the School Kits Programme targets children; the Temporary Income Support Programme (PATI) targets working-age individuals; and Our Senior Rights programme targets the elderly. The non-contributory component also includes universal health care provided through the Ministry of Health. In addition, social security provides contributory coverage to 25 per cent of the population.

Contributory programmes are organized through Social Insurance (ISSS) and a private pension scheme. Contributory coverage encompasses medical care, sickness and maternity, and compensation benefits for accidents at work and occupational diseases. Since 1998, disability, old age, and survivors' benefits have been administered by the Pension Savings System (SAP), a system based on individual accounts and handled by private pension fund administrators (AFPs).

**Financing.** Since the introduction of the SPSU, El Salvador has made an unprecedented number of social investments. It is estimated that in 2013, expenditures on non-contributory transfers reached an amount equivalent to 0.7 per cent of GDP.

Between 2011 and 2013, the Government financed approximately 65 per cent of expenditures. The remaining amount was financed with non-reimbursable funds from the European Union, Luxembourg Development Cooperation, AECID, and USAID, as well as with loans from the IDB and the World Bank.



Source: Quiñonez (2014).

**Legal aspects.** The enactment of the Development and Social Protection Act (LDPS) in April 2014 provides legal support for the mainstreaming and consolidation of the SPSU, as well as establishes conditions for the continuity of its principal interventions.

**Benefits delivery.** The coordination of the System is centralized and its management is decentralized. The Social Investment Fund for Local Development, the Social Inclusion Secretariat, and several ministries, including Agriculture and Livestock, Education, and Labour and Social Security, implement the system. The SPSU has three principal management tools: the Single Registry of Participants (RUP), the Social Programmes Information System, and the Social Policy Monitoring and Evaluation System.

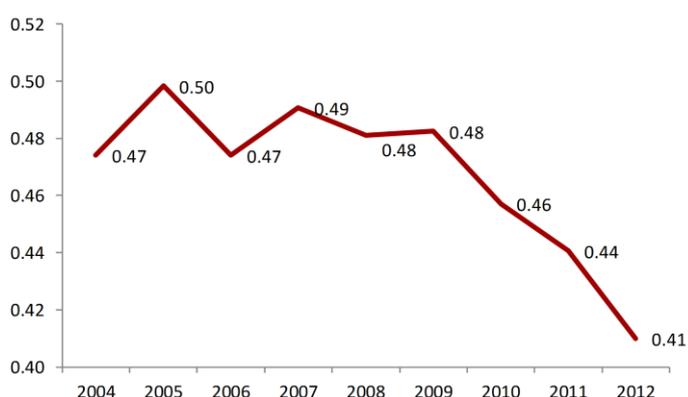
## 2. How was this significant progress achieved?

Although the Government has been strongly committed to the expansion of social protection, the process of creating a new social protection system has not been easy. It is only recently that the Government has adopted an active social policy oriented towards developing universal social protection and establishing appropriate priorities. The principal interventions that have contributed to the process are: the creation of the SPSU (2009); the Five-Year National Development Plan (2010-2014), which includes and prioritizes social protection; the Global Anti-Crisis Plan (2009); the reform of the health sector initiated in 2010, with the purpose of enhancing stewardship, health services, health-care staff and public participation; and the adoption of the Development and Social Protection Act (2014).

## 3. What are the main results in terms of impact on people's lives?

**Outcomes.** According to the TSP, over 2 million people have benefited from the SPSU since 2009 – equivalent to 30 per cent of the population. In 2013, the SPSU invested over US\$183 million in non-contributory benefits (TSP and ILO, 2013). In that year, the School Meals and Health Programme (PASE) benefited over 1.4 million children; the Temporary Income Support Programme benefited close to 17,000 people; and the Universal Basic Pensions Programme covered close to 29,000 elderly persons. Out of a total of 262 municipalities nationwide, the Caring Communities Programme benefited 125 of them, with 100 of the municipalities being rural communities.

**Impact on people's lives.** Since 2009, El Salvador has attached great significance to using social policy as a means to distribute and redistribute wealth, affecting poverty, inclusion, and equity. The country has witnessed the progressive decline of poverty and income inequality. Poverty rates fell from 39.9 per cent in 2008, to 34.5 per cent in 2012. Inequality, measured by means of the Gini index, dropped from 0.48 to 0.41 during the same period.



Source: Multi-Purpose Household Survey, several years. MINEC/DIGESTYC.

**Impact on other sectors of the economy.** In El Salvador, social programmes generate productive chains and impact other sectors of the economy, with emphasis on strengthening local economies.



Some of the programmes have placed a priority on the mobilization of local micro-enterprises as providers of school supplies, uniforms, and food products. It is estimated that since 2009, the School Kits Programme has generated over 47,000 jobs and hired close to 4,300 suppliers, many of them from local communities. Through its Glass of Milk programme, the School Meals and Health Programme (PASE) has contracted approximately 2,200 cattle farmers as suppliers and it is expected that numbers will increase to 4,000 over the next few years.

## 4. What are the next steps?

Recent developments in the social protection system show unprecedented outcomes. However, a few challenges yet remain:

- Achieving greater linkages between the SPSU and social policy in general, and improving coordination between institutions in the social sector.
- Expanding the fiscal space and, in particular, reducing external funding of programmes in order to make the system sustainable.
- Extending non-contributory programmes to additional highly vulnerable regions.
- Extending social security coverage to groups that are not covered, with the informal economy as a priority.
- Consolidating the health reform process under the leadership of the Ministry of Health.
- Strengthening and mainstreaming social dialogue instruments.

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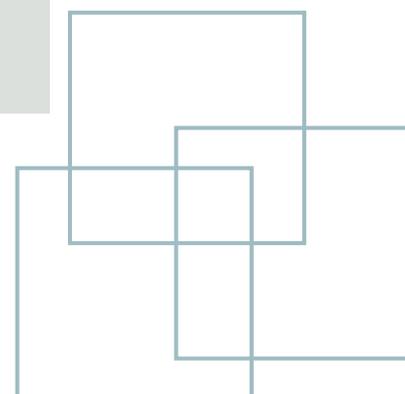
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