



Strategic Evaluation of EU Budget Support to El Salvador (2009-2017)

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Abbreviations

AECID	Agencia Española de Cooperación Internacional al Desarrollo (Spanish Agency for International Development Cooperation)
APREMAT	Apoyo al Proceso de la Reforma de la Educación Media en el Área Técnica (Support to the Secondary Education Reform Process in the Technical Area)
ARENA	Alianza Republicana Nacionalista (Nationalist Republican Alliance)
AUP	Asentamientos Urbanos Precarios (Precarious Urban Settlements)
BANDESAL	Banco de Desarrollo de El Salvador (El Salvador Development Bank)
CABEI	Central American Bank for Economic Integration
CIM	Centro de Investigaciones de Metrología (Metrology Research Centre)
CM	Ciudad Mujer Programme
CNC	Consejo Nacional de Calidad (National Quality Council)
COMPRASAL	Sistema Electrónico de Compras Públicas de El Salvador (El Salvador Public eProcurement System)
CONAMYPE	Comisión Nacional de la Micro y Pequeña Empresa (National Commission for Micro and Small Enterprises)
CS	Complementary Support
CSR	Comunidades Solidarias Rurales (Rural Solidary Communities)
CSU	Comunidades Solidarias Urbanas (Urban Solidary Communities)
DEVCO	Directorate-General for International Cooperation and Development
DIGESTYC	Dirección General de Estadísticas y Censos (General Directorate of Statistics and Censuses)
DRM	Domestic Revenue Mobilisation
ECOs	Equipos Comunitarios de Salud (Community Health Teams)
ECOFs	Equipos Comunitarios de Apoyo Familiares (Community-Based Family Support Teams)
EEPE	Estrategia de Erradicación de la Pobreza Extrema (Extreme Poverty Eradication Strategy)
EITP	Escuelas Inclusivas de Tiempo Pleno (Full-Time Inclusive Schools)
EUD	Delegation of the European Union
FA	Financing Agreement
FISDL	Fondo de Inversión Social para el Desarrollo Local (Social Investment Fund for Local Development)
FMLN	Frente Farabundo Martí para la Liberación Nacional (Farabundo Martí National Liberation Front)
FOCAP	Fondo Común de Apoyo Programático (Programme Support Basket Fund)
GAPS	Grupo de Apoyo al Plan Social (Social Plan Support Group)
GETT	Gerencia de Educación Técnica y Tecnológica del MINED (MINED Technical and Technological Education Directorate)
GIZ	German Technical Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit, in German)
GoES	Government of El Salvador
ICTs	Information and Communication Technologies
IDB	Inter-American Development Bank
INJUVE	Instituto Nacional de la Juventud (National Youth Institute)
INSAFORP	Instituto Salvadoreño de Formación Profesional (Salvadoran Institute of Professional Training)
ISDEMU	Instituto Salvadoreño para el Desarrollo de la Mujer (Salvadoran Institute for Women's Development)
ISP	Institutional Strategic Plan
KFW	German Development Bank (Kreditanstalt für Wiederaufbau, in German)
LAIF	Latin America Investment Facility

LDPS	Ley de Desarrollo y Protección Social (Social Development and Protection Law)
M&E	Monitoring and Evaluation
MINED	Ministry of Education
MINEC	Ministry of the Economy
MIP	Multiannual Indicative Programme
MoF	Ministry of Finance
MoH	Ministry of Health
MOP/VMVDU	Ministerio de Obras Públicas / Viceministerio de Vivienda y Desarrollo Urbano (Ministry of Public Works / Vice-Ministry of Housing and Urban Development)
MPHS	Multi-Purpose Household Survey
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MTPS	Ministerio de Trabajo y Previsión Social (Ministry of Labour and Social Security)
OSA	Organismo Salvadoreño de Acreditación (Salvadoran Accreditation Agency)
OSARTEC	Organismo Salvadoreño de Reglamentación Técnica (Salvadoran Technical Regulation Agency)
OSN	Organismo Salvadoreño de Normalización (Salvadoran Standardisation Agency)
PACSES	Programa de Apoyo al Programa Comunidades Solidarias de El Salvador (Programme of Support to Solidary Communities in El Salvador)
PAES	Prueba de Aprendizaje y Aptitudes para Egresados de Educación Media (Learning and Aptitudes Test for Secondary School Graduates)
PARE-ES	Programa de Apoyo a la Recuperación Económica de El Salvador (Programme to Support the Economic Recovery of El Salvador)
PDPIS	Plan de Desarrollo, Protección e Inclusión Social 2014-2019 (Social Development, Protection and Inclusion Plan 2014-2019)
PEFA	Public Expenditure and Financial Accountability
PESS	Plan El Salvador Seguro (Safe El Salvador Plan)
PFM	Public Financial Management
PGA	Plan Global Anticrisis (Global Anti-Crisis Plan)
PNC	Política Nacional de Calidad (National Quality Policy)
PQD	Plan Quinquenal de Desarrollo (2014-2019) (Five-Year Development Plan)
PRACAMS	Programa Regional de Apoyo a la Calidad y a la Aplicación de Medidas Sanitarias y Fitosanitarias en Centroamérica (Regional Programme to Support the Quality and Application of Sanitary and Phytosanitary Measures in Central America)
PRO-CALIDAD	Programa de Apoyo al Sistema Nacional de Calidad (Programme to Support the National Quality System)
PRO-EDUCA	Programa Fortalecimiento de la Cohesión Social en el Sector Educativo (Strengthening Social Cohesion in the Education Sector Programme)
PRO-INCLUSIÓN	Programa de Apoyo al Plan Nacional de Desarrollo, Protección e Inclusión Social (2014-2019) (Programme of Support to the National Social Development, Protection and Inclusion Plan 2014-2019)
PSE	Plan Social Educativo (Social Plan for Education)
RBB	Results-Based Budgeting
RBM	Results-Based Management
RG	Reference Group (for the Evaluation)
RUP	Registro Único de Participantes (Single Register of Participants)
SAFI	Sistema de Administración Financiera (Financial Management System)
SAFIM	Sistema de Administración Financiera Municipal (Municipal Financial Management System)
SDGs	Sustainable Development Goals
SE	Secondary Education
SECULTURA	Secretaria de Cultura (Culture Secretariat)

SETEPLAN	Secretaría Técnica y de Planificación de la Presidencia (formerly STPP) (Technical and Planning Secretariat in the Office of the President)
SIS	Secretaría de Inclusión Social (Social Inclusion Secretariat)
SPSU	Sistema de Protección Social Universal (Universal Social Protection System)
SSC	Sistema Salvadoreño de Calidad (Salvadoran Quality System)
TA	Technical Assistance
ToR	Terms of Reference
TTE	Technical and Technological Education
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VMCD	Viceministerio de Cooperación para el Desarrollo (Vice-Ministry for Development Cooperation, part of the Ministry of Foreign Relations)
WB	World Bank

Executive Summary

Introduction and context

Purpose and Scope

The main purpose of this evaluation is to provide the Government of El Salvador, the European Union and the wider public with an **independent assessment of the European Union's Budget Support operations in El Salvador over the period 2009-2017**. The evaluation focuses on ascertaining the extent to which the Budget support was appropriate for the local context and how it helped to enhance national policy outcomes through its contribution to improvements in the formulation and implementation of these policies in the areas supported. The evaluation also seeks to identify key lessons learned from the process of implementing the Budget Support programmes and offer recommendations that may improve those operations that are currently under way as well as those that might be carried out in the future.

Five Budget Support operations were analysed as part of the evaluation: **PRO-EDUCA (2009-2015)**, which focused on the education sector, specifically on promoting safe and harmonious school environments, on the use of Information and Communication Technologies and on strengthening Technical and Technological Secondary Education; **PARE-ES (2010-2015)**, which supported the Ministry of Finance's Institutional Strategic Plan and focused on achieving macroeconomic stability, increasing tax revenue and transparency, stabilising public debt and reducing untargeted subsidies; **PRO-CALIDAD (2010-2014)**, which supported the creation of the Salvadoran Quality System with the Ministry of the Economy and the National Quality Council; **PACSES (2011-2018)**, that supported the Technical and Planning Secretariat in its implementation of the *Comunidades Solidarias* Programme (which is the national programme to assist families living in extreme poverty) and was continued with **PRO-INCLUSIÓN (2017-2020)** to support the *Plan Nacional de Desarrollo, Protección e Inclusión Social* 2014-2019.

The context of the European Union intervention in El Salvador

El Salvador has faced a delicate macroeconomic situation which still persists. The fiscal deficit and growing public debt are aggravated by a scenario of weak economic growth and uncertainty, even though important internal agreements have been reached since 2015 to allow the placement of bonds in the international financial market and to approve laws on Fiscal Responsibility and Reform of the Pensions System. These agreements have led to improved prospects for growth in Gross Domestic Product, although it still remains at only around 2% per year. As well as difficult governance conditions, the main causes of this situation of weak growth are low levels of public and private investment, high levels of citizen insecurity, ongoing migration, the country's vulnerability to natural disasters and the fragility of the fiscal sector.

Development cooperation between the European Union and the Government of El Salvador through the Budget Support operations has centred on the two *Planes Quinquenales de Desarrollo* (PQD). The first PQD covered the period 2010-2014 and the second PQD started in 2014 and will run until the end of 2019. The two PQDs have a common approach and aim to reduce poverty, inequality and violence, improve citizen security, social cohesion, the economic recovery and the sustainability of public finances, and promote inclusive education, productive employment and sustainable economic development.

Four of the five Budget Support programmes evaluated were implemented mainly while the Funes government's PQD 2010-2014 was in force. The fifth corresponds to the PQD 2014-2019.

Evaluation Methodology

The methodology used for this evaluation was developed by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD)¹. This methodology presents a framework for evaluating the contribution of Budget Support programmes to the achievement of outcomes and impacts in the sectors being supported, identifying links between the different levels of intervention and analysing the determining factors that contributed to these results.

¹ The guide to the methodological approach is available at <http://www.oecd.org/dac/evaluation/evaluatingbudgetsupport.htm> (OECD-DAC, Sept. 2012).

Main Evaluation Findings and Conclusions

Programme design

The design of the programmes responded appropriately to the Salvadoran context, both in their content and scope and in their approach and timeliness.

The Budget Support programmes were formulated on the basis of the Multiannual Indicative Programmes (MIPs) for 2007-2013 and 2014-2020, which provide the main guidelines for the development cooperation between the European Union and El Salvador. These MIPs show that the European Union's cooperation has a high degree of convergence with the strategic priorities of the Government of El Salvador, as set out in the PQDs for 2009-2014 and 2014-2020. Thus, **the European Union used the Budget Support to contribute to inclusive growth and a reduction in poverty and inequality, and to promote the rights-based, gender and intergenerational approaches in El Salvador.**

In general, the conditionality applied was relevant to the Budget Support programmes and the indicators chosen were of good quality. The indicators fulfilled the SMART criteria, were based on the strategies supported and were linked to effective progress in the policies supported. Measurement problems were rarely encountered. In the older programmes (PRO-EDUCA, PARE-ES, PACSES) the performance indicators were mainly outcome-oriented, while in the more recent ones (PRO-CALIDAD, PRO-INCLUSIÓN) output indicators predominated.

Use of inputs

Of the three Budget support inputs (financial resources, technical assistance and policy dialogue), the first two were used to produce good quality outputs, with potential added value for the Government of El Salvador's initiatives, while policy dialogue was the least relevant input.

The funds disbursed created some fiscal space to finance initiatives in the "Quality" policy that would have otherwise been difficult to carry out. They also protected strategic spending in the social and education sectors. The Budget support funds disbursed to the National Treasury were relatively modest in quantitative terms, but in strategic terms they were very important to the Government of El Salvador. PRO-CALIDAD is an outstanding example, as it financed much of the development of the Salvadoran Quality System with the Budget support contributions. Budget support funds also helped the institutions involved to produce more and/or better goods and services as they largely reached the institutions implementing the policies supported, which was clearly the case in PRO-EDUCA. In the case of PARE-ES, the funds did not create new fiscal space, as they were used to cover part of the deficit and to meet the pre-existing specific need to cover the gas subsidy.

The studies, training, accompaniment and other tasks carried out by most of the technical assistance (TA) providers were noteworthy for their high level of relevance and quality. The TA generated analyses and proposals that were made available to the Government of El Salvador for policy development and sectoral dialogue. Particularly noteworthy was the PACSES TA, which contributed to the Social Development, Protection and Inclusion Law and to the formulation of the *Plan Social*. The TA provided by PARE-ES and PRO-CALIDAD was also important to the design and launch of institutional strategies. In the case of PRO-EDUCA, the influence of the TA in the area of Technical and Technological Education was significant, but neither the TA for the sector's other areas nor the United Nations Development Programme contribution were as useful as the Ministry of Education had expected.

Policy Dialogue had a significant influence only in the social sector. In general, it was irregular and less than what would be expected from the dynamics generated by Budget Support programmes. The contributions to dialogue forums were strategic and relevant in the social sector and, somewhat less so on fiscal issues. In the education sector and in the area of quality, in contrast, dialogue was not found to have made strategic contributions. The dynamic of understanding "Government of El Salvador-European Union-other donors" was constant but more operational than strategic. The contribution to a genuine donor coordination was limited to the successful case of the Programme Support Basket Fund for the *Comunidades Solidarias* Programme and to the working group in the fiscal sector. Therefore, with the exception of the social sector and, to some extent, of public financial management, policy dialogue was the input with the weakest influence of the three.

*Institutional
capacity
development*

Partly by making good use of the support provided by the European Union and other donors, Salvadoran institutions reinforced their capacities and, in general terms, shored up the planning and monitoring of policies and improved their implementation, leading to an enhanced production of goods and services for the Salvadoran people.

All this was achieved in spite of an unfavourable context (2009) of economic crisis, lack of public and private investment, change of government and political polarisation, factors that to some extent still persist. **The contributions made by the Technical Assistance and, to a lesser extent, by the funds going to the national budget were strongly linked to several of these improvements.**

PACSES, PARE-ES and PRO-CALIDAD helped to improve the formulation and monitoring of the policies they supported. The PACSES TA was key to inter-sectoral coordination, to monitoring of the *Comunidades Solidarias* Programme, to formulation of the *Plan Social* 2014-2019, to keeping direct transfer policies, to expanding the coverage of basic services, and to mainstreaming the gender approach at the top of the policy agenda. Another clear example of positive contribution is the support provided by PRO-CALIDAD to the Ministry of the Economy right from the start of the development of the Salvadoran Quality System and all its associated aspects. The PARE-ES TA was instrumental in the development of the Ministry of Finance's Institutional Strategic Plan in its two versions, 2012-14 and 2015-19. In the education sector a relatively solid sectoral document already existed (PSE 2009-2014), and therefore the influence of PRO-EDUCA did not come particularly from direct support to policy formulation but focused instead on supporting its implementation.

All Budget support programmes played a positive role in facilitating the increase in the institutional production of goods and services. An outstanding example is PRO-EDUCA, whose financial contribution enabled the Ministry of Education to make a significant investment in equipment, technology, infrastructure and training in schools. The technical support was also important to improve the curricula in Technical and Technological Education and teacher training, among other aspects. In the case of PACSES, although it is difficult to identify precisely what its financial contribution was spent on, it was added to the national funds used to cover essential outputs such as the Universal Basic Pension for people aged 70 and over, the education and health transfers for vulnerable families, the Community-Based Family Support Teams and guidance, mediation and employment training services, as well as infrastructure for water, electricity and sanitation. The PACSES complementary support helped to finance the numerous support services to combat gender violence and empower women provided by the *Ciudad Mujer* Programme, a government initiative that provides comprehensive support to women through specialised services, with the aim of improving their quality of life. Finally, the PARE-ES TA was also relevant for the development of key public financial management tools such as the Medium Term Fiscal Framework (MTFF), the Municipal Financial Management System (SAFIM) and others.

*Achievements
in sectoral
outcomes*

The improvements achieved in policy formulation, implementation and monitoring, with the support of the Budget support programmes, also influenced the achievement of sectoral outcomes, especially in those areas that actually supported the delivery of services to the Salvadoran people, namely social cohesion and education, although challenges persist in all the sectors.

The **PACSES** Programme disbursements and the TA to support inter-sectoral coordination are connected to the achievements of the *Comunidades Solidarias* Programme. This includes the attainment of improved outcomes in **rates of coverage and access to water, sanitation and electricity services**. In addition, pensions and education and health transfers helped to **increase household income** and the health reform helped to eliminate economic, geographical and cultural barriers to access through, for example, the Community Health Teams, free medical services and the reduction in the cost of medicines. Also noteworthy is that in 2018 **the stock of medicines in first-level healthcare facilities stood at 87%** (compared to 45% in 2009). In addition, there has been a **reduction in maternal mortality**, at 27.4 maternal deaths for every 100,000 live births, placing El Salvador among the five countries with the lowest maternal mortality rates in Latin America. It was also found that **women who visited Ciudad Mujer centres used public services 43% more** than women who did not go to these centres, specifically to obtain advice on sexual and reproductive health and

legal support in connection with economic empowerment and the campaign against gender violence. The main challenges in the social area include the following: ensuring adequate funding through the budget; expanding the scope of the Universal Social Protection System (integrating its contributory and non-contributory components); continuing to improve inter-institutional coordination and incorporate the territorial element by strengthening local stakeholders and municipalities; reinforcing the gender components of *Ciudad Mujer* and policies in general; continuing to work on the links between labour policy, employability and Technical and Technological Education; and improving the connection with the private sector.

The **PRO-EDUCA** Programme's support is **directly related to the increase in public spending on education during the period**. The analysis also suggests a possible positive correlation between the "Un Sueño Posible" Programme (the Ministry of Education's sport, recreation, art and culture programme, for which PRO-EDUCA was the main funder) and **student enrolment and academic performance in secondary education**. This improvement was inclusive because the relative increase in total enrolment in rural areas is much more substantial (32.4%) than in urban areas (5.9%). **Although the evidence is weaker, a link can also be inferred between the financial and technical contributions and the improvement in grades in Technical and Technological Education**, according to the Learning and Aptitudes Test for Secondary School Graduates (PAES), as it was found that progress was better in the technical grades, which received more support from PRO-EDUCA. Despite this, the figures on repetition did not improve and the information on school drop-out rates was not reliable enough to assess how they have changed. Together with these latter two indicators, the challenges in the education sector include the following: improving the quality of teaching; integrating education from early childhood onwards; continuing to improve peaceful coexistence in schools; structuring the Technical and Technological Education System; consolidating the sustainability of equipment and materials; and encouraging Results-Based Management in the sector.

Outcomes were also achieved, though somewhat less clearly, in **PRO-CALIDAD**, which focused on developing various aspects of the National Quality Policy and its institutional structure. **The programme's main contribution was to provide financial resources and technical assistance which helped to ensure that the National Quality Policy's agencies are today fully operational, receive funding from the national budget, and are also raising their own funds**. The country's productive sector is already taking advantage of the opportunities offered by the institutional framework in place, and the pharmaceutical industry is the sector that has so far taken the best advantage of these opportunities to compete in improved quality conditions. The main challenges for the subsector are: continuing to develop and disseminate the culture of quality with all the system's stakeholders; achieve greater efficiency in governance for internal management; improving coordination with other government institutions (particularly the Ministry of Health and the Ministry of Agriculture) to make certification processes efficient; and encouraging public sector organisations to make greater use of the certification services offered by the national system.

Because PARE-ES is a Budget Support Programme in the area of fiscal policy, its contribution to concrete outcomes is more difficult to judge or quantify. The contribution made by PARE-ES to development results was therefore indirect and, though it certainly existed, it is even more difficult to quantify. However, **its vital importance is acknowledged in the improvement of macroeconomic and fiscal policy and public financial management so that areas and sectors (in this case those responsible for social, education and quality policies) can have more and better resources available** (in particular, a larger investment budget) and more tools (to enable more efficient spending, for example) to deliver more and better goods and services to final beneficiaries and users. Several challenges related to budget and fiscal issues persist, including the need to: scale up the public financial management reforms (to include all the institutions involved in the system); complete the development of the new IT tool for financial management (SIAF II); reform the budgeting system to make it more results-oriented and strengthen the links between medium-term planning and budgeting; move forward with some kind of national fiscal pact; develop a more strategic vision and role for national public investment; and maintain the effort to increase the tax burden in the country to reach a more acceptable level, or at least one comparable to the Latin American standard.

*Correlation
between*

Finally, at the level of the overall objectives of the Government of El Salvador and the European Union, positive correlations can be noted between the progress observed in the impact

progress on impact indicators and the focal areas of the policies supported

indicators (inequality, income and non-income poverty, and growth) and the focal areas of the policies supported by means of Budget Support.

Of course, there are many factors external to the policies carried out by the government that also influence the level of impacts observed. Even so, and although it may be very difficult to quantify, it can be stated that there is a relationship between the outcomes of the public policies analysed and the main impact indicators.

For example, **the achievements in social protection and education could have contributed to the reduction in inequalities.** This contribution would be explained, specifically, by the correlation between these policies' priorities and the data on the reduction in the urban/rural gap, both in poverty and in enrolment in secondary education. Furthermore, with the support of PACSES and PRO-EDUCA, both social sectors also seem to have helped to reduce non-income poverty by having contributed to the increase in access by the most disadvantaged groups to the public services normally included in the measurement of multidimensional poverty (years of schooling, rates of coverage of water, sanitation and electricity). **The reduction in income poverty could have been influenced by the social protection policy and the quality policy,** particularly by the Universal Basic Pension, the education transfers provided by *Comunidades Solidarias* and the jobs and income created by the export companies (although the data on employment are less conclusive). Likewise, **the quality policy may have contributed to growth** through increased economic activity, which in turn brought economic development that has been shown to be inclusive in the years analysed, as **Gross Domestic Product and the reduction in extreme poverty increased almost in parallel (both rose by about 30% over the period), even though the reduction in relative poverty is slower.** The work of PRO-EDUCA on youth employability and entrepreneurship through the *Seamos Productivos* Programme may also have influenced this aspect. In theory, better educated young people who are prepared for the labour market may have an influence on growth, though because this is only seen in the long term the possible influence of Budget support in this area is weaker.

Cross-cutting issues in development cooperation

The cross-cutting issues in development cooperation, particularly gender, good governance and human rights, were mainly addressed in the Budget Support operations in the social sector, PACSES and PRO-INCLUSIÓN, where the development of the Universal Social Protection System was at the centre of the work. Thus, gender issues were strengthened specifically in the *Comunidades Solidarias* Programme through the work of the National Commission for Micro and Small Enterprises (CONAMYPE) and the Salvadoran Institute for Women's Development (ISDEMU) and, above all, through the *Ciudad Mujer* Programme. Overall, however, gender was not explicitly present in the Budget Support for El Salvador except in the above-mentioned programmes related to Focal Sector 1 of both Multiannual Indicative Programmes (MIP): *Strengthening Social Cohesion and Citizen Security (MIP 2007-2013)* and *Youth and Social Inclusion (MIP 2014-2020)*. PRO-EDUCA approached education as a right, with a strong focus on supporting the most economically and socially vulnerable students. However, gender was not identified as a priority issue in the education sector strategy, or in the programme, which placed more emphasis on social, economic and geographical inequalities. In the programmes concerned with economic matters (PRO-CALIDAD) and/or the fiscal sector (PARES), no clear evidence was found of the mainstreaming of the issues promoted by the European Union because they were not a specific priority at the time in the respective policies supported.

Added value of EU cooperation in El Salvador

Finally, **the added value of European Union cooperation is reflected in the application of the intrinsic values of development cooperation and its approaches as a donor in El Salvador, as it works with partner governments in a relationship of mutual respect between equals.** Thus, the key priorities in EU cooperation are respect for human rights, the promotion of gender equality and good governance. In addition, the sectors prioritised by the European Union in El Salvador focus on social policy as an investment for the country, alongside the support for economic development. Another ever-present characteristic is that, in close collaboration with its Member States, the European Union unites European efforts and promotes the coordination of development aid. **For all these reasons, Budget Support is confirmed as the most appropriate modality for enabling the added value of European Union cooperation in El Salvador to take effect.**

Main Recommendations

Relevance of the financial input of the Budget Support programmes

- **In future Budget Support operations, consider possible alternatives in the relative weight and role assigned to financial and complementary support inputs.** The initial proportion in the programmes evaluated was, on average, 93% of the funds allocated to disbursements to the National Treasury and 7% to complementary support. When it is noted that the importance of the funds provided to the national and/or sectoral budget is relatively small, these percentages may appear somewhat unbalanced. The effect of reducing the financial support allocation by 5% or 10% would have little or no influence on the budget, but could potentially double the funds available for TA to support improvements in institutional production of goods and services and capacity development.
- **To alleviate the effects of insufficient public investment in the country, as well as redirecting it towards a more strategic vision, explore opportunities to use innovative financing mechanisms that can complement or build on the budget support programme interventions.** For example, blending to support sectoral public investment in social sectors or the existing facilities in the international financial institutions to support the private productive sector in certain sectors. A combination of loan funds (from the European Investment Bank, the Inter-American Development Bank, the World Bank, Government of Spain and/or others) and European Union grants under a project, contribution agreement or delegated cooperation arrangement (AECID, Luxembourg) could be considered, creating added value and contributing to the sustainability of the European Union operations in the sectors that have a capital investment deficit.
- **Specifically assess whether a sectoral budget support programme is the most appropriate modality for supporting macro-fiscal policy.** The PARE-ES Programme contributed direct outputs from the TA contracted and the funds helped to meet urgent treasury needs, but this carries high risks in terms of results if the financial resources – which are the most substantial part of the budget support programme – do not generate fiscal space and are used to cover a pre-existing fiscal deficit.

Need to link the intervention logic of Budget support programmes and policy dialogue around a clear sectoral strategy

- **Ensure that the budget support operations are strategic, in particular by securing a solid sectoral policy as the key point of reference for the interventions.** It is suggested that the prior existence of a policy on which to formulate a sectoral budget support operation should be made a stricter requirement. When such a policy does not exist or the sector is not clearly defined, initial support in the form of a project or TA may be considered, in order to meet the eligibility conditions (especially the condition on the sectoral policy), and then move on to the Budget support arrangement, now with policy objectives, indicators and targets defined around a strategy document, as well as considering the cross-cutting aspects.
- **Once there is a clear policy in place to support, insist on the importance of establishing a structured, formal and strategic policy dialogue that transcends the operational coordination of programmes and donor coordination.** Policy dialogue is often the input that has the most potential as a vector of change. At the level of the European Union Delegation and in coordination with DEVCO, establish and monitor the essential elements in this dialogue, applicable to all operations, in order to reach an explicit agreement with the Government of El Salvador about its scope, forums and instruments, not just on technical issues in the sector but also on sectoral financial management issues and other cross-cutting aspects.

Influence of the Budget support on the outcome and impact levels

- **In the indicator matrices for the programmes, stress the importance of ensuring that the budget support is structured around progress on the outcomes of the policy supported,** understood as the effects on the beneficiaries achieved by the use of the public policy outputs (goods and services). To measure performance, an appropriate balance should be sought between the use of outcome and output indicators and, to a lesser extent, process indicators. Encourage the alignment of the indicators, as far as possible, with the

Level 2 indicators in the EU Cooperation and Development Results Framework² that the European Union developed in March 2015, publishing the document “Launching the EU International Cooperation and Development Results Framework”.

- **At the formulation stage for instruments of this type, it is necessary to carry out one or more analyses of poverty and inequalities (income, non-income, gender, etc.) that specifically define which aspects of the impacts may be affected by the intervention, in order to improve the definition and monitoring of the potential impacts that a sectoral intervention may have.** This analysis will provide the guidelines and baselines to find out whether, beyond the sectoral outcomes, the programme has in the end contributed to the expected impacts in the aggregate. Methodologies that manage to capture changes in living conditions, particularly those of people living in a vulnerable situation, may be considered. For example, an analysis of poverty (income and/or non-income) could be carried out for PRO-INCLUSIÓN and/or the support to the PESS, or other analyses depending on the priorities identified.
- **To ensure coherence in the development cooperation financed by the European Commission, systematise and replicate accredited good practice in fostering complementarity between the different Budget support programmes, steering them towards the achievement of common objectives in terms of outcomes and impact.** This recommendation also applies to good practice in other modalities, such as PRO-JÓVENES in the social sector or PRACAMS for quality. At the moment, the fiscal area is no longer receiving budget support, but it needs further support in the form of TA, the results of which will benefit all the sectors receiving funds through the national budget.

Recommendations for Government of El Salvador institutions

The recommendations presented below are addressed both to the Government of El Salvador and to the European Union’s development cooperation agencies, as they identify activities that will strengthen improvements in the design and implementation of public policies in education, social protection, quality and the fiscal area.

Social Protection – actions for which the Technical and Planning Secretariat and institutions in the area of social protection are responsible:

- **Continue working to improve the Monitoring and Evaluation systems, the Single Register of Participants as well as the systems in the regulatory agencies and sectoral statistics,** including at the decentralised level, so that these tools (monitoring and evaluation) can achieve their objectives of improving the quality of the design and implementation of the interventions.
- **Continue to make progress with universalising the Social Protection System by promoting contributory social protection.** Involve social stakeholders and political parties in this objective. Consider an organisational re-design to improve inter-institutional coordination.
- **Raise the level of importance of the Jóvenes con Todo Programme** and strengthen the links between labour policy, careers guidance, employability, Technical and Technological Education and the private sector.
- **Reinforce the gender components in the different social interventions and strengthen the Ciudad Mujer Programme.** Consider carrying out a specific evaluation of the efficiency and sustainability of the improvements achieved when government support ends. Forge links with government institutions related to the economy to spread the gender approach.

Education – actions for which the Ministry of Education and institutions in the education sector are responsible:

- **Coordinate policies and interventions to reduce exposure to violence at school and alleviate families’ precarious economic situation,** both of which are identified in the study as determining factors in access to education and dropping out of school. With regard to the economic factor, consider a significant increase in the scholarships programme targeted at the most vulnerable families and those in periurban and rural areas.

² https://ec.europa.eu/europeaid/el-marco-de-resultados-de-devco_es

- **Work on the outputs achieved with PRO-EDUCA to make them sustainable.** Increase access to Information and Communication Technologies by students and teachers, as this is identified as a common determining factor in the improvement of all the outcome indicators (enrolment, repetition, dropping out, and quality/PAES grades). Consider evaluating the presidential programme *Un niño, una niña, una computadora* to assess its efficiency and effectiveness and, if possible, the impact it is achieving. Ensure that the equipment is properly maintained, and consider decentralising the maintenance budget to the schools themselves. Review the quality and location of educational infrastructure and whether it is adapting to changing demand.

Public Finances and Fiscal Policy – actions for which the Ministry of Finance is responsible:

- **Strengthen and update the Institutional Strategic Plan** to improve intra-institutional coordination and monitoring, as well as considering a system of administrative sanctions to levy against departments that fail to meet the agreed targets. **In the implementation of the Plan, concentrate on the issues that require medium-term agreements** such as the pensions system, the debt sustainability strategy, the tax reform and the quality of spending.
- **Intensify the legal and technical reforms and the measures to make tax administration easier in order to increase collection** of the Income Tax, and thus make the Salvadoran tax system more progressive. **Gradually move forward with the implementation of results-based budgeting and related tools** (MTEF, plan-budget links, etc.). Complete the implementation of SAFI II to operationalise these reforms, which are not compatible with the current IT system.

Quality Policy – actions for which the Ministry of the Economy and the organisations in the Salvadoran Quality System are responsible:

- **Continue to strengthen the Salvadoran Quality System by altering the composition of the National Quality Council Board to make it more operational and effective.** Also, use this forum to guide policy to secure the support of the sectoral ministries for the efforts to introduce and disseminate the culture of quality. Reach agreements with other public institutions to make the Council the point of reference for the internal certification of processes and systems in the public sector, and the use of its facilities and services the main means of achieving it.
- Develop agreements and protocols for action with the sectors with the greatest export potential, particularly for exports of products that require certification. The pharmaceutical, food and agroindustry sectors should be dealt with as a priority. Likewise, all the standards issued should be classified by sector and made public through the website, in order to make the monitoring of the measures adopted publicly accessible.

1. Introduction

1.1. Purpose and Scope of the Strategic Evaluation

The main purpose of this evaluation is to provide the Government of El Salvador (GoES), the European Union (EU) and the wider public with an overall independent assessment of the Budget support Budget support operations in El Salvador over the period 2009-2017. It also seeks to identify key lessons learned from the process of implementing the Budget support programmes and offer recommendations that may improve those operations that are currently under way and will also be useful to future Budget support operations in El Salvador.

The evaluation focuses on ascertaining the extent to which the Budget support, as an aid modality used by the EU in El Salvador, was appropriate for the local context and how, through the provision of financial resources and technical assistance (TA) to the GoES and through the structuring of policy dialogue processes, helped to improve the formulation and implementation of the country's social policies (Education and Social Protection), economic policies (National Quality System – Metrology / Standards / Technical Regulation / Accreditation of Products and Services) and fiscal policies.

Thus, the evaluation assesses how the Budget support has contributed to improvements in the effectiveness and efficiency of the sectoral policies supported, expenditure strategies and actions, and institutional capacities, and how these improvements were able to help the GoES achieve sectoral outcomes and sustainable impacts on inclusive growth and the reduction of poverty and inequality. The evaluation also analyses how the Budget support has contributed to the strengthening of macroeconomic management and public financial management (PFM) in the country, including domestic revenue mobilisation and improved transparency and accountability.

The evaluation also compares the performance of Budget support to other aid modalities (e.g.: basket funding/pooled funding/projects) and other donor interventions in the sectors covered by the programmes, in order to assess their complementarity and synergy with the operations analysed, focusing in particular on the projects implemented by the Spanish Agency for International Development Cooperation (AECID) and the Luxembourg Development Agency.

Finally, the evaluation team briefly analysed: the main characteristics of the monitoring and evaluation (M&E) systems currently in place, the availability and reliability of the data required for the different analyses and how these data are used by stakeholders; how the cross-cutting issues important to development cooperation (specifically gender, human rights and good governance) were integrated into the Budget support instrument; and the added value of EU cooperation using this modality.

The evaluation team is grateful for the openness and cooperation of the representatives and staff of the GoES institutions, especially the Technical and Planning Secretariat in the Office of the President (SETEPLAN), the Ministry of Finance (MoF), the Ministry of Education (MINED), the Ministry of the Economy (MINEC), the National Quality Council (CNC) and decentralised entities, the European Union Delegation in El Salvador, the European Commission's DEVCO 04 Unit, technical assistance partners, AECID, the Embassy of Luxembourg, GIZ, IDB, WB, civil society organisations and others, without whose assistance it would not have been possible to carry out this evaluation. The evaluation team wishes to make special mention of the members of the Evaluation Reference Group, whose guidance and contributions throughout the assessment were greatly appreciated.

1.2. Brief Description of the Budget Support Operations

Most of the programmes analysed by this evaluation were formulated on the basis of the Multiannual Indicative Programme (MIP)³ 2007-2013. Only the last programme to be formulated, PROINCLUSIÓN, which is still being implemented, was based on the current MIP 2014-2020.

1.2.1. PARE-ES

The **Programme to Support the Economic Recovery of El Salvador (PARE-ES)** was carried out from 2010 to 2015 and the counterpart was the Ministry of Finance (MoF)⁴. Objectives were established for the areas of Fiscal Management and Public Financial Management, around the Institutional Strategic Plan (ISP), with an emphasis on achieving the following: 1. Enhanced macroeconomic stability and a reduction in the fiscal gap; 2. Improved integration between the directorates in the MoF's Vice-Ministry of Revenue; 3. Increased tax revenue; 4. Stabilisation of public debt servicing; 5. Reduction in non-targeted subsidies; 6. Increased fiscal transparency; 7. Preparation of a Medium Term Fiscal Framework (MTFF).

Planned disbursements for PARE-ES totalled EUR 22 million, with EUR 2 million for TA to support the implementation of the MoF's ISP. In the end, EUR 21 million in Budget support funds for the National Treasury were disbursed between 2010 and 2012 and technical assistance was increased to EUR 3 million, making up the total of EUR 24 million planned for the support. The indicators set for the payment of the variable tranche concerned tax revenue, social spending, transparency and the fiscal framework. The MoF led – and continues to lead – the Fiscal Policy Working Group (previously known as the Budget support Working Group). As well as the EU, the agencies involved in the working group are GIZ, AECID, USAID, IDB and WB.

1.2.2. PRO-EDUCA

The **Strengthening Social Cohesion in the Education Sector Programme (PRO-EDUCA)** belongs to the first focal sector of the MIP 2007-2013 and was implemented from 2009 to 2015⁵. The government counterpart was the Ministry of Education (MINED) and the programme's objectives were to: 1. Promote safe and harmonious school environments; 2. Enhance young people's competitiveness and development through the use of Information and Communication Technologies (ICTs); 3. Strengthen Technical and Technological Secondary Education; and 4. Operationalise and bring coherence to policies for social cohesion and young people, especially in urban areas.

The Budget support funds for disbursement to the National Treasury envisaged in the Financing Agreement (FA) amounted to EUR 23 million, while EUR 2 million would go to Complementary Support, to contract technical assistance (TA) and for visibility work (making a total of EUR 25 million). Following two amendments, the final amount for disbursements to the National Treasury was EUR 20.2 million, EUR 2.8 million was allocated to TA and a Contribution Agreement was signed with the UNDP for the balance of EUR 2 million. The FA established seven disbursement indicators, focused mainly on improvements in school environments and the achievement of outputs and outcomes in secondary education (SE), including ICTs and technical education. Policy dialogue was initially structured around the Education Donors Working Group. After 2010, this working group stopped meeting and operational coordination was conducted in a discussion forum between the EU and the GoES, with the especially active participation of AECID and Luxembourg, and occasionally the World Bank.

³ The Multiannual Indicative Programme (MIP) is the document that sets out the strategic objectives of the EU's relationship with El Salvador over a certain period of time. It normally covers a period of seven years.

⁴ Detailed information on the programme's background, intervention logic and inputs can be found in Annex 8: Case Study of PARE-ES

⁵ Detailed information on the programme's background, intervention logic and inputs can be found in Annex 7: Case Study of PRO-EDUCA

1.2.3. PACSES

The other programme included in the first focal sector of the multiannual programme is the **Programme of Support to Comunidades Solidarias in El Salvador (PACSES)**, which started in October 2011 and was planned to run for four years, later extended until 2018⁶. The main counterpart was SETEPLAN, due to its role as Cabinet Secretariat for Social Management and Inclusion and coordinator of the Universal Social Protection Subsystem, and several other institutions were also involved, including FISDL, SIS, MoH, MINED, CONAMYPE and INSAFORP. The programme's expected results focused on the most vulnerable population groups, and included: 1. Strengthened human capital; 2. Improved habitation conditions in urban settlements; 3. Reduction in unequal access to basic services and infrastructure; 4. Income generation; 5. Reduction in the gender gap in access to income and paid work; 6. Strengthened capacities in municipal governments; 7. Gradual increase in levels of public social investment; 8. Improved fiscal transparency.

PACSES was formulated with the amount of EUR 45 million for disbursements to the National Treasury, as well as EUR 2.4 million of Complementary Support (CS) for 3 components: EUR 1.7 million for technical assistance, EUR 0.5 million for an evaluation and EUR 0.2 million for visibility work. The amount actually disbursed was EUR 36.8 million in Budget support to the National Treasury, with part of the funds undisbursed under this modality going to increase the initial contract for technical assistance to EUR 3.3 million and a grant of EUR 2.2 million to the *Ciudad Mujer* Programme (CM). Eleven disbursement indicators were drawn up around various aspects of social policy, including education, non-contributory pensions, health, gender, water and sanitation, and employability. The policy dialogue was structured around the Social Sector Working Group, led by the GoES, in which AECID, IDB, WB, GIZ, Luxembourg and the UNDP participated as well as the EU.

1.2.4. PRO-CALIDAD

The **Programme to Support the National Quality System of El Salvador (PRO-CALIDAD)** ran from 2011 to 2014⁷. The main counterpart was the Ministry of the Economy (MINEC) and, after it was set up, the National Quality Council (CNC). The programme's expected results were: 1. New legal framework to support national quality infrastructure; 2. National Accreditation, Metrology, Standards and Technical Regulation agencies established by law and operating; 3. International recognition of the National Quality System; 4. Accreditation of assessment agencies; 5. Strengthened consumer rights; 6. Increase in the number of certified process and product management systems in the private sector; 7. Verified strengthening of the education sector in quality issues; and 8. Compliance with quality requirements in public tenders.

PRO-CALIDAD was initially allocated EUR 10.6 million for contributions to the National Treasury via Budget support, as well as EUR 1.5 million in CS to cover technical assistance needs and visibility work. In the end, EUR 9 million in Budget support was disbursed to the National Treasury and EUR 1.3 million of the CS was used for technical assistance (EUR 1.2 million) and visibility (EUR 0.1 million), making a total of EUR 10.3 million spent compared with the EUR 12.1 million committed. The disbursement indicators focused mainly on progress establishing the CNC institutional structure, the strengthening of systems, the delivery of stamps and certifications, and communication and education actions. The dialogue around the Quality Policy took place under the leadership of the MINEC, although no other donors were involved until after the programme had finished, in 2016.

1.2.5. PRO-INCLUSIÓN

The only Budget support programme put together so far under the MIP 2014-2020 is the **Programme of Support to the Plan Nacional de Desarrollo, Protección e Inclusión Social 2014-2019 (PRO-INCLUSIÓN)**, which was launched in 2017 and is expected to finish in 2020⁸. Partly continuing the work done with PACSES,

⁶ Detailed information on the programme's background, intervention logic and inputs can be found in Annex 5: Case Study of PACSES

⁷ Detailed information on the programme's background, intervention logic and inputs can be found in Annex 9: Case Study of PRO-CALIDAD

⁸ Detailed information on the programme's background, intervention logic and inputs can be found in Annex 6: Case Study of PRO-INCLUSIÓN

the counterpart is SETEPLAN, and a large number of institutions are involved. The programme has a long list of expected results grouped around three major objectives: 1. Achieve an impact on poverty reduction; 2. Increase the productive inclusion of women and young people; and 3. Develop the institutional capacity to implement the *Plan Social*.

PRO-INCLUSIÓN has funding of EUR 46 million for contributions to the National Treasury via Budget support, as well as EUR 2.5 million for technical assistance and EUR 0.3 million for monitoring and evaluation. It also has a fund of EUR 1.2 million to provide grant funding to non-state actors. The disbursement indicators mirror some of those used for PACSES in the areas of education transfers to students as part of the *Comunidades Solidarias* Programme (now called Sustainable Families), older people, water, employment and social spending. The dialogue between the GoES and development partners takes place in the setting of the *Plan Social* Support Group (GAPS), in which the EU participates along with other donors including AECID and Luxembourg, thus giving continuity to the Working Group for the *Comunidades Solidarias* Programme.

1.3. Strategic Evaluation Methodology

The methodology used for this evaluation was developed by the OECD Development Assistance Committee (DAC)⁹ (OECD-DAC, September 2012). It presents a framework for evaluating the contribution of budget support programmes to the achievement of expected outcomes in the sector being supported, as well as how the outcomes are related to impacts, identifying links (not attribution) between the different levels of intervention and analysing the determining factors that contributed to these results. This methodology is structured around three components: 1. The Comprehensive Evaluation Framework, which consists of an intervention logic divided into five inter-related levels; 2. The Three Step Analysis, which serves to identify the cause-and effect relations between the different levels; and 3. The Evaluation Questions.

It is important to highlight that the objective of this strategic evaluation is not to undertake a separate evaluation of each of the Budget support programmes that the EU and the GoES have implemented, but rather to attempt to determine the contribution made by the budget support, by sector and as a whole, to the achievement of El Salvador's development objectives. Accordingly, the methodology is adapted for each evaluation conducted¹⁰.

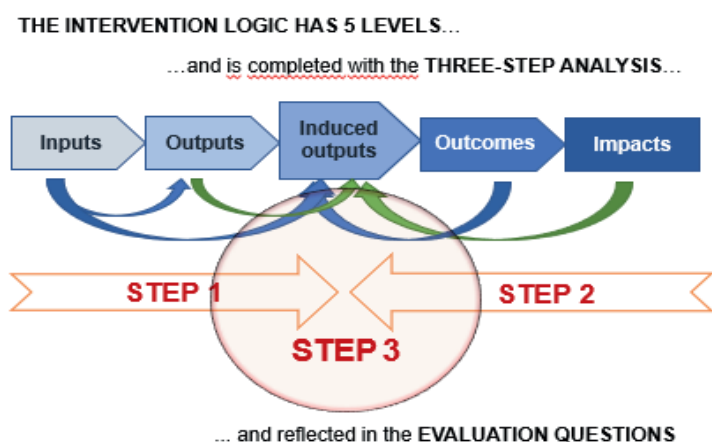
To some extent, the **five levels of the Intervention Logic** are similar to the classical results chain used in development cooperation projects. The levels are: 1. Inputs; 2. Direct Outputs; 3. Induced Outputs; 4. Outcomes; and 5. Impacts. The five levels are structured around a process called the **Three Step Approach**, which proceeds as follows: in Step One, the inputs, direct outputs and induced outputs (Levels 1 to 3) are assessed; in Step Two, the outcomes and impacts (Level 4 and Level 5 of the intervention logic) are analysed; finally, Step Three entails an analysis of the contribution made by the Budget Support operations, combining the two previous steps and assessing the extent to which the inputs and direct outputs (Levels 1 and 2) contributed to the government's policies and outputs (Level 3), and how these in turn contributed to the achievement of the outcomes (Level 4) and impacts (Level 5). A detailed description of the methodological approach used is presented in Annex 3.

In the case of the present evaluation, it was necessary to make certain **adjustments to the methodology**, the most important of which were the following:

⁹ The guide to the methodology is available at <http://www.oecd.org/dac/evaluation/evaluatingbudgetsupport.htm>

¹⁰ The methodology used for this strategic evaluation is set out in Annex 3: Methodological Approach

Figure 1: The Three Components of the Budget Support Evaluation Methodology



Source: Prepared by the authors

(outcomes in the various sectors from which indicators are drawn), while their outcomes correspond to Level 5 (impacts on growth and the reduction of poverty and inequality).

- Given that PRO-INCLUSION began in 2017 and is still being implemented, the analysis of it is limited to Step 1 of the methodology. The aim here is to determine the progress made with the delivery of Budget support inputs, the direct outputs that these may have generated and, as far as possible, to identify potential induced outputs. In this case, the assessment does not go on to Step 2.

1.4. Evaluation Questions

The five levels and three steps in the analysis are combined in the following ten questions. These are also included in the Evaluation Matrix, where they are completed with their corresponding hypotheses, sources and means of verification¹¹.

Table 1: Evaluation Questions

STEP/LEVEL	Evaluation Questions
STEP ONE Level 1	EQ 1.1: To what extent did the design of the Budget support operations respond to the specificities of the institutional, political, economic and social context in El Salvador and to changes in its public policies?
STEP ONE Level 2	EQ 2.1: To what extent have the Budget support inputs contributed to creating new opportunities for the Government of El Salvador in terms of fiscal space, institutional capacities, policy dialogue and donor alignment and harmonisation?
STEP ONE Level 3	EQ 3.1: To what extent have there been improvements in the fiscal and macroeconomic situation and in the quality of public financial management (PFM), including domestic revenue generation, results orientation and transparency? What contributions did the Budget support make to the changes observed?
	EQ 3.2: To what extent have there been improvements in the design and implementation of public policies in the quality policy, education, and social protection and inclusion sectors? What contributions did the Budget support make to the changes observed?
STEP TWO Level 4 & 5	EQ 4.1: To what extent have the outcomes envisaged in sectoral policy for social protection and inclusion in the period 2011-2017 been achieved? Which were the main determining factors of these outcomes?

¹¹ Available in Annex 2: Evaluation Matrix. In addition, Annex 17 of the Report (Volume 3) presents the completed Evaluation Matrix.

STEP/LEVEL	Evaluation Questions
	EQ 4.2: To what extent have the outcomes envisaged in sectoral policy for education in the period 2009-2016 been achieved? Which were the main determining factors of these outcomes?
	EQ 4.3: To what extent have the outcomes envisaged in the policy on quality in the period 2010-2016 been achieved? Which were the main determining factors of these outcomes?
	EQ 5.1: To what extent are impacts observed in inclusive economic growth and the reduction of poverty and inequality? Which were the main determining factors of these outcomes?
STEP THREE All 5 levels	EQ 6.1: To what extent has the Budget support contributed to the outcomes identified in the sectors supported and to the impacts observed? To what extent can the Budget support operations be considered efficient and effective and their outcomes sustainable ?
	EQ 6.2: To what extent has the Budget support added value in development cooperation's cross-cutting issues , particularly gender, good governance and human rights ? What is the added value of EU cooperation ?

1.5. Structure of this Report

The Terms of Reference for the “Evaluation of Budget Support in El Salvador for the period 2009-2017” establish the content and structure of the Final Evaluation Report. Following these indications, the main document (Volume 1) comprises thirteen chapters, which are ordered in accordance with the Intervention Logic levels and address the Evaluation Questions in succession. The first chapter comprises this introduction. Chapter 2 looks at how appropriate the Budget support as an instrument and, in particular, the programmes analysed were for the Salvadoran context and whether they achieved coherence and complementarity with the interests of the GoES and other donors’ initiatives (in response to EQ 1.1). Looking at all the programmes together, Chapter 3 analyses how the EU Budget support inputs were provided (funds, complementary support, policy dialogue) and donor coordination (EQ 2.2). Chapter 4 describes the progress observed in macroeconomic management, Public Financial Management (PFM) and transparency, and also discusses the influence PARE-ES had on these issues (EQ 3.1). Chapter 5 reviews the policy milestones and results in Social Protection and the contribution made by PACSES and PRO-INCLUSIÓN (EQ 3.2 and 4.1). The same structure is used in Chapter 6 for the Education sector and to report on the influence of PRO-EDUCA (EQ 3.2 and 4.2). In Chapter 7 the same is done for the Quality Policy and PRO-CALIDAD (EQ 3.2 and 4.3). The impacts observed (EQ 5.1) are discussed in Chapter 8. Chapter 9 presents the cross-cutting issues and other special matters. Chapter 10 summarises the contributions made by the Budget Support programmes to the results achieved, and also presents the actual Intervention Logic of the Budget Support programmes. Chapter 11 presents the evaluation’s main conclusions (EQ 6.1 and 6.2) and Chapter 12 the main lessons learned. Finally, Chapter 13 presents the recommendations arising from this evaluation, organised by the stakeholder to whom they are addressed.

The Annexes are presented in two separate documents. Volume 2 (Annexes 1 to 16) includes the Terms of Reference for the Evaluation and the detailed context analysis, the complete methodology, the evaluation matrix, the quantitative studies carried out and data bases used, a stand-alone case study of each programme covered by the evaluation, the presentations given at different times during the evaluation, a description of the evaluation missions including the list of people interviewed, a summary of contacts with the evaluation’s Reference Group, the various documents consulted, a description of the monitoring and evaluation systems currently in place in El Salvador, and a photographic record of the field visits. Volume 3 contains Annex 17 with the completed Evaluation Matrix and answers to the Evaluation Questions and hypotheses, as well as a strength of evidence assessment.

2. Adequacy of the Design of the Budget Support Programmes to the Political Context and to the Policies Supported

EQ 1.1: To what extent did the design of the Budget support operations respond to the specificities of the institutional, political, economic and social context in El Salvador and to changes in its public policies?

2.1. Political and Institutional Context¹²

El Salvador is a republic whose sovereignty resides in the Salvadoran people. The political system is a pluralist democracy in which the political parties represent citizens in government. Government is republican, democratic, representative, and comprised of three branches: legislative, executive and judicial. These independent branches of government interact with each other to ensure that citizens can enjoy freedom, health, culture, economic wellbeing and social justice. The limits on government are established in the 1983 Constitution of the Republic, which was reformed in 1992 to implement the Peace Accords.

The legislative branch is represented by the Legislative Assembly, consisting of 84 deputies who are elected by popular vote every three years. The executive comprises the President of the Republic, the Vice-President, Ministers, Vice-Ministers and their civil servants. The President and Vice-President are elected by popular vote for a five-year term and may not be re-elected. If no candidate obtains an absolute majority of votes in the presidential elections, a second election takes place, no later than thirty days afterwards, between the candidates of the two political parties who obtained the highest number of valid votes. Therefore, one characteristic of the country's political system is that there are separate elections for the executive and legislative branches of government.

To prevent the presidential election having a "bandwagon effect" on the election of deputies to the Legislative Assembly, the Constitution established an electoral calendar with different terms: five and three years respectively. Simultaneous elections take place only every fifteen years, the last time being in 2009. Legislative elections are understood as a way for citizens to express their judgement of the performance of the President and the party or coalition that brought him or her to office. However, this mechanism also entails negative effects, such as the lack of continuity in public policies or the permanent *electoralisation* of the decision-making process. One major challenge for the country, in terms of costs and the wear-and-tear on the political system, is that it has constantly been in the run-up to elections, and therefore in the midst of political campaigns. This has meant that it has been difficult for politicians to reach some degree of consensus regarding the long-term vision for the country and/or the public policies required to achieve it.

The judicial branch comprises the Supreme Court of Justice, the appeal courts and the courts of first instance. Supreme Court magistrates are elected for nine-year terms, which are reviewed every three years. The Supreme Court of Justice includes a Constitutional Court, which hears and decides cases related to the constitutionality of laws, decrees and regulations, as well as any disputes between the legislative and executive branches. The Constitutional Court¹³ plays an important role in overseeing the independence of the powers of state. It is composed of five magistrates who are elected by the Legislative Assembly and reviewed every three

¹² Annex 1 presents a more detailed description of the institutional context in a revised version of the one included in the Inception Report approved in April 2018.

¹³ The Constitutional Court in the Supreme Court of Justice also hears cases related to constitutional protection, habeas corpus or unlawful imprisonment and the constitutionality of laws, and resolves any disputes between the executive and the legislature.

years. Finally, mention should be made of the Court of Auditors¹⁴, which is responsible for the oversight of public finances and budget spending, in line with Article 195 of the Constitution.

The executive branch is currently composed of the offices of the President and Vice-President, 14 sectoral ministries (including the Ministry of Education, the Ministry of Health and the Ministry of the Economy, which play regulatory and service delivery roles), 46 devolved institutions, 54 decentralised institutions, including the Salvadoran Institute for Women's Development (ISDEMU), and 26 autonomous institutions, including the Central Reserve Bank and regulators such as the Competition Superintendency. It is also important to mention the Social Investment Fund for Local Development (FISDL), which plays a leading role as the implementer of projects aimed at poverty reduction.

The work of the executive branch is coordinated by five inter-institutional cabinets: i) Social Management and Inclusion; ii) Economic Management; iii) Security Management; iv) Environmental Sustainability and Vulnerability; and v) Governance Management. In the social area, the Social Management and Inclusion Cabinet put forward the Social Development and Protection Law, which created the National System of Social Development, Protection and Inclusion. This coordinates social policy proposed by the office of the President, and obliges each new government administration to draw up a *Plan de Desarrollo, Protección e Inclusión Social* in the first six months after it takes office, based on an assessment of the current situation in the sector. In the last two government terms, the GoES identified priorities for its work through the *Plan Quinquenal de Desarrollo* 2010-2014 (PQD) and then the PQD 2014-2019, entitled "For a Productive, Educated and *El Salvador Seguro*".

The period analysed by this evaluation (2009-2017) coincides with two FMLN government terms. The FMLN first came to power in the 2009 election, following twenty years of government by the ARENA party. The first FMLN administration was led by Mauricio Funes Cartagena (2009-2014) and the second is headed by Salvador Sánchez Cerén (2014-2019). The results of the 2009 elections confirmed that it was possible for political parties to alternate in government in a stable democratic framework.

Even though the FMLN won the last two presidential elections, it did not obtain a majority in the Legislative Assembly that would enable it to take forward its entire policy agenda. At the time of this evaluation's main mission visit (April 2018), the FMLN had 31 deputies and ARENA 35, out of the total of 84 deputies. The electoral alliances forged with the rest of the minority parties usually make it possible to muster the number of deputies required for a simple majority (43), but not enough for the supermajority required for votes on important issues. This situation, which has prevailed for the last 15 years, complicates the political dialogue parties engage in to reach agreements on democratic governance.

The political-institutional context in the 2009-2017 period was characterised by respect for the democratic institutional structure, a system of checks and balances on power, the strengthening of state institutions, and the existence of medium-term development plans that guided the government's actions and were referred to by public and private sector actors. This period was also complex in terms of governance, as the political parties did not manage to consolidate dialogue processes to arrive at basic, effective agreements to implement policy proposals or obtain funding for them, requiring frequent negotiations that were difficult to conduct.

2.2. Economic and Social Context

El Salvador is the smallest country in Central America, covering an area of 21,040 km², and the only one that does not have an Atlantic Coast. The total population is 6,581,000 (2017), making it the most densely populated country in the region (312 people per km²). More than 2.1 million Salvadorans are estimated to live in the metropolitan area of San Salvador, the country's capital.

¹⁴ The predecessors to this were the High Court of Auditors and the Office of the Auditor-General, established in the Constitution of 1872. In 1930, the office of the Comptroller-General of the Republic was created by Legislative Decree. The Constitution of 1939 stipulated that these three institutions should merge and henceforth be known as the Court of Auditors of the Republic. The current Constitution states that it must safeguard transparency in public management and that it operates independently of the three powers of state, performing technical and jurisdictional functions.

Table 2: Main Social and Economic Indicators in El Salvador (2009–2017)

	2009	2011	2013	2015	2016	2017
Social Indicators						
Population (million)	6.14	6.19	6.25	6.31	6.34	6.58
GDP per capita (2005 USD, PPP)	7,230	7,431	7,636	7,848	7,995	8,142
Poverty rate (national threshold)	37.8	40.6	29.6	34.9	32.7	29.2
GINI Coefficient	0.48	0.43	0.40	0.37	0.36	0.34
Economic Indicators*						
Nominal GDP (USD million)	17,602	20,284	21,977	23,166	23,912	24,805
Real GDP growth (%)	-2.1	3.8	2.4	2.4	2.6	2.3
Inflation (CPI, year end)		5.1	0.8	1.0	-0.9	2.0
Fiscal Sector (NFPS, % GDP)						
Total revenue	20.7	22.2	22.2	22.2	22.3	23.0
of which tax revenue	16.1	17.2	17.9	17.8	17.7	18.1
Total expenditure	25.2	24.8	24.6	23.7	23.3	23.3
Overall balance	-6.7	-4.5	-4.5	-3.7	-3.1	-2.5
Public debt – gross	58.7	59.9	62.6	66.9	68.3	69.7
External Sector (% GDP)						
Current account balance	-1.8	-5.5	-7.2	-4.0	-2.2	-2.5
Exports	22.3	19.4	19.7	19.0	18.5	18.8
Imports	40.0	44.5	43.8	40.6	40.0	41.5
Family remittances	-	18.0	17.9	18.6	19.2	20.3
Foreign direct investment	2.1	1.9	0.8	1.9	1.7	2.0
Savings and Investment (% GDP)						
Total investment – gross	15.7	16.4	16.6	15.7	15.9	16.5
Private investment	13.1	13.6	13.9	13.4	13.1	13.7
National savings	14.0	11.0	9.4	11.7	11.7	11.0

Source:

Social indicators: World Bank, Development Research Group and MPHS 2017, Digestyc, El Salvador

Economic indicators: Prepared by the authors based on data from the CRB (real sector), MoF (fiscal sector) and IMF Art IV (external sector).

* The figures expressed as a percentage of GDP refer to the new data published by the CRB in March 2018.

GDP

El Salvador's Gross Domestic Product (GDP) increased in nominal terms from USD 17.602 billion in 2009 to USD 24.805 billion in 2017, equivalent to a per capita GDP of USD 3,800 (USD 8,142 PPP). Average real economic growth in the period analysed was 2% per year. This makes it the least dynamic economy in the Central American region, which grew at an annual average of close to 4%. Over the last few years there has been a slight uptick in GDP growth rates, reaching 2.6% in 2016, as a result of improvements in the international context, particularly the economy of the United States. Inflation was relatively low, as expected in a dollarised economy. Over the 2009-2017 period, the highest overall price increase was recorded in 2011, when it reached 5.1%, followed by 2.1% in 2010 and 2.0% in 2017. In the rest of these years it was below 1% and in 2016 inflation was negative.

Fiscal situation

The fiscal situation has been delicate throughout the period. An overall fiscal deficit, levels of public debt that are growing and higher than those internationally recommended, as well as political polarisation regarding the measures required to resolve this situation, are the features of the 2009-2017 fiscal scenario. Nevertheless, in the last few years the effort made by the GoES to address this difficult situation has started to shift it in the right direction, although the changes are still very tenuous (see Chapter 4). Although the challenge of returning to the path of fiscal sustainability persists, the agreements on pension reform and the approval of the 2018 budget have reduced the tension around the fiscal situation.

The GoES has taken forward an active fiscal policy that has led to an increase in the tax burden, from 16.1% in 2009 to 18.1% in 2017. This mobilisation of additional revenue has enabled social spending to increase, reaching 46.3% of total spending in 2017 (compared with 43.3% to 2009), and improving the targeting of cash transfers. The increase in social spending has been accompanied by significant growth in current spending as a percentage of total expenditure, from 75.2% in 2009 to 82.6% in 2017, partly displacing capital expenditure, which reduced its share of total spending from 21.4% in 2009 to 13.6% in 2017.

Poverty

Poverty in El Salvador, measured by income¹⁵, affects 29.2% of the households who participated in the Multi-Purpose Household Survey (MPHS) in 2017, 6.2% of whom are living in extreme poverty. In rural areas, poverty affects 32.1% of households, 7.7% of whom are living in extreme poverty. The way in which poverty is measured has varied somewhat over the period, but it has tended to fall since 2009, when it affected 37.8% of Salvadoran households¹⁶. Income inequality has also tended to fall, and the country has moved from a Gini coefficient of 0.48 in 2009 to 0.34 in 2017, according to MPHS 2017.

Population and Migration

The country is undergoing a demographic transition, with a majority young population, where 54% of the population are under 30 years of age and 12% are 60 or over. Children and adolescents (aged 0-17) represent approximately one third of the population (32%). The number of children of school age (4-17) is 1,664,950 (25.6% of the population), 800,320 of whom are girls (48% of the total) and 864,630 boys (52%).

The percentage of the population who have migrated from El Salvador is strikingly high. According to the UNDP¹⁷, by 2017 24.6% of the total population (1,559,924 people) had emigrated from the country, compared to the 21.7% of the population (1,337,703 people) who did so up to 2010. Most of these migrants (9 out of 10) went to the United States of America. Women account for 50.3% of this migrant population. The flow of migrants leaving the country has caused family breakdown, significant social and cultural upheavals, and a worsening of vulnerability and lack of protection among children. According to the latest MPHS figures, 603,538 children and adolescents aged 0-17 (29% of the total in this age group) have suffered some type of abandonment by their parents, due either to migration, death or some other situation. Likewise, 457,885 children and adolescents aged 0-17 (22%) have lost their father, 47,901 (8%) have lost their mother and 97,752 (16%) have lost both parents.

Education

The school attendance rate among children aged 4-12 is 86.5% and falls to 79% among children aged 13-17. Overall, the school dropout rate is higher among boys than among girls. However, young people aged 16-18 are the exception to this, as the school dropout rate among girls in this age group is 40.6%, compared to 36.3% among boys. The lowest dropout rate is in the 7-15 age group, at 7%, indicating that large numbers of young people are dropping out of education at the age of 16 and older.

Social Policies

The full enjoyment of rights, improvements in the quality of life and peaceful coexistence, as well as poverty eradication and a reduction in social and environmental vulnerability, were the key objectives of the GoES social policies that the EU Budget support programmes supported in El Salvador from 2009 onwards. Thus, social policy has clearly been aimed at eradicating poverty, strengthening equity and equality, inclusion and non-discrimination, and strengthening citizenship¹⁸. It can therefore be confirmed that the Budget support programmes evaluated were relevant and their design responded appropriately to the economic and social

¹⁵ The Multi-Purpose Household Survey measures poverty by comparing the household's average monthly cash income with the cost of the Basic Food Basket (BFB). Households in extreme poverty are those whose income is insufficient to cover the cost of the BFB (which dates back to 1991) and households in relative poverty are those whose per capita income is insufficient to cover the cost of the expanded BFB (twice the value of the BFB).

¹⁶ In recent years the GoES has made significant progress in measuring poverty with the development of a multimodal measurement methodology that meets international standards and helps to improve public policies.

¹⁷ "State of the Region in Sustainable Human Development" Report (2017)

¹⁸ The case studies on the programmes provide detailed information on the main social policy objectives.

context. The programmes have also remained relevant to the policies supported during their implementation, while also helping to enhance these policies through the technical assistance provided.

2.3. Coherence of the Design of the Budget support Programmes with the Objectives of the GoES and the EU MIPs

2.3.1. Coherence of the programmes supported with development strategies

There are several main reference documents on the development cooperation between the EU and the GoES in the 2009-2017 period. On the Salvadoran side, although the *Plan País Seguro* 2004-2009 of the government led by President Saca was still in force while the first programmes were being formulated, the main reference texts when the Financing Agreements (FA) were formalised and implemented were the *Five Planes Quinquenales de Desarrollo*- Plans (PQD). Thus, PARE-ES, PRO-EDUCA, PACSES and PRO-CALIDAD were mainly implemented while the Funes administration's PQD 2010-2014 was in force. PRO-INCLUSIÓN corresponds to the PQD 2014-19 of the Sánchez Cerén administration. On the EU side, the overall framework is provided by the Multiannual Indicative Programmes (MIP) for the periods 2007-2013 and 2014-2020.

There is evidence of the coherence between the Budget support programmes and the strategy documents of both the GoES and the EU. The priorities set out in the PQD 2010-2014 include a significant and verifiable reduction in poverty, economic and gender inequality and social exclusion; the effective prevention and combating of delinquency, crime and violence; economic recovery, integrated development, and the structural and operational reform of the state and public administration; and the sustainability of public finances. **Even bearing in mind that the MIP 2007-2013 precedes it, the EU strategy converges with the PQD,** as the two focal sectors defined for it are also priority issues in the Plan. **Focal sector 1: Strengthening social cohesion and citizen security** centred on access to basic services (health, water and sanitation), reducing social violence, and promoting youth and human capital development. The PACSES and PRO-EDUCA programmes belong to this sector. **Focal sector 2: Economic growth, regional integration and trade** centred on fostering the expansion, diversification, competitiveness and productivity of domestic private sector businesses and improving El Salvador's position in international markets. The PARE-ES and PRO-CALIDAD programmes fit with this sector. The PQD 2014-2019 gives continuity to the plan that preceded it, listing among its priorities the need to stimulate productive employment and sustainable development; promote inclusive and socially equitable education; and strengthen citizen security. Accordingly, **the MIP 2014-2020 is aligned with the current PQD and also has two focal sectors, similar in content to those in the previous MIP. Focal sector 1: Youth and Social Inclusion** includes the PRO-INCLUSIÓN programme. Focal Sector 2 is Private Sector Development.

Thus, in general terms, the EU used the Budget support instrument to align with GoES priorities and contribute to **inclusive growth, a reduction in poverty and inequality, and the rights-based approach** in El Salvador. Furthermore, the social sector programmes addressed problems related to **gender and age groups**, by focusing particularly on women, young people and the elderly, under a life cycle approach.

2.3.2. The balance between disbursements and Complementary Support

In quantitative terms, the annual amounts envisaged in the FAs for disbursements to the National Treasury are relatively modest, equivalent to 0.34% of the total central government budget on average over the period, reaching a maximum of 0.96% in 2010. If this is compared with the NFPS budget for public investment, which the Budget support should theoretically be aimed at, the average was 2.35% and the maximum 6.2%, also in 2010. Therefore, in the aggregate, the amounts allocated were not large enough to offer a solution to the structural shortage of funds in the Salvadoran budget, though in any case this is not the objective in the vast majority of the countries in which this aid modality is used.

Table 3: Relative Annual Importance of the Disbursements of EU Funds (2010-2017)

	2010	2011	2012	2013	2014	2015	2016	2017
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EU disbursements in EUR (million)	29.3	23.3	5.0	9.1	1.1	9.5	8.5	11.6
Ex. rate EUR/USD	1.3146	1.3336	1.2994	1.3592	1.2480	1.0580	1.0576	1.1827
EU disbursements in USD (million)	38.5	31.1	6.5	12.4	1.3	10.1	9.0	13.7
Total Central Government Budget	3,995.5	4,863.5	4,341.5	4,625.9	5,741.9	4,775.9	4,804.9	5,223.4
Total Public Investment (NFPS)	621.08	619.1	727.3	726.5	624.6	650.7	757.7	666.4
Budget support as % of Central Government budget	0.96%	0.64%	0.15%	0.27%	0.02%	0.21%	0.19%	0.26%
Budget support as % of Public Investment	6.20%	5.02%	0.90%	1.71%	0.21%	1.54%	1.19%	2.06%

Source: Prepared by the authors using EU and MoF data. Exchange rate: InforEuro

In fact, this relatively small importance of Budget support funds is the norm in middle-income and lower middle-income countries, which the majority of Latin American countries are. Nevertheless, **its relatively small intrinsic importance does not mean that the financial support did not seek to be relevant; rather, its relevance was achieved by its strategic and timely nature.** Thus, in the case of PARE-ES, the disbursement of funds was very useful to contribute to the Anti-Crisis Plan at a time when the National Treasury was under great pressure. In PRO-EDUCA the aim was to finance key equipment, as well as scholarships, which did not have any funding before. The PRO-CALIDAD funds went to finance the building of the institutional structure for the Quality Policy and its subsequent consolidation. In the case of PACSES, the impact of the funding may have been very small compared to total social spending, the area that receives the most resources from the state, though its potential was more important for being ring-fenced for the *Comunidades Solidarias* Programme, which is what the Budget support actually supported.

All the programmes analysed supplemented their financial support to the National Treasury with a Complementary Support (CS) component. On average and excluding the amounts reserved for evaluations and audits, the **distribution** of the support between the two modalities in the FAs as originally designed was about **93% for disbursements of funds and 7% for Complementary Support.** This means that **in the design of the programmes priority was given to the financial contribution, as is usually the case.**

Table 4: Funding Initially Allocated to Disbursements and to CS (M€ prior to amendments)

	Dis.	CS	TOTAL	% Budget support	% CS
PARE-ES	22	2	24	92%	8%
PRO-EDUCA	23	2	25	92%	8%
PACSES	45	1.7	46.7	96%	4%
PRO-CALIDAD	10.6	1.5	12.1	88%	12%
PRO-INCLUSIÓN	46	3.7	49.7	93%	7%
TOTAL	146.6	10.9	157.5	93%	7%

Source: Financing Agreements for the programmes

Accordingly, PARE-ES, PRO-EDUCA and PRO-INCLUSIÓN were designed with a very similar balance between disbursements of funds and CS. It should be pointed out that PRO-INCLUSIÓN was double the size of the other two programmes, and therefore the amount allocated to CS is much higher. In PACSES only 4% of the programme was allocated to CS, while PRO-CALIDAD assigned greater weight to CS due to the nature of the programme. Overall, the MIP 2007-2013 programmes (all except

PRO-INCLUSIÓN) set the **allocations for CS at between EUR 1.5 and 2 million**, the usual amounts set aside in EU Budget support programmes to accompany the funds to be disbursed to the National Treasury. Nevertheless, it should be borne in mind that in PARE-ES, PRO-EDUCA and PACSES **the original amounts were modified by means of amendments**, with funds being reallocated from the planned disbursements to the National Treasury to CS, leaving the final distribution in all the programmes at 87% for financial support and 13% for CS. This also led to an extension of the TA support (PACSES, PARE-ES) or the funding of new initiatives (PRO-EDUCA), reflecting a good capacity to absorb and use the Budget support. Nevertheless, the Budget support orthodoxy advises against reallocating funds destined for the National Treasury to these purposes, as it may act as a disincentive to comply with the agreed targets **for the variable tranches.**

According to EUD and GoES sources, no reallocations are envisaged for PRO-INCLUSIÓN and potential new programmes, such as support for the PESS.

The CS initially envisaged in the FAs was managed by the EUD through contracts for TA (all programmes) and grants (PRO-INCLUSIÓN)¹⁹. In the different programmes, **the CS was designed to provide significant support for the development of sectoral policies, enhanced production of institutional goods and services, and capacity development**. Thus, the TA in PARE-ES focused on supporting essential outputs such as the MTFE and SAFIM, as well as MoF capacity development through the formulation and implementation of its ISP. PRO-EDUCA, with various TA contracts and with the support of the UNDP, concentrated on supporting the MINED to implement its actions in the areas of School Environments, ICTs and Technical and Technological Education (TTE), as well as developing the capacities of teachers and the Technical and Technological Education Directorate (GETT). The TA in PACSES was designed to develop the capacities of the Secretariat in the Office of the President (SETEPLAN) to monitor social policy, accompanying the process of formulating the *Plan Social* (the implementation of which is supported by PRO-INCLUSIÓN) and assisting with the inter-institutional coordination conducted in the Social Cabinet. PRO-CALIDAD focused mainly on the formulation of the Quality Policy and developing the institutional structure for it by assisting with the setting up of the National Quality Council (CNC) and its operational agencies.

2.3.3. Policy dialogue on programme design

The **policy dialogue** on the design of the programmes had different dimensions, depending on the sector supported. **In the social sector, the dialogue was structured, formalised and strategic**, and the PACSES Working Group conducted policy dialogue in the expected manner. This work has continued in the GAPS around the *Plan Social*. On fiscal policy, the Donor Working Group on the subject (previously known as the Budget support Working Group) had great strategic influence but leadership by the government during PARE-ES was patchy, although since 2017 the MoF has clearly been leading the dialogue. There has been a sectoral Donor Working Group on Education since 2005, and it was identified as key to the *Plan Social* for Education (PSE) 2009-2014. However, it only operated until 2010, and after this there is no evidence of any strategic dialogue structures specific to the sector. On quality, apart from the operational management of the programme, there is likewise no evidence that a forum for dialogue ever existed, or that strategic matters were expected to be discussed in a broader forum on economic policy.

2.4. Conditionality and Disbursement Indicators

All the Budget support programmes formulated under the MIP 2007-2013 followed the three standard eligibility criteria established at the time for EU development cooperation: macroeconomic stability, satisfactory progress with the implementation of a programme to improve Public Financial Management (PFM), and the existence of sectoral policies on which the support can be based. PRO-INCLUSIÓN is based on the 2012 Budget support Guidelines, and therefore includes a fourth criterion: budget transparency.

The condition related to the existence of a sectoral strategy was clearly met in the case of PRO-EDUCA and PRO-INCLUSIÓN, with the *Plan Social* for Education 2009-2014 and the *Plan Social* respectively. For PACSES, the points of reference were the PQD and the *Comunidades Solidarias* Programme. In the area of Public Financial Management, the reference was the MoF's ISP. For PRO-CALIDAD, the initial reference document for its formulation was the Plan *País Seguro* (2004-2009) and it was later adapted to the PQD 2009-2014.

The performance indicators were relevant, as they were obtained from the sectoral policies supported and adequately reflected the content of these policies. The Budget support design logic indicates that disbursements should be linked to effective progress in achieving the outcomes of the policy supported. In all the programmes except PRO-CALIDAD, at least one outcome indicator was included, although there are also output and process indicators in the disbursement matrices. In addition, an indicator on the progressive increase

¹⁹ Without being envisaged in the FAs, approval was given via amendments to channel CS also through a Contribution Agreement with UNDP (PRO-EDUCA) and grants (PACSES).

in the budget for the sector was usually included (PRO-EDUCA, PACSES and PRO-INCLUSIÓN). In three programmes, all formulated in the first few years of the period evaluated, a significant number of the indicators were outcome indicators, defined in relation to the fulfilment of certain coverage rates (enrolment, repetition and dropout rates in PRO-EDUCA; coverage of the UBP, water and sanitation and electricity in PACSES; and the tax burden in PARE-ES, which is similar to an outcome). In PRO-INCLUSIÓN, however, no rates were used, and the indicators were linked instead to the fulfilment of immediate outcomes understood as the use of institutional services (number of people served). This corresponds to DEVCO's most recent guidelines on the type of indicators that should be included in disbursement matrices. Therefore, **outcomes are reflected in the performance indicators for the older programmes to a greater extent than in the more recent programmes.**

The formulation of **most of the performance indicators was in line with the SMART criteria**²⁰. In only a few specific cases (the dropout rate in PRO-EDUCA), it is felt that the quality or availability of the data could be problematic for monitoring the indicator. To sum up, the quality of the performance indicators selected to decide on the disbursement of the variable tranches was generally good, though with variations between the programmes.

2.5. Budget support Complementarity with Other Donors, Financing Instruments and Modalities

The complementarity of Budget support depends on the overall degree of coordination between the different international cooperation agencies, regardless of the implementation modalities used. As some sources noted, it is possible that the lower intrinsic importance of international cooperation overall in El Salvador influences the fact that the donor coordination dynamic is not particularly intense, compared to how it is in some neighbouring countries (Guatemala, Honduras or – especially in the past – Nicaragua). Nevertheless, **the level of coordination in the sectors in which their work coincides was good, and better in Public Financial Management**, where the working group (previously known as the Budget support Working Group) is stronger and the multilateral donors have a greater interest.

The Budget support modality was used by several donors between 2009 and 2016, especially at the start of the period. As well as the EU, it was used by the World Bank (WB), the Inter-American Development Bank (IDB), the Spanish Agency for International Development Cooperation (AECID) and the Luxembourg Development Cooperation Agency.

Some WB and IDB Budget support programmes (PBL or Policy Based Loans in their terminology) focused on the same sectors as the EU intervention: education, health, public finances, employment and citizen security. Even though it was the same modality, the Banks' intervention logic differs from that of the EU and its Member States. Firstly, it is more complicated for the GoES to obtain these funds, which are reimbursable loans and therefore need the approval of the Legislative Assembly before it can take on the debt. Furthermore, these operations by their very nature have a more restricted logic (*one shot*) or come with a sequential approval, more closely linked to actions and less to results than the European Budget support programmes.

In the social sector, **AECID and Luxembourg** channelled their support in the 2011-2014 period through the Programme Support Basket Fund (FOCAP), a Budget support programme that was monitored together with PACSES (joint missions and the same indicators). **FOCAP functioned well and is identified as a good example of donor coordination and harmonisation.** This was certainly the case although, with such a high level of convergence, it is striking that two separate Budget support operations were maintained instead of using a Delegation Agreement (from the Member States to the EU) to pool the funds in a single programme. The reasons for this appear to relate to each donor's procedures, visibility concerns and timing. Other donors that contributed to poverty reduction initiatives through the FISDL were the Central American Bank for Economic Integration (CABEI), the German Development Bank (KfW), the IDB, the governments of Spain (AECID, with

²⁰ Specific, Measurable, Attainable, Realistic, Timely

interventions in the Water Fund), France, Taiwan, Japan and the Regional Government of Andalucía²¹. In the fiscal area, PARE-ES was appropriately complemented by the support provided to the MoF by GIZ.

On this point, it is relevant to highlight **the complementarity that existed among the EU's own programmes**. Thus, PARE-ES, PRO-EDUCA, PACSES and PRO-INCLUSIÓN affirmed the importance of ensuring **funding for the social sector**, and included various disbursement indicators in this regard. The PACSES and PRO-EDUCA programmes converged on aspects related to inclusion and **reducing inequalities in access to education**, by funding the award of scholarships and transfers for students, for example. PRO-EDUCA also placed emphasis on **technical education and training**, preparation for work and entrepreneurship, while PRO-CALIDAD worked to **develop the competitiveness of the export sectors** of the economy, where young people should eventually find better-paid employment. This complementarity potential is continued, for example, in the *El Salvador Seguro* Programme (PESS)²² which maintains the focus on young people and social policy and on education.

The EU channelled the majority of its funds for El Salvador through Budget support operations (nearly 90% according to EUD reports), although it also engaged in operations with other implementation modalities. In PRO-EDUCA, the reallocated funds were assigned to a **Contribution Agreement with the UNDP**²³ to support the implementation of "Seamos Productivos", though its results have been criticised for their high relative costs. In the social sector, the two phases of the PRO-JÓVENES programme have set an example for work on youth and employment issues. Furthermore, noteworthy synergies were developed with the EUROsociAL regional programme, with various experience-sharing events organised, for example with the *Bolsa Familia* programme in Brazil and others to discuss conditional cash transfer programmes and the challenges of institutional coordination. EUROsociAL supported the formulation of the *Jóvenes con Todo* programme and some components of *Ciudad Mujer*, promoting exchanges of experiences with Honduras. On the subject of quality, PRACAMS²⁴ financed a programme to develop capacities and infrastructure to improve metrology in the country (part of the quality policy), and carried out activities complementary to those engaged in by PRO-CALIDAD.

During the period evaluated, the use of innovative financial instruments was limited. The EU has been using blending in El Salvador since 2016, through the LAIF²⁵, to finance two operations in the areas of hydroelectric power and rural roads (with AECID)²⁶. In the Latin American context, **blending and other financial instruments**²⁷ **have good potential**, bearing in mind that bilateral cooperation funding is gradually being reduced as the countries continue to develop. This is opening up a space that could allow instruments that combine concessional loans and capacity development to complement – and partly replace – bilateral cooperation programmes and projects. In any case, this would only occur in the medium term in El Salvador, as it continues to be one of the countries in the region where EU Member States are maintaining their bilateral cooperation.

²¹ FISDL Report to Donors, 2017

²² The Financing Agreement for the Budget support Programme to support the Plan *El Salvador Seguro* was signed in April 2018.

²³ See Chapter 6 for further details on the support provided by PRO-EDUCA.

²⁴ The Regional Programme to Support the Quality and Application of Sanitary and Phytosanitary Measures in Central America is funded by the EU and coordinated by SIECA. It provides TA and training services, as well as specialised equipment to the private productive sector. It has funding of EUR 25 million for a five-year implementation period.

²⁵ The Latin America Investment Facility created in 2010 to promote investments in transport, energy and environmental infrastructure, as well as supporting the social, education and health sector and private sector development.

²⁶ EC (2016) *Evaluation of Blending*. The projects referred to are ENER/Ext.5deNov/SV and TRANS/RuralRoad/SV

²⁷ Specifically, there are facilities to support financing for the private sector in various areas (environment, agriculture, electrification). A (non-official) summary of some of them can be found at <https://www.edfi.eu/finance/>

EQ 1.1: To what extent did the design of the Budget support operations respond to the specificities of the institutional, political, economic and social context in El Salvador and to changes in its public policies?

The operations responded appropriately to the Salvadoran context, both in their content and scope and in their approach and timeliness. **The European Union's Multiannual Indicative Programmes (MIP) for 2007-2013 and 2014-2020, which are the framework within which the Budget support operations were formulated, show that EU development cooperation has a high degree of convergence with GoES strategic priorities,** as set out in the *Planes Quinquenales de Desarrollo* (PQD) for 2009-2014 and 2014-2020. Both PQDs have a common approach and aim to reduce poverty, inequality and violence, improve citizen security, social cohesion, the economic recovery and the sustainability of public finances, and promote inclusive education, productive employment and sustainable economic development, among other priority areas. In the MIP 2007-2013, PACSES and PRO-EDUCA belonged to Focal Sector 1: Strengthening social cohesion and citizen security, while PARE-ES and PRO-CALIDAD belonged to Focal Sector 2: Economic growth, regional integration and trade. In the current MIP 2014-2020, PRO-INCLUSIÓN is being implemented as part of Focal Sector 1: Youth and Social Inclusion.

Likewise, in response to the economic context in which the operations took place, in their original design as formalised **in the Financing Agreements (FA) between the EU and the GoES, the inputs initially allocated gave priority to the financial contribution to the National Treasury.** Thus, 93% of the budget for the programmes was allocated to Budget Support disbursements and 7% to Complementary Support (CS). In response to changes in GoES public policies, in the implementation phase of PARE-ES, PRO-EDUCA and PACSES funds were reallocated, through amendments, from the Budget support component to CS, leaving the final distribution at 87% and 13% respectively.

For the programmes under the MIP 2007-2013, the conditionality applied was standard for the time, with the usual three criteria (macroeconomic stability, a PFM reform plan and the existence or imminence of a sectoral policy). The last programme to be approved, PRO-INCLUSIÓN, now under the MIP 2014-2020 and following the EU's 2012 Budget Support Guidelines, also included budget transparency as the fourth eligibility criterion. The eligibility condition related to the existence of a sectoral strategy was clearly met in the case of PRO-EDUCA and PRO-INCLUSIÓN, with the *Plan Social Educativo* 2009-2014 and the *Plan Nacional de Desarrollo, Protección e Inclusión Social* 2014-2019 respectively. For PACSES, the points of reference were the PQD and the *Comunidades Solidarias* Programme. In the area of Public Financial Management, the reference document was the MoF's ISP. For PRO-CALIDAD, the Plan *País Seguro* sectoral policy was replaced by a reference to the PQD and the National Quality Policy as the basis for launching the programme.

The quality of the indicators selected in the design of the programmes was generally good. The indicators were based on the areas or sectoral policies supported, the SMART criteria were met, and measurement problems were rarely encountered (i.e. the dropout rate in PRO-EDUCA). PARE-ES, PRO-EDUCA and PACSES included some outcome indicators, referring to coverage rates or the efficiency of public services. In PRO-INCLUSIÓN, however, no outcomes as such were included, and the indicators were linked instead to institutional services (number of people reached or served). In the case of PRO-CALIDAD, all the indicators were process or output indicators. Therefore, **the older programmes were the ones that better reflected the results-oriented approach in their performance indicators.**

3. Budget Support Inputs and Direct Outputs (Levels 1 and 2)

EQ 2.1: To what extent have the Budget support inputs contributed to creating new opportunities for the Government of El Salvador in terms of fiscal space, institutional capacities, policy dialogue and donor alignment and harmonisation?

3.1. Predictability of Funds

Aid predictability is defined as the effective disbursement of international cooperation funds in keeping with the amounts and timing established in the schedule agreed with the partner country. The table below shows the total funds actually disbursed in the 2009-2017 period compared to the amounts originally scheduled, and the amended amounts, for the five Budget Support programmes covered by the evaluation.

Table 5: Disbursement of Budget Support Funds 2010-2017 (EUR million)

Programme	Scheduled in FA	Scheduled following Amendment	Disbursed	% of FA Amount Disbursed	% post-Amendment Amount Disbursed
PRO-EDUCA	23.0	20,2	19.1	82.8%	94.3%
PARE-ES	22.0	21,0	21.0	95.5%	100%
PACSES	45.0	40,3 ²⁸	36.8	81.7%	91.3%
PRO-CALIDAD	10.6	10,6	9.0	85.1%	85.1%
PRO-INCLUSION (partial)	12.0	12.0	11.6	96.6%	96.7%
Total EUR million	112.6	104.1	97.5	86.5%	93.6%
In Fixed Tranche	50.6	50.6	50.2	99.2%	99.2%
In Variable Tranche	62.0	53.5	47.2	76.0%	88.2%

Source: Prepared by the authors based on information from the Budget support programmes

The funds scheduled to be disbursed to the National Treasury for all the programmes evaluated totalled EUR 112.6 million in the original version of the different Financing Agreements (FA) and EUR 104.1 million following the approval of various amendments.²⁹ **The amount actually disbursed was EUR 97.5 million or 86.5% of the total initially allocated, but 93.6% of the scheduled funding as adjusted through the amendments.** Of the programmes that had been completed at the time of the evaluation, the most compliant was PARE-ES, with disbursements of 100% of the funds ultimately scheduled,³⁰ followed by PRO-EDUCA with 94.3%, PACSES with 91.3% and PRO-CALIDAD with 85.1%. The PRO-INCLUSION programme is still being implemented and has disbursements pending, so it was not included in this grading. The percentages were calculated based on the latest amendments to the FAs signed for each programme. If disbursements are compared to the figures in the original FAs, the percentages are lower.

The funds scheduled as fixed tranche (FT) disbursements amounted to EUR 50.6 million and 99.2% of this amount was disbursed over the period analysed,³¹ while 88.2% of the EUR 53.45 million scheduled for variable tranches (VT) was disbursed over the same period. This difference is not surprising, because the funds allocated for VT were conditional on the achievement of the targets agreed between the GoES and the EU, although it is clear that the GoES did not receive about EUR 6.63 million in non-reimbursable financial support (6.3% of the

²⁸ According to Amendment 2 to the PACSES FA, the total allocated for disbursements to the Treasury was increased to a maximum of EUR 41,137,194, although (in the absence of a table providing the details) the calculations made by the evaluation team for annual projected amounts only add up to EUR 40.25 million.

²⁹ In PARE-ES, PRO-EDUCA and PACSES, the funds allocated were reduced via amendments so that they could be reallocated and spent as part of the Complementary Support component.

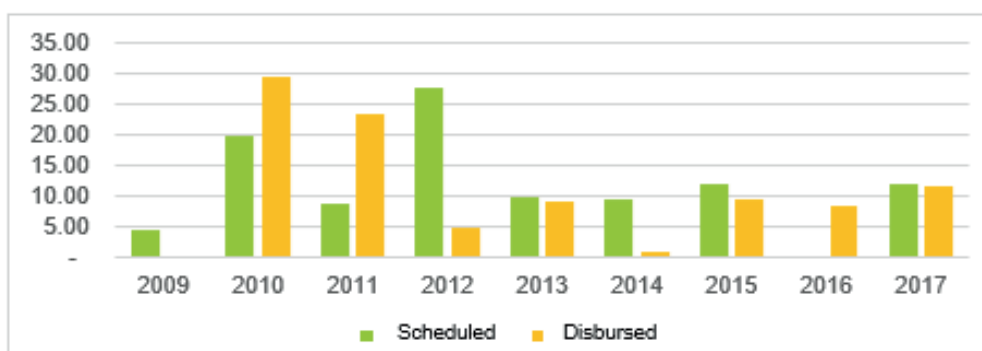
³⁰ The variable tranche for PARE-ES was adjusted in 2013 from EUR 10 million to EUR 9 million via contractual amendments, once this latter amount had been established in the assessment of the performance criteria and spending. The difference of EUR 1 million was used to finance an increase in technical assistance.

³¹ In fact, the FTs were disbursed in their totality (100%). The difference of EUR 0.4 million refers to the disbursement of FT1 for PRO-INCLUSIÓN which, for reasons unrelated to the programme, was used instead to offset certain amounts the GoES had to reimburse to the EU and deducted from this payment.

total committed) between 2009 and 2017 due to the failure to achieve some of the targets defined for the agreed indicators. If the EUR 112.6 million originally allocated in the FAs is considered, however, this would mean EUR 15.1 million not received by the National Treasury (13.4% of the original amount), although approximately half of that amount was reallocated via amendments to CS.

The graph below shows the predictability of the funds contributed to the National Treasury by the Budget support programmes in terms of the disbursement schedules for each year of the period analysed. The differences between the amounts of funding scheduled for each year and the amounts actually disbursed that year show significant variations over the 2009-2017 period. However, **the total amount of funds disbursed in the year they were scheduled for was EUR 47.5 million, equivalent to 48.8% of the total funds disbursed** in the period as a whole. In other words, this means that 51.2% of the committed funds were not disbursed in the year they were scheduled for, which does not reflect good performance in terms of the predictability of the funds.

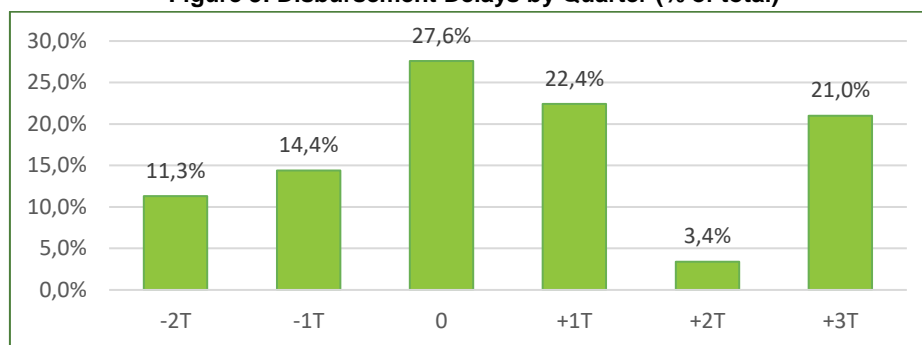
Figure 2: Amounts Scheduled and Disbursed in the Budget support Programmes (EUR million)



Source: Prepared by the authors based on information from the Budget support programmes

A review of compliance with the quarterly disbursement schedules, as set out in the Financing Agreements for the Budget support programmes, confirms that levels of timely disbursement are somewhat lower, reducing the predictability of EU aid over the period still further.

Figure 3: Disbursement Delays by Quarter (% of total)



Source: Prepared by the authors based on information from the Budget support programmes

As the graph above shows, only 27.6% of the total funds actually disbursed between 2009 and 2017 were disbursed in the same quarter for which they were scheduled. 22.4% of the amounts disbursed were delayed to the quarter after the one originally scheduled, 3.4% had a delay of two quarters and 21% were delayed by as much as three quarters. The figures also show that there were cases in which the disbursements were made in advance of the scheduled quarter. 14.4% of the amounts were disbursed one quarter in advance and 11.3% two quarters in advance.

Internationally, **a percentage of funds actually disbursed higher than 90% of the scheduled funding is considered a good performance**. This was the case for the Budget support programmes covered by this evaluation, if the amounts referred to are the allocations adjusted via amendments. Compared with the amounts originally allocated, however, the predictability is lower, though still high. Therefore, **the predictability of the EU funds provided to the country can be described as reasonable**. Nevertheless, the differences observed

between the annual and quarterly allocations scheduled and actually disbursed make this conclusion more tenuous, bearing in mind that quarterly disbursement schedules are part of the Financing Agreements and that these are included precisely in order to help the GoES to plan for the potential availability of these funds with greater certainty. Therefore, in the aggregate, these funds were able to create fiscal space to finance the policy initiatives supported by the agreed programmes (and still could, in the case of PRO-INCLUSION).

3.2. Structure and Evolution of Spending in the Sectors Supported

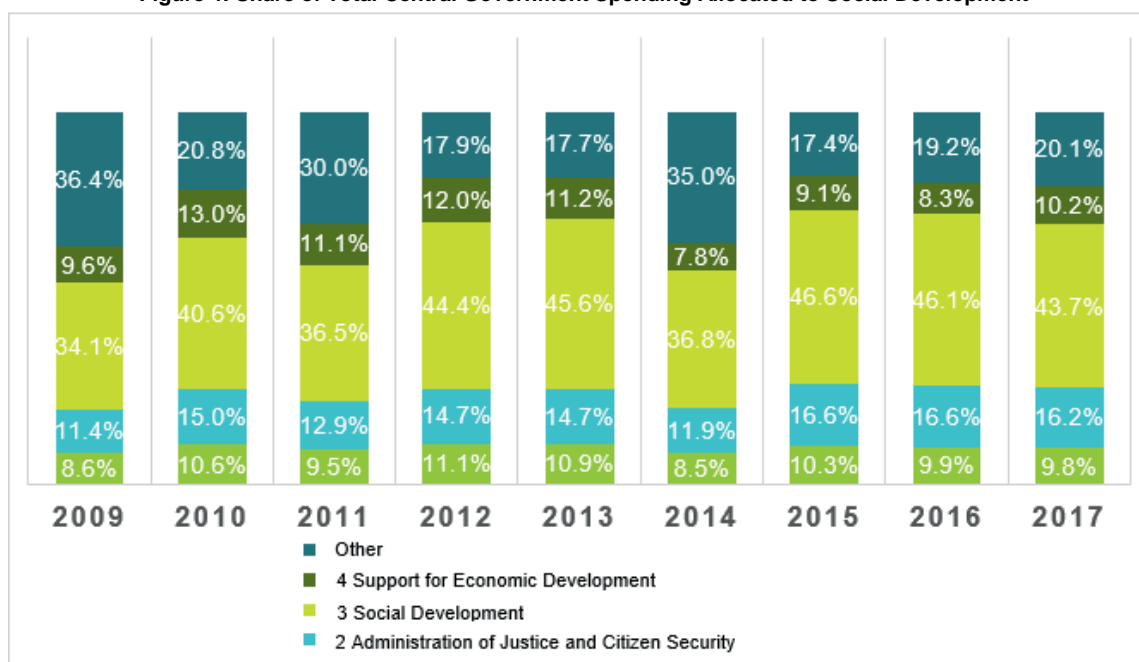
Of the five programmes covered by the evaluation, four refer to: one programme (PACSES), one policy (PRO-INCLUSIÓN), one sector (PRO-EDUCA) or a subsector area (PRO-CALIDAD) with an annual budget allocation. In the case of PARE-ES, which supported fiscal policy, there is no annual budget for expenditure, and for this reason it is not given a section of its own in this chapter. The Budget Support funds provided for this latter programme were used to finance part of the fiscal gap caused by the payment of blanket subsidies for electricity, transport and liquefied petroleum gas.

3.2.1. Expenditure in the Development/Social Protection Sector

Public social spending in El Salvador is spending aimed at meeting the population’s basic social needs in the areas of health, education, environmental health, safe drinking water and sanitation, housing, nutrition programmes, social mobility, and measures to improve general wellbeing and people’s quality of life. Over the 2009-2017 period, the *Comunidades Solidarias* Programme has covered various areas of what is considered public social spending. Given the close relationship between the actions supported by the Budget Support and the Social Development Policy in El Salvador, it was decided to use broader data related to the latter.

According to figures from the Ministry of Finance, central government spending is divided into four broad management areas, one of which is Social Development. As the graph below shows, **this area’s share of total government expenditure between 2009 and 2017 has varied, although on average it has been 41.3% of total spending (with 2009 as the year with the lowest share at 34.1% and 2015 with the highest at 46.6%).** Since 2012, the percentage has been maintained at above 43% (with the exception of 2014).

Figure 4: Share of Total Central Government Spending Allocated to Social Development



Source: Ministry of Finance

Nevertheless, in absolute values, spending on social development has evolved in a very positive manner, rising from USD 1,407.9 million in 2009 to USD 2,283.6 million in 2017, and thus achieving a nominal increase of 62.2%.

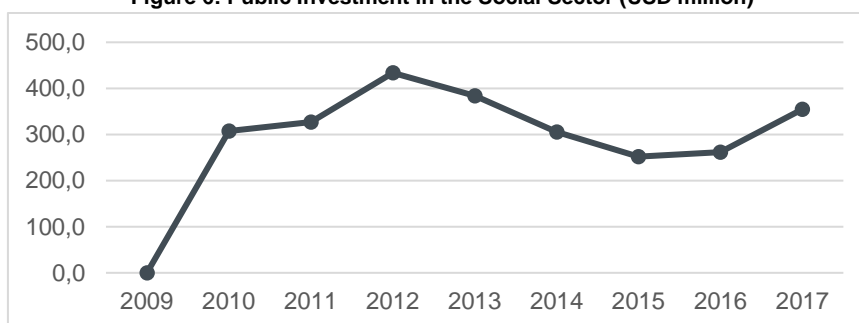
Figure 5: Changes in Social Spending by Central Government (USD million)



Source: Ministry of Finance

As far as public investment in social development is concerned, it did not grow as much as social spending by central government. In 2008 it amounted to USD 317.9 million, equivalent to 23.3% of total social spending, but fell to USD 100.9 million in 2009. According to the Ministry of Finance, from 2009 to 2017 it was maintained at an average amount of USD 328.3 million, equivalent to approximately 14.4% of total social spending in 2017 (see Figure 6).

Figure 6: Public Investment in the Social Sector (USD million)



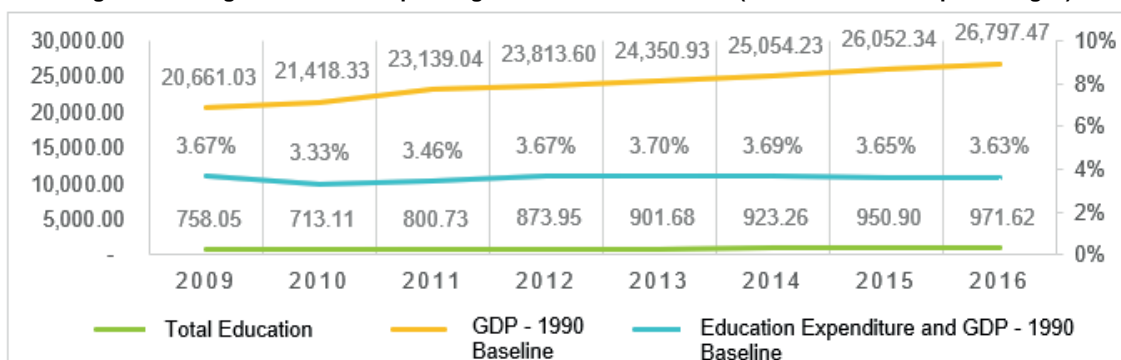
Source: Ministry of Finance

The amounts corresponding to PACSES Programme disbursements add up to total support of 47.4 million euros, with a mean of about 1.41% in the years the funds were provided. The Fixed Tranche for PRO-INCLUSIÓN was disbursed punctually in 2017 for the amount of EUR 11.6 million. This figure represents 1.01% of the overall budget for the sector that year.

3.2.2. Expenditure in Education

Between 2009 and 2016, GDP (1990 baseline) grew by an accumulated 29.7%, while the budget for Education (current spending and investment) increased by a total of 28.17% over the same period. Likewise, **as a ratio of GDP, the sectoral budget was constant and growing until 2013 and stabilised, with a slight downward tendency, in the last few years.**

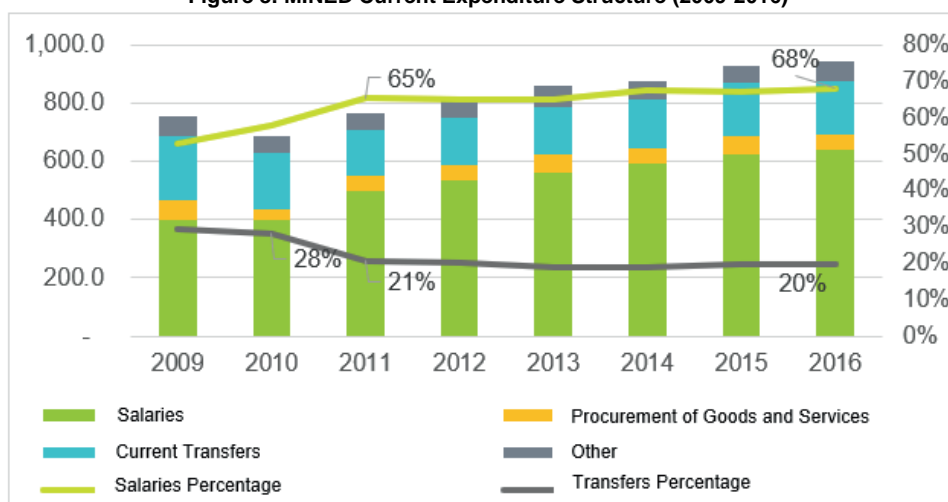
Figure 7: Changes in GDP and Spending on Education 2009-2016 (in USD million and percentages)



Source: Central Reserve Bank and Ministry of Finance

As far as the composition of current spending is concerned, the item of salaries (including pensions) absorbs most of the funds, accounting for about 70% of the total since 2011. **Between 2009 and 2016, while total spending increased by 24.7%, salaries rose by 60.7%.** Current transfers fell by a third in 2011, and since then have stabilised at around 20% of the budget. Purchases of goods and services have been volatile and have not grown. Investment increased to nearly 6% of the budget for the sector in 2014, but then fell to 3.3% of the budget at USD 32 million, the same percentage as in 2010.

Figure 8: MINED Current Expenditure Structure (2009-2016)



Source: Ministry of Finance

The financial support provided by PRO-EDUCA to the National Treasury was earmarked at source by the MINED and channelled to the areas covered by the programme, thanks to the fiscal space created by these funds. Actual disbursements of budget support totalled slightly over EUR 19 million and were used by the GoES to reinforce the areas supported by PRO-EDUCA financially. Thus, according to MINED data, once converted to dollars the funds were used as follows: Component 1 (School Environments) USD 5,372,345.15; Component 2 (ICTs) USD 7,823,061.00; and Component 3 (TTE) USD 12,908,123.13.

The importance of the funds disbursed to the budget for the sector was modest in overall terms. Thus, **the proportion accounted for by the disbursements fluctuated between 0.80% and 0.89% of the total amount handled by MINED year to year.** Although this is far from negligible, a priori it did not have a very large impact in quantitative terms. However, these amounts were relevant considering the total amount of investment made by the sector over the period.

3.2.3. Expenditure in the Area of Quality

The National Quality Policy (PNC) approved by the GoES in 2010 belongs to the “economic sector” and, in particular, to the “quality policy” subsector. Before the PNC was approved, the funds provided to the subsector

from the Ministry of Finance (MoF), through the national budget, did not even reach USD 1 million per year. These funds were spent mainly by the MINEC, specifically by CONACYT. **After the PNC was approved, the funds available for issues related to this policy increased notably**, coinciding with the implementation period of the European Union's Budget support programme. The subsector received about USD 2.4 million per year on average over the 2010-2014 period. Based on information gathered from the MINEC planning systems, Table 6 lists the funds that were available for the PNC from 2007 to 2017, as well as the different sources that enabled the development of this policy to be financed.

Table 6: Budget Spending of Funds for the National Quality Policy (PNC) /1

Year	GoES	IDB Funds/3	EU Budget support	Total	Average for Period	Total for Period
	Amount					
2007	782,927.67			782,927.67	959,996.73	2,879,990.20
2008	873,348.79			873,348.79		
2009	1,223,713.74			1,223,713.74		
2010	2,155,621.23			2,155,621.23	2,391,158.53	11,955,792.63
2011	746,195.73		1,980,618.11	2,726,813.84		
2012	771,341.72		1,184,366.82	1,955,708.54		
2013	574,794.90	112,386.00	2,215,749.77	2,902,930.67		
2014	518,488.71	72,748.20	1,623,481.44	2,214,718.35		
2015	1,579,708.63	292,075.62	8,910.54	1,880,694.79	2,516,723.75	7,550,171.24
2016	1,701,145.38	523,591.00		2,224,736.38		
2017	1,904,942.73	1,539,797.34		3,444,740.07		
Total MINEC Spending 2/	12,832,229.23	2,540,598.16	7,013,126.68	22,385,954.07		

Source: Planning Directorate, MINEC

1/ Corresponds to accrued amounts

2/ Does not include funds that MINEC allocates to FONDEPRO to support private enterprises on quality issues

3/ Productive Development Support Programme for Involvement in International Markets IDB 2583/OC-ES

The table also shows how funding for the quality subsector has changed over the period. Thus, it can be noted that, since the Budget support ended, from 2015 to 2017 the average annual budget allocated was around USD 2.5 million. This seems to indicate that the National Quality Policy has become consolidated in the national budget in the last few years at levels that in practice more than doubled those seen in the years prior to its introduction. Likewise, it can be observed that **during the period of interest to the evaluation (2009-2017), accrued funds from the National Treasury to support work related to the PNC amounted to slightly more than USD 20.7 million.**

3.3. Complementary Support

The Complementary Support (CS) in Budget support programmes generally involves allocating funding for Technical Assistance (TA). Although TA tends to account for most of the financial resources allocated for complementary support, it usually also includes funds for evaluations, audits and/or actions to publicise the results of the programmes financed.

The European Commission requires the TA that accompanies Budget support programmes to comply with certain basic principles, including that it should provide support to capacity development based on demand, it should be linked to clear outputs, and it should be targeted at harmonised and aligned initiatives. Other key principles of the EU TA strategy and approach stipulate that:

- the primary aim is to promote capacity development at individual, organisational and country-wide levels;
- the assistance model should include results-based management and foster dialogue between the parties;
- it should avoid complex intervention structures and prioritise partner ownership;
- it should build on a thorough understanding of the political, socio-cultural, sectoral and institutional context and take account of sector-specific requirements;

- it should promote leadership by the beneficiary and their greater involvement in the planning, coordination and implementation process;
- it should foster the harmonisation of TA and training interventions, especially with other donors;
- it should encourage the implementation of cost-effective actions.

Finally, in its Guidelines on Budget support the EU stipulates that capacity development needs should be assessed systematically to promote effective institutions and to enhance the government's capacity to design and implement its policies and deliver better services to the final beneficiaries.

All five Budget support operations covered by the evaluation had CS funds. As the table below shows, TA required most of these funds, amounting to EUR 13.90 million or 72% of the total CS committed by the EU in the 2009-2017 period.

Table 7: Amounts Disbursed for Complementary Support (EUR million)

	TA + VISIBILITY	OTHER	TOTAL	RECIPIENT/IMPLEMENTER
PARE-ES	3,00		3,00	TA
PRO-EDUCA	2,80	2,00	4,80	TA/UNDP
PACSES	4,00	2,25	6,25	TA/Ciudad Mujer
PRO-CALIDAD	1,30		1,30	TA
PRO-INCLUSION*	2,80	1,20	4,00	TA/CSO
TOTAL	13,90	5,45	19,35	

Source: Prepared by the authors based on EC data.

* TA that has not yet started

The TA³² aimed at complementing the budget support operations amounted to about EUR 11 million in the 2010-2017 period, equivalent to slightly over 14 million US dollars over an 8-year period, or an average of USD 1.8 million per year. Based on international TA standards, these funds could cover about 2,000 senior consultant days per year for the four programmes that were under way. This gives an idea of the importance of the contribution made by the EU to capacity development in the country, as well as bringing in know-how from abroad to the benefit of the policies supported and the institutions responsible for implementing them.

The PARE-ES TA was instrumental in securing the results achieved in the area of macro-fiscal policy during the period analysed. The technical assistance team's main contribution was to order and prioritise the initiatives and projects being taken forward by the MoF to promote fiscal sustainability and macroeconomic stability in the country. This team helped to draw up the ISP, first for the 2012-2014 period and later for the 2015-2019 period. This result is widely acknowledged in the GoES and enabled the MoF to focus its efforts and coordinate the technical support provided by international donors to achieve the proposed objectives and monitor effective progress. The contributions made by the TA to the rest of the initiatives worked on are also highly valued, especially the development of the SAFIM,³³ the preparation of the MTFE and technical capacity development for the MoF, although here the praise is shared with other donors who participated in their design and development, such as GIZ, AECID and USAID. The support to improve financial management was worked on at the regulatory authority level and focused mainly on the MoF, through the PARE-ES TA. For the rest of the sectors supported, financial management was not a priority area of work and no relevant contributions to it were identified at the level of inputs or direct outputs of the programmes.

The funding allocated by PRO-EDUCA to CS was used by the EUD and GoES in three lots (components) of TA and a Contribution Agreement with the UNDP. Component 1 (School Environments) sought to achieve three objectives: 1. An Integrated Citizen Management Model designed, implemented, validated and evaluated; 2. Strengthened institutional capacities among coordination staff and technical staff at central and departmental levels; and 3. Support for a validated and functioning inter- and intra-institutional coordination mechanism for autonomy and independent management in local and school communities. The second component (ICTs) likewise sought to achieve three objectives: 1. Teachers in secondary education trained and certified in teaching

³² In contrast to section 2.3, which discusses the design of the programmes (EQ 1.1: Inputs), when referring to TA this section discusses its effective implementation (EQ 2.1: Direct outputs), in other words, what was actually done.

³³ The Municipal Financial Management System (SAFIM) is an IT tool that enables municipalities in El Salvador to manage their budgeting, treasury and accounting processes in an integrated way, producing useful information for central government and the general public.

methods for skills development in the area of Information and Communication Technologies; 2. Teachers in lower and upper secondary education trained as itinerant teachers for the introduction and mainstreaming of the Science, Technology and Innovation (STI) approach across the Salvadoran education system; and 3. Improved key content in secondary education (Natural Sciences and Mathematics). Finally, Component 3 (TTE), judged the best, sought to achieve six objectives: 1. Strengthened regulatory framework for secondary technical education; 2. Study programmes for the Technical Baccalaureate designed and updated; 3. Vocational Guidance Programme and Scholarships Programme; 4. Technical and methodological training for teachers in technical and technological secondary education and management training for the School Management Councils; 5. Workshop and laboratory infrastructure adapted and equipment updated in schools; and 6. Strengthened management capacity in the MINED TTE Directorate.

In the different stakeholders' judgment, the benefits of PRO-EDUCA TA were uneven, and the most positive appreciation was for the TA related to Component 3 (TTE), which was rated as very good. Implementation of Component 1 (School Environments) was less effective, mainly for reasons related to its management, while no traces of the performance of Component 2 (ICTs) could be detected.

In addition, Amendment 1 transferred funds from the Budget support to finance a Contribution Agreement with the UNDP for EUR 2 million, for the purpose of implementing the "Seamos Productivos" programme in 2013 and 2014. Implementation of this programme suffered from delays right from the start, which meant that the work plan had to be reformulated and some of the expected outputs eliminated. The main output was achieved, as the financial support and accompaniment for businesses reached 150 initiatives, although only a quarter of the programme's total budget was destined for this. This experience is therefore seen by the MINED as inefficient, with a high transaction cost.

The PACSES TA was aimed at building capacities for overall coordination, information, communication, monitoring and evaluation, as well as the development of tools for the Universal Social Protection System (SPSU) and, in particular, the *Comunidades Solidarias* Programme, in all the institutions involved in the SPSU.³⁴ The TA team, which had four experts, supported SETEPLAN as well as the institutions involved in the SPSU as implementers. The TA provided support – in the form of two experts and reinforcement on specific topics – for the design of the *Plan Social* and, importantly, to the different institutions that form part of the system to draw up the matrix of indicators and their respective fiches for the Plan. The institutions involved expressed a very positive judgment of the TA support received to formulate the indicators, and mentioned that it was the first time an exercise of that sort had been carried out. Other issues worked on by the TA team were communication and visibility for the social programmes, and the development of the RUP, a crucial tool for the management of the social protection and inclusion policy.

The TA also financed the development of the IT module for monitoring the indicators in the PQD monitoring system, and supported the process of drawing up the Extreme Poverty Eradication Strategy (EEPE). It also **played a strategic role in the work to support SETEPLAN to coordinate the Social Management and Inclusion Cabinet.** Furthermore, the funds allocated to the *Ciudad Mujer* Programme for "Promoting women's rights by supporting economic independence and integrated health care" were used to develop models for services that help to reduce gender gaps, both in relation to women's living conditions and their status and recognition in society, which are being implemented on a scale that is still limited.

Thus, the contributions made by the PACSES TA are appreciated especially for the support provided to SETEPLAN to coordinate the Social Management and Inclusion Cabinet. The important role it played in the design of the *Plan Social* was also emphasised. The contributions made to the policy dialogue that took place in the PACSES Working Group are also appreciated, especially the support of the EUD in the relationship with the FOCAP Committee (AECID and Luxembourg).

The PRO-CALIDAD TA was contracted with the main objective of "supporting the Government of El Salvador to operationalise, launch, promote and disseminate the new legal framework for the Salvadoran Quality System, as well as contributing to its recognition internationally". The six objectives the TA was expected to achieve were: 1. Review and finalisation of the National Quality Policy, the medium-term

³⁴ Terms of Reference for the PACSES TA contract

plan (2011–2014) and the annual work plans for its implementation; 2. Review and finalisation of the organisational design of the Salvadoran Quality System agencies (Standards, Technical Regulation, Accreditation and Metrology) and their work plans (2011–2012), as well as the plans for obtaining international recognition; 3. Review and strengthening of the work plans and the information system for the inter-institutional implementation of PRO-CALIDAD and the design of the “Buy Your Quality Programme”; 4. Design of mechanisms for efficient coordination between the MINEC and government and private sector organisations involved in the work of PRO-CALIDAD and the EUD for El Salvador; 5. Ensure that knowledge and know-how is transferred to the beneficiary and the governmental and non-governmental organisations involved in PRO-CALIDAD, through “learning by doing” workshops and exchanges of experiences on the different key thematic areas; and 6. Strengthening of MINEC’s institutional capacity to implement its sectoral policy for a Salvadoran Quality System.

The actors involved in the Salvadoran Quality System (SSC) judged the PRO-CALIDAD TA very positively, as it managed to achieve the proposed results, as well as for its contribution to the introduction of a culture of quality in Salvadoran society. Many stakeholders also appreciated the educational approach used by those responsible for implementing the TA and their important contribution to increasing the knowledge of the SSC actors so that they could improve the work they do. **Many of the issues that the PNC sought to introduce were relatively new for the country and the TA helped to increase knowledge and dissemination of them.**

The TA for PRO-INCLUSION is still in the tender process, and is expected to start in October 2018 and run for 30 months. Its objective will be to “Support the institutions involved in the design, implementation and monitoring of the Plan and its programmes to develop their human and institutional capacities.” More specifically, it will aim to: 1. Support the strengthening of results-based management in the social sector, and the *Plan Social* and its programmes in particular, with the aim of improving the outcomes and impact of the interventions; 2. Support the strengthening of the rights and gender approach in the design, implementation and monitoring of the *Plan Social* and its programmes; 3. Support the strengthening of coordination and governance of the social sector and the *Plan Social* in particular.³⁵ The complementary measures also include grant awards to be offered to civil society organisations who will bid to oversee the *Plan Social*. Their proposals, up to a maximum of two contracts – one per macro region: a) western + central, and b) eastern + paracentral – will be related to the following two priorities: ensure the financial and technical supervision of the *Plan Social* and its programmes; and encourage effective citizen participation with a rights-based approach, setting up local citizens’ committees for the purpose.

Thus, the evaluation has found evidence that, overall, **the TA planned and delivered by the EU over the period as part of the different Budget support programmes has complied with the basic principles it is required to follow, in the sense that it has served to support the development of institutional capacities based on the demand in the institutions involved in the different programmes, and thus responded to the partner country’s priorities.** The TA was based on a thorough understanding of the political, socio-cultural, sectoral and institutional context in the country, and promoted leadership by the beneficiaries and their greater involvement in the planning, coordination and implementation processes.

3.4. Policy Dialogue

The EU’s Budget Support Guidelines³⁶ state that policy dialogue is a core element of a Budget support programme and a centre piece in the relationship with the partner country because it contributes to mutual responsibility and accountability. It provides a framework to take stock of the implementation of the partner country’s policies and reforms as well as of donors’ commitments and enables progress on both sides to be monitored on the basis of different information, criteria and indicators, as well as the details that can be provided

³⁵ Terms of Reference for PRO-INCLUSIÓN TA

³⁶ Budget Support Guidelines. Programming, Design and Management – A modern approach to Budget Support. EuropeAid Development and Cooperation Directorate-General, European Commission. September 2012. There is also a previous version from 2007, based on which all the programmes except PRO-INCLUSIÓN were formulated, as well as a new version from 2017, which was not used in the programmes examined by this evaluation.

by the government in charge of spending the funds. Policy dialogue can also be used as a forward-looking tool to identify policy slippages and to reach a common understanding with the authorities on corrective measures to meet policy objectives and refining the objectives and targets if necessary. The dialogue should cover both process and content and should address not just the specific policy elements of the Budget support operation, but also the wider development context in the partner country, in order to support the achievement of the programme's objectives.

The EU suggests that an effective policy dialogue should enable the eligibility criteria to be monitored and keep an eye on the issues that arose in the risk assessment carried out. It requires a clear understanding of the national and sector coordination framework, as part of a broader context analysis, to better understand the actors, rules and mechanisms of the decision-making process in the partner country. A rolling dialogue strategy should use this analysis to identify the most effective dialogue methods and platforms, and a programme of action. **Given the difficulties of attributing the achievement of specific development results to the provision of budget support funds, it is particularly important that the dialogue is properly documented to help demonstrate the contribution that budget support is making.**

In the **case of PRO-EDUCA**, information about the structure and functioning of the dialogue was limited due to the changes in the sector. When the FA was signed in 2009, there was a Donor Working Group on Education, which was expressly mentioned in the PSE 2009-2014 **The sectoral working group was active from 2004 to 2010, when it stopped meeting** for reasons that the evaluation team was unable to determine. During the operational phase of the programme, a forum for discussion between the EU and the GoES was set up, with the especially active participation of AECID and Luxembourg, as well as the World Bank. However, this forum does not seem to have had the characteristics expected of policy dialogue, as the discussion was not strategic, it was not structured around key issues in education policy, and there is no evidence of its formal status, such as minutes of meetings.

However, it is important to mention that **one important result of the discussion process was the creation in 2015 of the National Education Council (CONED)** as a consultation body for dialogue and consensus-building on education matters. This can be interpreted as a dialogue forum, although its nature as a consultation space open to civil society does not necessarily conform to the usual structure of a forum for policy dialogue, where the government and donors discuss the policies supported and reach formal agreements that both parties undertake to abide by.

In the **case of PACSES** there is possibly the best-developed effort to take forward policy dialogue in El Salvador. The dialogue took place in the setting of the *Comunidades Solidarias* Working Group (WG), and was designed to be a space for consensus-building, dialogue, monitoring, evaluation and accountability, involving all the government actors and development partners supporting the *Comunidades Solidarias* Programme (and now the *Plan Social*). This forum had the following structures:

- **The Plenary Working Group**, comprising all the government actors and development partners supporting the *Comunidades Solidarias* Programme,³⁷ which held ordinary meetings at least three times a year. The Plenary WG was the forum for consensus-building, dialogue, monitoring, evaluation and accountability related to the programme. It was the space where all the development partners confirmed their financial contributions to the programme. In 2012 the development partners unanimously proposed to include two additional seats in the Working Group, one for a civil society representative and the other to represent local authorities.
- **The Core Working Group**, whose members were the Technical Secretariat in the Office of the President (SETEPLAN), the Vice-Ministry for Development Cooperation (VMCD), the Ministry of Finance (MoF) and the Social Investment Fund for Local Development (FISDL) on the government side, and a trio of representatives of the development partners, chosen by them, including the incumbent Focal Point and the deputy Focal Point, signatories to the Code of Conduct, and another representative, not a CoC

³⁷ MoF, SETEPLAN, FISDL, SIS, VMCD, VMVDU, MoH, MINED, CONAMYPE, INSAFORP, AECID, IDB, WB, GIZ, UNDP, LUXDEV

signatory, who would assist the other two. The WG Plenary Session of 15 August 2011 approved the setting up of two committees:

- **The Technical Assistance Committee**, comprising representatives of SETEPLAN, MoF and VMCD and, as relevant, public sector institutions receiving TA and the development partners involved (those who have participated to date are AECID, Luxembourg, the World Bank, USAID, UNDP, the Italian Cooperation Agency and the European Union). The purpose of this committee was to coordinate the provision of technical assistance to develop the capacities of the state to implement the *Comunidades Solidarias* Programme, under the stewardship of SETEPLAN.
- **The FOCAP Committee**, composed of SETEPLAN, MoF and VMCD, together with AECID, the EU and Luxembourg, had the aim of establishing a mechanism to monitor programme support for *Comunidades Solidarias*, strengthening the programme's sector-wide approach and improving the effectiveness of the ODA provided to finance it, reducing transaction costs and taking maximum advantage of existing capacities.
- Finally, since mid-2010 and with the aim of optimising the funding provided by donors to finance the government's policy to combat poverty and social exclusion, a **Code of Conduct** was negotiated and signed to support the *Comunidades Solidarias* Programme. The CoC signed on 18 January 2011 by the Government of El Salvador, AECID, the European Union, the Luxembourg Development Agency and the United Nations was the first agreement of its type in the country and represented an important qualitative step forward in the development cooperation relationship between El Salvador and the development partners. The agreement put in practice the principles of ownership, alignment, harmonisation, managing for results and mutual accountability, in order to make an effective contribution to achieving the objectives of the national poverty reduction policy. The same code is being applied now to the *Plan Social* 2014-2019.

The **policy dialogue around PRO-INCLUSION follows the approach developed in PACSES**. It takes place mainly in the setting of the Working Group (WG), set up as a forum for consensus-building, dialogue, monitoring, evaluation and accountability, comprising all the government actors and the development partners supporting the *Plan Social*.³⁸ In 2016, twelve meetings were held by the Working Group's FOCAP and Technical Assistance committees. The purpose of these meetings was to receive and comment on proposals made by the GoES. The Technical Assistance Committee has continued to make progress with the efforts to ensure complementarity between the technical assistance funds that the development partners have allocated to the *Plan Social*, by identifying and prioritising the TA linked to capacity development in SETEPLAN and the institutions implementing the *Plan Social*. However, since the *Plan Social* was approved the intensity of the coordination has become noticeably weaker.

The contribution made by the policy dialogue to the objectives of PARE-ES and to the programme's effectiveness is difficult to establish clearly. Although it is evident that the TA had a significant capacity to participate in and influence decision-making about macro-fiscal policy, the specific contribution made by the EUD to this debate is less visible, or at least less well documented. The GoES, and especially the MoF, recognised and explicitly held up the Donor Working Group's contribution to facilitating political agreements with the opposition and the approval of measures needed to underpin the fiscal situation, but it is not clear to what extent it was a forum for discussing circumstantial matters or whether it had a permanent structure.

Policy dialogue in PRO-CALIDAD sought to enhance the EUD's relationship with the GoES on quality issues. This objective was only partially achieved for a series of reasons. The various technical teams contracted for TA played the role of interacting regularly with the GoES as part of their work and in order to achieve the results expected of them. Thus, this relationship helped to develop MINEC institutional capacities on the issue, enabling it to take forward its quality agenda as planned. However, to some extent the TA teams substituted for the EUD and it was their members who developed this relationship with the GoES counterparts (MINEC and later the CNC), without the EUD having much of a formal presence. No evidence was found of any structure developed for policy dialogue between the EUD (and other donors) and the GoES in this area. These relationships were described by MINEC officials as mainly administrative, meaning that they were concerned

³⁸ <http://www.secretariatecnica.gob.sv/sesion-plenaria-del-grupo-de-trabajo-del-plan-social/>

with whether or not the established indicators had been achieved, without setting up a forum that would enable situations to be detected in advance and, if necessary, rectify any deviations from the objectives or review targets.

3.5. Progress in Donor’s Coordination and Harmonisation

According to the most recent evaluations of aid effectiveness carried out in El Salvador,³⁹ **significant progress has been observed with the application of the aid effectiveness principles since the country’s adherence to the Paris Declaration in 2009, and the principles were reconfirmed in its National Plan on Aid Effectiveness 2012-2015.** These evaluations also point out aspects that need to be reinforced in order to continue making progress towards the effectiveness desired.

When the evaluations refer to donor harmonisation, this is usually related to **reducing the transaction costs** of international cooperation by establishing common arrangements for planning, financing, disbursement, evaluation, and reporting to the GoES on aid flows of this type. The three indicators used to measure this criterion are considered to provide a quantifiable reflection of the efforts to achieve donor harmonisation. We will refer first to the “Use of common arrangements or procedures” indicator, which is measured as the percentage of official development aid that development partners allocate to national programmes they work on together. The table below summarises this situation for the 2011-2015 period.

Table 8: Criteria for Measuring Donor Harmonisation in El Salvador

	% of aid funds disbursed to support initiatives with programme-based approaches	Joint missions conducted by development partners	Joint studies on the country
2011	22	16	40
2012	28	11	13
2013	13	11	7
2014	37	1	7
2015	27	4	12
Average	25.4	8.6	15.8

Source: Prepared by the authors based on data from the evaluation of aid effectiveness in El Salvador (2016)

In general terms, international donors associate the programme-based approach (as opposed to the project-based approach) with funds that go through government budgets and use national financial management systems. The results of the latest evaluation in El Salvador indicate that **between 2011 and 2015 the percentage of donor funds disbursed to support initiatives under the programme-based approach or modality varied but was tending to increase**, moving from 22% in 2011 to 27% in 2015. This would mean that, on average over the period, 1 out of every 4 dollars disbursed would have these characteristics. Although this is an improvement compared to the start of the period (1 out of 5), it is still modest. It can be better understood when it is taken into account that, for now, this type of funding (programme-based support) is the exception rather than the rule in the donor community in El Salvador.

A second indicator used to evaluate harmonisation efforts refers to the “number of joint missions carried out over a given period, either by two or more donors together or by one donor on behalf of another”. In principle, when development partners conduct joint missions it ought to be easier for the government to establish better dialogue channels and develop joint aid management tools. The evaluation results confirm that there is a challenge with regard to this in El Salvador, as the number of these missions fell from 16 in 2011 to just 4 in 2015.

Finally, the third indicator refers to “joint analysis studies carried out on the country”. This indicator measures the number of country analysis reports or reviews carried out by two or more donors together or by one donor on behalf of one or more others, as a percentage of the total number of reports or reviews carried out in a given year. According to the information provided by the development partners, it was found that **the number of joint country analysis studies carried out by the donors in coordination with each other is tending to fall, moving from 40 at the start of the period analysed to just 12 in 2015.** However, this figure should be revised

³⁹ Final Report on the Results of the Second Evaluation of the National Plan on Aid Effectiveness in El Salvador by the Ministry of Foreign Relations, 2016. 1st edition – Antigua Cuscatlán, El Salvador. MRREE, 2017

if the number of analytical studies carried out jointly is compared with the total number of studies carried out in the year, in which case the percentage is higher, at 67% (12 of the 17 studies carried out were joint studies). This means that 2 out of 3 country analysis studies are being done jointly and in a coordinated way.

In this general overview of efforts to harmonise development cooperation in El Salvador, the experiences of the EU programmes are interesting to highlight. **EU development cooperation was able to combine with two cooperation agencies from its Member States (Spain and Luxembourg) around the PACSES programme to provide coordinated and harmonised support in the area of social development** (see section 2.4).

The multilateral donors in El Salvador (World Bank and IDB) also use the sectoral budget support modality (which they call Policy Based Loans) and usually share information with the other donors, including the EU, although they operate under their own criteria and do not make their programmes and projects conditional on whether this harmonisation happens or not. In other words, given that in their case the funds are reimbursable (loans), making it more difficult for the government authorities to approve them and then requiring approval by the Legislative Assembly, these agencies must look for the best opportunity to place their loans, in some cases even at the cost of coordination and harmonisation efforts that had been under way (GIZ-WB-IDB on the subject of public financial management).

There are similar examples with other donors who, because of their size or their geopolitical importance in the region, can advance their development cooperation agendas regardless of the coordination initiatives that may be under way (USAID).

It is clear that harmonisation – and alignment – are not easy to achieve and the results can only be seen in the medium term. However, it is also clear that these efforts are more successful when there is strong country leadership, and that this leadership must be based on positive examples, appropriate proposals for coordination, sufficient monitoring of the agreements or proposals adopted, systematic achievement of agreed targets in the time envisaged, and improvements in the capacity to absorb funding so that the donor community can align more quickly around the government's harmonisation efforts. Despite the progress observed in El Salvador in the direction of greater harmonisation and alignment of international development cooperation, there are still areas to be addressed before effective country leadership of this effort can be achieved.

3.6. Adequacy of Budget support Compared with other Aid Modalities

According to the OECD Development Assistance Committee (DAC), programme-based aid (one of the modalities of which is Sectoral Budget Support) is a way to provide development cooperation based on the principle of coordinated support for a sectoral programme or a thematic programme. The main features of Budget support are that:

- The partner government leads the programme, supported by the donors
- There is an integrated programme and a single budget framework
- It proposes a formal process of coordination between donors and harmonisation of their reporting, budgeting, financial management and procurement procedures
- Local systems are used for the design and implementation, financial management, monitoring and evaluation of the programme.

Convinced of the importance of this aid modality, the EU has committed more than 90% of its funding for development cooperation in El Salvador as budget support. Together with the World Bank and the IDB, it is the donor that uses this aid modality most assiduously in the country.

Over time, the international literature⁴⁰ on development cooperation has systematised the potential advantages and possible risks of using Budget support as the preferred aid modality. By examining these criteria in the case of El Salvador, it is possible to identify the progress achieved with the use of Budget support, when it is

⁴⁰ For example, "The Future of EU Budget Support in Developing Countries", European Commission, 2011. [http://www.europarl.europa.eu/RegData/etudes/note/join/2011/433769/EXPO-DEVE_NT\(2011\)433769_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/note/join/2011/433769/EXPO-DEVE_NT(2011)433769_EN.pdf)

compared with the traditional modality of funding via projects. The table below presents a summary of this assessment.

Table 9: Realisation of the Potential Advantages of Budget Support

POTENTIAL ADVANTAGES		RESULTS OBSERVED	REALISED
1	Stronger country ownership and sustainability of reforms	The Budget support programmes effectively supported national policies arising from the government's agenda	YES
2	Reduced transaction costs (administrative and financial burden) for the partner country and avoidance of parallel structures	By concentrating efforts on the achievement of outcome indicators rather than processes, it is possible to reduce transaction costs. Parallel structures have been reduced to a minimum.	YES
3	Increased predictability of the disbursements of external funds	The predictability of the funds has increased to 92% of the total scheduled, although efforts should still be made to avoid quarterly deviations	YES
4	Improved government accountability	The Budget support programmes have included accountability ever since they were designed, as disbursements are only made once verifiable reports on the achievement of targets and objectives are received	YES
5	Improved efficiency, consistency and transparency of budget spending	The PFM reforms seek to achieve this objective and the sectors supported by the EU Budget support programmes have received the expected flow of public funds. The strengthening of transparency is being worked on.	PARTLY
6	Public Financial Management (PFM) system supported	Initiatives to reform PFM systems are under way to make it more efficient. The government has obtained significant funding to take forward these reforms.	YES
7	Stronger planning for medium-term results	The first steps have been taken to introduce results-based management in PFM systems, although it has not yet been formalised	PARTLY
8	Development objectives take priority	The priority for the programmes supported were the development objectives set out in government plans	YES
9	Stronger coordination between donors	There have been successful initiatives to improve coordination between donors (EU, AECID, LUX), although there is still overlap between donors in other areas (GIZ, USAID, WB on PFM)	PARTLY

Source: Prepared by the authors based on information from DAC/OECD

The literature on development cooperation⁴¹ also identifies potential risks that budget support operations may entail. These must be monitored to ensure that they do not materialise in countries where it is the preferred way of working. In the case of El Salvador, none of the risks seem to have materialised, as the summary in the table below shows.

Table 10: Materialisation of the Potential Risks of Budget Support

POTENTIAL RISKS		RESULTS OBSERVED	MATERIALIZED
1	Increased fiduciary risk (risk of misuse of funds) in countries with weak PFM systems	The country has relatively solid PFM systems (according to two PEFA assessments), enabling the Budget support funds to be managed appropriately. The sectors supported have received the funds expected from the MoF	NO
2	Increased volatility of aid flows in countries with poor performance	No increased volatility of aid flows in the sectors supported by the Budget support operations has been observed	NO
3	Increase in transaction costs in the short term for partner countries and donors	There is no evidence of a significant increase in transaction costs in the case of El Salvador	NO
4	Excessive increase in the power of central government ministries	The central government ministries have maintained their power but they have not used it to restrict the use of funds by the sectors and policies supported	NO

⁴¹ See especially the DAC/OECD reports, particularly OECD/UNDP (2017), "Making Development Co-operation More Effective: 2016 Progress Report", Éditions OCDE, Paris. <http://dx.doi.org/10.1787/9789264276789-es>

5	Conditions imposed by donors take precedence over dialogue and local leadership	Donors are supporting policies and programmes that fit with the government's priorities as presented in its development plans. No tension due to donor imposition has been noted.	NO
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Source: Prepared by the authors based on information from DAC/OECD

EQ 2.1: To what extent have the Budget support inputs contributed to creating new opportunities for the Government of El Salvador in terms of fiscal space, institutional capacities, policy dialogue and donor alignment and harmonisation?

Disbursements for the Budget support Programmes between 2009 and 2017 totalled EUR 97.5 million, an annual average of 0.34% of the central government budget or 2.45% of the total public investment budget. These amounts are relatively modest and did not aspire to solve El Salvador's structural shortage of funds on their own. **The relevance of the financial contribution made by the EU Budget support programmes lay in its strategic and timely nature, especially at the sectoral level.** The PARE-ES disbursements provided the resources urgently required for the *Plan Global Anticrisis* (PGA), in particular by increasing liquidity to close part of the fiscal gap caused by the payment of certain subsidies. Therefore, in this case, it is not possible to see them as increasing the fiscal space, as they were destined to cover expenditure committed beforehand. In social protection, the funds complemented the financing for the *Comunidades Solidarias* Programme and the *Plan Social* that it led to, although it should be noted that the evaluation did not have enough information about the detailed budget for the government initiatives to be able to gauge the relative importance of the European funds. In the education sector, the disbursements supported specific aspects of the sector's transformation, particularly by increasing the capital budget available for procurement and for small-scale infrastructure in the components addressed by the programme. The contributions from PRO-CALIDAD financed the building of the institutional structure for the National Quality Policy, and sectoral spending in the area of quality practically doubled in the period analysed, rising from an annual average of less than USD 1 million until 2009, to an amount approaching USD 2.5 million in the 2010-14 period. In short, the funds enabled strategic spending already committed to be covered or created the fiscal space necessary for the GoES to effectively finance actions that would otherwise have been more difficult to carry out with funding from the government budget.

All the programmes included a CS component, designed to address several aspects at the same time. Thus, **it is noteworthy that the TA linked to the Budget support programmes was instrumental in the development of several sectoral policies:** the PARE-ES TA for the MoF ISP, PACSES for the RUP, the Law on Social Development, Protection and Inclusion and the *Plan Social* (the implementation of which is now being supported by PRO-INCLUSIÓN), and PRO-CALIDAD for its support to the National Quality Policy. **The CS achieved the objective of building institutional capacities in the sectoral ministries:** PARE-ES supported improved financial management with essential outputs such as the MTFE and SAFIM in the MoF; PRO-EDUCA, with several forms of assistance, focused on supporting the MINED to implement work on School Environments, ICTs and Technical and Technological Secondary Education, as well as building the capacities of teachers and the GETT; PACSES was key to building the capacities of SETEPLAN for the monitoring of the social policy and inter-sectoral coordination, **communication and visibility of Comunidades Solidarias and the development of the RUP.** PRO-CALIDAD enabled infrastructure and equipment to be provided for the SSC, as well as developing standards and capacities in the SSC actors, among other direct outputs. It is also necessary to clarify that none of these latter three CS was aimed explicitly at improving financial management in the sectors they supported.

Policy Dialogue, as a Budget support input, varied between programmes. In the social sector, the dialogue in the *Comunidades Solidarias* Working Group (supported with PACSES funds) was structured, formalised and strategic, and the one that most closely resembled the characteristics expected of these processes. Another positive case was the dialogue in the Donor Working Group on Fiscal Policy (formerly known as the Budget support Working Group), although until 2016 it had less government leadership and the donors played more of a leading role. In the education sector, from 2005 to 2010 there was a sectoral donor working group, but later the monitoring was limited to the operational aspects of PRO-EDUCA. Finally, there was no strategic dialogue structure for the area of quality, at least as regards PRO-CALIDAD.

Therefore, of the three inputs contributed, policy dialogue was probably the one taken advantage of the least.

Finally, there is evidence of complementarity and good coordination between the donors involved in the EU focal sectors, especially between the European ones. Particularly noteworthy was the coordination on fiscal issues and the FOCAP that AECID and Luxembourg took forward in parallel with PACSES, which is considered a good example of donor coordination and harmonisation. It should also be mentioned that the EU programmes themselves complemented each other well by addressing issues common to several of them, such as financing for the social area, reducing inequalities in access to education, technical training and employment. This practice is repeated in the new Budget support operation for the *El Salvador Seguro* Programme (PESS), which accompanies the programmes in sectors such as education and social protection. Thus, the EU Budget support programmes have contributed to alignment around national policies and the harmonisation of donor procedures in the sectors concerned.

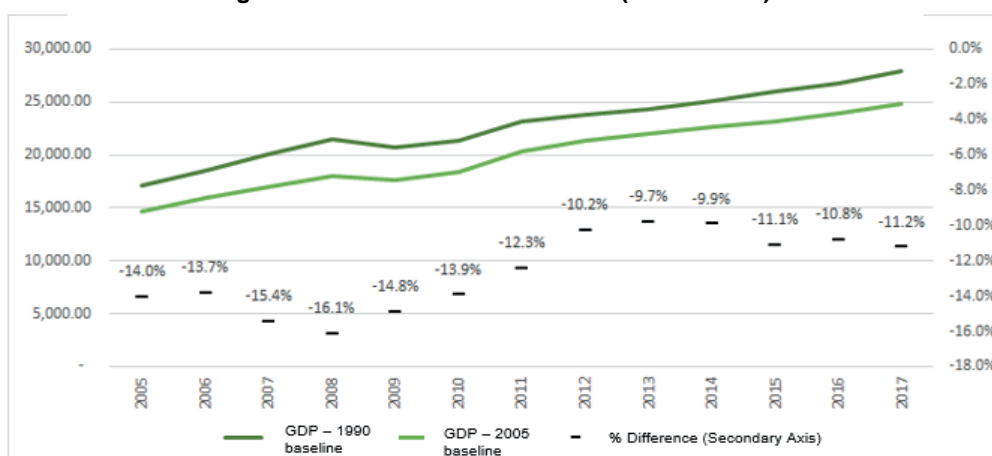
4. Macroeconomic Management and Evolution of PFM

EQ 3.1: To what extent have there been improvements in the fiscal and macroeconomic situation and the quality of public financial management (PFM), including domestic revenue generation, results orientation and transparency? What contributions did the Budget Support (Budget support) make to the changes observed?

Analysis of the macroeconomic and fiscal situation in El Salvador for the 2009-2017 period has changed significantly with the publication by the Central Reserve Bank (CRB), in March 2018, of new data on Gross Domestic Product (GDP), updated in line with the 2008 National Accounts System and with 2005 as the baseline.⁴² This section presents a brief description of the impact of these new data on the analysis to be carried out.

The economy of El Salvador is smaller than originally estimated, slightly over USD 30 billion in 2017. This is 12.5% lower on average between 2005 and 2017 and 11.5% lower for the period analysed (see Figure 9). The greatest differences between the initial and current GDP estimates are in the years preceding the international financial crisis (2005-2008), lessening somewhat in subsequent years (2010-2014). In the last three years (2015-2017) the difference is higher than 10%.

Figure 9: El Salvador Nominal GDP (USD million)

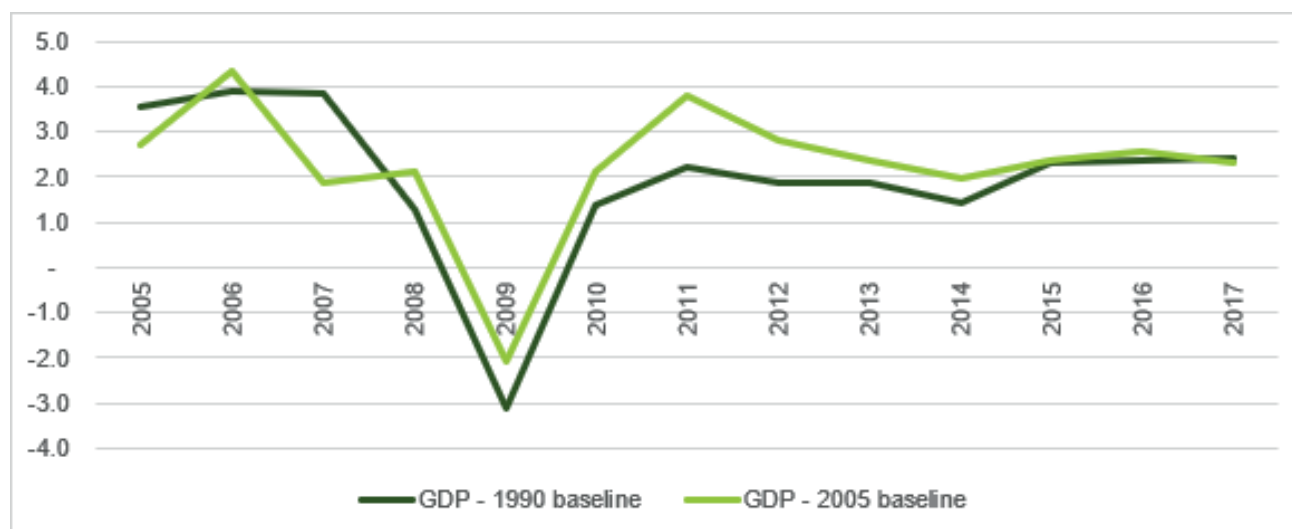


Source: Central Reserve Bank of El Salvador, 2018

GDP has grown more than originally estimated after the international financial crisis. The variations between the initial and updated estimates of GDP have also had a significant effect on the interannual GDP growth rate in the last few years, especially for the period covered by the evaluation (see Figure 10). The new GDP growth rates between 2009 and 2017 are generally higher than the original estimates (except in 2017, when it is one percentage point lower). Thus, annual average growth in the economy for the period analysed, which was originally calculated at 1.4%, is **actually 2.0% per year**.

⁴² On 23 February 2018, the Central Reserve Bank of El Salvador (CRB) announced a change to the reference baseline for constructing the National Accounts System, from 1990 (original baseline year) to 2005 (new baseline year). This adjustment to the calculation baseline resulted in a new data series for Gross Domestic Product, with 2005 as the baseline.

Figure 10: Interannual GDP Growth Rate (%)



Source: Central Reserve Bank of El Salvador

These changes affect the macrofiscal analysis presented in the Inception Report, which was based on the original data that were available in February 2018. With the new data, some GDP-based fiscal statistics, such as the tax burden, would now be assessed more positively than in that report. In other cases, the smaller size of the economy would have a negative effect on the analysis carried out previously, such as the appraisal of the public debt-to-GDP ratio.

The availability of these data means that the analysis in this section must be done using the updated GDP figures. However, because the new estimates are not yet fully integrated into sectoral statistics, the references made to the education, social protection and foreign trade sectors in the evaluation will still be linked to GDP data with 1990 as the baseline.

4.1. Macroeconomic Growth and Performance

The economy of El Salvador grew at an average annual rate of 2.0% over the nine years analysed by this evaluation (see Figure 11). Over this period, the growth rate turned positive, moving from -2.1% in 2009 to 3.8% in 2011, and then settling around an average of 2.5% per year between 2012 and 2017. This result reflects a significant effort by the GoES to mitigate the effects of the international financial crisis of 2008/2009 and take advantage of the favourable external context that emerged in the years after the crisis.

The average annual GDP growth rate of 2.0% in the period analysed also compares favourably with the nine previous years (2000-2008) when, on average, the Salvadoran economy achieved annual growth of 1.9%. However, this level of growth is lower than in the nine years in the 1990s, a period when interannual growth reached an average of 3.6% and annual growth rates higher than 4% were achieved (1992-1994). Since then, with the exception of 2006, the economy has not managed to grow at a pace higher than 4.0% per year.

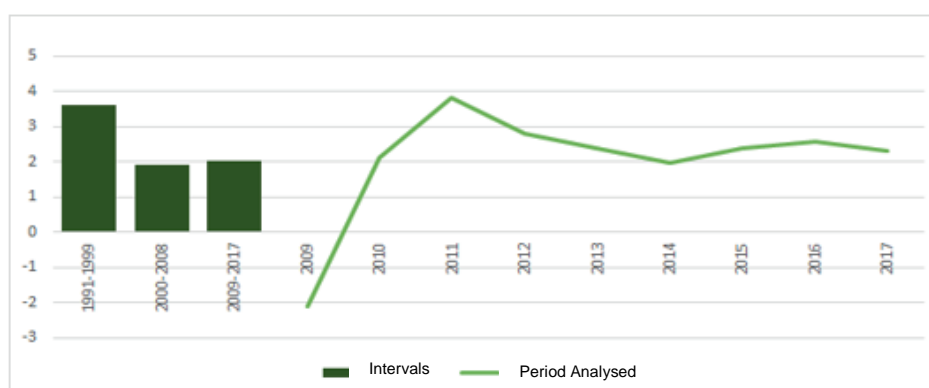
The levels of GDP growth achieved between 2009 and 2017 are also modest compared to the GoES' own expectations and public policy financing requirements, as reflected in the targets established in the PQD. In that document, real average GDP growth was estimated at 4.0% per year for the 2010-2014 period⁴³ and 3.0% for 2015-2019.⁴⁴ Furthermore, average annual growth of 2.0% is only half the average annual growth experienced in the 2009-2017 period by neighbouring countries in Central America (4.0%).⁴⁵

⁴³ Government of El Salvador (2010), *Plan Quinquenal de Desarrollo 2010-2014*, Section V Main Five-Year Targets, page 55.

⁴⁴ Government of El Salvador (2015), *Plan Quinquenal de Desarrollo 2014-2019*, page 233.

⁴⁵ Figures for Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and the Dominican Republic, compiled by CEPALSTAT, Economic Commission for Latin America and the Caribbean.

Figure 11: Growth in the Economy of El Salvador (%)



Source: Central Reserve Bank of El Salvador

El Salvador has therefore been the least dynamic economy in the Central American region. Low levels of domestic investment (public and private), reaching 15.5% of GDP in 2017 compared to 25% in the region as a whole, weak demand in the domestic market, the scant diversification of export products and markets, the complex fiscal situation and high levels of citizen insecurity explain much of this performance. Other relevant factors are the natural disasters (earthquakes, floods and storms) of varying intensity that regularly affect the country, the repeated international shocks and their harmful economic consequences, permanent migration by the country's human resources to other countries in the region and especially to the United States, and the growing domestic social problems of poverty and social exclusion.

The better results in the Salvadoran economy since 2015 are related to a more favourable international context, particularly the better performance of the United States economy. This situation has led to an increase in exports, higher flows of remittances from abroad, and the achievement of new milestones in the amounts of foreign direct investment received by the country. These positive elements have been leveraged in the domestic economy to provide greater access to consumer credit, improvements in the real salaries received by workers and relatively low levels of cumulative inflation (-0.9% in 2016 and 2.0% in 2017).

Finally, **the efforts made by the GoES to mitigate negative factors and promote a better business climate have been recognised by the World Bank in its 'Doing Business 2018' report,** where El Salvador is ranked as one of the ten economies worldwide that have made the most progress in this area. There is still much to be done, however, as the country remains near the bottom of the list in Central America in many of the indicators that comprise this ranking.⁴⁶

Thus, although the economy of El Salvador has grown by 2% per year over the period analysed, the growth rate is modest compared to neighbouring countries and the GoES's own expectations for the period. Performance in the most recent nine-year period is slightly better on average than in the previous nine years (2000-2008), as the country benefited from a slightly more favourable international scenario.

4.2. Fiscal Policy

The fiscal situation during the period analysed has been delicate. An overall fiscal deficit in each of the nine years between 2009 and 2017, levels of public debt that are growing and much higher than those internationally recommended, as well as acute political polarisation regarding the measures required to resolve this situation, are the features of the fiscal scenario throughout the period. Nevertheless, in the last few years the effort made by the GoES to address this difficult situation is showing signs of shifting it in the right direction, although the changes are still very tenuous. Although much remains to be done to return to the path of fiscal sustainability, the agreements reached on pension system reform and the approval of the budget for fiscal year

⁴⁶ IMF (2018), El Salvador Selected Issues: The Competitive Landscape for El Salvador's Exports

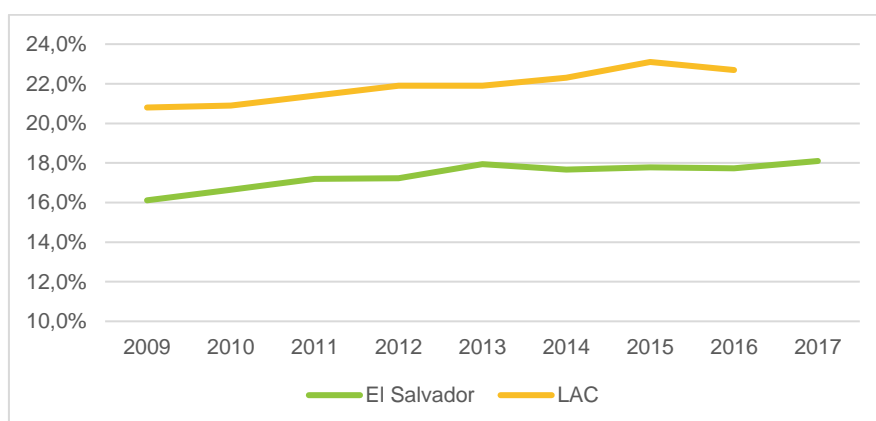
2018 have bought time to “use the same creativity applied to solving immediate problems in order to find long-term solutions.”⁴⁷

The GoES has taken forward an active fiscal policy. The fiscal policy was one of the key cornerstones of the *Planes Quinquenales de Desarrollo* (PQD) for 2010-2014 and 2014-2019, and had the principal objective of ensuring that the country had enough resources to finance the social and economic spending and investment defined as a priority to “promote the reactivation of the economy, attract and retain private investment and create productive employment”.⁴⁸ The policy’s specific objectives were to: i) increase tax collection, ii) raise levels of public investment and improve its quality, iii) increase the effectiveness of social programmes and subsidies, iv) generate primary savings so that public finances will be sustainable in the medium term, and v) maintain a level of public indebtedness in keeping with international standards and the country’s payment capacity.

The targets established by the GoES to measure achievement of these objectives were reasonably ambitious compared to the proposed baseline, but because they are specified in terms of the previous GDP figures (1990 baseline), they are not very useful for a comparative analysis with the updated figures. Therefore, the analysis of GoES fiscal policy in the period of interest to this evaluation is based on the direction of the trends in the most representative variables included in the PQD 2010-2014 and 2014-2019. In most cases, as the rest of this section will show, the fiscal policy implemented has produced reasonably positive results, although there is clearly much room for improvement.

The tax burden increased in the period analysed. Tax revenue represented 95.1% of total central government income in El Salvador on average during the 2009-2017 period and is therefore the main source of funding for the public policies being implemented in the country. This is why increasing tax collection was and still is a priority for the GoES and in the years under evaluation it has therefore deployed a series of legal and administrative initiatives aimed at improving the levels of tax collection as a percentage of GDP. The result has been an increase in the tax burden from 16.1% in 2009 to 18.1% in 2017 (see Figure 12). However, this level is still low compared with the average tax burden in Latin America and the Caribbean (LAC), which was 22.7% in 2016.⁴⁹ Thus, the gap between El Salvador and the LAC average in this area has remained at between 4 and 5 percentage points throughout the period.

Figure 12: Tax Burden in El Salvador and LAC (% of GDP)



Source: Ministry of Finance, 2017

Social spending⁵⁰ has increased as a proportion of total spending, though as a result of a higher allocation to current spending (see Figure 13). Although total central government spending has remained relatively static, at around 20% of GDP during the period analysed, the distribution within it shows a significant increase in social spending, which rose from 43.3% in 2009 to 46.3% in 2017, and reached as much as 49.0%

⁴⁷ Presentation by the Minister of Finance, Carlos Cáceres, at the Seminar on the Situation of Public Finances in El Salvador and Alternatives for Consolidation, August 2017.

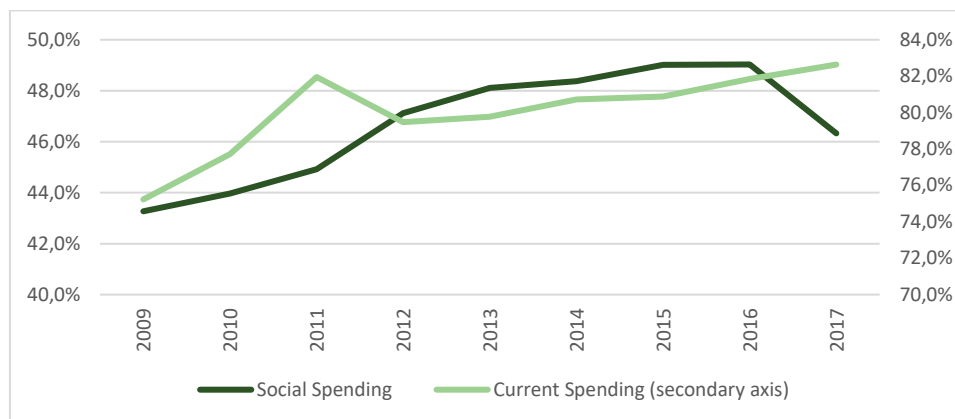
⁴⁸ PQD 2014-2019.

⁴⁹ OECD (2018), Tax Statistics in Latin America and the Caribbean

⁵⁰ Social spending refers to the funds classified in the Social Development management area.

in 2015 and 2016. However, this growth has been achieved in part with an increased allocation of funds to current spending, which also accounted for a growing share of total spending (from 75.2% in 2009 to 82.6% in 2017). In terms of GDP, current spending has hovered around 16.0%, reaching its highest level in the period analysed in 2017, with 16.4%.

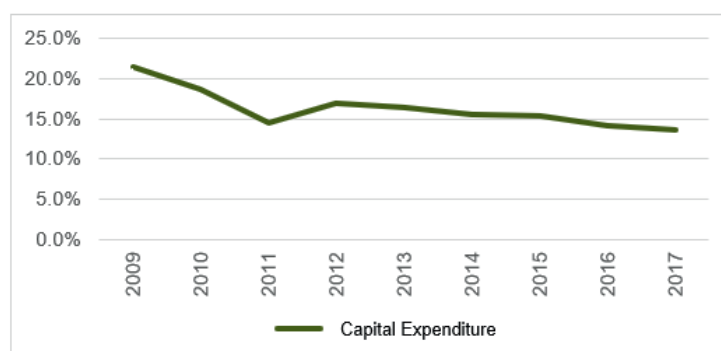
Figure 13: Central Government Social and Current Spending (% of Total Spending)



Source: Ministry of Finance, 2017

The growth in current spending was counterbalanced by a reduction in capital expenditure. Spending on investment as a percentage of total central government spending fell from 21.4% in 2009 to 13.6% in 2017, explained largely by the low levels of spending on projects by public institutions, which in many cases were less than 70% of the amounts scheduled per year (see Figure 14). It has also been argued that public investment has become the adjustment variable used to contain public spending and keep the fiscal deficit within the required limits.⁵¹ As a percentage of GDP, spending on public investment in El Salvador reached just 2.7% in 2017. This is lower than the Central American average of 6%, which in itself is not high compared to international standards. The quality of public investment is also low, especially bearing in mind that projects are not well aligned with planned priorities, the funds spent in the implementation phase are more than the amounts originally scheduled, and maintenance costs spiral earlier than envisaged.

Figure 14: Central Government Capital Expenditure (% of Total Spending)



Source: Ministry of Finance, 2017

The reduction in spending on blanket subsidies for transport, electricity and liquefied petroleum gas (LPG) consumption has also reduced pressure on the fiscal deficit. The better targeting of these subsidies has enabled the GoES to reduce public expenditure on these items by almost 0.8% of GDP between 2009 and 2017, as it fell from 1.6% in 2009 to 0.8% in 2017. Capital Expenditure received was 0.65% of GDP in 2016, when a slight reversal begins to take place (see Figure 15).

⁵¹ ICEFI (2015), Public Financial Management in El Salvador 2009-2014.

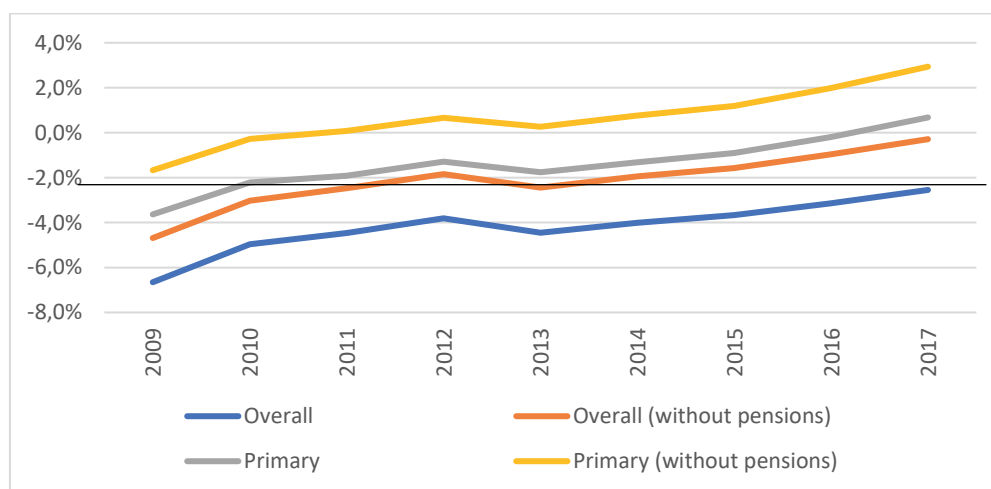
Figure 15: Central Government Subsidies (% of GDP)



Source: Ministry of Finance, 2017

Positive changes can be seen in the primary fiscal balance. The effort made by the GoES to generate primary savings to make public finances sustainable in the medium term is reflected in the fiscal balance results (see Figure 16). The primary fiscal balance for the NFPS has shown a positive trend throughout the period analysed, culminating in a surplus equivalent to 0.7% of GDP in 2017. If expenditure associated with financing the pensions system is not taken into account, the primary fiscal balance would reach 2.9% of GDP in 2017. The overall balance is going in the same direction in the primary balance, but it still recorded a deficit equivalent to 2.5% of GDP in 2017 (0.3% if expenditure on pensions is not included). The overall NFPS fiscal deficit is in line with the average of 2.4% calculated for Latin America.⁵²

Figure 16: NFPS Fiscal Balance (% of GDP)

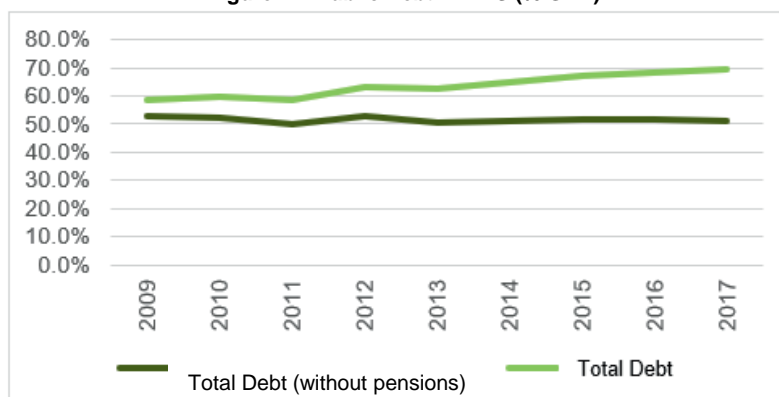


Source: Ministry of Finance, 2017

Total NFPS debt has shown sustained growth throughout the period analysed, increasing from 58.7% of GDP in 2009 to 69.7% in 2017 (see Figure 17). These levels of public debt are high, not just when compared with other countries in the Latin American region, a scenario in which El Salvador vies with Brazil for first place, but also in terms of debt servicing. The GoES allocates 2.7% of GDP each year to the payment of interest. It is worth pointing out that this is the same as the percentage allocated to investment spending each year. In this context, it is a good sign that public debt as a percentage of GDP, without taking the financing of the pensions system into account, is showing a tendency to fall, moving from 52.7% in 2009 to 51.3% in 2017.

⁵² World Bank (2018), Semiannual Report – Fiscal Adjustment in Latin America and the Caribbean: short-run pain, long-run gain? – Office of the Regional Economist.

Figure 17: Public Debt - NFPS (% GDP)



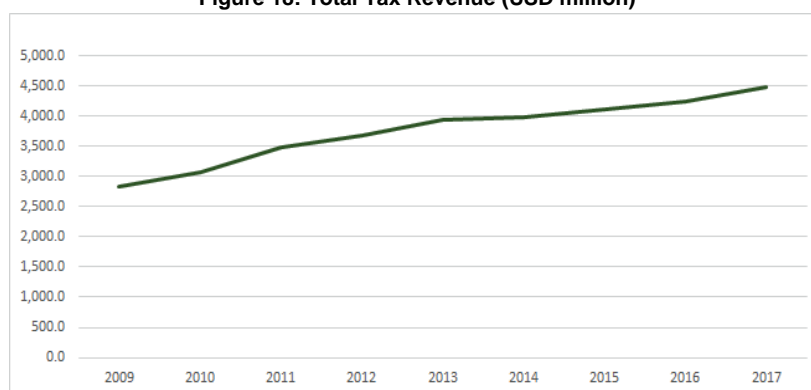
Source: Ministry of Finance, 2017

To sum up, the fiscal situation has been delicate throughout the period covered by the evaluation, and that assessment remains the case today. Nevertheless, over these years the GoES has taken forward an active fiscal policy that has had positive effects on the tax burden, the allocation of resources to social spending, reversal of the primary deficit and a gradual improvement in the overall fiscal balance. The increase in current spending, the resulting reduction in capital expenditure and the high levels of public debt are challenges that must be addressed as part of a medium-term vision. This will require a broader dialogue among the country's political forces than has been the case in recent years.

4.3. Domestic Revenue Mobilisation (DRM)

The tax burden in El Salvador reached 18.1% in 2017, resulting in total central government tax revenue of USD 4,489.5 million (see Figure 18). This level of income represents an additional domestic resource mobilisation of USD 1,653.5 million (58.3%) in the 2009-2017 period, when the average growth of tax revenue was 6.0% per year.

Figure 18: Total Tax Revenue (USD million)

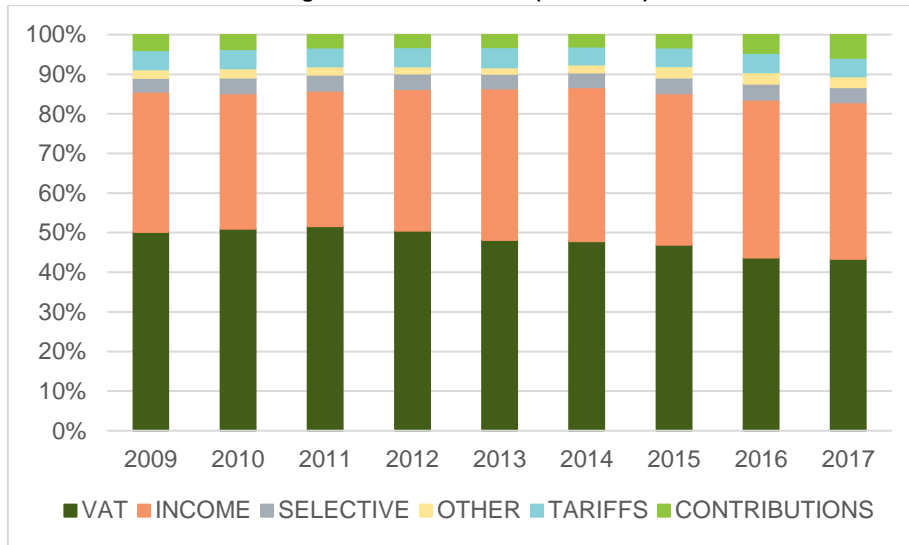


Source: Ministry of Finance, 2017

Value Added Tax (VAT) and Income Tax make up the bulk of tax revenue, together accounting for 82.9% of the total collected in 2017. This percentage has fallen compared to 2014, when it reached its highest point for the period at 86.7% of the total. A reduction in VAT's share of the total collected, falling from 50.2% in 2009 to 43.4% in 2017, and an increase in collection of the rest of the taxes, explain this tendency (see Figure 19).

The increase seen in the rest of the tax groups, together with the growth in income tax's share of total tax revenue, rising from 35.4% in 2009 to 39.5% in 2017, is the result of a tax reform (legal and administrative) introduced by the GoES in this period. The increase in income tax collected also accounts for 46.5% of the total growth in tax revenue between 2009 and 2017, compared with 31.8% for VAT and 21.7% for the rest of the taxes.

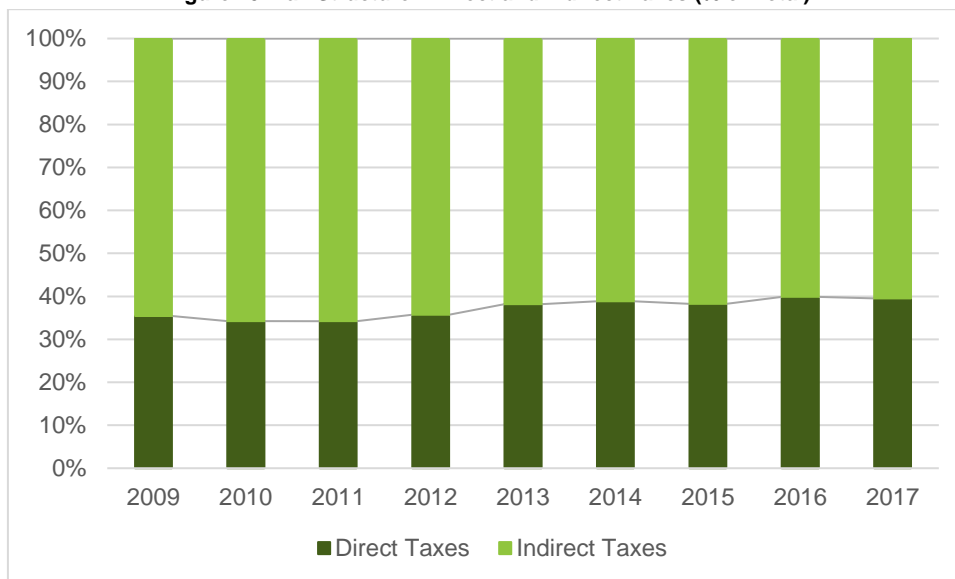
Figure 19: Tax Structure (% of Total)



Source: Ministry of Finance, 2017

Levels of tax revenue are still dependent on indirect taxes, although there is evidence that this is tending to fall. Over the period analysed, tax revenue corresponding to direct taxes increased from 35.4% in 2009 to 39.5% in 2017 (see Figure 20). However, total tax revenue's high dependence on the collection of VAT indicates that the system is still regressive. VAT's share of total tax revenue is an average of 28.6% in the countries of Latin America and the Caribbean and 20.1% in OECD countries.⁵³

Figure 20: Tax Structure – Direct and Indirect Taxes (% of Total)



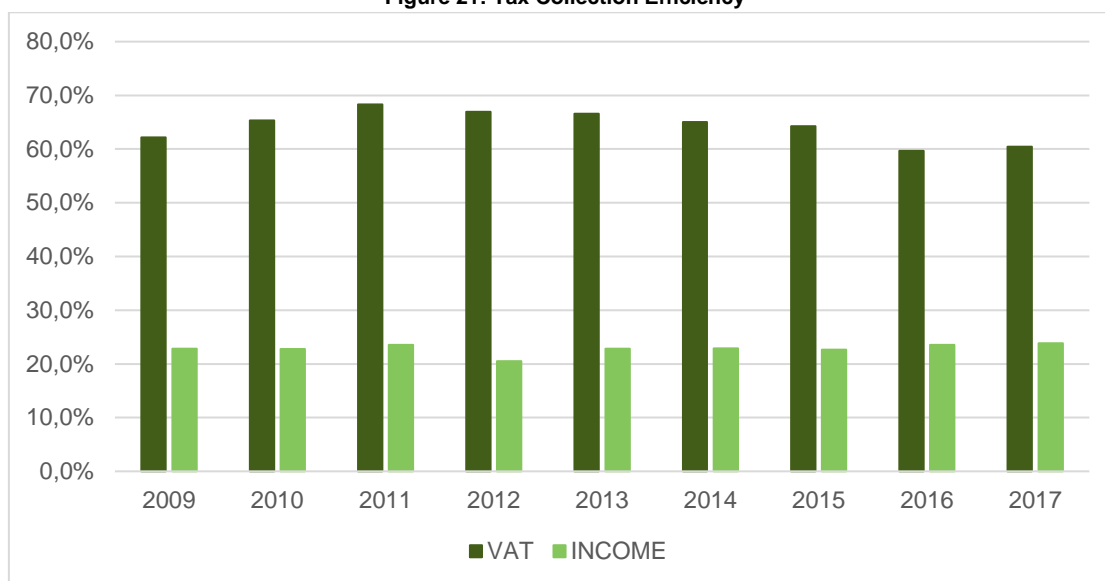
Source: Ministry of Finance, 2017

The efficiency of tax collection is still low for VAT, but more so for income tax. The tax burden of VAT is relatively high compared to other countries in Latin America, reaching a tax-to-GDP ratio of close to 8% in 2017, while the tax-to-GDP ratio of income tax reached 7.1% in 2017, a figure in line with the rest of the region's countries. However, tax collection efficiency, measured as the tax burden divided by the (general) tax rate,⁵⁴ shows that there is still significant room for improvement. The results are presented in Figure 21 below.

⁵³ OECD (2017), Tax Statistics 2017 for Latin America and the Caribbean.

⁵⁴ This methodology was used by the Central Bank in 2015 to analyse the efficiency of El Salvador's tax system. CRB (2015), Análisis del Sistema Tributario Salvadoreño 1980-2014.

Figure 21: Tax Collection Efficiency



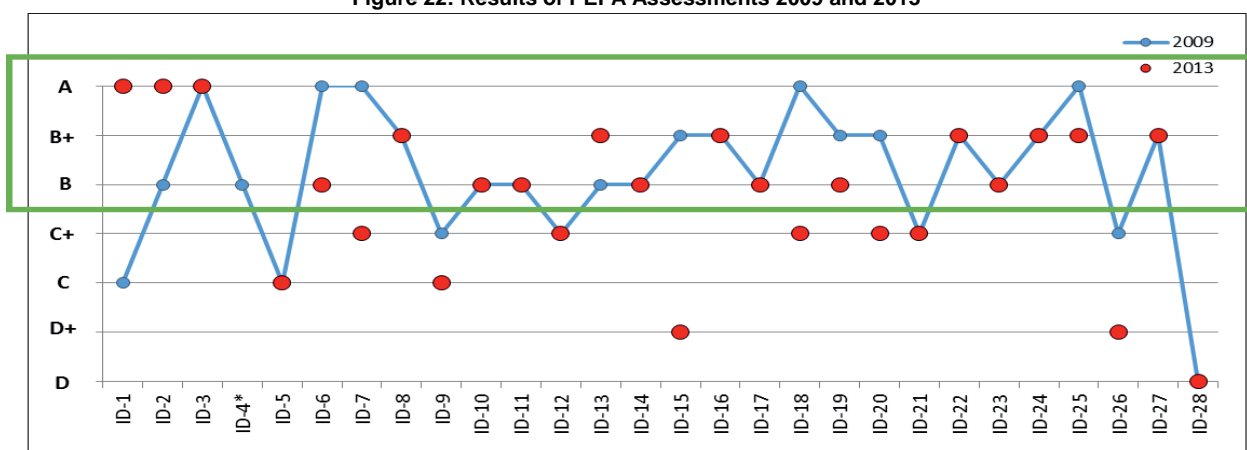
Source: Ministry of Finance, 2017

As the graph shows, the efficiency of the tax administration system in collecting VAT reached a high point of 68.3% in 2011, falling to 60.4% in 2017. This implies that there is potential to collect an additional 40% in VAT revenue. This potential is even higher with regard to income tax revenues. In 2017, efficiency in the collection of this tax was the highest in the period at 23.8%, indicating significant potential additional revenues.

4.4. Developments in PFM, including in Results-Based Management

The Public Financial Management (PFM) system in El Salvador is reasonably well aligned with international good practice. During the period analysed, two Public Expenditure and Financial Accountability (PEFA) assessments⁵⁵ were carried out with technical and financial support from the European Union, the first in 2009, at the start of the period analysed, and the second in 2013. The results of these two assessments are summarised in the graph below:

Figure 22: Results of PEFA Assessments 2009 and 2013



Source: Prepared by the authors based on data from the 2009 and 2013 PEFA reports

⁵⁵ PEFA is a tool for assessing the performance of the public financial management system that compares practices in the country with established international good practice to identify the system's strengths and weaknesses. This assessment methodology is internationally accepted and was developed by specialists from the IMF, World Bank, European Union and bilateral cooperation agencies in the UK, France, Sweden and Norway.

In the graph above, the blue dots show the results of the PEFA assessment carried out in 2009, while the red dots refer to the ratings obtained in the 28 indicators defined by the methodology in the assessment carried out in 2013. In both cases, the results show a majority of the indicators rated with scores between A and B, 21/28 (75%) in 2009 and 17/27⁵⁶ (63%) in 2013, showing that the financial management practices in El Salvador are close to internationally recognised standards. The results with scores of C+ or lower show a greater distance from international good practice, and these elements of the PFM system are therefore defined as weaknesses or opportunities for improvement.

The public financial management system underwent a slight decline in performance between 2009 and 2013. A brief comparison between the two assessments shows that, in general, the results from 2013 are somewhat poorer than those achieved in 2009. This seems to imply that the performance of the central government PFM system in El Salvador declined in the period between the two assessments. The main indicators in which performance declined are related to transparency and budget oversight. These findings are common to the majority of cases, although it is also important to clarify that, during the time that elapsed between these two assessments, specifically in 2011, the PEFA methodology underwent some small adjustments, and these might have affected some of the ratings, such as PI-19, which measures the performance of the public procurement and contracting system, for example.

The PFM system has strengths but also important areas where there are opportunities for improvement. The main strengths of the public financial management system in El Salvador, as reflected in the 2013 PEFA assessment, are: i) budget credibility (PI-1 to PI-3), in the sense that there is a reasonable correspondence between the planning and spending of the funds allocated to the different policy priorities; ii) transparency of the fiscal information provided to the Legislative Assembly, subnational governments and civil society (PI-6, PI-8, PI-10); iii) the annual budget preparation and formulation process (PI-11); iv) management of tax collection (PI-13 and PI-14); vi) management of the treasury, public debt and state procurement and contracting (PI-16, PI-17 and PI-19); vii) accounting and recording of financial information (PI-22 to PI-25); and viii) legislative scrutiny of the budget (PI-27).

The elements identified by the 2013 PEFA assessment that did not yet meet international standards were: i) the budget classification system (PI-5); ii) the existence of extra-budgetary expenditure and payment arrears (PI-6 and PI-4); iii) oversight of fiscal risk (PI-9); iv) coordinated medium-term planning and budgeting (PI-12); v) management of tax liabilities (PI-15); vi) payroll management and internal controls for non-salary expenditure (PI-18 and PI-20); ii) internal audit and external audit systems (PI-25 and PI-26); and, finally, viii) legislative oversight of fiscal management (PI-28). These are the elements that, a priori, ought to be addressed in order to strengthen public financial management in the country.

The results of the PEFA assessment were the main input for drawing up the MoF's Institutional Strategic Plan (ISP), the first for the 2012-2014 period and the current one for the 2015-2019 period. The MoF's ISP has become a sort of Action Plan for PFM Reform, and included actions and projects that are key for strengthening the country's financial management system. These have been implemented relatively successfully, with the coordinated support of international donors. However, because this Action Plan concentrates on the ministry itself, it has not yet reached other entities in the PFM system that are not part of the MoF, such as the Court of Auditors or the Legislative Assembly.

The most notable areas of progress achieved as a result of implementing the ISP are: i) development and publication of a ten-year Medium Term Fiscal Framework (MTFF), which also led to the approval of the Fiscal Responsibility Law in 2016; ii) strengthened tax collection management; iii) expansion of the national state procurement system; iv) development of methodological tools to apply programme-based budgeting with a results-oriented approach; v) development of the municipal financial management system (SAFIM), and vi) transparent and timely publication of up-to-date key fiscal information, through the Fiscal Transparency website.

Coordination of the reform activities around the ISP was key to the achievement of this progress. The MoF's Institutional Strategic Plan (ISP) sets out activities and projects prioritised by its different departments that need technical and financial support from international donors. These projects are discussed with and

⁵⁶ It was not possible to assess the indicator on payment arrears (PI-4) due to the lack of information available at the time.

shared out between the agencies involved in strengthening PFM in the country, in line with their objectives and interests. The forum for this work is the Donor Working Group, in which the European Union, USAID, IDB, AECID (Spain), GIZ (Germany) and the World Bank participate regularly. The evidence gathered for this evaluation shows that the coordinated work done by the donors has been a key element in the progress made with the reform process, even more so than the coordination between the MoF's different departments, where, in the opinion of the interviewees, more difficulties were encountered.

The Donor Working Group was also used as a platform for dialogue on the country's economic and fiscal policies, with more intensity since 2017 when the MoF took leadership of it. In the view of MoF authorities, the agencies involved in the working group played an important role in facilitating dialogue between the GoES and the opposition parties in the Legislative Assembly to reach political agreements aimed at passing legislation to reduce the pressure on public spending and the funding gap, such as the laws on Fiscal Responsibility, Pensions System Reform and the 2018 Budget.

The technical and methodological improvements have not been fully implemented, however. Several reform initiatives developed in different areas of PFM, including the reform of the government budgeting system and the national public investment system, have technical and methodological tools that cannot yet be fully implemented due to the delays in the design and development of the new expanded IT tool for the Integrated Financial Management System (SAFI II). This situation is pressing because the current SAFI system, which only covers the budgeting, treasury, public borrowing and financial accounting systems, is not configured – and does not have the installed capacity – to provide IT support to these new developments, such as programme-based budgeting or the linking of investment projects within the programme structure of the budget.

The change in the budgeting system to introduce results-based management is ready to be implemented. The reform of the government budgeting system is one of the most eagerly awaited reform processes, but its implementation has been delayed as a result of the difficulties with the development of SAFI II. The same budgeting system has been used since the early 1990s and is organised around classification by management areas, which reflects the GoES's efforts to manage large sectors of government administration such as the social sector, the economic sector or the public administration sector. This model, which seeks to ensure that decision-making about the allocation of public funds is guided by the priority areas of action, has not managed to link the budget to public priorities very accurately. This is why, since 2010 and with technical and financial support from the IDB, the European Union and GIZ, the GoES has been working to develop a programme-based budgeting model that will be results-oriented.

The conceptual model for programme-based budgeting with a results-oriented approach is based on a Logical Framework methodology where the provision of goods and services by public institutions is associated with a set of expected outcomes that are relevant to the people receiving them and a priority for the state, as defined in the plan. The institutions' production of the goods and services they provide requires resources to finance the necessary activities and inputs, and these are allocated in the budget. This logical chain of inputs, activities, outputs (public goods and services) and outcomes links planning directly to the budget (or priorities to the allocation of resources).

Based on the conceptual development of the new budgeting system, the Directorate-General for the Budget (DGP) has worked on the specific methodologies for programme design and formulation, shared them with the authorities in the whole of the public sector, trained its own staff and those in the institutions that will be using the methodologies for budget programme design, provided technical support to the institutions piloting the formulation of budget programmes and, finally, circulated the necessary materials to all public institutions. As of the date of the evaluation, however, it still needed to ensure that SAFI II will have the capacities to manage the budget under this new model in the future.

The introduction of programme-based budgeting with a results-oriented approach is also grounded in a vision of medium-term management. Together with the development of the conceptual framework for the results-oriented budgeting system, the MoF has also developed mechanisms that will make it possible to forecast and plan for available income and levels of public spending with a medium-term horizon (four to five years). For this purpose, it developed and in 2017 formally approved a Medium and Long Term Fiscal Framework (ten-year MTF), together with the models for introducing a Medium Term Expenditure Framework

(MTEF) throughout the public sector and Medium Term Institutional Frameworks (MTIF) to link institutional planning with the demand for resources. The last element in this effort is to develop a Monitoring and Evaluation System for Budget Programmes to ensure that these programmes perform properly and provide feedback for decision-making.

Transparency, from the point of view of public access to key fiscal information, has positively improved over the period analysed. The approval of the Access to Public Information Law in March 2011,⁵⁷ which should guarantee citizens the right to access public information produced by the state and promote transparency and accountability in public institutions, as well as the relaunch of the Ministry of Finance's Fiscal Transparency website in November 2014,⁵⁸ with complete, up-to-date and useful information on the movements of public funds in the areas of the budget, income, expenditure, investment, public debt and state procurement (COMPRASAL) aggregated at the central government and non-financial public sector level, are two elements that support this assertion. It is also important to highlight that the progress made by the MoF in the area of fiscal transparency led to the disbursement of the PARE-ES variable tranche in December 2011.

Despite the progress made, however, it only goes so far as to offer public information that is limited in scope compared with international good practice. The Open Budget Index,⁵⁹ which awarded El Salvador a score of only 37/100 in 2010, gave it 45/100 in 2017 for budget transparency, even though it had made public all the budget documents assessed in a timely fashion, with the exception of the medium term review which the country is not yet preparing. The usefulness and use of the information published only surpasses the level of 'limited' in the case of the documents that present the approved budget (95/100) and the final budget spending report (64/100). Furthermore, of the Central American countries only Nicaragua is ranked below El Salvador by the Open Budget Index.

Slower progress has been made with other elements required to strengthen fiscal transparency. The 2013 PEFA assessment highlights other elements that are key to fiscal transparency as weaknesses in the PFM system, such as extra-budgetary expenditure (or, in the case of El Salvador, the continued use of extraordinary budgets), oversight, internal audit and external audit systems, and legislative scrutiny of audited reports on fiscal management. As also reflected, in part, in the Open Budget Index, the progress made on these systems is still limited and shows that there are still ample opportunities for improvement to meet the widespread public demand for greater transparency and accountability in the management and use of public funds.

One possible explanation for this assessment is the delay in implementing SAFI II, which has limited the opportunities for integrating the systems, and therefore prevented the activities aimed at producing relevant information about the performance of financial management from being carried out as planned, such as results-oriented budgeting and the adoption of the International Public Sector Accounting Standards (IPSAS). The lack of a wide-ranging PFM reform plan, different to the MoF ISP, that would involve the system's other stewardship bodies, namely the Court of Auditors and the Legislative Assembly, and develop programmes and projects to strengthen them, reduces the impact of the efforts that can be made to bolster measures to improve information disclosure, transparency and accountability.

EQ 3.1: To what extent have there been improvements in the fiscal and macroeconomic situation and the quality of public financial management (PFM), including domestic revenue generation, results orientation and transparency? What contributions did the Budget Support (Budget support) make to the changes observed?

The GoES made a significant effort to recover from the international financial crisis of 2008/2009. Although the Salvadoran economy only grew by 2% per year on average over the last decade, it has picked up in the period analysed. Since 2009 there have been extremely difficult moments that the **GoES has rode out with an active fiscal policy**, as one of the cornerstones of the PQD 2010-2014 and 2014-2019. It has slowly approached equilibrium and the overall balance recorded a deficit of 2.5% of GDP in 2017 (0.3%

⁵⁷ Decree 534, Access to Public Information Law, dated 31 March 2011.

⁵⁸ The new Fiscal Transparency website modernises and expands the platform for accessing fiscal information that the Ministry of Finance started to publish in 2010.

⁵⁹ Open Budget Index 2017, International Budget Partnership.

without including pensions). In addition, **the tax burden grew from 16.1% in 2009 to 18.1% in 2017**, a noteworthy achievement but still lower than the average in Latin America (22.7%). There has clearly been an effort to make the tax system more progressive, although the efficiency of tax collection is still low. **Total central government spending remained stable at around 20% of GDP, while social spending increased from 43.3% in 2009 to 46.3% in 2017**, reaching a peak of 49.0% in 2015 and 2016. Furthermore, the improved targeting of subsidies enabled the GoES to reduce public spending by nearly 0.8% of GDP between 2009 and 2017. **Nevertheless, current spending accounts for most of the increase in social spending, aggravating the rigidity of the budget and causing a reduction in the amount allocated to capital expenditure** which, as a percentage of total spending, fell from 21.4% in 2009 to 13.6% in 2017 and only amounts to 2.7% of GDP, very much lower than the Central American average of 6%. **All this reveals an improvement in the fiscal and macroeconomic situation during the period, accompanied by an important effort to mobilise domestic revenue, although significant challenges remain to be addressed to make these efforts sustainable.**

As far as the PFM situation is concerned, it is generally aligned with international good practice, although the PEFA⁶⁰ assessments conducted **revealed some deterioration in Public Financial Management (PFM) between 2009 and 2013**. Some aspects with room for improvement in 2013 included budget classification, extra-budgetary expenditure and payment arrears, fiscal risk, medium-term planning and budgeting, management of tax liabilities, internal and external audits and legislative oversight of fiscal management. The MoF responded to the fiscal policy challenges in 2014 with an ISP and, with the support of the PARE-ES TA (among others), **significant progress was made by the MoF, as the regulatory authority, with the design and/or improvement of PFM tools**, including the MTFF, the MTEF, results-oriented budgeting, the Municipal SAFI and the SNIP. The MTFF 2017-2027 in particular is held up as an example in the Central American region. Although **the effective implementation of the PFM tools is still pending**, the improvement process is under way, gradually enhancing institutional capacities.

The PARE-ES Programme's contributions were undoubtedly important to assist the MoF with the achievement of this progress, particularly through the TA provided to the ministry itself. It is important to point out that only PARE-ES had the improvement of public financial management as one of its objectives. The other Budget support programmes did not envisage specific actions to improve financial management in the sectors supported. The disbursements of the Budget support tranches were used by the GoES to finance part of the fiscal gap caused by the burden of the subsidies budget. The disbursement indicators were very relevant to the strengthening of fiscal policy and included the targeting of subsidies and social spending. The TA was very useful to help to order and prioritise the ISP projects, with notable outputs such as the MTFF. The contribution made by policy dialogue as a PARE-ES input is less certain, as the TA consultants had a strong influence but is not clear whether the EUD, as the donor's representative, had the same.⁶¹

The fiscal sector is currently facing several challenges. On the expenditure side, it is necessary to deepen the reforms of public financial management and involve other stakeholders, particularly the Court of Auditors and the Legislative Assembly. The development of SAFI II needs to be completed and the reform of the budgeting system, including the medium-term budget, needs to be implemented. **On the macro-fiscal side, it seems urgent to take forward the negotiation of a fiscal pact, maintain a sustainable deficit consistent with higher levels of public investment, address the pressure generated by the public pensions system and the payment of interest on the public debt, and continue to make progress with increasing fiscal pressure in order to reach Latin American standards, at least to start with.**

⁶⁰ Public Expenditure Financial Accountability www.pefa.org

⁶¹ Further details on the programme's intervention logic, conditionality and inputs can be found in Section 3 and in Annex 8: Case Study of PARE-ES

4.5. Pending Challenges

The main challenges for the GoES in the management of macrofiscal policy are set out from two different perspectives: internal challenges, which have to do with management of the reform within the MoF, and external challenges, which are linked to the decisions that will have to be taken by Salvadoran society as a whole, represented to some extent by the political parties. The internal challenges are to:

- **Scale up the process of planning the public financial management reforms**, which was limited to the MoF during the period analysed, through the ISP. The reforms should be extended to all the institutions involved in the system, especially the Court of Auditors and the Legislative Assembly. This effort also implies strengthening institutional and inter-institutional coordination, as well as the mechanisms to keep the technical and financial support provided by international donors aligned and harmonised. To achieve these objectives, it will be necessary to fortify the monitoring and evaluation of the plans and programmes under way.
- **Complete the development of the new IT tool for the Integrated Financial Management System (SAFI II)**, without which the progress made with the conceptual and methodological design of the budgeting, accounting, treasury, human resources, asset management and public investment systems, to mention only the most obvious ones, will be impossible to implement properly. Furthermore, without this tool, opportunities to intensify the work done to raise levels of fiscal transparency and accountability will be limited.
- **Implement the reform of the budgeting system**, which implies moving from an input-based accounting system to a budget based on programmes that produce the outputs – goods and services – designed to meet the population’s priority needs. The introduction of results-based budgeting (RBB) does not just mean a change in the budgeting technique, as it will require a new administrative management logic, but also the introduction of a new, citizen-focused institutional culture in the public sector. These processes are not easy to implement and will require patience, a gradual pace and the ability to learn, provide feedback on this learning and rectify mistakes. Perseverance will, however, result in better quality public spending.
- **Strengthen the linking of medium-term planning and budgeting** by applying and incorporating the new instruments developed for the purpose, especially the Medium and Long Term Fiscal Framework, the Medium Term Expenditure Framework and the Medium Term Institutional Frameworks, the latter as the financial reflection of institutional strategic planning.

The macrofiscal management challenges that require efforts on the part of Salvadoran society as a whole are:

- **Take forward the negotiation of a fiscal pact**, in which the representative political forces, the different levels of government and organised civil society define the efforts that each of them can make to contribute effectively to the generation and management of the public funds required to finance the country’s development needs.
- **Develop a strategic vision for public investment**, in line with El Salvador’s development priorities. For the dialogue on what the country wishes to achieve with public investment, it is very important to have a shared vision of what the state’s contribution will be to the collective effort to move the country forward. This vision should be reflected in a set of emblematic projects that capture the public’s enthusiasm and commitment to a better future.
- **Increase the funds allocated to public investment and improve its efficiency**. The current level of public investment in El Salvador is one of the lowest in Latin America and will not be enough to trigger increased private investment in the country. Together, public and private investment are critical variables for creating sustainable conditions for development in the country, and therefore require particular attention.
- **Reduce the pressure on the fiscal gap sustainably**, especially expenditure on rescuing the public pensions system and the payment of interest on the public debt. This effort will free up resources to develop a fiscal policy oriented more clearly to addressing the most important issues, such as increasing public investment and improving the delivery of public goods and services to the public.

- **Maintain the increase in the fiscal burden** achieved in the last few years to keep priority social programmes going and increase the funding allocated to good quality public investment, as well as reaching a level comparable to the Latin American standard.

5. Social Protection: Policy Developments and Outcomes

EQ 3.2 (partial): To what extent have there been improvements in the design and implementation of public policies on social protection and inclusion? What contributions did the Budget support Budget support make to the changes observed?

5.1. Policy Milestones and Main Outputs (Level 3)

In the period covered by the evaluation, there has been an improvement in the design and implementation of public policies on social protection and inclusion, as reflected in legislative measures and institutional coordination processes seeking coherence between the different components of the Social Protection and Inclusion System, expansion of their coverage and the sustainability of the system. The unanimous approval of the **Social Development and Protection Law (LDPS)** by the Legislative Assembly in 2014 represents a fundamental achievement by the first FMLN government in its attempt to institutionalise social programmes. The LDPS includes a list of names of the social programmes taken forward by the GoES and others that existed previously, rather than their objectives, problems they seek to solve and benefits expected to be achieved from them.

Article 23 of the LDPS mandates the creation of the **National Social Development, Protection and Inclusion System**, the purpose of which is to coordinate the implementation of the social policy and ensure compliance with it. The system is led by the Office of the President of the Republic and includes the ministers of Finance, Health, Education, the Economy, Housing and Urban Development, Labour and Social Security, Agriculture and Livestock Farming and any others who may need to be included, or their representatives. The LDPS also mandates the creation of a Universal Social Protection Subsystem (SPSU), as the government agency responsible for coordinating social protection programmes to provide security to people when they face risks and challenges over the course of their lives, particularly those who are not registered for contributory social security schemes and those in a situation of economic, social and environmental vulnerability. This Subsystem is likewise led by the President of the Republic and coordinated by whichever government institution the president decides should play that role.⁶²

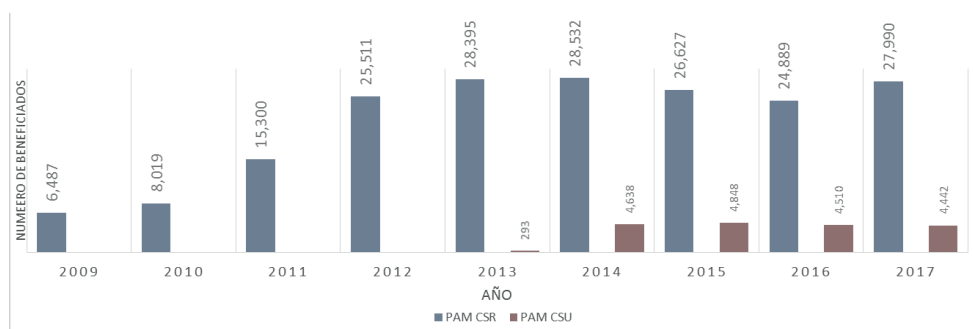
The progress made in terms of institutional coordination was mainly as a result of the setting up of the **Social Management and Inclusion Cabinet**,⁶³ which is coordinated in the current presidential term by the Minister of Health. One of its roles is to organise sessions for the Social Development and Protection System, in which SETEPLAN, SIS, SECULTURA, MoH, MINED, ISDEMU, MOP/VMVDU, MTPS, FISDL and INJUVE participate. SETEPLAN acts as the Social Cabinet's Executive Secretariat. In addition, a Technical Committee was set up specifically for the programmes that belong to the Subsystem. It provides daily reports to the Social Cabinet on progress with the implementation of its programmes.

⁶² According to Article 30 of the LDPS, the Subsystem will include the following programmes: urban and rural Solidarity Communities, Provision of school uniforms, shoes and supplies; School meals and health; Glass of milk; Temporary Income Support Programme; *Ciudad Mujer*; Older People's Rights; Universal Basic Pension; Family Agriculture Programme; Farmer support; Universal access to and coverage of integrated public health care free of charge; Housing access and improvement; Basic social infrastructure; Integrated early childhood care; and any others that may be considered necessary.

⁶³ Executive Decree No. 9 of 11 June 2014

Article 12 of the Law stipulates that a *Plan de Desarrollo, Protección e Inclusión Social* must be presented in the first six months of every presidential term, as the framework for the social programmes to be implemented. The Plan must be subject to consultation and discussion with municipal and departmental governments. Thus, in compliance with the Law, the *Plan de Desarrollo, Protección e Inclusión Social 2014-2019 (PDPIS)*⁶⁴ was approved in December 2016, becoming the main instrument – and the first one the country has had – to plan, implement and monitor social policy with a rights-based approach and gender perspective, promoting inter-institutional coordination and citizen participation. The PDPIS has seven cross-cutting themes: i) the rights-based approach; ii) the gender approach; iii) the life cycle approach; iv) citizen participation; v) reduction of social and geographical disparities; vi) Central American integration; and vii) climate change.

Figure 23: Number of Beneficiaries – Pension for the Elderly

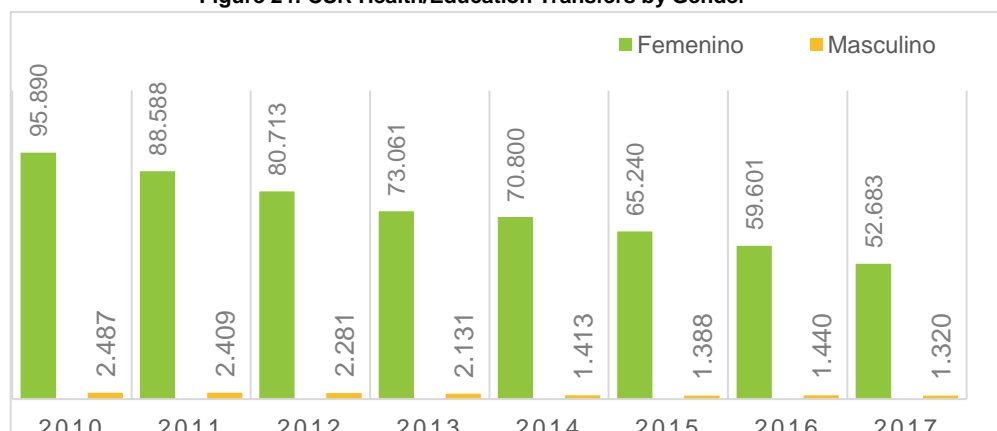


Source: FISDL

The *Comunidades Solidarias* Programme has produced outputs and services that benefit the target groups in all four of the programme’s focal areas. One noteworthy component in the **focal area of Human Capital** is the **Universal Basic Pension (UBP)** which is given to people aged 70 and over, amounting to USD 50 per month.

This same focal area included the payment of **education and health transfers**, mostly to women (many of whom are heads of households), as the graph below shows. The reduction that can be observed in the coverage of the transfer seems to be due to the fact that it is aimed at families with children under the age of 15, and the census in these areas was only carried out once, as well as the prioritisation of families, leading to a tendency for the number of potential beneficiaries to fall each year. Thus, the reduction in both the amounts of the transfers and the number of beneficiaries can be explained by the fact that the register was not updated and it was therefore not possible to bring in new families. Although there was an agreement between FISDL and the Ministry of Education to include children and adolescents in priority families as soon as they entered third grade, in the end this did not happen.

Figure 24: CSR Health/Education Transfers by Gender



Source: FISDL

⁶⁴ The Social Plan is the focus of the PRO-INCLUSIÓN budget support programme.

The **Community-Based Family Support Teams** (ECOFs⁶⁵) provided preventive assistance to families living in the areas covered by the programme, both rural and urban. In 2017 a total of 576 ECOFs were reported in 184 municipalities, 537 of which are family teams and 39 specialists. The total number of families who benefited from the ECOFs was 398,892. The issue of violence was addressed through empowerment for violence prevention processes in the municipalities, focusing on young people and women, with fixed violence prevention and support windows implemented by ISDEMU. The **Ciudad Mujer** Programme (CM) has provided numerous anti-violence support services to empower women, both in the area of health and education and in employment guidance and entrepreneurship. One factor to highlight in this programme is how close the government services it provides are to women in rural areas of the country. The current Inter-Sectoral Committee, whose members are technical staff from the different institutions involved in *Ciudad Mujer*, is a good example of administrative coordination to avoid the duplication of effort.

Table 11: Ciudad Mujer Services Provided and Number of Beneficiaries (2014-2018)

SERVICES	2014	2015	2016	2017	2018 (to March)	TOTAL
Sexual & Reprod. Health	468,283	543,852	592,333	361,576	77,690	2,043,734
ANTI-VIOLENCE	62,098	56,724	53,550	46,293	11,190	229,855
ECONOMIC IND.	150,587	122,416	101,837	101,629	20,230	496,699
CHILD CARE	55,053	55,131	48,292	43,459	9,987	211,922
GUIDANCE	122,782	126,749	105,466	86,396	19,435	460,828
TERRITORIAL	0	0	0	33,558	4,833	38,391
TOTAL BENEFICIARIES	323,107	340,136	338,347	354,034	68,144	1,423,768

Source: SETEPLAN

In the **focal area of Income Generation**, the *Comunidades Solidarias* Programme provided **guidance, mediation and employment training services** through the MTPS and INSAFORP. In the case of the training for women in non-traditional occupations, the programme faced significant challenges (this is one of the disbursement indicators that were not achieved as planned), due to how difficult it was to get women to agree to be trained in occupations traditionally performed by men, principally for cultural reasons within their communities.

Finally, in the **focal area of Basic Infrastructure**, *Comunidades Solidarias* produced a series of outputs essential to improving the living conditions of the beneficiary groups: access to drinking water and electricity services in Rural *Comunidades Solidarias* and drinking water and sanitation services (new or improved) in Urban *Comunidades Solidarias*.

More recently,⁶⁶ as part of the *Plan Quinquenal de Desarrollo* 2014-2019, the **Poverty Eradication Strategy (EEP)** was drawn up to replace the Rural and Urban *Comunidades Solidarias* Programme. Similarly to *Comunidades Solidarias*, the EEP includes measures aimed at improving access to all basic services and providing social protection throughout the life cycle.

The EEP draws on lessons learned, mainly from *Comunidades Solidarias* and various studies and evaluations, and the following are two of the most important. First, it takes up family support as a core area of work, thereby addressing poverty from a more people-focused approach. To provide this support, it uses family guides linked to the municipal government to enhance the links between the central and local levels and increase access to social services. With regard to this, the field visits revealed the importance of the FISDL being present to connect with the territories, since it is the only institution that can ensure access to the entire territory (due to the security problems that exist). The social workers interviewed confirmed that when the services were provided by NGOs

⁶⁵ According to the MoH, the ECOFs work directly with the community, families and individuals in their territory, meaning in a previously-defined geo-demographic area. Working with the community itself and other state agencies, they seek solutions to problems that often go beyond the health sector, based on altering the social determinants of health. The work of these teams also includes health promotion, disease prevention, medical care and rehabilitation.

⁶⁶ Executive Decree No. 28 of 8/06/2017.

they felt less safe. Second, as in other countries in the region, the EEP is aligned with the ILO's Social Protection Floor Initiative,⁶⁷ especially in the area of conditional cash transfers.

This set of institutional outputs, together with the clear increase in social spending as a percentage of total government spending in the period evaluated and the approval of the Social Development and Protection Law (LDPS), was coherent with the priority given to the achievement of the *Comunidades Solidarias* Programme's objectives. It was also given continuity through the formulation of the *Plan Social*.

EQ 3.2 (partial): To what extent have there been improvements in the design and implementation of public policies on [...] social protection and inclusion? What contributions did the Budget support (Budget support) make to the changes observed?

Starting from 34% of public expenditure in 2009, the social sector as a whole has maintained an average of 41.3% of total spending, with some irregularity until 2012, when it settled at around 43% from then on. Nevertheless, in absolute values this spending has increased by 62%, to \$2,283.6 million in 2017.

Social policy design in El Salvador improved substantially in the period analysed. One of the main milestones in this policy is the Social Development and Protection Law (LDPS) of 2014, approved by (an unusual) unanimity in the Legislative Assembly, which creates the National Social Development, Protection and Inclusion System for the purpose of coordinating implementation of the social policy and ensuring compliance with it. Also important is the setting up of the Social Management and Inclusion Cabinet and the Social Development, Inclusion and Protection Plan 2014-2019 (PDPIS) as the first social policy instrument with a rights-based approach, gender perspective, inter-institutional coordination and citizen participation.

Implementation of the social policy has clearly achieved improved outputs in Social Protection and Inclusion. In the *Comunidades Solidarias* Programme, in Focal Area 1 (Human Capital), the main achievements were the introduction of the Universal Basic Pension (UBP) of USD 50 per month, given to older people aged 70 and over; the Community-Based Family Support Teams (ECOFs) for rural and urban families, with a total of 576 ECOFs in 184 municipalities. Focal Area 2 (Basic Infrastructure) focused on providing access to drinking water and electricity services in rural communities and drinking water and sanitation services (new or improved) in urban communities. In Focal Area 3 (Income Generation), the *Comunidades Solidarias* Programme provided guidance, mediation and employment training services, although the training for women in non-traditional occupations encountered a certain amount of resistance and was not as successful as expected. In social entrepreneurship, the strategy was carried out at the territorial level in 14 municipalities from 2013 to 2016 and managed to set up 531 businesses, providing self-employment for 1,106 women and 458 men. In addition, the *Ciudad Mujer* Programme is considered a successful case of anti-violence support and empowering women in health, education and livelihoods.

The contributions made by PACSES are related to the funds disbursed and channelled to the social programmes and, especially, to the TA support. Rather than focusing on supporting the production of goods and services directly, it added value by supporting SETEPLAN to coordinate the Social Management and Inclusion Cabinet, communication and visibility, and the development of the RUP. In addition, the TA was important to the design of the *Plan Social*. It is also given credit for its contributions to the policy dialogue that took place in the PACSES Working Group, and its support to the EUD in its relationship with the FOCAP Committee (AECID and Luxembourg) is highlighted. Finally, with the CS funds allocated to *Ciudad Mujer*, PACSES helped to reduce the gender gap in both economic and social terms and in access to public services.⁶⁸

⁶⁷ The objective of this joint initiative is to guarantee a basic level of social protection and, therefore, a decent life, for vulnerable people, many of whom struggle just to survive.

⁶⁸ Further details on the programme's intervention logic, conditionality and inputs can be found in Section 3 and in Annexes 5: Case Study of PACSES and 6: Case Study of PRO-INCLUSIÓN

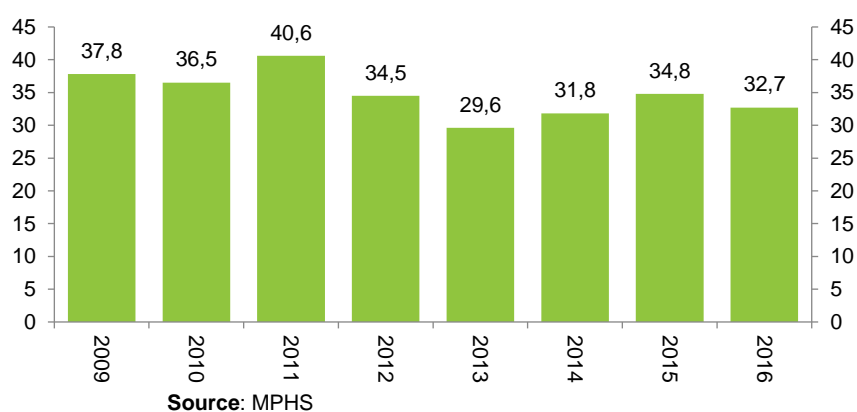
5.2. Policy Outcomes (Level 4) and Determining Factors (Step 2)

EQ 4.1: To what extent have the outcomes envisaged in sectoral policy for social protection and inclusion in the period 2011-2017 been achieved? Which were the main determining factors of these outcomes?

This section must start by clarifying the sectoral policy that was evaluated. In 2009 there was no sectoral policy on social protection and inclusion in El Salvador. At that time, the PACSES Programme focused on supporting the *Comunidades Solidarias* Programme. This was a multisector initiative that originated in the Solidarity Network (2005), the government programme at the time that brought together different interventions in the area of non-contributory social protection for people living in poverty and extreme poverty, to start with only in rural areas and later also in urban areas. Against this background, the EU Budget Support programme (together with the support provided by its Member States such as Spain and Luxembourg) contributed not only to *Comunidades Solidarias* but also, based on that programme, to the efforts to build a Universal Social Protection System, as described in the previous section.

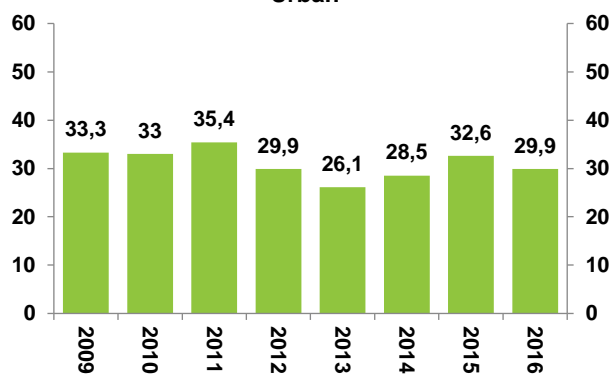
Official data from the General Directorate of Statistics and Censuses (DIGESTYC) show that during the period covered by the evaluation, **the poverty rate in El Salvador fell by 5.1 percentage points, although the target set in the PQD 2009-2014 was not achieved** (to reduce poverty by between 12 and 15 percentage points, in both urban and rural areas). A strong reduction can be observed until 2013, followed by a strong upward tendency before the rate went down again in 2016, when it is estimated that 32.7% of the population of El Salvador were still living in poverty.

Figure 25: Percentage of Population Living in Poverty



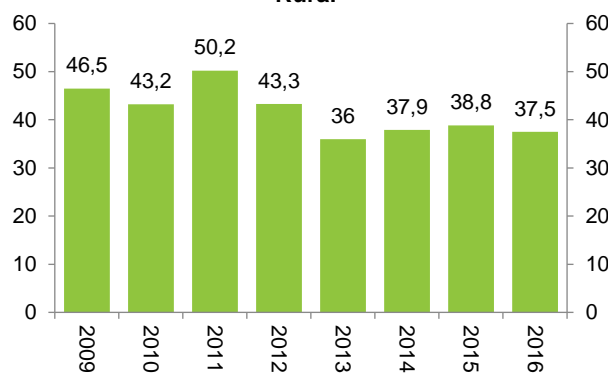
Furthermore, if the poverty rate is analysed by geographical area, a higher incidence of poverty can be observed in rural areas. In 2016 the poverty rate in urban areas was 29.9%, while in rural areas it was 37.5%. The gap between the two has been closing, as the poverty rate in rural areas fell by 9 percentage points since 2009, while in urban areas the reduction was only 3.4 percentage points.

Figure 26: Percentage of Population Living in Poverty: Urban



Source: MPHS

Figure 27: Percentage of Population Living in Poverty: Rural



Source: MPHS

The fall in the rural poverty rate can be explained in part by **determining factors** linked to interventions by the *Comunidades Solidarias* Programme in these areas.⁶⁹ The cash transfers provided by the programme, mainly in Rural *Comunidades Solidarias* (CSR) (although also in Urban *Comunidades Solidarias* (CSU)), helped to reduce poverty rates. With the Universal Basic Pension (UBP) of USD 50 per month provided to people aged 70 and over since 2009 in CSR and since 2013 in CSU, older people have been able to afford better food, shoes and medicines that they would otherwise have had to request from family members or other support networks. The results estimated for this determining factor in the quantitative study show a positive effect on rates of poverty and extreme poverty, which seems to indicate that the households with the highest rates of poverty are the same ones who have benefited from the pension and, therefore, **the UBP component (part of the Older People’s Rights Programme) is well targeted.**

With the **education and health transfers, mothers** (who receive the benefit in most cases) have been able to set up their own businesses or small enterprises, for example selling food (tortillas, eggs, etc.), which has helped to increase household income. The results in the quantitative study for this determining factor show a positive relationship between participation in this programme and a level of wellbeing that was lower prior to that participation. This suggests that the programme is well targeted, because the people who received these benefits were suffering from the highest rates of poverty at the time.

The health reform has had an impact on poverty reduction as it helped to eliminate economic, geographical and cultural barriers to access. To start with, one of the measures in the Anticrisis Plan of 2009 was to eliminate the so-called *voluntary payments* for medical services, making them free of charge and leading to a considerable increase in the demand for health services (with more than 2 million new users).⁷⁰ With the approval of the Medicines Law in 2012⁷¹ a reduction in out-of-pocket expenditure on medicines was achieved. Secondly, with the **Community Health Teams** (ECOs) the health services have been brought closer to the beneficiary communities, thus reducing the geographical disparity. Nevertheless, the quantitative study reveals that the people who sought treatment from the ECOs had lower rates of poverty and extreme poverty. This could be explained by the fact that, despite all the efforts made, the teams have not yet managed to access the poorest communities. In addition, **the stock of medicines in first-level healthcare facilities currently stands at 87% (compared to 45% in 2009).** The Community-Based Family Support Teams (ECOF) are part of a new approach to family health that includes preventive healthcare, and this has contributed an improvement in the quality of life of the people served. The family health record is used to identify health problems in the surrounding environment and the aim is to strengthen self-care capacities. The MoH has developed the family health record – which includes variables on individuals, homes and the environment – in tablet format, with funding from the Luxembourg Development Agency through the FOCAP. One of the achievements of the inter-institutional coordination has been the linking of the family health record with the Single Register of Participants (RUP), which used some of the same questions and answers, thus standardising the two systems.

⁶⁹ See further details in Annex 4: Quantitative Analysis Report and Data Bases Used

⁷⁰ <https://www.paho.org/>, Pan American Health Organisation

⁷¹ Other important laws that form part of the reform are the Tobacco Control Law (2011) and the Vaccinations Law (2012)

The health reform carried out has managed to cover most of the country's rural municipalities, including the 100 prioritised in CSR and 14 in CSU. Another of the reform's noteworthy achievements is the **reduction in maternal mortality** to 27.4 maternal deaths for every 100,000 live births, placing El Salvador among the five countries with the lowest maternal mortality rates in Latin America.⁷² With the reduction in the economic barriers, geographical barriers (by bringing the services closer to the most isolated places) and cultural barriers (through technology, equipment and education), the reform has helped to reduce poverty and improve equity in health care.

The work done on health in *Ciudad Mujer* (CM) contributed to an improved quality of life for the women beneficiaries, mainly through breast screening and oral health care. In many cases, treatment was provided for the damage and harm caused by gender violence within the family. In the economic independence module, the subsidy was aimed at providing seed capital in kind, by buying fridges, for example, for the women's enterprises. Thus, the women were able to improve the quality of their products, as in the case of indigo production, where they managed to join value chains. The women pay back their loans swiftly. The support they receive from the different "windows" set up by CM has been confirmed as very important. One of clear contributions made by CM is the increase in financial services available to the women. CM began with the Solidarity Fund for Family Microenterprise and the Agricultural Development Bank. In 2014 the Women's Banking programme was set up, and the Salvadoran Development Bank BANDESAL later became involved with Fondo Mujer, a new financial product created for women with the *Ciudad Mujer* profile. This has been the spearhead for new initiatives and, together with ISDEMU, conversations have begun with the Central Reserve Bank to change the law in the country, seeking to make the policies of the Agricultural Bank and banking in general more flexible.

The women who visited the *Ciudad Mujer* centres were found to have used public services 43% more than women who did not go to these centres. The services that are used the most are those related to sexual and reproductive health and legal support in connection with economic empowerment and the campaign against gender violence. The screening services (Papanicolaou and breast screening) were used 36% and 162% more by the women who came to the CM centres, compared to the group of women who did not visit these centres. In addition, the legal service for women to obtain the DUI (Single Identity Document) or a birth certificate was used almost five times more by the women who came to the CM centres. The use of legal services to obtain food subsidies and legalise property was nearly three times higher among women who visited the CM centres, compared to those who did not go to the centres. Finally, the support provided by the programme has a positive influence on the beneficiaries' level of life satisfaction. While 85% of the women who did not visit the CM centres report being satisfied with their lives overall, this percentage increases by 8% (93%) for those who do visit the centres.⁷³

One of the aspects of the socio-economic policy that was less successful in the period evaluated is **job creation, where the change has been negative**. CEPAL reports that in 2009 the unemployment rate was 7%, in 2013 it had fallen to 6.1%, but it then rose again, reaching 7% in 2016. The PQD 2009-2014 set the target of creating at least 250,000 new decent jobs, both temporary and permanent, by implementing public investment projects with the aim of helping to increase people's levels of income. For the subsequent five-year period the aim is to reduce the youth unemployment rate by 10% and increase spending on public investment by 70%.

The emphasis placed by the GoES on increasing employment and income generation opportunities is therefore positive. This is happening both in the *Jóvenes con Todo* Programme and in *Ciudad Mujer*. The social entrepreneurship component of the *Comunidades Solidarias* Programme that was carried out through CONAMYPE is continuing in the *Plan Social* and in the *Jóvenes con Todo* Programme. The social entrepreneurship component developed methodologies for business management training, a seed capital manual, a social entrepreneurship model with a gender focus, and tools for carrying out assessments of territorial potential, among other outputs. A total of 1,505 businesses were developed and supported in the Urban *Comunidades Solidarias* municipalities between 2011 and 2014.⁷⁴ It was not possible to carry out the entrepreneurship component in precarious urban settlements (AUP) because the conditions were not in place

⁷² "La salud es un derecho. Estamos para garantizarlo. Informe de labores 2016-2017", MoH report.

⁷³ Impact Evaluation of the *Ciudad Mujer* Programme, IDB, 2016

⁷⁴ Report on the achievement of targets in CSU 2014, CONAMYPE.

for it, providing evidence of the challenges that need to be addressed in El Salvador around housing. According to assessments by the Vice-Ministry of Housing regarding AUPs, it has only been possible to achieve 1% of what is really needed, and there are municipalities in the country where 50% of the population lives in AUPs.

EQ 4.1: To what extent have the outcomes envisaged in sectoral policy for social protection and inclusion in the period 2009-2017 been achieved? Which were the main determining factors of these outcomes?

With regard to the sectoral policy that was evaluated, it should be pointed out that in 2009 there was no sectoral policy on social protection and inclusion in El Salvador. However, there was the *Comunidades Solidarias* Programme, a multisector initiative that originated in the Solidarity Network (2005), the government programme that brought together different interventions in the area of non-contributory social protection. *Comunidades Solidarias* concentrated on social cohesion and aimed to achieve a series of selected outcomes related to policies on health, education, infrastructure, etc., with a focus on reducing relative and extreme poverty. Thus, the analysis of the outcomes in the social sector is centred especially on the Urban *Comunidades Solidarias* (CSU).

The Universal Basic Pension (UBP) is appropriately targeted and has helped to reduce poverty rates among older people, thanks to the cash transfers of USD 50 per month to the beneficiaries aged 70 and over (in rural areas since 2009 and in urban areas since 2013). The same is true of the people in the poorest groups who received education and health transfers, which helped to increase the income of households in which it is also the case that almost all the recipients are women. The Community Health Teams (ECOs) have managed to bring health services closer to the beneficiary communities, especially in rural areas, reducing the urban/rural gap, although the analysis suggests that communities in a situation of extreme poverty have not yet been reached sufficiently. Another noteworthy achievement is the reduction in maternal mortality to 27.4 maternal deaths for every 100,000 live births, which is comparable to the best rates in Latin America. The economic independence and health module of *Ciudad Mujer* (CM) contributed to an improved quality of life for the women beneficiaries. The women who visited the *Ciudad Mujer* centres used public services 43% more: the cervical and breast cancer screening services were used 36% and 162% more, the service to obtain the DUI (Single Identity Document) or a birth certificate was used almost five times more, and the legal services to obtain food subsidies and legalise property were used nearly three times more. Finally, 93% of the women who have used CM services report being satisfied with their lives overall, almost 10% more than those who have not. These actions supported by the PACSES Budget Support Programme were determining factors in the outcomes achieved in the area of Social Protection and Inclusion in the period covered by the evaluation.

Labour policy is a challenge that remains to be addressed, as job creation only improved temporarily between the beginning and the end of the period. The unemployment rate of 7% in 2009 fell to 5.9% in 2013, but in 2016 it rose again to 7%. It is therefore positive that the social entrepreneurship component of the *Comunidades Solidarias* Programme, implemented with CONAMYPE, is continuing in the *Plan Social* and in the *Jóvenes con Todo* Programme supported by the PRO-INCLUSIÓN Budget Support Programme. Another challenge is the work that needs to be done in Precarious Urban Settlements (AUP), which has only covered 1% of what is required. On a more general level, although the efforts the GoES has made to build a Universal Social Protection System are very noteworthy, the main challenge in the social field is to make this system effective, given that there are currently 2 million people in El Salvador without adequate health services. There are also challenges that remain to be addressed in the budget and in the institutional arena, where the Office of the President of the Republic has been able to give the necessary political impetus to initiatives like *Comunidades Solidarias*, but the multiplicity of institutions involved and the absence of a stewardship and executive agency makes good policy planning and implementation difficult.

5.3. Pending Challenges

Although the Budget support programme **has contributed to the development and strengthening of the still new social protection system** in El Salvador, the pending challenges are significant. The first is the system's universality. It is clear that despite the terminology used, both in the legislation and in the public discourse, a universal social protection system does not yet exist in the country. The targeted programmes that do exist are managing to alleviate the situation of extreme poverty affecting the most vulnerable groups and are improving their living conditions. Thus, with regard to the health reform for example, despite the significant progress made there are still 2 million people without coverage in rural areas throughout the country, and the MoH plans to develop 500 new ECOs in the future.

With regard to a Universal Social Protection System, **care is needed to strengthen its contributory and non-contributory components and integrate them under a single logic and institutional structure**. These components should not continue to be dealt with separately. **Further development of the contributory component should be based on the promotion of economic growth and good quality employment.**⁷⁵ The Youth Employment and Employability Programme launched in 2016 will be strategically important to this.

The RUP will be key to ensuring the efficient operation of the SPSU, inter-institutional coordination and linkages between the contributory and non-contributory components. Because it is a point of entry to the protection sub-system, strengthening it still poses significant challenges in terms of human and financial resources. Likewise, the monitoring and evaluation systems need to be consolidated as tools to measure the progress made in the different social protection programmes.

There are also pending challenges in the institutional sphere, due essentially to the absence of a Ministry of Social Development and/or Protection that could draw together all the public policy work on social protection/inclusion. The system's institutional location in the Office of the President of the Republic has been very important to give it the necessary political impetus, but it has also caused some tension between the policy-making and planning role and the different implementing agencies that form part of the state structure and have been providing services for many years now. The multiplicity of institutions involved makes it difficult to achieve good financial planning, regulation and supervision of the supplier network, as this would require a review of the design and institutional management in each ministry or cabinet institution in this new legal and policy framework. **Forums for coordination should follow the logic of the public policy cycle, organising the participation of the different levels of coordination and stakeholders – including local ones – in each phase of the cycle.**⁷⁶ **Another pending challenge is to strengthen local stakeholders and municipalities, as well as their leadership of the different social protection mechanisms that are managed within their territories.**

Finally, another pending challenge concerns the sustainability of the social programmes and the eventual Universal Social Protection System, as it needs to be decided how it is going to be financed in the future. **The social protection policy may imply a fiscal burden that will require an agreement or fiscal pact. It will be important to involve not just political actors (parties) but also social stakeholders and other civil society actors in this.** A social protection system is more than just an institutional structure. It is a broad political agreement that society must participate in to lay the foundations on which it wishes to build and regulate how it will operate. In this sense, the active involvement of organised civil society in social protection issues is an opportunity and also a challenge.⁷⁷

⁷⁵ Review of social protection expenditure and performance in El Salvador, ILO/STP/UNDP, 2014

⁷⁶ "El sistema de protección social universal de El Salvador", Roberto Rivera Ocampo, CEPAL, 2016.

⁷⁷ Friedrich Ebert Stiftung, "Pisos de protección social en El Salvador, programas, cobertura, inversión gubernamental y sostenibilidad financiera", Análisis No.13/2017.

6. Education Sector: Policy Developments and Outcomes

EQ 3.2 (partial): To what extent have there been improvements in the design and implementation of public policies on education? What contributions did the Budget support Budget supportmake to the changes observed?

6.1. Policy Milestones and Main Outputs (Level 3)

The scope of education policy is, by definition, very broad, as it includes all levels of education and their different modalities. The *Plan Social Educativo 2009-2014*, “Vamos a la Escuela” (PSE 2009-2014), provided the overall framework for the sector in all pre-university education. This analysis focuses on those areas of the Plan that were addressed by the Budget Support Programme PRO-EDUCA.⁷⁸ The MINED organised its work in three components: 1. School Environments; 2. Information and Communication Technologies (ICTs); and 3. Technical and Technological Secondary Education (TTE).

Component 1 (School Environments) brought together many initiatives to promote safe and more harmonious schools, with the aim of improving equity in access to education and retention, especially for students in a more vulnerable situation. The following are some of the most important initiatives taken forward during the period:

- **Art, Culture, Recreation and Sports Programme. *Un Sueño Posible*:** This initiative, implemented between 2009 and 2013, implied a change in the education model in the country with the introduction of physical and mental health, peaceful coexistence and learning about values as new elements key to the achievement of the sector’s objectives. The MINED provided funding for the schools to develop education strategies in these areas, purchase equipment and materials (sports equipment, musical instruments, libraries, etc.) and provide educational psychology services to support students.
- The concept for “A Possible Dream” was drawn from the **Full-Time Inclusive Schools (EITP)** initiative funded by the World Bank and FOMILENIO (among others), expanding the approach to 349 additional schools. The extended school day is now compulsory in the public education sector, although its effective implementation is still under way and it has not operated to the desired extent.
- **Teachers for arts education and physical education networks** were set up for teachers to strengthen their competencies and knowledge of these subjects. Based on this experience, the networks were expanded to include other specialisms. The networks are funded by the MINED and by the teachers themselves.

Also during the period there were a series of institutional initiatives that were not part of Component 1 but were very important for student access and retention. They include the following:

- The **School Food Programme** was made universal and extended to all levels in 5,377 schools. It includes several initiatives such as a breaktime snack, promoting healthy eating habits, school vegetable gardens and buying locally-sourced food. For primary education, the Glass of Milk Subprogramme was implemented in 2,918 schools (2015 figures).
- **School Kits** were introduced in 2010, first for primary schools and then extended to secondary schools in 2014. These kits include textbooks, stationery and supplies, uniforms and shoes.
- In 2017, as part of the PESS, the **Open Schools for the Community** Programme was launched in 26 municipalities. Its purpose is to provide meeting and learning spaces for the community during the school holidays.

⁷⁸ Additional information on the programme, its intervention logic and other relevant details can be found in Annex 7: Case Study of PRO-EDUCA

- The **Inclusive Education Policy** was drawn up in 2010. It focuses on supporting students experiencing problems with school access, poor performance, repetition, dropping out and, especially, exclusion for reasons of ethnic or sexual identity or special physical or emotional needs.
- Finally, the MINED's participation in the **Gender Equity and Equality Policy** was launched in 2016 and is in the early stages of implementation, not without difficulties.

With regard to Component 2 (Information and Communication Technologies, ICTs), the increased use of technology in education, mainly by providing laptop computers, is one of the MINED's main financial and strategic priorities. The aim is to improve the quality of secondary education through teacher training and innovations in teaching methods, supported by the use of ICTs and access to these by students.

- The Expanding Information and Communication Technologies and their Responsible Use (**ENSANCHE**) and Closing the Knowledge Gap (**CBC**) programmes were implemented between 2009 and 2014, providing about **31,000 computers to 1,700 schools**.
- The presidential programme *Un niño, una niña, una computadora* was launched in 2014 and by April 2018 had delivered an estimated **50,000 computers to about 3,800 schools** (in 2019 it expects to reach 110,000 laptops for a total of 5,168 schools, 36 of which are special needs schools). In addition, 40% of the schools are receiving monthly subsidies to pay for their internet connection, and this is expected to reach 60%.
- The **number of students per computer was reduced from 55 in 2009 to 14 in 2018**, according to MINED figures, although it should be taken into account that total enrolment also fell.
- As far as **teacher training on ICTs** is concerned, by 2014 about 5,000 had been trained and the presidential programme expects to reach 25,000, in various modules (from basic skills to using the technology in their respective specialist subject).
- Progress was also made with adapting the Learning Resource Centres or IT Classrooms and the **IT Classroom Coordinator** was introduced as a new member of (non-teaching) staff in charge of the supervision and maintenance of these facilities.

In Component 3 (Technical and Technological Education, TTE), continuing the work done by APREMAT⁷⁹ and MEGATEC,⁸⁰ the Technical and Technological Education Directorate (GETT), through its general work plans and annual work plans, concentrated on strengthening the modality and its links with productive sectors:

- **The most relevant achievement in the period is the reform of the curriculum for technical education.** The curriculum was reviewed for five specialist subjects (Industrial Mechanics, Vehicle Maintenance, Electrical Systems, Accounting, and Primary Health Care) and five new ones were created (Software Development, Technological Infrastructure, Tourism Services, Cultural Heritage Management, and Agroindustry), which have been well received by students.
- The **regulatory framework for TTE was strengthened** with the design of information systems (INFORMATEC) and regulations on Competency Accreditation and Certification and Sustainable Educational Innovations.
- **The infrastructure was improved in 47 technical education colleges and a total of 76 schools were provided with workshop equipment** in all 14 of the country's departments, by transferring funds to the schools themselves. In the opinion of their directors, the decentralisation of procurement enabled a better use of the funds in terms of both quantity and quality. The schools were also supported to draw up and implement their **investment plans** for equipment and infrastructure and in the procurement process.
- Competency-based technical and methodological **training** was provided to 828 TTE teachers, as well as management training for the governing councils of 49 schools. A competency certification system was also piloted for teachers in five specialist subjects.
- A scholarships programme was successfully implemented to make it easier for the most vulnerable students to access and stay in education. **8,825 scholarships were provided for various technical**

⁷⁹ Programme to Support the Secondary Education Reform Process in the Technical Area

⁸⁰ Gradual Education Model for Technical and Technological Learning

education options. By allowing schools to manage these funds directly, it was possible to double the number of scholarships initially envisaged.

- The **Vocational Guidance Programme** was developed and provided advice to 11,259 young people entering technical secondary education, as well as to 252 teachers. In addition, an education for life module was introduced for students in the third grade.
- A study plan was also designed to introduce **initial technical education in the third grade of primary school**. According to the MINED, an estimated 13,000 students have received this education in schools in 26 municipalities prioritised in the *El Salvador Seguro* Plan (PESS).
- The **“Let’s Be Productive” Programme provided seed capital, training, technical assistance and marketing support to small business groups**, benefiting 53 cooperatives and 97 one-person businesses. 150 business initiatives were set up, benefiting 1,686 young graduates, 619 of whom are women and 1,061 men. There is no information about any follow-up on these initiatives or how many of them are still active. In addition, 7,715 students (3,650 women and 4,065 men) were given training, and capacity development work was done with MINED technical staff and management and teaching staff in 64 Technical Secondary Education Schools and 6 Technological Higher Education Institutes.

Finally, with regard to the fourth objective supported by PRO-EDUCA, which focused on the overall improvement of institutional capacities to formulate policies, the MINED achieved some progress. It worked on the development of planning and budgeting tools, such as the Medium Term Expenditure Framework and Results-Based Budgeting, although at the sectoral level these processes are still in the initial phases of implementation. Also noteworthy is the setting up of an Oversight Board to report to the authorities on progress in achieving annual targets, and the recently launched reform of management information systems. Finally, the *Plan Social Educativo*, accompanied initially by the National Education Council until May 2014, was given continuity with the Educated El Salvador Plan taken forward by CONED.

The clear relationship between the institutional outputs, specifically in each of the components examined, with the objectives of the *Plan Social Educativo* was endorsed by a gradual increase in the budget in the 2009-2015 period, which enabled the priority actions to be financed. The strategy is being continued in the Educated El Salvador Plan, although budget allocations have stabilised and there was no significant budget increase in 2016.

EQ 3.2 (partial): To what extent have there been improvements in the design and implementation of public policies on education? What contributions did the Budget support Budget support make to the changes observed?

The design of education policy in the country improved in the period evaluated. Coinciding with the start of the Budget Support Programme PRO-EDUCA, the *Plan Social Educativo* (PSE) 2009-2014 entered into force with a rights-based approach and equity in access to education as the key aim. This implied a change in the education model to include a significant conceptual shift. One weakness of the PSE, however, was that it did not contain specific targets, nor did it include education quality among its key indicators. Other MINED initiatives in the period, not directly related to the EU support, included the Full-Time Inclusive Schools initiative (EITP), universalisation of the School Food Programme to all levels in 5,377 schools, and the uniforms, shoes and stationery in the School Kits, since 2010 in primary schools and, in 2014, for secondary schools as well. In addition, the Inclusive Education Policy was drawn up in 2010 and, in 2016, the Action Plan for the Gender Equity and Equality Policy.

Implementation of the education policy also improved over the period. The MINED achieved multiple actions and outputs **(in the three areas directly supported by PRO-EDUCA)**, the most important of which were: **Component 1 (School Environments), which included several initiatives that aimed to improve peaceful coexistence in schools**, including the *Un Sueño Posible* Programme, which developed education strategies on culture, recreation and sport in 236 schools and supported another 2,371 with materials. **Component 2 (ICTs) worked to improve access to technology in classrooms.** The ENSANCHE and Closing the Knowledge Gap (CBC) programmes provided about 31,000 computers to 1,700 schools. The presidential programme *Un niño, una niña, una computadora* was launched in 2014 and by April 2018 had delivered about 50,000 computers to 3,800 schools. Finally, **Component 3 was aimed at strengthening Technical**

and Technological Education. The curriculum was reviewed for five specialist subjects and five new ones were created (Software Development, Technological Infrastructure, Tourism Services, Cultural Heritage Management, and Agroindustry). The regulatory framework was strengthened. Infrastructure and equipment were improved in technical colleges. 8,825 scholarships were financed for various technical education options. The Vocational Guidance Programme was developed. Finally, the “Let’s Be Productive” Programme provided seed capital, training and technical support to 150 business initiatives started by young people.

The PRO-EDUCA Budget Support Programme clearly contributed to the implementation of the sectoral policy already set out in the PSE 2009-14, although its influence was limited to the areas of intervention identified in the programme itself. In Component 1 (School Environments), it helped to underpin the violence prevention and peaceful coexistence approaches, particularly around the *Un Sueño Posible* Programme. In Component 2 (ICTs) PRO-EDUCA pioneered the use of laptop computers and financed a total of 13,429 items of IT equipment and 462 education robotics kits, among other materials. In Component 3 (Technical and Technological Education), it supported curriculum design and updating, as well as financing scholarships and the purchase of equipment for the technical high school diplomas. To contribute to all this, the Budget support disbursements to the Treasury were channelled as investment projects, enabling their specific use to be almost completely identified. The contribution made by the Technical Assistance was uneven, and was best in Component 3. Policy dialogue did not appear to be a relevant factor, particularly since the sectoral donor working group stopped meeting after 2010.

6.2. Policy Outcomes (Level 4) and Determining Factors (Step 2)

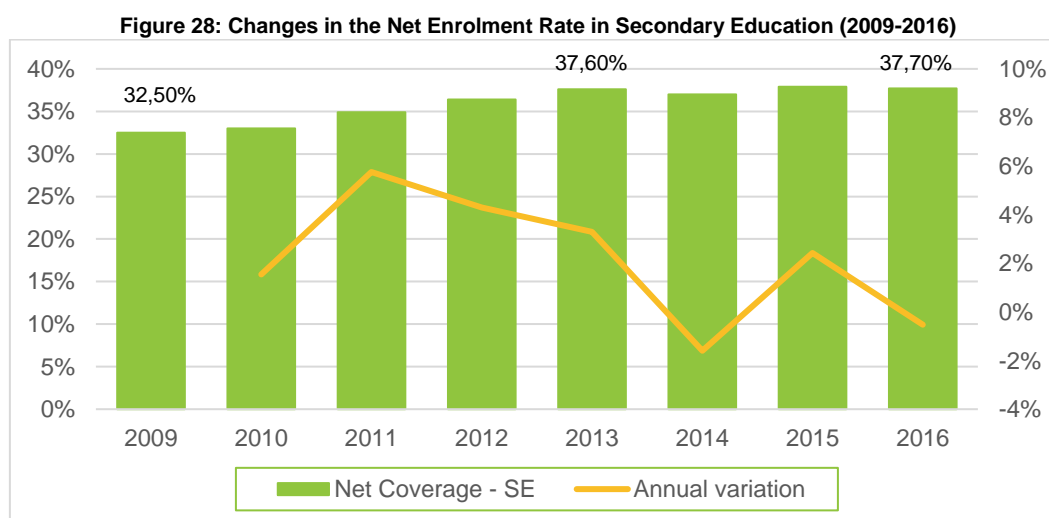
EQ 4.2: To what extent have the outcomes envisaged in sectoral policy for education in the period 2009-2016 been achieved? Which were the main determining factors of these outcomes?

The education policy outcomes identified in the evaluation matrix are Coverage (Net Enrolment), Repetition, Dropping Out and Quality (PAES grades). In its strategic areas of work, the *Plan Social Educativo* 2009-2014 expressly prioritises Net Enrolment in Secondary Education in marginal areas and Dropping Out, although it does not set specific targets to be achieved for these or for other indicators.

6.2.1. Changes in the sector’s outcome indicators

Coverage in Secondary Education

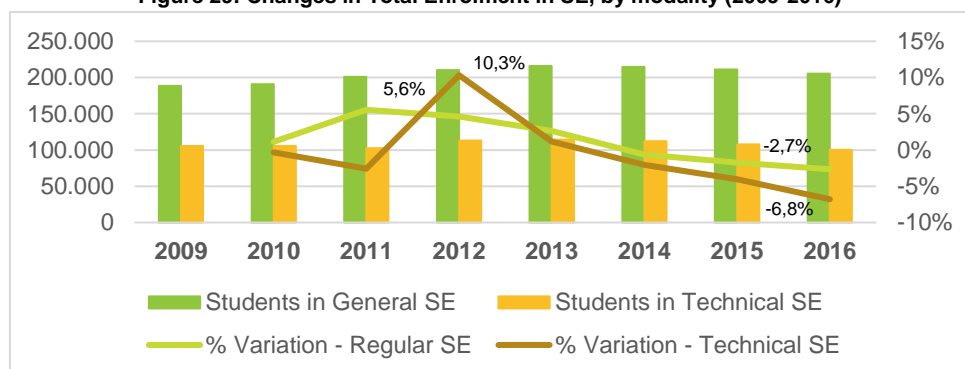
Official figures indicate that **net coverage in secondary education has been improving since 2009**, except in 2014, when a fall in the coverage rate was observed. Coverage rates varied from one year to the next and there is an overall improvement of 5.2 percentage points in the period, equivalent to 16% in relative terms.



Source: Education in El Salvador in Figures

Analysis of total enrolment in the period shows that the **number of students enrolled in General SE experienced clear growth until 2014, but from that year onwards there was a significant fall** in the indicator due to population decline at the end of the 1990s and the start of the 21st century. Enrolment in Technical SE, on the other hand, has been more irregular, rising in only one year, when it shot up by 10%, only to fall from 2014 onwards at a faster pace than in General SE. In terms of total numbers of students, between 2009 and 2016 the number enrolled in General SE increased by 9% while in Technical SE it fell by 5%.

Figure 29: Changes in Total Enrolment in SE, by modality (2009-2016)

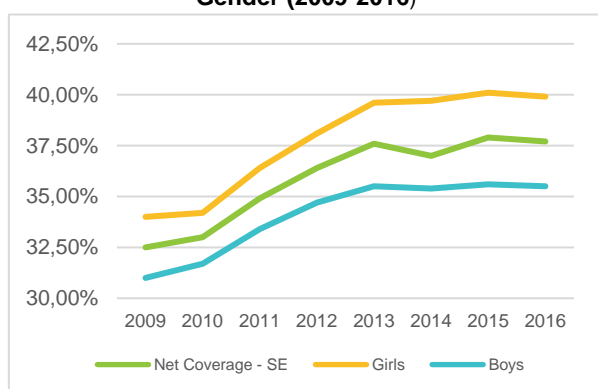


Source: Authors' calculation based on the School Census 2009-2016

For both modalities, these changes in coverage are not the same everywhere in the country, and it is San Salvador (which has the largest number of students) that has seen the sharpest fall in the number of students enrolled, dragging down the national-level data. However, this fall is not observed in all the other departments, and in La Libertad, for example, there has instead been constant growth.⁸¹

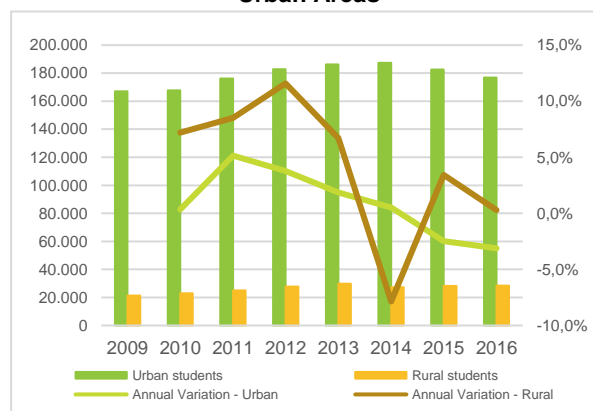
In terms of equity in access to education, it is noticeable that net enrolment among girls is consistently higher than among boys. It can even be noted that, **between 2009 and 2016, the gender gap in favour of girls increased by half, from 3 to 4.4 percentage points**. When changes in the SE enrolment rate in rural and urban areas are compared, growth of 9% is observed, with variations from year to year. It is striking that **in rural areas, the relative improvement in total enrolment is much more substantial (32.4%) than in urban areas (5.9%)**.

Figure 30: Changes in Net Enrolment in SE, by Gender (2009-2016)



Source: Authors' calculation based on the School Census 2009-2016

Figure 31: Changes in SE Enrolment by Rural or Urban Areas



Source: Authors' calculation based on the School Census 2009-2016

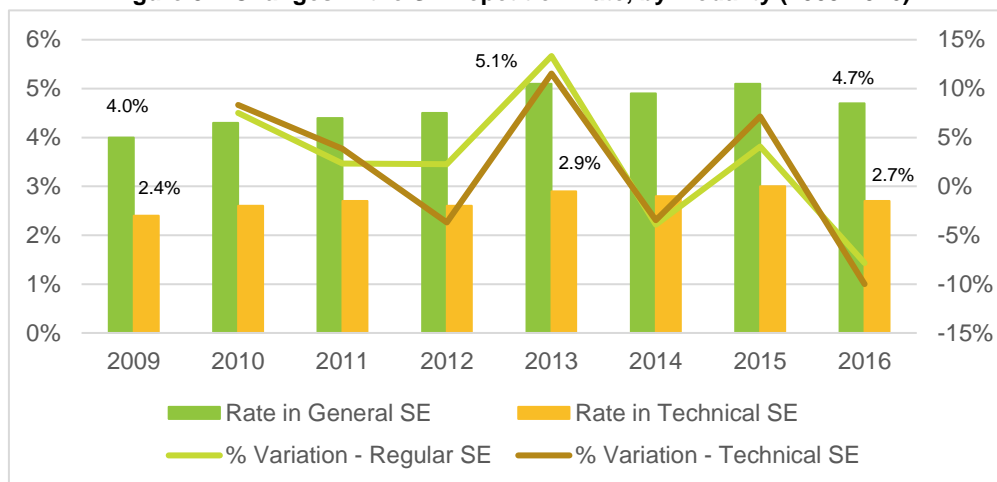
Repetition in Secondary Education

With regard to the **repetition rate, the two modalities have followed a similar upward trend**. The rate in General SE started at 4% in 2009, remained above 4.5% in the first half of the period and increased to 5% in 2015, falling again in 2016. The rate in Technical SE started at 2.4%, rising to around 2.6 and up to 3% in 2015,

⁸¹ See further details in Annex 4: Quantitative Analysis Report and Data Bases Used

and fell in 2016. In relative terms, the rate worsened over the period by 17.5% (0.7 percentage points) in General SE and by 12.5% (0.4 points) in Technical SE.

Figure 32: Changes in the SE Repetition Rate, by modality (2009-2016)



Source: Authors' calculation based on the School Census 2009-2016

When the repetition rate is disaggregated by department a significant divergence is revealed, with departments that have a repetition rate much higher than the national level (Santa Ana, at around 8% in General SE and 5% in Technical SE) and others where it is very much lower than the national level (Usulután or Morazán, just 3% in General and 2% in Technical).⁸²

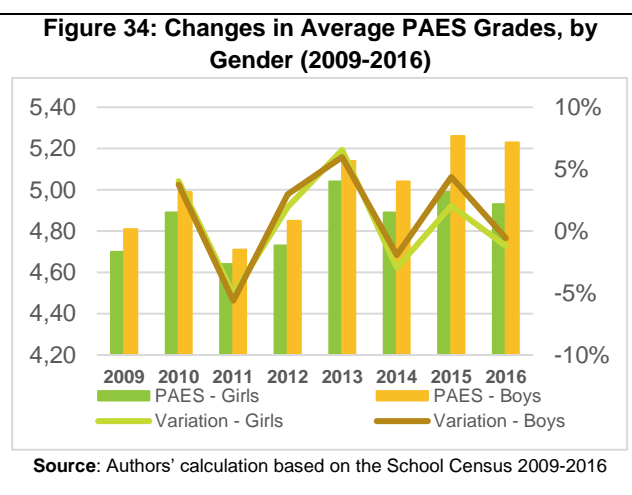
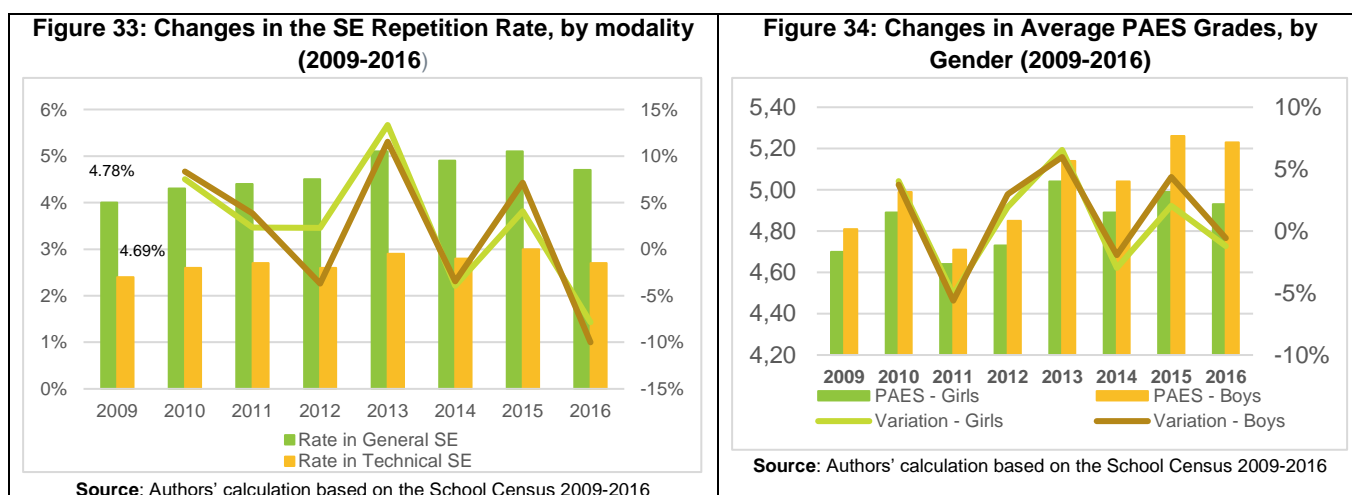
Secondary School Dropout Rate

For the indicator on the SE dropout rate there are some problems with the reliability of the measurements. The dropout rate is calculated by school, finding the difference between initial enrolment and final enrolment, which may distort the figures as it does not differentiate between genuine dropping out and moving house or a family migrating abroad, and neither does it consider a possible increase in enrolment during the course of the school year. Thus, the aggregate data are extremely irregular from one year to the next and therefore, unfortunately and despite this being a priority for the Plan, it is not possible to present a solid analysis of this indicator.

Secondary Education Quality

In Secondary Education, education quality is measured by the Learning and Aptitudes Test for Secondary School Graduates (PAES). There was **a slight improvement in average PAES grades in both education modalities**, with similar tendencies, including a significant fall in 2011 and an improvement in 2013 and 2015. General SE improved by 0.25 points overall (5.2% in relative terms) and Technical SE by 0.13 points (2.6%), and the gap between the two narrowed.

⁸² See Annex 4: Quantitative Analysis Report and Data Bases Used



The departments of San Salvador, Chalatenango and La Unión had grades higher than the national average in both modalities. The departments of Cabañas, San Vicente and Usulután had the lowest grades. It is noticeable that the average grade among girls is consistently lower and that the improvement among boys was 0.42 percentage points, almost double than among girls, at 0.23.

6.2.2. Determining Factors

The quantitative analysis (see details in Annex 4) suggested assumptions about the relationship between sectoral outcomes and several factors that may have influenced them. The qualitative analysis confirmed, qualified or discarded these hypotheses, with the following results:

- The **increase in public expenditure** on education at the national level is related to the increase in the number of students enrolled (which makes sense, as the infrastructure and number of teachers has also increased) and, apparently, also to the reduction in the repetition rate (although the reasons are not clear for this factor).
- The **school food** variable was positively related to the increase in the number of students enrolled, but the results are not sufficiently convincing for the other indicators. The qualitative analysis confirmed that the availability of food strongly encourages an increase in enrolment and, to a lesser extent, prevents dropping out, but it does not necessarily have an influence on repetition and academic performance.
- The provision of **uniforms and shoes** as part of the school kit showed no significant direct relationship with any of the outcome indicators. However, the provision of **stationery and supplies** to SE students since 2014 is positively related to the students' academic performance (education quality).
- So far, no clear relationship can be found between the **Full-Time Inclusive Schools (EITP)** initiative and the outcome indicators analysed. This may be an indication that the EITP is not yet operating properly. However, this evaluation was unable to reach a conclusion about whether this is so and the reasons for it.
- If a secondary school has **computer rooms and teachers trained in ICTs**, an increase in enrolment and a fall in the dropout rate are observed.
- When students have **access to a computer** of their own they are more likely to be enrolled in SE, their academic performance is better and they are less likely to drop out. If they have **internet access** there is an increased enrolment rate, less repetition and better academic performance.
- **A negative relationship between repetition, academic performance and school students' exposure to the violence linked to gangs** can be observed. This was also confirmed directly during the field visits, as one of the factors that most strongly influenced performance at school as well as enrolment and dropping out.
- It is interesting to observe that in the schools involved in the "A Possible Dream" Programme there seems to be an improvement in student enrolment and academic performance in both high school diplomas, although these relationships are not statistically significant. Indeed, it was confirmed in

interviews and field visits that the improvement in **school environments** is an essential aspect in the schools, although its actual impact on the aggregated outcome indicators is more difficult to determine.

- Finally, although it was not possible to include socioeconomic factors in the quantitative analysis, the qualitative analysis shows that **the income level of students and their families is, together with violence, the most important factor associated with enrolment and dropping out**, due to the difficulty of covering the costs of transport and food during the school day, as well as the risk of not being able to go to school because they have to work.

EQ 4.2: To what extent have the outcomes envisaged in sectoral policy for education in the period 2009-2016 been achieved? Which were the main determining factors of these outcomes?

Despite the efforts made and the improvements in the design of education policy, the achievements were partial over the period. The *Plan Social Educativo* 2009-2014 expressly prioritised net enrolment in secondary education (SE) in marginal areas, as well as dropping out. However, the Plan did not include specific targets for any outcome indicator for any level of education.

Net coverage in secondary education improved by 5.2 percentage points since 2009, 16% in relative terms, while total enrolment was growing until 2014, although a significant fall began after that. Until 2016, the number of students enrolled in General SE increased by 9%, while in Technical SE it fell by 5%. In terms of equity, the gap in coverage in favour of girls compared to boys expanded and the relative improvement in enrolment in rural areas is much more substantial (32.4%) than in urban areas (5.9%). The induced outputs that seemed to have influenced this indicator the most are the increase in public expenditure, the universalisation of school food programmes in SE and access to ICTs by students and teachers. **The repetition rate worsened by 17.5% (0.7 percentage points) in General SE and by 12.5% (0.4 points) in Technical SE.** When the figures are disaggregated by department major divergences are revealed, with some areas having a repetition rate much higher than the national level. It was confirmed that when students had access to ICTs and the internet, the repetition rate tended to improve or, at least, to worsen less. **The indicator on dropping out at the national level is not totally reliable**, even though it is a priority in SE. Furthermore, the 2009-2016 data series shows very uneven results between years and departments,⁸³ which casts doubt on the reliability of the data. Taking this uncertainty about performance in this indicator into account, the quantitative analysis suggests that the availability of food in school and access to ICTs had a positive influence on the dropout rate. **The quality of education improved slightly according to average PAES grades, by 0.25 points in General SE (5.2% in relative terms) and 0.13 points in technical SE (2.6%), thus reducing the gap between the two**, although students in Technical and Technological Education continue to have a better performance. It is noticeable that the average grade among girls is consistently lower and that the improvement among boys has been greater, resulting in a widening of the gap. The induced outputs that influenced academic performance the most include access to scholarships and school stationery and supplies, and the availability of computers and internet access at home.

As the quantitative and qualitative analyses confirm, **for all the indicators, and especially for net enrolment and dropping out, the most influential external factors are exposure to violence at school and the family's precarious economic situation.**

The current Educated El Salvador Plan (2016) aims to address the challenges in the sector, mentioning the quality of teaching, integrated education from early childhood to secondary school, expanding ICTs, improving infrastructure and security in the school environment, and continuing to develop the legal and institutional framework. With regard to the areas supported by the Budget Support Programme PRO-EDUCA, the challenges identified by this evaluation are: the need to continue to improve peaceful coexistence in schools and introduce education on values; meet the ambitious targets of the presidential programme *Un niño, una niña, una computadora*; improve the maintenance of equipment, both technological (PCs) and technical (machinery, laboratories, etc.); and structure the Technical and Technological Education System to increase its interactions with employment policy. Another key challenge is to address the problems with the transfers of funds from the MoF, which have not functioned properly for many schools.

⁸³ See the chapter on the education sector in Annex 4: Quantitative Analysis

6.3. Pending Challenges

In its overall proposal, the Educated El Salvador Plan, published in 2016, sets out the sectoral policy guidelines and, therefore, the challenges for the current period. Thus, it highlights **the quality of teaching, integrated education from early childhood** to secondary school, **access to and use of technology**, security in the school environment, infrastructure as key to improving coverage, and the legal and institutional framework. It can therefore be confirmed that the aspects addressed by PRO-EDUCA continue to be relevant today, and fit with the MINED's general objectives.

Thus, the challenges with regard to school environments are mainly to **continue to improve peaceful coexistence in schools** and **speed up the expansion of education on values** among students. A related challenge is to try to reduce the disparity that has been worsening between the school environment (which has improved) and communities marked by violence and the lack of opportunities. The challenges are therefore diverse and differ depending on the particular situation of each school. This was reflected in the quantitative analysis of the programme,⁸⁴ where violence was confirmed as a determining factor in all educational outcomes.⁸⁵

With regard to access to ICTs, there is a range of challenges: the presidential programme still has the ambitious target of delivering an additional 45,000 computers and increasing the coverage of internet access to 60% of schools in 2019. Even if these targets are achieved, in order to reach a suitable student-to-computer ratio additional funding and increased support from donors will be required. In recent years only Taiwan, ALBA and the private sector (Tigo, with 25,000 PCs) have made in-kind contributions of equipment and internet access. The sustainability of the ICT model also depends on improving the **maintenance of the equipment**, but this lacks funding and the centralised system for managing spare parts is ineffective and inefficient. It is necessary to continue to expand the infrastructure and improve security in schools to minimise theft. The recent problems with the **transfers** from the MoF mean that this funding has not been received on time by schools, causing delays in payments to suppliers and services being cut off (electricity, internet). In addition, the training on ICTs for teachers is encountering some resistance due to the average age of teachers and because the inclusion of this subject in the Teacher Training Plan is still pending.

Despite the progress achieved in technical education, a series of challenges remain to be addressed. There is a need to **structure the Technical and Technological Education System**, including the development of a qualifications system, expand competency certification, improve teacher training, ensure that study plans are regularly updated and develop specific regulations for TTE (to regulate the number of students per classroom, for example, which is lower than in General SE). Another challenge is to obtain funding for the renovation and maintenance of the equipment in the workshops used for the technical high school diploma, much of which is still antiquated or does not work due to the lack of funds for repairs. Finally, the objective of **developing more relationships with the productive sector** still needs to be reinforced to involve businesses in training students (work placements) and teachers and to enable school leavers to enter the labour market.

As far as institutional capacities to formulate, implement and monitor policy are concerned, there is still a need to strengthen planning, the link between the plan and the budget, **results-based management** and programme-based budgeting.

⁸⁴ See Annex 4: Quantitative Analysis Report and Data Bases Used

⁸⁵ The new support for the PESS includes 4 disbursement indicators related to education: Number of students participating in the "Open Schools for the Community" Programme; Number of schools in which the "Psychosocial Support for Peaceful Coexistence in Schools" Programme is being implemented; Number of students participating in the "Building Skills for Productivity" Programme; Number of schools implementing the gender equity and equality policy.

7. Quality Policy: Developments and Outcomes

EQ 3.2 (partial): To what extent have there been improvements in the design and implementation of public policies on quality? What contributions did the Budget support Budget support make to the changes observed?

This chapter presents the most relevant aspects of the analysis of the National Quality Policy (PNC), which the Programme to Support the National Quality System of El Salvador (PRO-CALIDAD) was charged with supporting between 2010 and 2014. The institution mainly responsible for the definition and implementation of the PNC is the Ministry of the Economy (MINEC), and it has been assisted in this task by the National Quality Council (CNC) since it was set up, as formalised with the approval of the Law on the Salvadoran Quality System (SSC) in 2011.

7.1. Policy Milestones and Main Outputs (Level 3)

In 2008 and 2009 the MINEC worked to draw up a strategy to improve the competitiveness of the Salvadoran economy. The main idea was to improve the competitiveness of the country's products by introducing and promoting the "culture of quality" concept in the public sector, the business community, education, and the general public (consumers). With this in mind, it developed some basic ideas to introduce a National Quality Policy. These included establishing a Salvadoran Quality System to bring together all the public and private sector stakeholders actors connected with the issue, putting in place an appropriate institutional structure for this system to operate, with agencies and funding independent of the executive branch of government, and clearly establishing the ways in which all these actors would participate. These ideas were to be set out in a Law on Quality and Competitiveness, which later led to the creation of the SSC, thus providing the appropriate framework for continuing to implement the PNC. It was in this phase of the policy's design that the GoES sought the support of the European Union, with the aim of receiving technical and financial assistance that would enable it to continue making progress on this issue.

In the second semester of 2009, the newly installed GoES under President Funes (2009-2014) took up the main ideas developed so far by the MINEC to implement a PNC, and completed the design in the first year of its term. It also presented the documents required to negotiate with the European Union to obtain the funding and technical support required to develop the policy. The policy's key aim was precisely to draft the Law on the Salvadoran Quality and Productivity System (SSC).

The PNC is grounded in the Constitution of the Republic of El Salvador,⁸⁶ which stipulates that: "The State shall provide the resources required for constant quality control of chemical, pharmaceutical and veterinary products by oversight agencies. Likewise, the State shall control the quality of food products and the environmental conditions that could affect health and wellbeing." It also states that "The economic order should respond essentially to the principles of social justice, which seek to guarantee all inhabitants of the country a life worthy of human dignity. The State shall promote economic and social development through increased production, productivity and the rational use of resources. For the same purpose, it shall foster the various productive sectors and defend the interests of consumers." The PNC seeks to cover all these aspects, as well as promoting the inclusion of quality management in public administration, thus complying with the guidelines and strategies set out in the *Plan Quinquenal de Desarrollo 2010-2014*.

The main pillars of the PNC are the following:

1. Establish a new legal framework for the SSC
2. Develop the institutional structure that will govern the SSC
3. Train human resources in competencies to promote quality and increase productivity
4. Strengthen the institutions directly related to the SSC
5. Provide incentives to develop quality and productivity.

⁸⁶ Articles 69 and 101 of the Constitution of the Republic of El Salvador (approved on 15 December 1983)

In May 2010, the MINEC presented the draft Law on the Salvadoran Quality and Productivity System to the Legislative Assembly and the Assembly's Economy and Agriculture Committee was assigned the task of analysing it and issuing an initial judgment before it was discussed in the full chamber. The Committee quickly opened up a channel for receiving contributions from different stakeholders (politicians, the business community, experts, academics, etc.) and these were used as inputs for drafting the final version of the law.

On 19 July 2011, the Economy and Agriculture Committee issued its favourable Report N° 43 to the Legislative Assembly's Management Committee, in which it stated that the approved bill contained the proposals made by the sectors that had sent in their opinion, and that the final bill reflected the main content of the drafts presented and the opinions of the political, academic and business sectors consulted. On 21 July 2011, the full Legislative Assembly approved the law unanimously. Decree N° 790 was sent to the Presidential Palace to be signed and published in Official Gazette N° 158 on 26 August 2011. The Law entered into force on 4 September 2011, thus creating the Salvadoran Quality System (SSC).

The SSC is defined as a set of organisations that interact in a dynamic way to improve people's quality of life, safety and the environment, as well as the competitiveness of the country's productive businesses, facilitating domestic and international trade. The system is comprised of the quality infrastructure institutions, which develop, regulate and strengthen the culture of quality, promoting improved competitiveness among producers, importers, exporters and traders of goods and services, in order to protect the rights of consumers and the enjoyment of a healthy environment. The main institutions involved in the SSC are the following:

- The **National Quality Council (CNC)**, whose members are the Salvadoran Standardisation Agency (**OSN**), responsible for voluntary technical standards, the Salvadoran Technical Regulation Agency (**OSARTEC**), which issues binding technical standards, the Metrology Research Centre (**CIM**), which is responsible for legal, industrial and scientific matters, and the Salvadoran Accreditation Agency (**OSA**), which accredits technical competencies;
- The public and private sector institutions, accredited organisations and others operating with the state's authorisation, that carry out activities related to standardisation, technical regulation, accreditation, metrology, certification, inspection, surveillance, tests or trials;
- The Salvadoran Quality System's Administration Office (OAC).

The National Quality Policy's main institutional outputs during the period of interest to the evaluation were the following:

1. Establishment of a new institutional framework to enable El Salvador to join the quality system at the regional and international level.
2. Creation of the Salvadoran Quality Council (CNC) to represent the SSC at the highest level and coordinate it.
3. Operationalisation, launch, promotion and dissemination of the new legal framework for the SSC (standardisation, technical regulation, accreditation, metrology), as well as its development to the level necessary to seek international recognition.
4. Setting up of the four regulatory agencies for standardisation, technical regulation, accreditation and metrology, which are responsible for fulfilling the objectives and purpose of the SSC, namely:
 - The Salvadoran Standardisation Agency (OSN);
 - The Salvadoran Technical Regulation Agency (OSARTEC);
 - The Salvadoran Accreditation Agency (OSA); and
 - The Metrology Research Centre (CIM).
5. Relationships developed with national universities to include quality issues in the academic curriculum, including support for special diplomas related to the subject of quality.
6. Support for the consolidation of the Consumer Defence Office as the agency responsible for quality control of the products that enter the country and are sold in the domestic market (market surveillance).

The following section presents the main outputs of the PNC, which correspond to induced outputs in the evaluation's methodology. An explanation of what has been achieved in the period evaluated (the Programme's expected outcomes) is also presented:

Outcome 1: New legal framework in force and implemented to support national quality infrastructure.

The new legal framework (Law on the Creation of the Salvadoran Quality System) has been in force since September 2011, together with its regulations (July 2013), thus constituting the core component of the National Quality Policy. This legal framework provides for the creation of the four agencies at the heart of the system and the National Quality Council (their supervisory authority), and defines the roles that the different actors will play within the system, as well as the sources of funds that will be used to finance the actions required for it to operate fully.

Outcome 2: National Agencies for Accreditation, Metrology, Standardisation and Technical Regulation established by law and operating.

The four agencies created by the SSC Law (OSA, CIM, OSN and OSARTEC) are operating as planned and have the human and financial resources they require. The government's financial contribution to cover the costs of these agencies' operations has gradually been reduced as two of the four agencies (OSA and CIM) have started to generate their own income from the sale of their services.

Outcome 3: International recognition of the National Quality System.

International recognition of the SSC is mandated by the SSC Law to ensure the reliability and credibility of the services offered by the quality infrastructure, based on what is internationally accepted, as well as to prove the technical competence of the agencies that make up this infrastructure. Since the SSC Law entered into force, the Council's technical agencies have worked to achieve national and international recognition. This work includes the accreditation of specific processes and services, the adoption of internationally recognised management systems and the acquisition of appropriate infrastructure and equipment. Progress with obtaining international recognition of the OSN, OSARTEC, OSA and CIM has reached different stages depending on the specific technical characteristics of each agency and the processes that are necessary to achieve it.

Since 2013, the Salvadoran Accreditation Agency (OSA) has completed the procedure for obtaining the Mutual Recognition Agreement (MRA) from the Inter-American Accreditation Cooperation (IAAC), and this was achieved in 2014. This is an agreement between accreditation agencies to recognise the accreditations each of them awards. It is based on the appropriate functioning of the accreditation systems used by the agencies that form part of the agreement. The Salvadoran Standardisation Agency (OSN) became a full member of the International Organisation for Standardisation (ISO) in July 2013, which confers upon it the power to influence standardisation arrangements at the international level, with the right to speak and to vote. The Salvadoran Technical Regulation Agency (OSARTEC) is the contact point for CODEX⁸⁷ in the country, duly notified and recognised. With this recognition, OSARTEC helps to publicise and apply the CODEX standards related to food safety and trade in El Salvador. In the case of metrology, in 2015 the Metrology Research Centre (CIM) joined the Metre Convention, the world metrology authority, in order to influence the preservation of the international metric system.

Outcome 4: The National Accreditation Agency (OSA) accredits organisations (laboratories, certification organisations, inspection organisations, etc.) that assess conformity with the Law and international good practice.

The accreditation done by the OSA complies with international good practice. This is confirmed by the fact that it has belonged to the IAAC since 2013, which means that it fulfils all the criteria to award internationally recognised accreditations. Since then, it has developed its accreditation capacities and processes, and this enabled it to accredit the following laboratories by the end of 2017:

- 50 testing laboratories
- 6 calibration laboratories
- 1 clinic laboratory.

⁸⁷ The Codex Alimentarius is the name of the international food standards system.

Outcome 5: Consumer rights have been verifiably strengthened, particularly in terms of the checks on fuel and food quality, as these are widely consumed products.

The Consumer Defence Office (created in 2009) is one of the institutions that has been strengthened with the implementation of the PNC. Its capacity to check the quality of fuel and food has grown notably, thanks to the different agreements reached to provide technical and financial support to the activities carried out for that purpose. According to its current director, the institution's situation in 2010 was quite complicated as it had few staff, little regional presence, limited equipment, no procedures developed for checks, no training processes for the institution's staff, and there was a serious risk of it losing its impartiality and trustworthiness. The MINEC's intervention and the agreements reached to obtain funding to support the quality objectives enabled the institution to raise its performance standards, renew equipment and furniture, obtain space to increase the number of inspectors, devote more attention to verification processes, establish oversight mechanisms, carry out staff training programmes, organise the records on the inspection work, develop inspection plans and regular schedules, and prevent leaks of sensitive information.

According to its managers, **2011 marks a before and after for the Consumer Defence Office, and since then its market surveillance work has been considerably stronger.**

Outcome 6: Verified increase in certifications of process and product management systems obtained by the private sector.

The SSC establishes that the OSA will also certify processes and products within the country. By the end of 2017, the agency had certified processes in 16 national organisations (for 3 years) and systems in another 2 national organisations.

Outcome 7: The education sector is verifiably stronger in the area of quality and the development of market-oriented technology.

Right from the start of the SSC, the university education sector has been interested in contributing to the introduction of the culture of quality in the country. Proof of this is that the country's main measurement laboratory (part of CIM), built with various contributions,⁸⁸ is located on the University of El Salvador's campus.

The MINEC has established an agreement with the Evangelical University of El Salvador (UEES) to offer a Diploma in Hospital Management (Good Practice in Hospitals), which has so far enabled these practices to be implemented in four public hospitals. The diploma course has been running since 2014 and is updated each year. Research has also been carried out to work on mainstreaming quality in the UEES curriculum (study plans, programme reform). In the words of UEES managers, the subject of quality has become one of the top three most important issues on the UEES agenda: "It enabled us to raise awareness about developing a quality policy in the University. We now have a Quality Department as part of a broader academic development project. This work on quality was urgently needed in higher education, teacher training and methodological aspects. The work done with the MINED helped with professional training and other processes to decide to introduce new degree courses." There are also agreements with other universities in the country to carry out work similar to what was done with the UEES, although on a smaller scale.

Outcome 8: Compliance with quality requirements has been verifiably included in public tender processes for goods and services procurement and contract award.

In coordination with the Procurement and Contracting Regulation Unit (UNAC) in the Ministry of Finance, the MINEC defined a strategy to include quality criteria in public procurement, prioritising an initial stage in which procurement procedures and mechanisms would be improved to make them more efficient and effective and, as far as possible, include quality requirements in tenders for goods and services. It was considered illogical to demand quality in tenders before having suitable procedures in place to guarantee the effectiveness of procurement. This led to the drawing up of the "Plan for including quality criteria in public procurement" to strengthen the institutions involved in terms of the mechanisms, tools and staff competencies required for tender

⁸⁸ Including from PRACAMS (Central American Metrology Programme) financed by the EU at the regional level.

processes. The activities set out in the Plan include updating and standardising manuals and procedures, and improving the system of e-procurement and e-contracting.

In addition, a new “Procurement and Contracting Management Manual” was drawn up in 2012, including quality requirements. To publicise the Manual, seminars and training workshops were held for UNAC staff and heads of the country’s main UACIS. Likewise, as part of the activities to implement the Plan, UNAC in coordination with the OSN have decided that the quality criteria to be included in state procurement processes must be based on existing technical standards or technical regulations for the products in question.

EQ 3.2 (partial): To what extent have there been improvements in the design and implementation of public policies on quality? What contributions did the Budget support Budget support make to the changes observed?

The design and implementation of the National Quality Policy improved substantially over the period analysed. The GoES has a clear policy for the development and introduction of the culture of quality in the country’s productive sectors, as well as among the general public (consumers). This policy has been implemented uninterruptedly since 2010 and the organisations that make up the Salvadoran Quality System are fully functioning in line with their roles and responsibilities. Although the development and consolidation of a culture of quality is a long-term task, the SSC Law and the PNC have laid the foundations for this work to be taken forward and continue to percolate into Salvadoran society.

The contributions made by the PRO-CALIDAD Budget Support Programme were fundamental from both the technical and the financial point of view. The technical input from the planned TA helped to finalise and fine-tune the design of current policies and to launch and continue their implementation. In its early stages, the Budget support supported the discussion and approval process for the Law on the SSC, the system that is the cornerstone of the PNC in the country. Furthermore, the TA helped to achieve noteworthy progress in the development of institutional capacities (in both the public and the private sector), and the SSC is now operating as planned, gradually developing a culture of quality. According to all the stakeholders interviewed during this evaluation and the review of the documents obtained, the Budget support support (funding and TA) was essential to the setting up and consolidation of the institutional structure for the PNC.⁸⁹

7.2. Policy Outcomes (Level 4) and Determining Factors (Step 2)

EQ 4.3: To what extent have the outcomes envisaged in the sectoral policy on quality in the period 2010-2016 been achieved? Which were the main determining factors of these outcomes?

The outcomes of the PNC are mainly associated with the new quality infrastructure created for the operation of the institutional base developed to apply the concept of quality in the production, marketing and consumption of goods and services in El Salvador. The impact of this should be that the country’s products are of better quality and an increase in selected exports that base their competitiveness on better quality conditions for their products. The PNC supported the development and implementation of institutional measures (laws, regulations, the introduction of processes and procedures, the setting up of new organisations and the development of manuals and rules for them to operate, etc.), as well as education and training for the human resources required by the institutional structure for quality to operate properly, with the expectation that the country’s productive sector will take advantage of this to improve its production and marketing conditions, abide by internationally recognised quality standards, improve its competitiveness in the relevant markets and increase its exports.

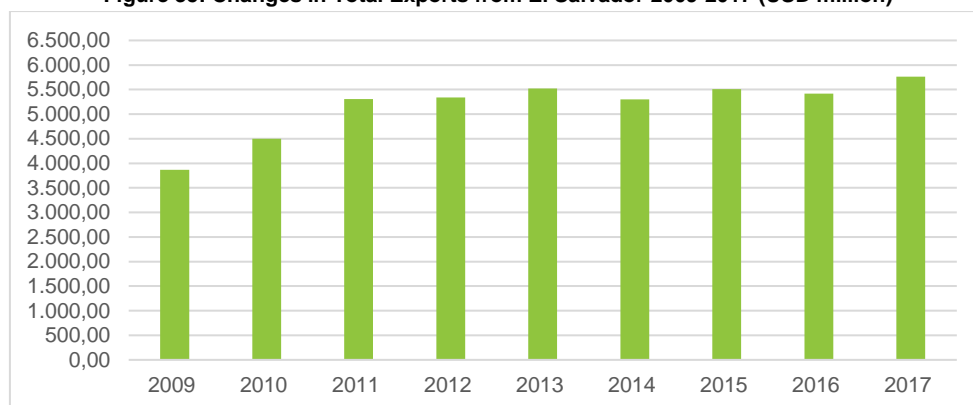
The characteristics of the SSC reflect the recognition that some of these tasks can be accomplished via the work and impetus of the National Quality Council, its component organisations and the national government, while others depend on the willingness of the country’s productive sector to abide by quality criteria as a means to improve their competitiveness and enable their products to access markets that demand compliance with

⁸⁹ Additional information on the programme, its intervention logic and other relevant details can be found in Section 3 of this report and in Annex 9: Case Study of PRO-CALIDAD

these criteria. In other words, the inclusion of quality factors in processes and products is partly a voluntary decision. Therefore, building a culture of quality will take time, as will its full consolidation in the country. The observations made throughout the evaluation, as well as the meetings held with SSC stakeholders, found that the SSC is currently operating as envisaged in the PNC, as are the institutions that the policy introduced.

An analysis of the time series data on national exports to international markets during the period of interest to the evaluation reveals a worrying stagnation in most of the period, following initial growth that reached 17% per year on average between 2009 and 2011. From 2011 onwards, the value of annual exports stayed at around USD 5.4 billion for five years, with average annual growth of just 0.5%. It was only in 2017 that export values started to pick up again, ending that year at above USD 5.7 billion, equivalent to growth of 6.3% compared to 2016, as the graph below shows.

Figure 35: Changes in Total Exports from El Salvador 2009-2017 (USD million)



Source: CRB

However, different dynamics can be observed within the export sector during the period since the implementation of the PNC (2012-2017), and it is noticeable that some sectors in particular have suffered a fall in the value of their exports. These include the food, beverages and associated manufactured products sector (with an average annual shrinkage of 5.2% in the value of its exports) and the minerals, metals and associated manufactured products sector (-4.8% per year on average). The timber and manufactured wood products sector grew by just 0.3% per year on average over the same period, while the machinery and equipment sector (2.1%), the textiles, leather and footwear sector (3.5%), the plastic products sector (3.8%) and the pharmaceutical industry (5.8%) experienced significant average annual growth, according to CRB figures.

Because the pharmaceutical industry is one of the most regulated productive sectors in the world (after the aeronautics industry), paying particular attention to quality criteria should lead to improved competitiveness and, in time, an increase in exports. As the pharmaceutical industry in El Salvador has increased its exports consistently since 2012, and given how important it is for this sector to adhere to quality principles, a working hypothesis was to verify whether the establishment of the quality infrastructure in the country, starting in that year, contributed at least in part to the positive results in the sector. Therefore, an econometric analysis that sought to model the sector's reaction to the stimulus of the institutional measures introduced as part of the SSC was carried out. Thus, as part of the evaluation an analysis of the impact of the new institutional framework was conducted with the help of the synthetic control method (a detailed description of the methodology can be found in Annex 4 to this report). This found that the country's pharmaceutical industry is so far one of the sectors that benefited the most from the quality infrastructure developed and supported under the PNC since 2012.

The results of the analysis show that **the implementation of the Quality Policy had a significant effect on exports of pharmaceutical products**, especially after 2012 when the recently created SSC started to operate. This sector requires a production and marketing environment in which strict quality criteria are applied. When these criteria were formally incorporated into national legislation, and international recognition was obtained as well, processes and systems started to be certified and specific national regulations (in this case, on pharmaceutical products and medicines) were gradually adapted to the culture of quality, the first fruits began to be observed. Thus, the econometric analysis carried out showed that the improvement in the competitiveness of the pharmaceutical industry's products was partly a result of the institutional incentives put in place by the

PNC, leading to an increase in the volume and value of its exports. The graph below illustrates this situation.

Figure 36: Changes in Exports of Pharmaceutical Products 2009-2017 (USD million)



Source: MINEC

Accordingly, it was found that the policies aimed at improving competitiveness in El Salvador, in this case the PNC supported by the PRO-CALIDAD Programme, had positive effects on the exports of a specific sector. In the case of the pharmaceutical products sector in particular, the main beneficiary of this policy so far, the increase in exports it has achieved is likely to continue as a result of a new quality certification that is currently under way. Based on this, if the quality criteria are applied to new productive sectors in a proactive way, the effects can be expected to spread, eventually producing a greater impact on the economy, employment, investment and other productive factors. Thus, the improvement in the economy's competitiveness will have positive effects on growth and lead to a reduction in inequality and poverty, through an increase in employment and wages in sectors linked to export markets.

EQ 4.3: To what extent have the outcomes envisaged in the sectoral policy on quality in the period 2010-2017 been achieved? Which were the main determining factors of these outcomes?

The first outcomes envisaged in the sectoral policy on quality in the period were satisfactorily achieved, as the institutional structure was put in place and consolidated and the necessary capacities developed so that in time the more specific outcomes (enhanced competitiveness of national products, gaining access to new markets and increasing exports) can be achieved and lead to the expected impacts. In the area of quality, which is part of the economic policy of the GoES, the specific outcomes will be reflected mainly in data on improvements in national competitiveness and the exports of some of El Salvador's important productive sectors. Considering that the Salvadoran Quality System and the National Quality Council were set up in 2011, the first effects on these data should start to be observed in 2012. In the aggregate, El Salvador's exports have not seen significant growth in the period covered by the evaluation. However, some interesting developments can be noted when the export data are disaggregated, particularly in the case of manufactured goods. Specifically, **evidence was found that exports of pharmaceutical products increased significantly from 2012 onwards and experienced even more of an upturn in 2015 (an increase of 12% over the previous year) and 2016 (11% growth)**, remaining stable in 2017. Because this is a strongly regulated sector, following a period of adaptation it was found to have responded positively to the institutional incentives provided by the PNC, coinciding with an increased volume and value of its exports. **Another sector that has recently increased its exports significantly is the plastics industry (a rise of 11% in 2017)**, which is also a sector responsive to gradual adaptation to the quality policy.

The main determining factors of these outcomes undoubtedly include the capacity of these sectors to respond to the stimulus of the PNC. With the quality infrastructure it is able to offer, the policy has sent the appropriate signals and created opportunities to compete that were not present in the past. This infrastructure includes rules and regulations as well as the availability of measurement and calibration instruments, certified laboratories, certified processes for more competitive products to be made, and qualified professionals trained in the culture of quality. All these factors should continue to have an impact on the competitiveness of the country's industry and its growth, as well as its exports.

The most important challenge is to give continuity to the introduction of **the culture of quality**. This implies **continuing to work with all the stakeholders involved in the SSC, consolidate the funding required until the organisations that form part of the system manage to become self-financing, and expand the coverage of the system's services to other sectors that could also take advantage of this infrastructure.**

7.3. Pending Challenges

The development and consolidation of a culture of quality is a medium- and long-term task that the Government of El Salvador has been taking forward since the start of this decade. As this chapter has shown, El Salvador has laid the institutional foundations to enable this culture to spread, develop and become a key part of the strategy to make the country's economy more competitive in the future. In the last few years, positive signs have been seen in the country's productive sector in response to the quality infrastructure proposed by the state. **The main challenge is to continue to develop the culture of quality with all the stakeholders involved in the system (SSC).**

One action that could produce rapid efficiency gains is to encourage **better coordination between the system's public institutions related to specific aspects of the quality policy to enhance its results**. In the medicines sector, for example, it is noteworthy that the state has significantly improved its relationship with the country's producers, based on the approval of the Medicines Law (2012), which led among other things to the creation of the National Medicines Directorate as a legally autonomous institution serving the public interest. Improved coordination between this autonomous body and the relevant CNC organisations has helped to make the regulations specific to the sector more effective. This coordination could undoubtedly be improved still further to cover other areas (process certification, certification of the OSA's own laboratories, etc.) and obtain even better results for everyone.

Other areas of the MoH (food that needs to be authorised before it can enter the country or be exported) and the Ministry of Agriculture (farm products that require authorisation before they can be placed on the market) could significantly improve their relationship with the SSC agencies, so that the authorisation processes that are currently required to take place in their own facilities could be done more systematically and more time-efficiently, and be given certification by the relevant organisations that would enable them to increase their standing in the eyes of users. The relevant CNC agencies are waiting to receive signs of interest from some of these public institutions to include them in their training and awareness-raising programmes and, eventually, develop improvement plans for their specific tools and processes to modernise them and include the quality rationale.

Likewise, it seems necessary to **review the current composition of the CNC Board** (which includes up to eight ministers or vice-ministers, the President of the Consumer Defence Office and the Rector of the University of El Salvador) to make it more dynamic and ensure that it is effectively guiding the work of the main institution charged with implementing the PNC in the country, as well as monitoring planned outcomes and targets. The fact that the CNC has only met twice in the last 18 months⁹⁰ is a sign that the difficulty of organising meetings between such high-ranking officials with such busy schedules may outweigh the advantage of bringing them together in the Council.

Finally, many public institutions are known to have embarked on certification processes for their systems or their own management processes, for various reasons. However, they are not necessarily making use of the infrastructure offered by the CNC agencies for these certification processes. It is clear that by using the certification infrastructure that exists in the CNC (which also has international recognition) they would reinforce these agencies' capacity, save money and achieve their objective more quickly. A "win-win" situation could therefore be achieved if clear policy guidelines are communicated to the public institutions embarked on these processes. This policy challenge would be relatively simple to achieve if the CNC Board is able to promote this line of action to the system's public sector stakeholders and involve them all in its continuing development.

⁹⁰ In December 2016 and March 2017.

8. Impacts

EQ 5.1: To what extent are impacts observed in inclusive economic growth and the reduction of poverty and inequality? Which were the main determining factors of these impacts?

8.1. Evolution of Impact Indicators (Level 5)

The indicators on the impact of the GoES policies supported by EU development cooperation, as defined in the framework for this evaluation, are: poverty reduction, less inequality, and inclusive growth.

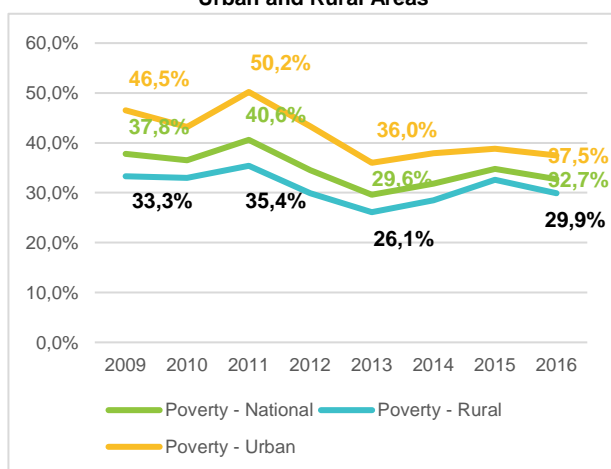
The econometric analyses carried out over the course of this evaluation found some interesting relationships between these impact indicators and the determining factors of the outcomes presented in the previous chapters. These relationships are presented in Chapter 10, although it should be clarified that this does not mean that these impacts can necessarily be attributed to the Budget support programmes.

The changes in the main impact indicators for the policies supported by the EU are presented here, and some of their determining factors are discussed in section 8.2.

Income poverty

Rates of income poverty fell significantly between 2009 and 2016, by 3.4 percentage points in urban areas and 9.0 in rural areas. Extreme poverty fell by 10.4 and 6.4 points respectively, and the urban/rural gap was also reduced by half. The rates observed in 2016 are close to the Latin American average for relative poverty (30%) and below the average (10%) for extreme poverty (CEPAL, 2017).

Figure 37: Changes in the Poverty Rate, disaggregated by Urban and Rural Areas

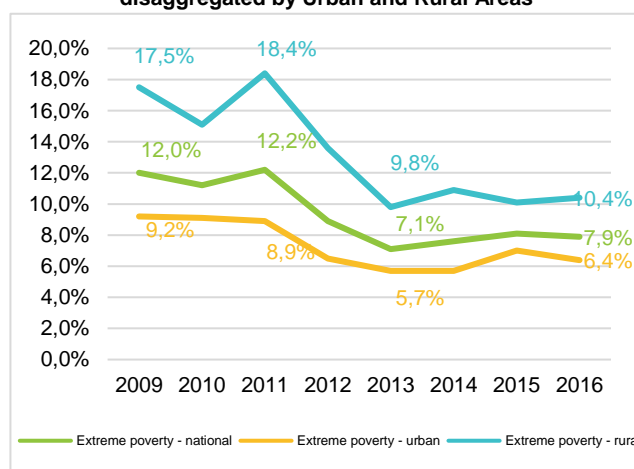


Source: MPHS 2009-2016

Looking at the reduction in the poverty gap (which is the distance between a person's income and the poverty threshold), it can be seen to narrow strongly, falling in relative terms by 70% in urban areas and by 87% in rural areas.

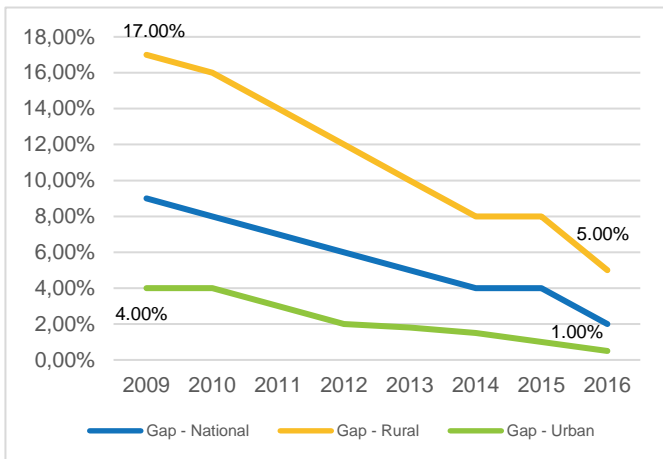
Thus, considering the data on poverty and the poverty gap, in terms of inequality the results are very conclusive. **A reduction in the Gini index of inequality can also be noted in the period examined.** In 2009, according to official figures, inequality reached 45.8%, and by 2016 the index had fallen by almost six percentage points (40%), implying a relative improvement of 13% over the period.

Figure 38: Changes in the Rate of Extreme Poverty, disaggregated by Urban and Rural Areas



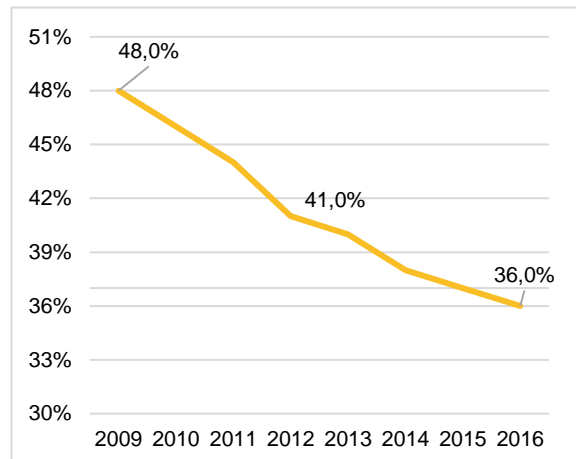
Source: MPHS 2009-2016

Figure 39: Changes in the Poverty Gap, disaggregated by Urban and Rural Areas



Source: Based on MPHS 2009-2016

Figure 40: Changes in the Gini Index (2009-2016)

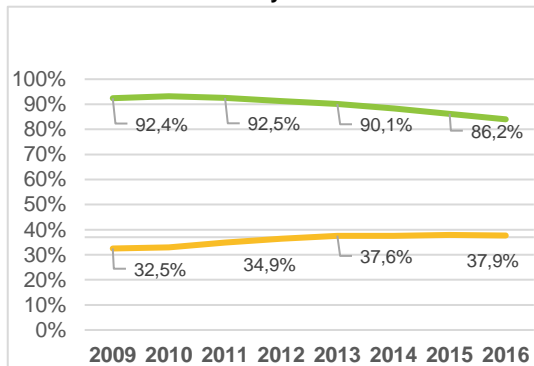


Source: Based on MPHS 2009-2016

Non-income poverty

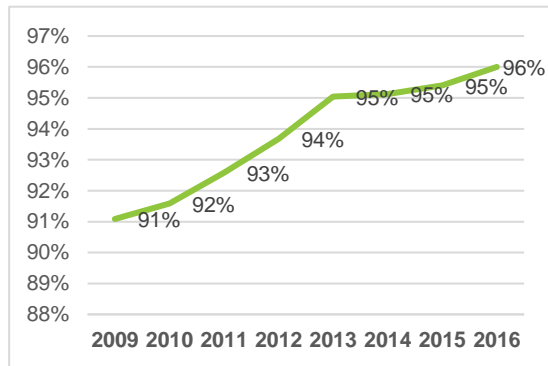
With regard to non-income poverty, it is possible to measure effective rates of access to public services, where some positive trends can be observed. Access to education, measured as the net coverage rate, has improved in all levels of education, except for primary education, where it has been falling since 2010. In the case of secondary education, although coverage has been growing, it appears to have stabilised at around 37.7%. Access to electricity increased constantly throughout the Budget support intervention period. Between 2009 and 2013 this access rose by one percentage point per year, while between 2014 and 2016 it grew at a slower pace.

Figure 41: Changes in Access to Primary and Secondary Education



Source: School Census

Figure 42: Changes in Access to Electricity

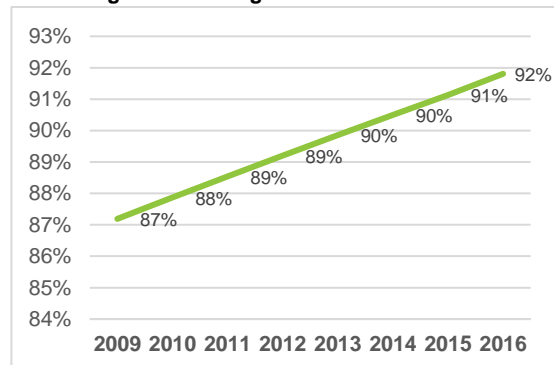


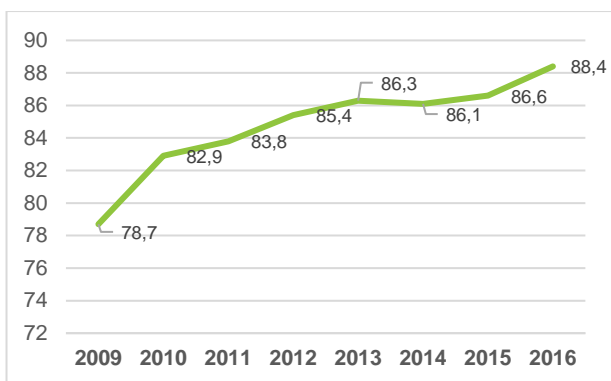
Source: MPHS 2009-2016 and World Bank

Access to water and sanitation has also been increasing steadily. In the case of drinking water, access rose from 79% to 88% in the period studied, almost 10 percentage points. A similar trend can be observed in access to sanitation, which increased from 87% to 92%.

Figure 43: Changes in Access to Safe Drinking Water

Figure 44: Changes in Access to Sanitation





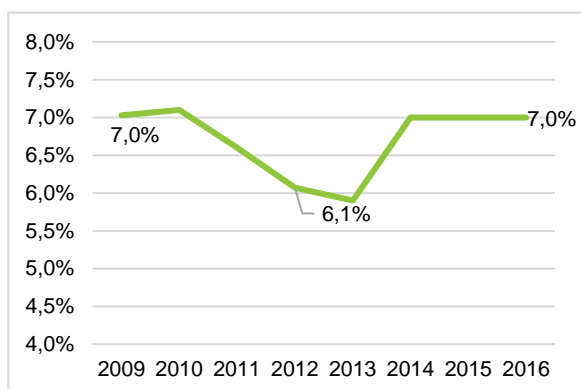
Source: MPHS 2009-2016 and World Bank

Source: MPHS 2009-2016 and World Bank

Unemployment

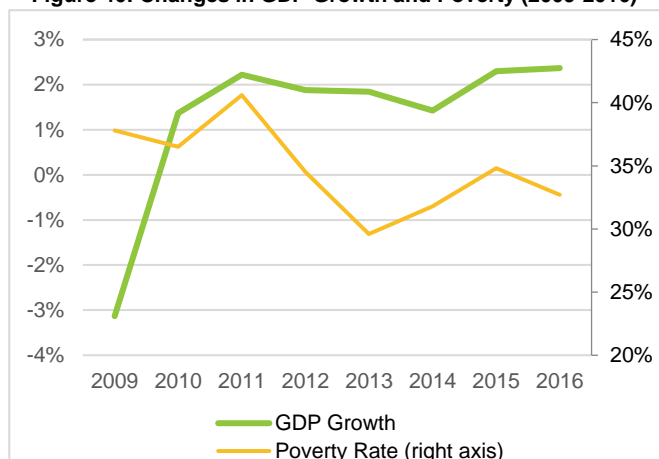
Finally, the rate of unemployment remained constant at 7% throughout the period, except for the years from 2011 to 2013, when it showed a tendency to fall, reaching 6.1% in 2013. As far as the relationship between GDP and poverty is concerned, El Salvador managed to come out of the global financial crisis that affected the country while reducing the level of poverty at the same time. In 2009, a fall in GDP of just over 3% was recorded but between 2010 and 2016 average growth was close to 2% per year. With some time-lag, the poverty rate seems to have mirrored GDP in the opposite direction, falling when GDP was growing most strongly.

Figure 45: Changes in the Unemployment Rate (2009-2016)



Source: MPHS 2009-2016

Figure 46: Changes in GDP Growth and Poverty (2009-2016)



Source: MPHS and IMF

Gender inequality

As far as gender inequality is concerned, the figures analysed offer dissimilar information. In terms of multidimensional poverty, in 2015 households were more likely to be poor if the head of the family was a man (37.1% of poor households) than a woman (31.8%). However, although this difference is accentuated in rural areas (62% and 50.5%, respectively), in urban areas it is the opposite, as 23.6% of households headed by women are poor compared to 21.8% of those headed by men.⁹¹ According to the MPHS 2016, illiteracy is higher among women (12.5%) than among men (8.8%), although this disparity has been reduced slightly from 4.8% in 2011 to 3.7% in 2016. Likewise, the gap in school attendance between men and women increased slightly from 4.4% to 4.6%.

Furthermore, the average wage for men at the national level is 21% higher than for women, at USD 326.92 and USD 270.58 respectively. The quality of employment is lower for women and 49% of women's jobs in urban areas are informal, compared with 37.5% for men. Women own 44% of homes and men 56%, while in rural areas only 12% of farmers who own their land are women.

⁹¹ Source: SETEPLAN (2015), Multidimensional Measurement of Poverty in El Salvador.

8.2. Determining Factors

Although it is not possible to determine which factors affected the development indicators at the aggregate level in the country, from the econometric analyses carried out on the areas supported by the PRO-EDUCA, PACSES and PRO-CALIDAD programmes it can be inferred that **several of the impacts envisaged have moved in the expected direction** and that some indications of correlation between impacts and certain sectoral results can be noted.

Thus, **the increased access to basic services such as electricity, water and sanitation may have contributed to the reduction in levels of poverty**. Likewise, the improved targeting of the *Comunidades Solidarias* Programme, the Universal Basic Pension and medical care under the ECOF programme may be contributing to a better quality of life for the poorest people.

With regard to inequalities, **the reduction in the urban/rural gap clearly benefited from progress in the social area**, in terms of both income and non-income poverty. It is also important to highlight that the improvement in secondary school enrolment was much more intense in rural than in urban areas, almost closing that long-standing disparity.

Based on the results of the determining factors in education, it can be inferred that the improvements in enrolment and, especially, **academic performance, have the potential to increase the productivity of the economy in the long term**. Better educated citizens will find it easier to enter the labour market, enabling those from poorer backgrounds to access employment as well. Equally, the increase in exports in specific sectors is associated with potential growth, as a result of more intense economic activity.

EQ 5.1: To what extent are impacts observed in inclusive economic growth and the reduction of poverty and inequality? Which were the main determining factors of these impacts?

The objectives of EU development cooperation in general, and the Budget support programmes implemented in the period analysed in particular, focused on helping to generate impacts on inclusive economic growth and the reduction of poverty and inequalities. Thus, for example, **emphasis must be placed on the significant progress made on poverty reduction. Starting from rates that were very high, El Salvador today is close to the average in Latin America in terms of relative poverty (30%), while the rate of extreme poverty is lower than the regional average (10%)**. These are noteworthy achievements, although large numbers of people are still in a vulnerable situation.

Rates of income poverty fell from 37.8% to 29.2%, implying a relative improvement of 22.7%. The time series data varied, with peak rises in 2011 and 2015 and a major fall in 2012, 2013 and 2016. The overall tendency was good in both urban and rural areas, although it was more noticeable in the latter, where the rate was reduced by 19.4%, equivalent to 9 percentage points (from 46.5% to 37.5%). Meanwhile, in urban areas it also fell by 10.2%, equivalent to 3.4 points, to reach 29.9%. **Extreme poverty fell from 12% to 7.2%, a significant 40% less**. The reduction by geographical area was 7.1 points in rural areas and 2.8 points in urban areas.

GDP growth between 2009 and 2017 (according to the updated GDP figures) was relatively modest, increasing by a mean of 2% per year over the period. GDP increased by 46.6% in nominal terms. **Overall, the growth observed was relatively pro-poor, as poverty fell by 0.38 points for every point in GDP growth, although the figure for extreme poverty was even better (0.97 points)**, almost on a par with GDP. The Gini coefficient also fell by 12 points over the period.

As far as non-income poverty is concerned, **positive changes were observed in access to public services, with better rates of coverage in access to safe drinking water, sanitation and electricity**. With regard to education, access to secondary education improved, although access to primary education fell.

Finally, the reduction in inequalities between urban and rural communities is noteworthy. **The urban/rural gap in relative poverty was almost halved** (from 13.2 to 7.6 percentage points) and the extreme poverty gap was reduced still further (from a difference of 8.3 points to 4). With regard to education indicators, net enrolment in secondary education grew almost 7 times more in rural areas than in urban ones and the relative improvement is more substantial in rural areas (32.4%) than in urban ones (5.9%).

9. Other Important Criteria for the Evaluation

9.1. Efficiency, Effectiveness and Sustainability of Outputs and Outcomes

EQ 6.1 (part 2): To what extent can the Budget support operations be considered efficient and effective and their outcomes sustainable?

With regard to the efficiency of the Budget Support inputs:

- **The Budget Support disbursements for the EU programmes were highly efficient**, in the sense that despite their relatively small intrinsic importance they managed to support significant progress. In addition, **a high capacity to use the scheduled financial resources was observed, with disbursements of more than 90% of the total committed.**
- **The efficiency of the Complementary Support was quite high in most cases.** Considering the resources used, the contributions of the TA provided by PARE-ES, PRO-CALIDAD, PACSES and Component 3 of PRO-EDUCA (Technical and Technological Education) were notable. Components 1 (School Environments) and 2 (ICTs) of PRO-EDUCA and the Contribution Agreement with the UNDP to implement “Seamos Productivos”, though not entirely inefficient, had less added value compared to the resources provided.
- In all the programmes, the efforts made by the EU and the GoES to build and/or maintain trust as development partners were appreciable. Nevertheless, **the structure and formal status of the Policy Dialogue was irregular**, reaching a reasonably good level in only two of the four areas or sectors supported. Consequently, both GoES leadership and sectoral coordination could have been improved, and were clearly present only in the social sector and, to a lesser extent, in the fiscal sector.
- Donor coordination also varied between sectors and donors. **The EU, AECID and Luxembourg coordinated well, especially around FOCAP** and, building on that, in the social, fiscal and education sectors as well. Coordination with other European donors, such as GIZ, did take place but was less intense. Relationships with the multilaterals, particularly the IDB, on fiscal issues were good. The Donor Working Group worked well for all the parties involved. The MoF ISP brought all the participants together. Even so, without conflicting with each other, the level of convergence between the Budget support programmes and the loans from the multilateral banks was limited.
- **In the Budget Support programmes implemented between the UE and El Salvador in the period 2009-2017, the advantages associated with this modality were evident to a great extent.** Thus, an assessment of the performance of EU development cooperation reveals that it achieved a good level of ownership, good complementarity among the programmes themselves and with the initiatives of other donors, especially European ones, and an appreciable reduction in transaction costs compared with past initiatives of both the EU and other donors that used the project approach.

The analysis of the effectiveness of the programmes indicates that, in the aggregate:

- **The disbursements effectively helped to create fiscal space and/or protect social spending**, making it possible to take forward new initiatives previously unfinanced (PARE-ES, PRO-CALIDAD), complete funding or protect strategic expenditure (PRO-EDUCA, PACSES, PRO-INCLUSIÓN). **The predictability of the disbursements was high** (+90% of the funds committed), although yearly and quarterly predictability was irregular.
- In most cases, **the relevance and effectiveness of the Complementary Support was high.** The technical assistance produced useful, good quality outputs that were highly valued by the stakeholders. The grant awarded to finance *Ciudad Mujer* was successful, while the Contribution Agreement with the UNDP to implement the “Seamos Productivos” Programme was only relatively effective.
- Although high-level political dialogue between EU and GoES authorities was (and still is) excellent, **the dialogue around policy implementation (policy dialogue) had mixed results**, working very well in the case of the social sector, including on gender issues, reasonably well in the fiscal area, and not particularly effectively in education or quality.

Finally, with regard to the sustainability of the outputs and outcomes:

- Policy continuity was observed over the years 2009-2017, coinciding with the same political party being in government for two terms, with similar agendas. Institutional structures focus on intensifying policies that form part of the PQD 2010-2014 and 2015-2019. **The sustainability of these policies will depend partly on the attitude towards them by the government that takes power in 2019**, which may decide to make substantial changes. Whether or not the current political polarisation continues will also be an important factor, as it is another potential obstacle to sustainability.
- In general terms, thanks to how well the budget support arrangement worked as a means to support the outputs and outcomes arising from national policies, **from the technical and institutional point of view there are no reasons to doubt that most of the progress achieved in policies, goods and services in the sectors supported will be sustained over time**. Of course there may be exceptions, but the challenges are principally financial.
- **The financial sustainability of the Salvadoran state faces significant challenges**, such as the pressure from spending on pensions, the public debt and the impact on the macroeconomic situation that will be produced by the maturing in August 2019 of the bonds issued to the value of some USD 800 million. Depending on the seriousness of the shock and the measures adopted to deal with it, the possibility that it may even temporarily affect the country's eligibility for budget support cannot be ruled out.
- The fiscal situation has an impact on the budget resources available. Some sectors, such as education and social protection, have already seen their budgets failing to grow at the necessary pace. **There are risks that the policies will not be adequately funded, particularly in the area of public investment and non-salary expenditure** (maintenance, transfers), and this could place the outcomes in the sectors at risk.
- **The quantification and monitoring of targets in the PQD and sectoral plans remains a challenge**. The monitoring and evaluation (M&E) systems are still being developed at the institutional level. One challenge is to continue to work on the physical and financial monitoring of the outcome targets.
- While EU coordination with its closest partners (AECID, Luxembourg) and other Member States is continuing, **increased coordination among development cooperation agencies as a whole is required, particularly in the area of education and on economic policy issues**.

EQ 6.2: To what extent has the Budget support added value in development cooperation's cross-cutting issues, particularly gender, good governance and human rights?

9.2. Cross-Cutting Issues: Governance, Human Rights and Gender

To differing degrees, the Budget support operations in El Salvador took into account the cross-cutting issues in development cooperation, particularly gender, good governance and human rights. Due to the nature of the work, the cross-cutting issues were addressed much more clearly in the interventions in the social sphere, particularly around PACSES and PRO-INCLUSIÓN. However, there is also some noteworthy evidence in PRO-EDUCA, which focused on supporting the *Plan Social Educativo* 2009-2014, a sectoral plan that sees education as a right and whose key objective is to enable students from the most vulnerable groups to access and stay in education. Specifically, Outcome 1 of PRO-EDUCA is aimed at improving school environments by enhancing peaceful coexistence and introducing education on values, as a key component of the national education system. No particular focus on gender was observed in PRO-EDUCA, however, because the gender gap is not identified as one of the sector's main priorities. In the other programmes (PARES and PRO-CALIDAD), no evidence was found of any mainstreaming of EU development cooperation's values (in Gender, Governance and Human Rights).

The Budget support contributed to the development of the Universal Social Protection System through **PACSES and PRO-INCLUSION**, which implies recognition of the rights-based approach through the state's commitment and obligation to: i) Respect rights and avoid actions that may result in a negative impact on those rights, considering families, the women and men who belong to them, the community and civil society as rights holders;

ii) Defend, protect and fulfil these rights, allocating financial resources and designing programmes aimed at ensuring the fulfilment of rights and basic levels of wellbeing, particularly for groups most affected by poverty and exclusion; iii) Facilitate the fulfilment of rights by implementing inclusive strategies and policies that help to reduce inequality in the distribution of the benefits of development, particularly gender inequalities, poverty and social exclusion, and protect livelihoods. This approach implies that all public institutions are obliged to help to ensure that rights are fulfilled.

As set out in the concept paper for the *Comunidades Solidarias* Programme, the **rights-based approach** implies overcoming traditional views that considered people as beneficiaries of government actions or fortunate to receive them, instead understanding and accepting that people are rights holders, as citizens with rights and duties in relation to the community and the state. Far from simply a change in the vocabulary used, this implies a radical shift in the approach and the way in which the GoES should work with territories and people. It requires active and effective participation by citizens, not just in the design of social and economic development policies and programmes but also in their implementation, monitoring and evaluation.

Equity, understood as justice applied to a specific case, is a fundamental principle in the human rights-based approach, with a view to achieving effective equality in the exercise of rights by the whole population. Thus, the GoES intervention focused on revealing and reducing the existing gender inequality gaps, as well as recognising the structural nature of these inequalities, which is based on the imbalance in power relations between men and women. **The gender component in the Budget support operation was evident both in the actions included in the *Comunidades Solidarias* Programme, and in PRO-INCLUSIÓN.** In *Comunidades Solidarias*, the actions taken forward by CONAMYPE and ISDEMU contributed to women's empowerment, an increase in their self-esteem and, in many cases, their access to a source of income generation. In PRO-INCLUSIÓN, the ***Ciudad Mujer*** Programme is highly relevant and proposes to position the gender approach at the centre of the Budget support programme's work. The scope of the *Ciudad Mujer* Programme has been maintained and the number of women using its services has been increasing. It has managed to tailor its work to local needs and is bringing its services closer to the community by setting up offices in the government institutions that provide services in the places where *Ciudad Mujer* works.

The human rights and gender approaches have been strengthened in El Salvador, largely thanks to the creation of a **Human Rights and Gender Unit** (UDHG) within SETEPLAN. This experience is new in the Latin American region⁹² and it is contributing to thinking about social protection and its link to gender equality by taking a more comprehensive and multi-faceted view. This involves taking into account the different needs and interests of women and men, analysing situations and problems from a gender perspective, designing actions or interventions aimed at removing the barriers that mainly prevent women from accessing the same development opportunities as men, identifying violence against women as a problem that requires state intervention to link it to social policies, and establishing indicators and monitoring and evaluation systems that enable the achievements and impacts of policies on women's living conditions to be measured.⁹³ Thus, for example, consultants were contracted to include gender indicators in the *Plan Social*, and SETEPLAN documents are being reviewed to ensure that they include the human rights (life cycle) and gender approach. For the *Plan Social*, specific indicators were identified to measure the results of the outputs delivered directly to women, and each indicator related to outcomes or outputs for people is disaggregated by sex.

Likewise, the Budget support contributed extensively to the mainstreaming of the human rights and gender approach through the policy dialogue (with the EUD playing a very active role) and the technical assistance. The TA was key to supporting the inclusion of the human rights and gender perspective in the SETEPLAN planning, monitoring and evaluation system. This included work such as reviewing and analysing background documents for consultancies (concept notes, advisory reports, regulations, strategic plans,

⁹² The United Nations Development Programme (UNDP) website América Latina Genera launched a regional call for submission of proposals on "Experiences that make a difference: Mainstreaming gender equality in the public policies of Latin American and Caribbean countries". 12 experiences were selected as the most successful, and one of the top two is the mainstreaming of the gender approach in the Universal Social Protection System, which was submitted by the SETEPLAN Human Rights and Gender Unit.

⁹³ <http://www.secretariatecnica.gob.sv/transversalizacin-del-enfoque-de-genero-en-el-spsu-una-experiencia-que-marca-la-diferencia/>

manuals, guides, standards, regulatory frameworks); the joint review in UDHG of the internal planning capacity assessment tool developed at the request of the executive; a comparative analysis of regulatory authorities in seven Latin American countries; analysis of the regulatory framework for gender equality in El Salvador; a systematisation of international experiences of incorporating the gender approach in national planning systems; involvement in and contributions to the inter-institutional team from ISDEMU, DIGESTYC, MJSP and SETEPLAN to design and launch the Violence Indicators System and the National Gender Indicators System; analysis and recommendations on the draft Official Statistics System Law, and the launch of the Equality Plan in the Technical Secretariat in the Office of the President.

The **ISDEMU** has worked to strengthen the institutional mechanisms in the Salvadoran state to advance women's rights. As a result, there is a National Equality Plan 2016-2020 and an Action Plan for the National Policy for Women to Access a Life Free from Violence 2016-2021. Many of the institutions involved in the Budget support operation have set up Gender Units and/or developed Equality Plans over the period that coincides with the Budget support, including the MINED or FISDL, for example. The latter set up a Gender Unit in 2015, ratifying the Institutional Gender Commission created in 2012, and in 2018 launched its institutional policy on equality and non-discrimination.⁹⁴

Gender empowerment in all political spaces has been important, managing to maintain 50% representation for women in the local *Comunidades Solidarias* committees, for example. In the education sector, the programme was not especially focused on gender, due to the fact that, in general terms, the data on access and educational performance are better for women than for men.

The government has done significant work on the way it conducts public policy, by adopting the view that everyone in the population must be served and protected as a rights holder. Progress has been made on the principles of the rights-based approach, enforceability, equality and non-discrimination, gradualism and universality, based on the availability of resources for the social policy. One reflection of this is the participatory approach used in the validation of the *Plan Social*. In late 2016, SETEPLAN in coordination with SPCTA organised consultation events in all 14 of the country's departments for the approval and/or improvement of the *Plan Social*, enabling the public to find out that there are tools and instruments in place for them to exercise and claim their rights. Development partners were invited to these consultations and the institutions that work in the territories also participated.⁹⁵

9.3. The Added Value of European Development Cooperation

The EU, and European donors in general, are among the most important of the external agencies supporting economic, social and institutional development in El Salvador. Due to its values and methodologies, the EU's specific approach contributes a particular added value to its cooperation.

The EU works with governments in a non-party-political manner, developing and maintaining a positive relationship with the GoES of dialogue between equal partners working together, based on mutual respect. Thus, despite the changes in the administration and the fact that the formulation and launch of the MIPs and several programmes coincided with changes of government (in 2009 and 2014, due to happen again in 2019, coinciding with the preparation of the next MIP and several programmes), these dynamics have always enabled it to provide close accompaniment to the GoES in the definition of policy priorities. To a greater or lesser extent, this was the case with the sectors supported between 2009 and 2017. A recent example that can be added is the role of the EUD as a partner of the National Council for Security and Social Cohesion in the formulation of the PESS.

Another of the EU's own brands is the **rights-based approach and the promotion of human rights, the gender perspective and good governance**.⁹⁶

⁹⁴<http://www.fisd.l.gob.sv/novedades/ciudadano/11095-fisd-lanza-politica-institucional-de-igualdad-y-no-discriminacion#.Wx5epC8rzEY>

⁹⁵ Progress Report on the Social Plan, 2016.

⁹⁶ These issues were discussed in the previous section of this report.

The EU sees public policies in the social arena (education, social protection, health, employment, etc.) as an investment for the country, which it combines with support for economic development. This is why the focal sectors selected⁹⁷ place emphasis on these matters. In this way, it attempts to address other fundamental issues, such as security, not with short-term actions but by **fostering inclusive economic growth and integrated policies that benefit the most disadvantaged and vulnerable people**.

EU development cooperation places emphasis on the content of policies. The effectiveness of this approach varies depending on the sector and the situation at the time. In general, in the social sector the EUD's internal capacities enabled it to become more directly involved, although in practice the EUD officials are bound by a rotation system and paperwork tasks, which limits the continuity of their work and the time they have available to devote attention to Policy Dialogue. This is mitigated in part by the long- and short-term TA programmes, which provide technical support to dialogue processes and assist the EU to play its role. This was particularly true in the case of PARE-ES for the MoF ISP and PACSES for the preparation and launch of the *Plan Social*.

Finally, the integrating approaches and the amounts of development cooperation the EU provides to El Salvador place the EUD in a position to **unite European efforts** and develop good coordination with other Member States, especially Spain and Luxembourg.

For all these reasons, **Budget Support is the appropriate tool to boost this added value of EU cooperation**, due to the access it provides to the authorities, and the policy dialogue and donor coordination it leads to.

EQ 6.2: To what extent has the Budget support added value in development cooperation's cross-cutting issues, particularly gender, good governance and human rights? What is the added value of EU cooperation?

The cross-cutting issues in development cooperation, particularly gender, good governance and human rights, were mainly addressed in the Budget support operations in the social sector, PACSES and PRO-INCLUSIÓN, where the development of the Universal Social Protection System was at the centre of the work. Thus, gender issues were strengthened in the *Comunidades Solidarias* Programme through the work of CONAMYPE and ISDEMU and, above all, through the *Ciudad Mujer* Programme. However, gender as a cross-cutting issue was not present in the Budget support beyond the programmes in Focal Sector 1 of both MIPs: Strengthening Social Cohesion and Citizen Security in MIP 2007-2013 and Youth and Social Inclusion in MIP 2014-2020.

PRO-EDUCA supported education as a right, with a strong focus on the most economically and socially vulnerable students. Gender was not identified as a priority issue in the sectoral strategy, or in the programme, which placed emphasis on social, economic and geographical inequalities. In the programmes concerned with economic matters (PRO-CALIDAD) and/or the fiscal sector (PARES), no evidence was found of the mainstreaming of the issues promoted by the EU because they are not a specific priority in the relevant policies supported (the MoF ISP and the MIDECA PNC).

Furthermore, **the added value of EU cooperation is reflected in the intrinsic values of the development cooperation and the approaches of the European Union as a donor**, as it works with partner governments in a relationship of mutual respect between equals. Thus, respect for human rights, the promotion of gender equality and good governance are key priorities in EU cooperation. In addition, the sectors prioritised by the EU focus on social policy as an investment for the country, alongside the support for economic development. Likewise, in its budget support operations the EU places emphasis on the content of the policies supported. Finally, another ever-present characteristic is that, in close collaboration with its Member States, the EU unites European efforts and promotes the coordination of development aid. For these reasons, **Budget Support is the most appropriate modality for enabling the added value of EU cooperation in El Salvador to take effect.**

⁹⁷ See Chapter 2.3: Coherence of the Design of the Budget support Operations with the Objectives of the GoES and the EU MIPs

9.4. Contributions to Monitoring and Evaluation Systems

A series of initiatives aimed at improving monitoring and evaluation capacities have been taken forward in recent years in El Salvador. Monitoring should ensure the ongoing, systematic collection of routine data to measure progress towards the achievement of programme objectives. Evaluation should lead to an understanding of the value of something to improve how things are done.⁹⁸ In practice, monitoring systems should start by defining indicators for each objective and their means of verification, and analyse the risk of the underlying assumptions materialising, as essential elements of an effective monitoring system. Evaluation systems should lead to an understanding of how, and to what extent, a programme is responsible for certain results measured subsequently.

Thus, when monitoring and evaluation systems are functioning properly, they should enable information to be obtained about the progress and achievements arising from the actions, processes, programmes and projects of the GoES. These systems should allow it to measure the achievement of its objectives and identify the difficulties encountered on the way to achieving them. In addition, the information produced contributes to evidence-based, well grounded decision-making. It is essential to public management as it enables limited fiscal resources to be invested efficiently, effectively and transparently, with appropriate accountability to citizens.

This section presents a brief analysis of the progress made in developing these capacities, particularly those related to the sectors and issues that the EU's different Budget support operations sought to support in the period analysed.

9.4.1. Monitoring Systems in SETEPLAN

The background to the work done on the monitoring and evaluation of social policies was the system developed to monitor development partners' programmes in previous years (Red Solidaria). As a basis for its work, this contained a list of the 100 municipalities affected by extreme poverty identified in a study by FLACSO.⁹⁹ The system developed in this framework modelled priority households based on real components as representative variables, namely: access to safe drinking water, electricity, overcrowding, etc. This information was obtained from the MoH and FISDL, and it later enabled coverage to be extended to other municipalities. It was subsequently felt that the system should contain and monitor other indicators defined by the development partners and the national government in the PQD, the SDGs, the *Plan Social* and other plans that required monitoring.

By 2016 indicators were defined, technical fiches were designed and the *Plan Social El Salvador* was incorporated, giving rise to the following systems:

- **Monitoring and Evaluation System:** The Internal Regulations on the Executive Branch of Government define the roles of SETEPLAN, some of the most important of which are planning, information and statistics, and the monitoring and evaluation of the overall government plan. The M&E System was therefore developed to monitor the PQD indicators, multidimensional poverty, and public investment. In addition, the catalogue of indicators for the PQD, SDGs, the final results table and the *Plan Social* is being designed with the support of AECID. In future, the indicators catalogue is expected to be turned into an online interactive tool, with EU support.
- **Follow-up and Monitoring Subsystem for the Sustainable Development Goals in El Salvador:** Based on the Millennium Development Goals (MDGs 2015), the Sustainable Development Goals (SDGs) are seventeen objectives to combat poverty and inequality that the world has undertaken to achieve by 2030. This system generates speed-time graphs and bar charts showing progress on the issues defined in the goals.

⁹⁸ A Basic Guide to Evaluation for Development Workers. Frances Rubin. Oxford: Oxfam. 1995

⁹⁹ FLACSO, MINEC and UNDP (2010). Urban poverty and social exclusion map. Volume 1. Concepts and methodology.

Finally, SETEPLAN works closely with the General Directorate of Statistics and Censuses (DIGESTYC), in particular by using the Multi-Purpose Household Surveys (MPHS), which have occasionally included questions related to PACSES, thus providing information to develop tools to analyse the programme.

9.4.2. Other systems in place for Monitoring and Evaluation

There are other systems producing information and contributing to the monitoring of key public policy indicators. These include:

- **The Single Register of Participants (RUP)** in the Universal Social Protection System, a tool developed for the targeting of social programmes. In 2010 it was decided that social programmes would be based on the households in the 100 municipalities around the country affected by extreme poverty, and the RUP was set up in 2014 to record basic data. This system initially operated for 81 municipalities, leading to the information produced by MAG, MoH and FISDL surveys being used to improve how the beneficiaries of social programmes were selected. This expansion of coverage of the RUP posed certain methodological difficulties, because the information gathering processes used were not identical. The RUP currently integrates and consolidates records from different state institutions involved in social issues, using a single platform. The RUP offers advantages such as efficiency and effectiveness in the planning of social policies, facilitates monitoring of the implementation of programmes and projects, and encourages coordination between different government institutions. It also offers a comprehensive view of investment in social programmes and the coverage of services and subsidies.
- **The National System of Evaluation in Education (SNEE)**, currently under development, will work to evaluate areas that are important to the sector, such as: teacher training, the curriculum, institutional management and educational infrastructure, among others. It is a more comprehensive system, which will enable the MINED to see whether or not the quality of education is improving from different points of view.

9.4.3. Systems for monitoring institutional plans

- **Ministry of Finance:** The Target Monitoring System (SMM) was created by the General Directorate of Administration in 2011 and launched in 2013. This system is for internal use and receives inputs from 17 of the Ministry's departments, which report their progress on the actions and indicators in the ISP and annual work plans. The information contained in this system has 2013 as its baseline and covers the institutional targets and projects arising from the ISP. The SMM is managed by the MoF's Institutional Strategic Planning Unit, which sends monthly progress reports to the Minister and quarterly reports to SETEPLAN. This evaluation found that the performance information generated by the SMM (such as early warnings) is not really being used to adopt corrective measures, especially for those indicators and projects that are flagged in red or yellow, meaning that their progress is stagnant. The largest divergences are found in the projects, as their implementation requires additional capacities (human, technical and financial) that the MoF departments do not currently have. Likewise, the decisions taken at management level rarely filter down to the technical teams with the necessary accuracy and timeliness. Therefore, it is clearly important to improve internal communication on the actions that need to be taken to improve institutional performance.
- **Ministry of Education:** The system for monitoring institutional plans in this sector is called SIPLAN and it was created in 2015 with the aim of managing the annual work plan and the ISP. It includes programme actions and indicators and oversees information from 17 areas inside the sector and the 14 departmental directorates which, in communication with the schools, handle the information that serves as an input for decision-making. Access to the NGOs involved in the sector has also been created for the necessary monitoring. The system is updated every quarter and one of its constraints is that it only contains information from 2015 onwards. Another limitation observed is that the monitoring of plans and projects only covers the financial side. Work is therefore being done on a new platform called SIAP 2, which will monitor administrative and financial progress at the same time.

- **Ministry of the Economy:** The MINEC monitors its plans in the SISPLAN system, which covers administrative and financial aspects of the annual work plan and the ISP, including setting a budget ceiling to ensure more comprehensive monitoring. The system was designed and implemented in 2010 for monthly monitoring. One of its drawbacks is the lack of clarity about the indicators and results to be reported on. The National Quality Council (CNC) does not have a monitoring and follow-up system. Despite this, it does keep a record of all the standards issued to date in each sector, although these are only held in paper files and are not available on the institution's website.

9.4.4. Current challenges for strengthening Monitoring and Evaluation

Despite the progress observed, there are still major challenges that need to be addressed to consolidate monitoring and evaluation capacities in El Salvador. Some of the issues identified in relation to the constraints affecting certain information are the following:

a) The need to harmonise and integrate different sources of information, which also implies having an institution to regulate, coordinate and advise on the production and processing of information, promoting quality and the use of institutional records and statistics.

b) The need to update the design of the Multi-Purpose Household Surveys (MPHS) to ensure that the sample is more representative. The sample was designed in 2009, so it should have been updated since 2015.

c) The basic food basket (BFB) used to measure income poverty is based on the Income and Expenditure Survey carried out in 1992. Although a new Income and Expenditure Survey was conducted in 2005-2006, it is important to update it and, based on a new basic food basket, produce a new estimate of households living in poverty. The measurement of income poverty currently shows abrupt variations from one year to the next, probably caused by (temporary) changes in the price of the products in the BFB, the receipt of government subsidies, or possibly a rise in the minimum wage. This situation means that caution is required when assessing the progress made so far in poverty reduction on the basis of information about income.

d) The factors and dimensions selected to define multidimensional poverty need to be reviewed. The dimensions selected should be reviewed from the starting point of what needs to be measured: for example, changes in the structural conditions determining people's quality of life and/or the impact of the social policies and programmes implemented by the GoES on people's living conditions, particularly those of the poorest groups.

e) Standardisation of information gathering for the RUP. Although the RUP started with the information produced by DIGESTYC, which gathered information about households and each of their members in the 143 precarious urban settlements (AUP) with high and severe levels of poverty, 32 in Ahuachapán, 32 in San Miguel, 65 in Santa Ana and 14 in Colón la Libertad, this information was complemented by additional data from the work done by FISDL and the health promoters. However, given that these are different sources and information gathering processes, this may lead to discrepancies and potentially the risk of mistakes when deciding which households to include in the RUP.

Another aspect for which no evidence was found during the evaluation is the presence of sufficient capacities to plan and carry out evaluations in the institutions themselves: in other words, how, when and what type of data need to be collected and how to use them to feed into the monitoring systems that are in place. This meant that the evaluation sometimes found it difficult to obtain accurate data and information, or to locate in a specific office or obtain from the officials responsible the information that would have been very useful to provide more precise inputs for this report, particularly for the quantitative analysis. None of the programmes evaluated were found to have a monitoring system with the characteristics described earlier. However, the visits and interviews revealed that some of them, namely PARES, PRO-EDUCA and PACSES, had professionals who were aware of and handled data that should have enabled a monitoring system to be established. The most prominent absence of a monitoring system was noted in the PRO-CALIDAD Programme.

The GoES could also have placed more emphasis on mid-term evaluations as a useful tool to fine-tune the indicators established for the evaluation, define new ones and discard others, as well as to find out whether the data used are sufficient and available at the right time for the evaluation. In the PACSES Programme, for

example, whose main source of information was the MPHS, a mid-term evaluation might have detected that this source did not have all the information required, and the DIGESTYC could have been asked to include some additional questions in the next MPHS. Enhanced evaluation capacities would not only be useful to improve monitoring but also, even more importantly, would make it possible to determine whether the specific interventions are being implemented properly, whether the objectives are actually achievable, whether the budget is appropriate, and other aspects that can be altered in time to achieve the objectives initially set out.

10. Contribution of Budget Support to the Outcomes in the Sectors Supported (Step 3)

EQ 6.1 (part 1): To what extent has the Budget support contributed to the outcomes identified in the sectors supported and to the impacts observed?

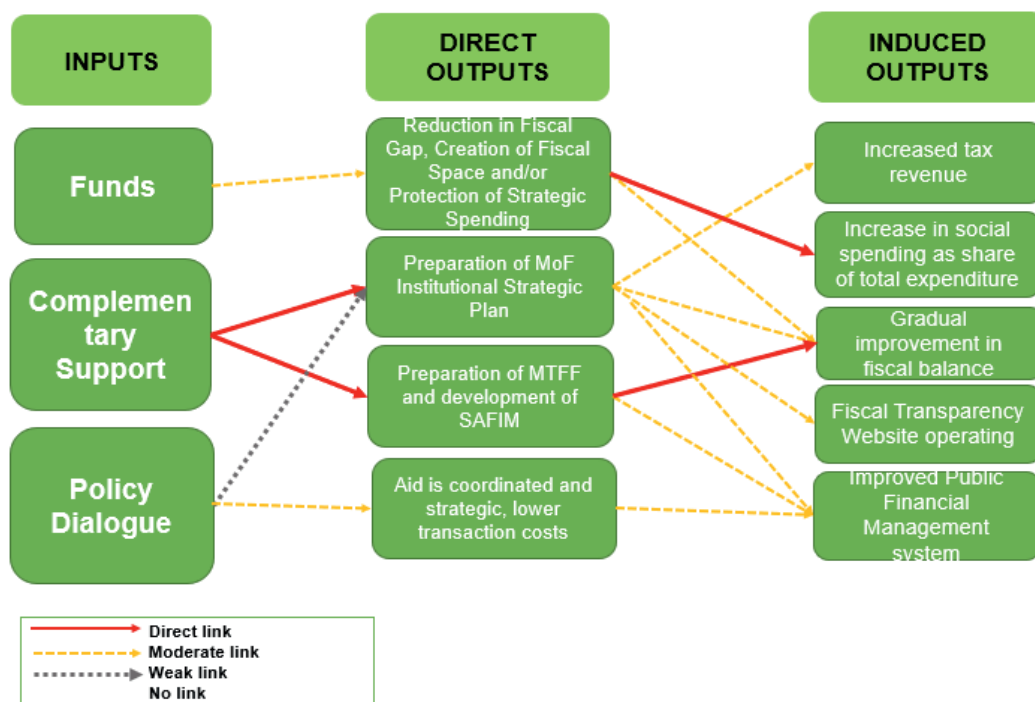
Section 10.1 presents the Intervention Logic up to the level of the outcomes of the relevant policy for each Budget Support Programme analysed. In other words, it describes each programme’s contribution to the attainment of the outcomes achieved, within the framework of each of the GoES policies supported (Step 3). In the case of the PARE-ES Programme, the analysis only goes as far as Step 1 (from inputs to induced outputs). As explained in the description of the methodology used,¹⁰⁰ this is because public financial management does not produce the sort of outcomes that would enable steps 2 and 3 to be conducted.

Section 10.2 presents the Actual Intervention Logic of the entire EU Budget Support provided to El Salvador. This logic includes the synthesis of Step 1 and Step 2 and shows the contribution of the Budget Support as a whole to the outcomes of the policies supported (Step 3).

10.1. Contribution of the Budget support Programmes to Outcomes (Step 3)

10.1.1. Contribution of PARE-ES to Fiscal Policy and PFM (Step 1)

Figure 47: Actual Intervention Logic, PARES-ES (Levels 1-3)



The objective of the Programme to Support the Economic Recovery of El Salvador (PARE-ES), which ran from 2009 to 2015, was “to contribute to the implementation of fiscal policies and to macroeconomic stability in the country, with the aim of generating the resources required to finance public investment and inclusive national

¹⁰⁰ See the description of the adjustments made to the methodology in Section 1.3: Strategic Evaluation Methodology

economic and social development policies,¹⁰¹ through measures to increase tax revenue, social spending, the targeting of subsidies and transparency in public financial management. The contribution of PARE-ES to these objectives was EUR 21 million in financial resources and EUR 3.2 million in complementary support (technical assistance), as well as policy dialogue.

The financial resources were important at the time to help the GoES to cover the fiscal gap. The funds scheduled to be disbursed in two tranches, one fixed and one variable, were disbursed in the early stages of the operation (the FT in December 2010 and the VT in December 2011) and were used by the GoES to finance part of the fiscal gap at the time, caused by the payment of blanket subsidies for electricity, transport and liquefied petroleum gas. 90% of the variable tranche was disbursed as a result of the achievement of four of the five established indicators in full and the partial achievement of the fifth.

The disbursement indicators for the variable tranche were highly relevant to the efforts being made by the MoF to strengthen fiscal policy. The criteria used were: i) increased tax burden, ii) increased social spending, iii) reduction in transfers of funds to non-targeted subsidies (this was partially met), iv) a Fiscal Transparency website operating and v) development of a Medium Term Fiscal Framework. These indicators are integral components of the monitoring of progress in the reform of public financial management carried out by the MoF, through its Institutional Strategic Plan (ISP), and by the GoES for the PQD. As the analysis shows, performance on these indicators tended to be positive throughout the period evaluated (2009-2017).

The technical assistance (TA) was instrumental in securing the results achieved in the area of macro-fiscal policy during the period analysed. The main contribution made by the PARE-ES TA team was to order and prioritise the initiatives and projects being taken forward by the MoF to promote fiscal sustainability and macroeconomic stability in the country, through the preparation of ISPs, first for the 2012-2014 period and later for the 2015-2019 period. This outcome is widely acknowledged and enabled the MoF to focus its efforts and coordinate the technical support provided by international donors to achieve the proposed objectives and monitor effective progress. The contributions made by the TA to the rest of the initiatives worked on are also highly valued, especially the development of the SAFIM,¹⁰² the preparation of the MTFE and technical capacity development for the MoF, although here the praise is shared with other donors who participated in their design and development. Beyond the significant support provided by the PARE-ES Programme to the MoF as the regulatory authority, it is not credited with having had any particular influence on improved financial management at the sectoral level. It should be borne in mind that tools with sectoral potential, such as the Medium Term Expenditure Framework, were supported by GIZ rather than the EU. As predicted, the other Budget support programmes did not have any particular influence on financial management either overall or at the sectoral level.

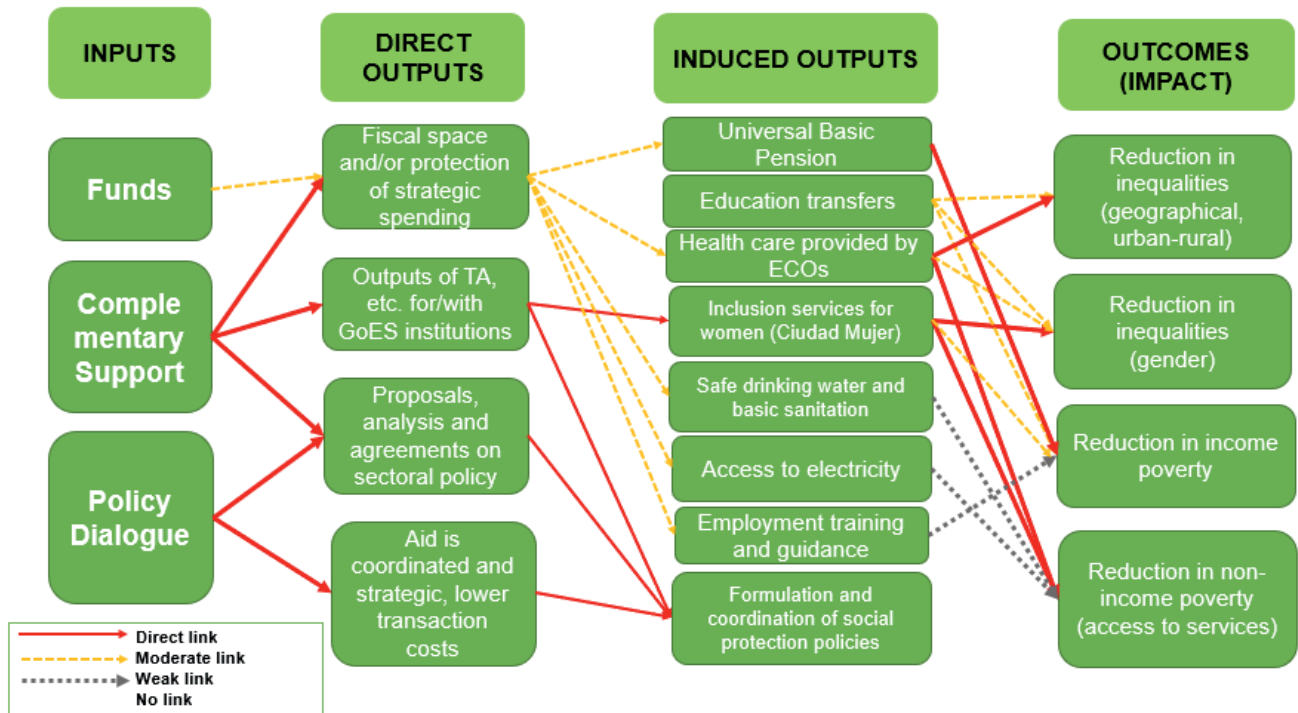
The contribution made by the policy dialogue to the objectives of PARE-ES is less visible, and its contribution to the programme's effectiveness is difficult to establish clearly. Although it is evident that the TA had a significant capacity to participate in and influence decision-making about macro-fiscal policy, the specific contribution made by the EUD to this debate is less visible, or at least less well documented. The GoES, and especially the MoF, recognised and explicitly held up the Donor Working Group's contribution to facilitating political agreements with the opposition and the approval of measures needed to underpin the fiscal situation, but at the time of the evaluation it was not clear to what extent it was a forum for discussing circumstantial matters or whether it had a more permanent structure.

¹⁰¹ PARE-ES Financing Agreement, Technical and Administrative Arrangements, 6 December 2009.

¹⁰² The Municipal Financial Management System (SAFIM) is an IT tool that enables municipalities in El Salvador to manage their budgeting, treasury and accounting processes in an integrated way, producing useful information for central government and the general public.

10.1.2. Contribution of PACSES to Social Protection Policy Outcomes

Figure 48: Actual Intervention Logic, PACSES (Levels 1-4)



The analysis of the contribution refers only to PACSES, because the time elapsed since the start of PRO-INCLUSIÓN is not sufficient to assess the direct and induced outputs it may produce and, in addition, the Complementary Support (TA) had not yet started when the evaluation field visit took place.

Although there is little evidence regarding the specific areas in which the funds were spent, the structure of public spending in the area of social protection better reflects the government's priorities, in the sense that the allocation of funds to policies in the area of social protection was guaranteed. Thus, the government, with the support of PACSES, exponentially increased institutional output in different areas: health (ECOs), pension for the elderly, education transfers, coverage of water, sanitation and electricity, etc. The PACSES indicators refer to these areas and they formed part of the *Comunidades Solidarias* Programme.

The contributions made by the Budget Support to these observed changes – in addition to the funds used for the various transfers – are associated principally with **the support work done by the Technical Assistance (TA)**. The TA provided a great deal of support for the strategy for communication and citizen participation around the social protection policy taken forward during the period. The TA provided support – in the form of two experts and reinforcement on specific topics – for the design of the *Plan Social* and, importantly, to the different institutions that form part of the system to draw up the matrix of indicators and their respective fichas for the Plan. The TA financed the development of the IT module for monitoring the indicators in the PQD monitoring system, and supported the entire process of drawing up the EEPE. The TA also played a strategic role in the work to support SETEPLAN to coordinate the Social Management and Inclusion Cabinet. The components that did not manage to achieve all the results envisaged are related to the IT monitoring tools, due to the shortage of human resources in SETEPLAN.

Policy dialogue was a factor essential to these achievements. It took place mainly in the PACSES Working Group, set up as a space for consensus-building, dialogue, monitoring, evaluation and accountability, involving all the government stakeholders and the development partners who supported the *Comunidades Solidarias* Programme and now the *Plan Social*.¹⁰³ Finally, the FOCAP Committee, which included AECID, the EU and

¹⁰³ <http://www.secretariatecnica.gob.sv/sesion-plenaria-del-grupo-de-trabajo-del-plan-social/>

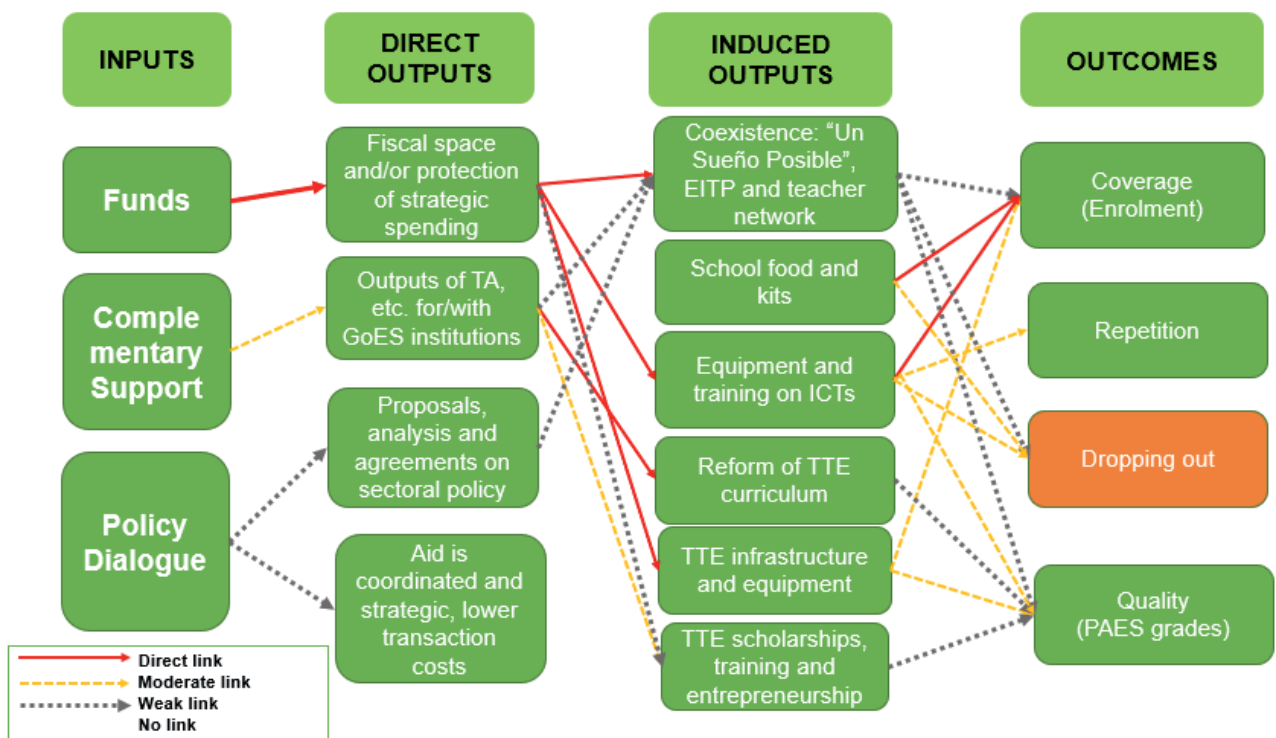
Luxembourg, monitored the programme support to *Comunidades Solidarias*. Since the approval of the *Plan Social*, however, the intensity of the coordination has noticeably lessened.

The **Ciudad Mujer** Programme (financed by Budget support complementary support) helped to reduce gender gaps, both in relation to women’s living conditions (by improving their income generating capacity and their access to services) and their status and recognition in society. The human rights and gender approach is recognised as one of the main contributions of the Budget support, through the policy dialogue promoted by the EUD and with the contributions from the TA.

Thus, it is clear that **PACSES was instrumental in supporting the *Comunidades Solidarias* Programme to reduce income and non-income poverty and inequalities in El Salvador**. It is relevant to note that one of the most important contributions made by PACSES was to help to improve inter-sectoral coordination in the GoES. Although this in itself did not produce outcomes or impacts, it was decisive for the institutions’ ability to deliver more and better outputs to the Salvadoran people.

10.1.3. Contribution of PRO-EDUCA to Education Policy Outcomes

Figure 49: Actual Intervention Logic, PRO-EDUCA (Levels 1-4)



Based on the documents reviewed and the interviews and field visits, it is clear that **PRO-EDUCA made a significant contribution to the implementation of education policy in El Salvador**. It is relevant to point out that, despite the budget support modality’s theoretical purpose of supporting a policy in its entirety, in the case of PRO-EDUCA its work was more limited to the programme’s four outcomes. Therefore, its contribution should be seen in context as vertical support in its intervention areas, rather than horizontal support throughout the sector.

The general eligibility conditions were standard. This operation may have had an influence on the improvements achieved in macroeconomic stability and public financial management, but not directly due to PRO-EDUCA, and only if the programme is understood as one of several budget support programmes that the EU implemented in the country. In fact, PARE-ES is the programme that contributed to this aspect more specifically and PRO-EDUCA did not focus particularly on improving financial management in the sector. With regard to the general condition concerning the implementation of sectoral policy, given that policy dialogue was not the most

relevant aspect of the operation, **it is not possible to attribute a particular contribution to the improvements in the design of sectoral policy to this programme, although it did of course contribute to its implementation**, as described in Chapter 6. With regard to the targets for the variable tranches, these focused on relevant achievements and were well targeted. Therefore, in general terms, **the disbursement indicators could have acted as incentives for the increase in the budget allocated and for the progress made in sectoral outputs and outcomes**.

Under this arrangement, the funds provided by PRO-EDUCA to the National Treasury were earmarked at source by the MINED and channelled as investment projects. It is therefore possible to determine that the percentage allocated to components 1, 2 and 3 was approximately 20%, 30% and 50% of the total, respectively.

As far as Technical Assistance is concerned, there were several implementing agencies and their contribution varied. In School Environments (C1), **the programme was key to the ability to carry out the actions envisaged in the PSE and give continuity to the Solidarity Networks Programme, by helping to underpin the violence prevention and peaceful coexistence approaches** on which the current system is based. Thus, the funds enabled the government programme *Un Sueño Posible* to finance the purchase of materials, equipment and small-scale infrastructure to implement art, cultural promotion, sports and recreation activities in more than 1,000 schools. In addition, equipment, materials and funds were provided for school projects to promote human rights and to expand educational psychology support services in schools. The Technical Assistance implemented through a consultancy firm focused on supporting the MINED to develop its capacities. However, the beneficiaries feel that, due to management issues more than for technical reasons, the contribution made by the TA did not meet expectations.

The programme's influence on expanding the provision and use of ICTs (C2) was very important to the MINED strategy. **PRO-EDUCA led the way and introduced the model of using laptop computers (instead of IT classrooms) and storage cabinets that other donors continued, as well as starting the training on ICTs and the planning and decentralisation of investments at the school level**. Thus, thanks to the EU funds, 422 schools benefited from a total of 13,429 items of IT equipment and licences for their use in the classroom, 380 schools bought furniture to store the laptops, and 331 were able to fund 462 education robotics kits. The rehabilitation or adaptation of infrastructure and electrical systems in 537 schools and the training on how to use the software for more than 5,000 teachers are also attributed to the European assistance. The TA concentrated on the design and implementation of online training modules, training itinerant teachers and reinforcing curriculum content in Natural Sciences and Mathematics in secondary education. However, the results were judged weak, because although the objectives were met the Ministry would have expected greater added value from the TA in this field.

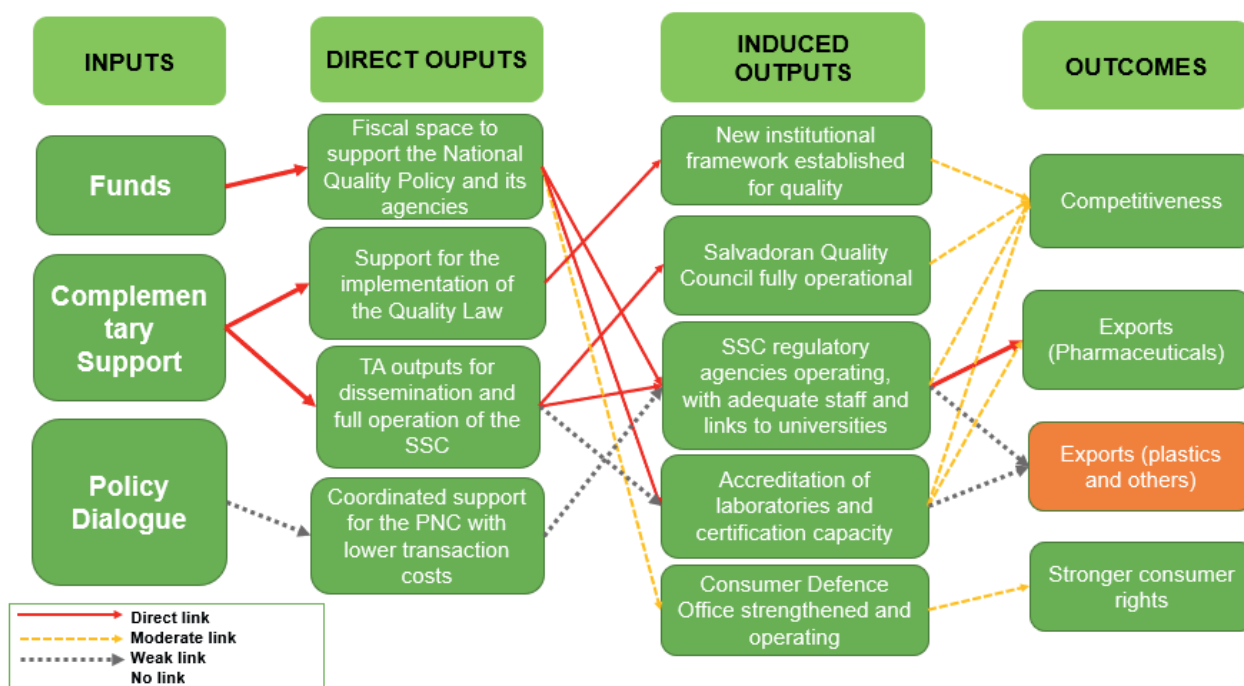
Finally, **the component that contributed the most, both in funds and in technical assistance, was that of Technical and Technological Education (C3)**. PRO-EDUCA built on APREMAT and the model of Higher Technical Education Institutes developed by MEGATEC, but eventually went beyond them, placing emphasis on the competency-based approach and adding new study plans. **The design of five new curricula and the review of another five was the most important contribution** and the one with the greatest impact, as according to the MINED it is being implemented in about 80% of the country's schools. **The funding of scholarships for students from disadvantaged backgrounds and the purchase of equipment for workshops** also made a positive contribution to technical education and training. In this case, the TA provided worked very well, supporting the institutional outputs just mentioned as well as building capacities in the GETT. Finally, the Contribution Agreement with the UNDP to support the "Seamos Productivos" Programme produced results (150 projects supported) but did not seem very efficient, as the transaction costs were very high (only a quarter of the EUR 2 million contribution actually went to finance the projects).

Placing these specific contributions to the production of institutional outputs in context with the determining factors identified as positive for the achievement of the sectoral outcomes observed, the conclusion reached is that **the impact of PRO-EDUCA resulted mainly from its effect on the increase in public spending on education (correlated with enrolment and repetition); the training of teachers on ICTs (enrolment and**

dropping out¹⁰⁴); and the increase in the number of students with a computer and internet access (enrolment, dropping out and academic performance). The data obtained from the quantitative study suggest a possible, though weak, positive correlation between the *Un Sueño Posible* Programme (for which PRO-EDUCA was absolutely key) and student enrolment and academic performance. Although the evidence is weaker, this can also be inferred from the **improvement in PAES grades in TTE**, as it was found that progress was better in the technical grades, although it cannot be demonstrated that this positive trend was thanks to the contributions made by PRO-EDUCA. Two factors that stood out very significantly in the improvement in coverage and drop-out rates were **the availability of food at school and the school kits (specifically books and school supplies)**, which were not supported by PRO-EDUCA.

10.1.4. Contribution of the PRO-CALIDAD Programme to the National Quality Policy

Figure 50: Actual Intervention Logic, PRO-CALIDAD (Levels 1-4)



The contributions made by the PRO-CALIDAD Programme had a decisive influence on the introduction of the National Quality Policy and the development of quality infrastructure in El Salvador in the period 2009-2017. Thanks to the fiscal space produced by the Budget support received, the funds made available to the MINEC by the Ministry of Finance enabled it to finance actions that could not otherwise have taken place, at least on the scale on which they were carried out. These resources not only provided a regular flow of funds for the institutions created by the SSC Law to operate properly, but also financed actions by the various organisations involved in the system which would not otherwise have been able to carry out their activities in the way they did (Consumer Defence Office). Likewise, the higher education system would not have prioritised the inclusion of quality-related matters in its study programmes without the agreements reached as planned in PRO-CALIDAD that enabled these steps to be taken.

It should be clarified that the MoF did not reach a specific agreement with the MINEC for it to access the Budget support funds. Instead, it did so implicitly by authorising the inclusion of activities related to the policy, following the establishment of the SSC and its organisations, in institutional budgets from 2010 onwards. The table below

¹⁰⁴ As explained in section 6.2: Policy Outcomes and Determining Factors, the reliability of the data on dropping out is poor, and therefore the influence on this indicator should be treated with caution.

shows the share of the total funds allocated to the PNC from the national budget that were provided by PRO-CALIDAD to the National Treasury.

Table 12: PRO-CALIDAD Share of Funds Allocated to the PNC

Year	GoES		IDB funds		EU Budget support		Total
	Amount						
2009	1,223,713.74	100.0%					1,223,713.74
2010	2,155,621.23	100.0%					2,155,621.23
2011	746,195.73	27.4%			1,980,618.11	72.6%	2,726,813.84
2012	771,341.72	39.4%			1,184,366.82	60.6%	1,955,708.54
2013	574,794.90	19.8%	112,386.00	3.9%	2,215,749.77	76.3%	2,902,930.67
2014	518,488.71	23.4%	72,748.20	3.3%	1,623,481.44	73.3%	2,214,718.35
2015	1,579,708.63	84.0%	292,075.62	15.5%	8,910.54	0.5%	1,880,694.79
2016	1,701,145.38	76.5%	523,591.00	23.5%			2,224,736.38
2017	1,904,942.73	55.3%	1,539,797.34	44.7%			3,444,740.07
Total Spent by MINEC	11,175,952.77	53.9%	2,540,598.16	12.3%	7,013,126.68	33.8%	20,729,677.61

Source: Prepared by the authors based on data from the MINEC Planning Directorate

Thus, it can be noted that **the funds provided by PRO-CALIDAD during its implementation period between 2011 and 2014**, which amounted to EUR 9 million¹⁰⁵ (strictly speaking this is just a practical way of describing it, as they were National Treasury funds) **financed just over 70% of the PNC's activities on average per year. It can also be seen that the programme contributed about 34% of the funds allocated to the PNC** in the period covered by the evaluation (2009-2017).

The MINEC does not have detailed information about the amounts of these funds that were destined to recurrent expenditure, compared with the amounts allocated to investment or gross capital formation. However, it was noted that **PRO-CALIDAD achieved one of the aspects stipulated by budget support theory, namely that it was able to create fiscal space to be used to finance priority public policies**, in this case the National Quality Policy that the programme proposed to support and consolidate in the country.

Although these funds were important to the implementation of the PNC, no less important was the work carried out by the Technical Assistance (TA) associated with PRO-CALIDAD. The international team in charge of the TA, as well as the experts who were available on a short-term basis for a three-year period (2012-2014) contributed with their knowledge and experience to many of the issues that formed part of the development of the SSC. **According to the system's various stakeholders interviewed, all the areas received significant technical support, although the areas of metrology and accreditation stand out as among the most appreciated.** The TA work was not limited to proposing specific outputs or studies, but also extended to promoting the culture of quality, carrying out training and awareness-raising activities and publicising the benefits of introducing the culture of quality in the country.

No evidence was found of any policy dialogue that went beyond the management of the programme, and the contribution of this programme input is therefore judged weak.

The main contribution made by PRO-CALIDAD was to help to improve competitiveness in El Salvador, particularly by supporting the implementation of the National Quality Policy and the achievement of its institutional outputs. Financial resources and technical assistance were provided and the organisations involved are today fully operational, receive funding from the national budget when relevant, and are raising their own funds from the services they provide to the SSC actors. For now, own resources only cover part of what is required for them to operate, and the balance is provided from the national budget. Furthermore, **the country's productive sector is taking advantage of the opportunities offered by the institutional framework in place and, as expected, is open to applying the concept of quality in its production and marketing practices.** As described in further detail in Annex 4, which presents the quantitative study on the programme, **the pharmaceutical sector has increased its exports** and, although there are not yet any data

¹⁰⁵ Equivalent to USD 11.8 million at the average exchange rate of 1.31 USD x Euro in the 2011-2014 period.

to corroborate this, there is potential for other sectors to take advantage of these opportunities to compete in improved quality conditions.

For all the above reasons, we can conclude that PRO-CALIDAD played an important part in the process of implementing the PNC, as it contributed to everything from its design to the launch of the planned institutional structures and their consolidation, through the support it provided to the organisations that resulted from this process, improving the competitiveness of the Salvadoran economy and, to a lesser extent, the protection of the country's consumers.

10.2. Actual Intervention Logic of EU Budget support in El Salvador (2009-2017)

Figure 51 presents the actual intervention logic of the EU Budget Support in El Salvador over the period 2009-2017. This is derived from the individual intervention logic of each Budget Support programme, as shown in previous chapters.

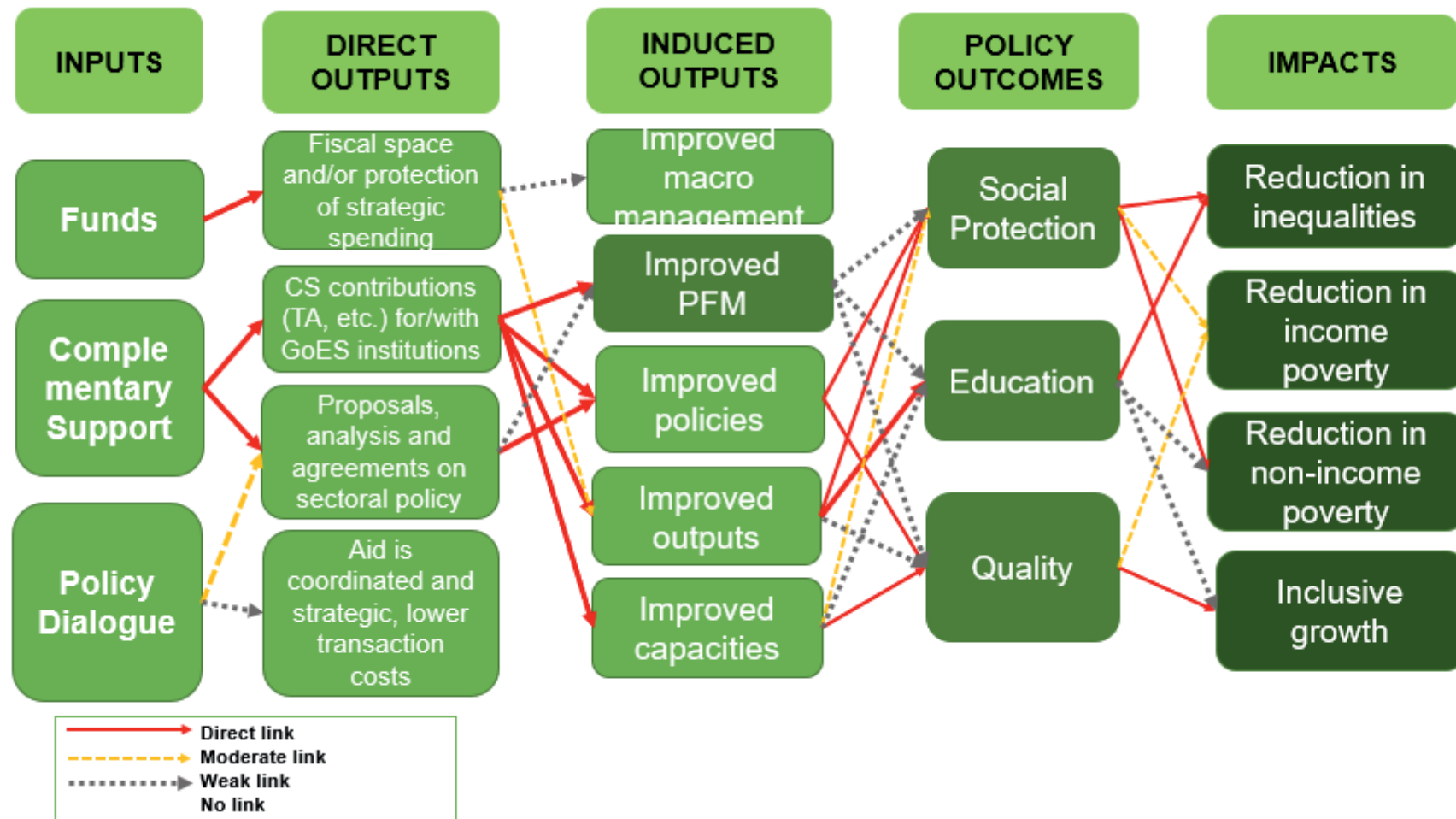
In an aggregation exercise, the same three-step methodology is applied:

- Step 1, the starting point, analyses how the set of budget support inputs, taken in the aggregate, influenced the different types of direct outputs, as well as how they helped to produce different types of induced inputs. Four types of direct outputs (fiscal space, outputs delivered by the Complementary Support, contributions to policy dialogue and contributions to improved donor coordination) and five types of induced outputs (improvements in macroeconomic and public financial management, improvements in the policies and areas supported, improvements in the quantity and quality of institutional outputs generated, and improvements in the capacities of GoES institutions) were grouped together.
- Next, Step 2 identifies the links between the impact indicators in the aggregate, the outcomes in the areas supported and the determining factors, also in the aggregate, following the types mentioned above. All this takes into account the difficulty of identifying the determinants of the impacts and the fact that improved public financial management is not located at the outcome level.¹⁰⁶
- Finally, the analysis proceeds to Step 3, which aims to describe the connections between Steps 1 and 2 in general terms. In short, this last step attempts to answer this evaluation's main question regarding the contributions made by the budget support as a tool to the sectoral outcomes and impacts observed (EQ 6.1).

In the next chapter, the evaluation's conclusions describe the most relevant aspects of the information shown in this diagram, particularly the links observed between the elements included in the 5 levels, and their degree of intensity.

¹⁰⁶ Further details on the methodological constraints affecting the analysis and measurement of impacts can be found in sections 1.3 and 8, respectively.

Figure 51: Actual Intervention Logic of EU Budget support in El Salvador (2009-2017)



Source: Prepared by the authors

11. Main Conclusions

The following conclusions drawn from the analysis conducted are presented in a numbered order that follows the five levels examined, from inputs to impacts. The actual intervention logic of the budget support in El Salvador is shown as a diagram, derived partly from the intervention logics presented for each of the programmes.

- 1. The operations responded appropriately to the Salvadoran context, both in their content and scope and in their approach and timeliness.** The Multiannual Indicative Programmes (MIP) for 2007-2013 and 2014-2020, which are the framework within which the Budget support operations were formulated, show that EU development cooperation has a high degree of convergence with GoES strategic priorities, as set out in the *Planes Quinquenales de Desarrollo* (PQD) for 2009-2014 and 2014-2020. Both PQDs have a common approach and aim to reduce poverty, inequality and violence, improve citizen security, social cohesion, the economic recovery and the sustainability of public finances, and promote inclusive education, productive employment and sustainable economic development. In the MIP 2007-2013, PACSES and PRO-EDUCA belonged to Focal Sector 1 (Strengthening social cohesion and citizen security), while PARE-ES and PRO-CALIDAD belonged to Focal Sector 2 (Economic growth, regional integration and trade). In the current MIP 2014-2020, PRO-INCLUSIÓN is being implemented as part of Focal Sector 1 (Youth and Social Inclusion).
- 2. The disbursements of funds created the fiscal space needed to finance initiatives in quality policy that would otherwise have been more difficult to carry out. They also protected strategic spending in the social and education sectors.** The Budget support funds disbursed to the National Treasury were relatively modest in quantitative terms, but in strategic terms they were very important to the GoES. PRO-CALIDAD is an outstanding example, as it financed much of the building of the Salvadoran Quality System (SNC) with the Budget support contributions. These funds also helped the institutions to produce more and/or better goods and services as they largely reached the institutions implementing the policies supported, which was clearly the case in PRO-EDUCA. In the case of PARE-ES, the amounts did not formally create fiscal space, as they were used to cover part of the deficit and met a pre-existing specific need: covering the gas subsidy.
- 3. The outputs (studies, training, accompaniment, etc.) produced by most of the Technical Assistance providers were noteworthy for their relevance and quality and they generated analyses and proposals that were made available to the GoES for policy development and sectoral dialogue.** The Complementary Support, principally in the form of Technical Assistance, was relevant and pertinent in all the programmes and the work was clearly and strongly linked to the direct outputs produced. Particularly noteworthy was the PACSES TA (with contributions to the Social Development, Protection and Inclusion Law and the formulation of the *Plan Social*), but the TA provided by PARE-ES (MoF ISP) and PRO-CALIDAD (SSC) was also important. In the case of PRO-EDUCA, the influence of the TA in Component 3 (Technical and Technological Education) was significant, but it was found that neither the TA in Components 1 and 2 nor the UNDP contribution were as useful as the MINED had expected.
- 4. Policy Dialogue only had a significant influence in the social sector. In general, it was irregular and less than what would be expected from the dynamics generated by the Budget support programmes.** The contributions to dialogue forums were strategic and relevant in the social sector and, somewhat less clearly, on fiscal issues. In the education sector and the area of quality, in contrast, no evidence was found of any noteworthy contributions. The “GoES-EU-other donors” understanding was constant, but it was more operational than strategic and the contribution to a genuine donor coordination was limited to the successful case of FOCAP and the working group in the fiscal sector. Therefore, with the exception of the social sector, policy dialogue was the input with the weakest influence of the three.
- 5. The direct outputs generated by the Technical Assistance and, to a lesser extent, the programme funds were strongly linked to several improvements at the level of induced outputs.** First, PACSES, PARE-ES and PRO-CALIDAD contributed to improvements in the formulation, implementation and

monitoring of the respective policies supported. Furthermore, all the programmes played an important role in enabling the institutions to increase their output, especially PRO-EDUCA, which allowed the MINED to make a significant investment in equipment, technology and training in schools. Finally, capacity development was achieved, mainly through the TA, especially in the case of PACSES, with improved planning – including the mainstreaming of the gender approach – and inter-institutional coordination, and PRO-CALIDAD, with the support it provided right from the start to the National Quality Policy and the setting up of its implementing organisations, including the National Quality Council.

6. **Progress on fiscal policy remained at the level of induced outputs, as neither macroeconomic management nor public financial management directly produce sectoral outcomes (they do not deliver goods or services to beneficiaries or users) and therefore do not lead to impacts.** However, its vital importance is acknowledged, as it is only by improving macroeconomic and fiscal policy and PFM that areas and sectors can have more and better resources available (a larger capital budget in particular) and tools (more efficient spending, for example) to deliver more and better goods and services to beneficiaries and users. Nevertheless, it was not possible to quantify the contribution of the improvement in financial management to the sectoral outcomes.
7. **In aggregate terms, the GoES has been successful in achieving relevant improvements in the formulation and implementation of all the policies and areas supported, although challenges persist in all of them.** By following the programmes' intervention logic and reaching the level of induced outputs, it can be noted how the institutional dynamics in the sectors (partly supported by donors) have reinforced institutional capacities and, to some extent, have managed to increase the quality and quantity of the goods and services involved in public policy. All this was achieved starting in 2009 with an unfavourable context of economic crisis, lack of public and private investment, change of government and political polarisation, factors that still persist.
8. **Among the induced outputs, it was confirmed that the improvements achieved, with the support of the Budget support programmes, in policy formulation and monitoring had an influence on the achievement of sectoral outcomes, especially in social cohesion and the area of quality.** Thus, the support provided by PACSES to the formulation of the *Plan Social* is a clear contribution to keeping efforts to maintain direct transfer policies, expand the coverage of basic services and mainstream the gender approach at the top of the policy agenda. Another clear example is the support provided by PRO-CALIDAD to the MINEC right from the start of the development of the SSC and all the associated aspects. In the education sector a relatively solid sectoral document already existed (PSE 2009-2014), and therefore the impact of PRO-EDUCA did not come particularly from support to policy improvement.
9. **The improvements in the quantity and quality of the outputs were important for generating outcomes, especially in those programmes that actually supported the delivery of services to the Salvadoran people.** This was clearly the case in the education sector. Thus, the increase in enrolment in secondary education and, to a more modest extent, the improvement in average PAES grades are associated with several outputs achieved with the support of PRO-EDUCA, including the acquisition of computer equipment, software licences and education robotics kits, the rehabilitation or adaptation of infrastructure and electrical systems in schools, the training on software, the design and implementation of online training modules, the curriculum design and review, the funding of scholarships for students from disadvantaged backgrounds, and the support for young entrepreneurs through the Seamos Productivos Programme. In the *Comunidades Solidarias* Programme, the contribution made by PACSES to institutional production of improved public services is related to the achievement of good results including increased rates of coverage and access to water, sanitation and electricity services. Also noteworthy is the work to support the ECOs, the pension for the elderly, the education transfers and women's empowerment, as well as the broader work on communication and citizen participation around social protection policy and the formulation of the *Plan Social* and the coordination of the Social Management and Inclusion Cabinet. Outcomes were also achieved, though somewhat less clearly, in PRO-CALIDAD, which contributed to the development of various aspects of the PNC and its institutional structure, especially with the budget support funds provided between 2011 and 2014, which accounted for up to three quarters of the total available. In addition, the TA provided support in the form of specific outputs and studies and promoted the culture of

quality in the country. In the case of PARE-ES, as explained before, the improvement in PFM did not in itself lead to outcomes, although the programme's contributions were useful, first to cover a fiscal gap at a specific moment in 2010 and then to develop key tools for fiscal management, such as the MTFE or the improvement in the SAFIM.

10. Finally, at the level of the overall objectives of the Government of El Salvador and the European Union, positive correlations can be noted between the progress observed in the impact indicators (inequality, income and non-income poverty, and growth) and the focal areas of the policies supported by means of Budget Support. Of course, there are many factors external to the policies carried out by the government that also influence the level of impacts observed. Even so, and although it may be very difficult to quantify, it can be stated that there is a relationship between the outcomes of the public policies analysed and the main impact indicators.
11. Thus, it can be noted that the achievements in social protection and education could have contributed to the reduction in inequalities. This would be explained, specifically, by the correlation between these policies' priorities and the data on the reduction in the urban/rural gap, both in poverty and in enrolment in secondary education. Furthermore, with the support of PACSES¹⁰⁷ and PRO-EDUCA, both social sectors also seem to have helped to reduce non-income poverty by having contributed to the increase in access by the most disadvantaged groups to the public services normally included in the measurement of multidimensional poverty (years of schooling, rates of coverage of water, sanitation and electricity). The reduction in income poverty could have been influenced by the social protection policy and the quality policy, particularly by the Universal Basic Pension (UBP), the education transfers provided by *Comunidades Solidarias* and the jobs and income created by the export companies (although the data on employment are less conclusive). Likewise, the quality policy may have contributed to growth through increased economic activity, which in turn brought economic development that has been shown to be inclusive in the years analysed, as GDP and the reduction in extreme poverty increased almost in parallel (both rose by about 30% over the period), even though the reduction in relative poverty is slower. The work of PRO-EDUCA on youth employability and entrepreneurship through the "Seamos Productivos" Programme may also have influenced this aspect. In theory, better educated young people who are prepared for the labour market may have an influence on growth, though because this is only seen in the long term the possible influence of Budget support in this area is weaker.

¹⁰⁷ PRO-INCLUSIÓN is not mentioned because its implementation period is too short to attribute impacts to it, but it does have the same potential because it is continuing much of the work of PACSES.

12. Lessons Learned

- 1. Although Budget Support is usually identified with financial contributions to the National Treasury, the value of this tool also lies in its other components.** Particularly in middle-income, mid-level capacity countries like El Salvador, the funds are always welcome, but the added value of the Budget support operation may also come from well-designed Complementary Support and constructive Policy Dialogue processes.
- 2. The inclusion of indicators whose achievement does not depend on government actions** (for example, the approval of laws by the Legislative Assembly) **should be avoided** because the failure to achieve them for reasons outside the government's control may have a negative effect on all the actions envisaged in the Budget support programme, as occurred in PRO-CALIDAD.
- 3. The inclusion of specific conditions for the disbursement of the fixed tranches should be avoided because they may delay the start of the programmes** and even the entire schedule of the indicators set for other tranches.
- 4. Sectoral budget support needs to be anchored in a sectoral strategy and the sectoral outcomes that it seeks to support.** Although there may be government plans or strategies that are relevant, it needs to be made clear which is the sectoral strategy to be supported. Thus the objective of a Sectoral Budget Support operation should be to influence the achievement of sectoral outcomes, understood as changes observed in the users or beneficiaries due to the use of public sector outputs. When the area of work is not precisely a sector (or a subsector) that delivers goods and services, the intervention logic of the Sectoral Budget support is disrupted and it will be difficult to assess the results.
- 5. Policy dialogue works effectively when it fulfils certain characteristics: it should be formalised, structured, regular, strategic and led by the government.** It is unusual to find all these elements together and they were not present in the case of El Salvador either, where effective dialogue processes did not take place either in education or on quality. When an appropriate dialogue structure is not designed and maintained, the Budget support may be an excellent support to policy implementation, but one of the added values of the Budget support instrument, namely its ability to raise the level of policies, will be lost.
- 6. The best way to ensure adequate donor coordination is with government leadership.** Donors themselves tend to collaborate more closely with their like-minded peers (in this case, the EU with some of its Member States) and in a cordial but limited way with the rest. When the government leads the donor coordination working group, as in the case of the social area, and recently also on fiscal issues, donor support can be organised in a more efficient, effective and coordinated way.
- 7. In settings where institutional capacities are reasonably in place, the sustainability of outputs and outcomes is mainly a matter of political will and funding.** The Budget support cannot influence the former, because it depends on the democratic will of countries and governments. On the latter, the Budget support by definition is influential to start with by creating fiscal space, but later, unless there is an awareness of this risk, the tendency in public spending will be to increase current expenditure at the cost of capital expenditure, meaning that this gain will quickly be lost.
- 8. The intervention logic of a Budget support operation will only be complete if it is known how the sectoral outcomes may influence the impact indicators, and if these are defined correctly.** Budget support is probably the implementation modality that can best influence the achievement of policy results and, in theory, lead to the most efficient impact on the reduction of poverty and inequality and on growth. Nevertheless, the evaluation methodology still suffers from constraints in its ability to assess the effective contribution of sectoral outcomes to impact indicators which, by definition, are influenced by multiple internal and external factors.

13. Recommendations

13.1. General Recommendations

The general recommendations arising from the evaluation are related to one or more conclusions and it is specified whether the recommendation is addressed to the Government of El Salvador (GoES), the EUD and/or DEVCO.

1. **[In relation to conclusions 2 and 3, addressed to EUD and GoES] In future Budget support operations, consider possible alternatives in the relative weight and role assigned to financial and complementary support inputs.** The initial proportion in the programmes evaluated was, on average, 93% of the funds allocated to disbursements to the National Treasury and 7% to complementary support. When it is noted that the importance of the funds provided to the national and/or sectoral budget is relatively small, these percentages may appear somewhat unbalanced. Depending on the circumstances in the sector, the programme may have more of an impact if the funding for complementary support is increased, as in fact happened after the amendments to PARE-ES, PACSES and PRO-EDUCA. The effect of reducing the financial support allocation by 5% or 10% would have little or no influence on the budget, but could potentially double the funds available for TA to support improvements in institutional production of goods and services and capacity development.
2. **[In relation to conclusion 2, addressed to EUD] Specifically assess whether a sectoral budget support programme is the most appropriate modality for supporting macro-fiscal policy.** The PARE-ES Programme contributed direct outputs from the TA contracted and the funds helped to meet urgent treasury needs, but this carries high risks if the financial resources – which are the most substantial part of the budget support programme – do not generate fiscal space and are used to cover a pre-existing fiscal deficit.
3. **[In relation to conclusion 4, addressed to EUD and GoES] Ensure that the budget support operations are strategic, in particular by securing a solid sectoral policy as the key point of reference for the interventions.** It is suggested that the prior existence of a policy on which to formulate a sectoral budget support operation should be made a stricter requirement. When such a policy does not exist or the sector is not clearly defined, initial support in the form of a project or TA may be considered, in order to meet the eligibility conditions (especially the condition on the sectoral policy), and then move on to the Budget support, now with policy objectives, indicators and targets defined around a strategy document, as well as considering the cross-cutting aspects.
4. **[In relation to conclusion 5, addressed to EUD and DEVCO]: Once there is a clear policy in place to support, insist on the importance of establishing a structured, formal and strategic policy dialogue that transcends the operational coordination of programmes and donor coordination.** Policy dialogue is often the input that has the most potential as a vector of change. At the level of the EUD and in coordination with DEVCO, establish and monitor the essential elements in this dialogue, applicable to all operations, in order to reach a formal and explicit agreement with the GoES about its scope, forums and instruments, not just on technical issues in the sector but also on sectoral financial management issues and other cross-cutting aspects.
5. **[In relation to conclusions 6 and 7, addressed to GoES, EUD and DEVCO]: To alleviate the effects of insufficient public investment in the country, explore opportunities to use innovative financing mechanisms that can complement or build on the budget support programme interventions** (such as, for example, blending to support sectoral public investment in social sectors) or facilities to support the private sector in certain sectors. A combination of loan funds (from the European Investment Bank, IDB, WB, Government of Spain and/or others) and an EU donation under a project, contribution agreement or delegated cooperation arrangement (AECID, Luxembourg) could be considered, creating added value and contributing to the sustainability of the EU operations in the sectors that have a capital spending deficit.
6. **[In relation to conclusion 9, addressed to EUD and GoES]: In the indicator matrices for the programmes, stress the importance of ensuring that the budget support is structured around**

progress on the outcomes of the policy supported, understood as the effects on the beneficiaries achieved by the use of the public policy outputs (goods and services). To measure performance, a balance should be sought between the use of outcome and output indicators and, to a lesser extent, process indicators. Encourage the alignment of the indicators, as far as possible, with the Level 2 indicators in the EU Cooperation and Development Results Framework¹⁰⁸ that the EU developed in March 2015, publishing the document “Launching the EU International Cooperation and Development Results Framework”.

7. **[In relation to conclusions 10 and 11, addressed to EUD and GoES]: At the formulation stage, it is necessary to carry out one or more analyses of poverty and inequalities (income, non-income, gender, etc.) that specifically define which aspects of the impacts may be affected by the intervention, in order to improve the definition and monitoring of the potential impacts that a sectoral intervention may have.** This analysis will provide the guidelines and baselines to find out whether, beyond the sectoral outcomes, the programme has in the end contributed to the expected impacts in the aggregate. Methodologies that manage to capture changes in living conditions, particularly those of people living in a vulnerable situation, may be considered. For example, an analysis of poverty (income and/or non-income) could be carried out for PRO-INCLUSIÓN and/or the support to the PESS, or other analyses depending on the priorities identified.
8. **[In relation to conclusion 11, addressed to EUD]: Systematise and replicate good practice in fostering complementarity between the different Budget support programmes, steering them towards the achievement of common objectives in terms of outcomes and impact.** This recommendation also applies to good practice in other modalities, such as PRO-JÓVENES in the social sector or PRACAMS for quality. At the moment, the fiscal and financial management area is no longer receiving budget support, but it will certainly need further support in the form of TA, the results of which will benefit all the sectors receiving funds through the national budget.

13.2. Recommendations Specific to the Areas and Sectors Supported by Budget support

The more specific recommendations presented below are related to one of the Budget support programmes evaluated. Although they are not necessarily linked to the evaluation’s general conclusions, they are drawn directly from its findings. These recommendations are addressed both to the Government of El Salvador and to the European Union’s development cooperation agencies, as they identify activities that will strengthen improvements in the design and implementation of public policies in education, social protection, quality and the fiscal area.

1. **[SETEPLAN and regulatory authorities in sectors and areas] Continue working to improve the M&E systems, the Single Register of Participants (RUP), systems in the regulatory agencies and sectoral statistics,** including at the decentralised level, so that these tools (monitoring and evaluation) can achieve their objectives of improving the quality of the design and implementation of the interventions. In education in particular, there is an urgent need to improve the measurement of dropping out of school in order to capture the true dimension of the indicator.
2. **[Ministry of Finance]: Strengthen the Institutional Strategic Plan (MoF ISP)** to improve intra-institutional coordination and monitoring, as well as considering a system of administrative sanctions to levy against departments that fail to meet targets. **In the implementation of the ISP, concentrate on the issues that require medium-term agreements** such as the pensions system, the debt sustainability strategy, the tax reform and the quality of spending.
3. **[Ministry of Finance]: Intensify the legal and technical reforms and the measures to make tax administration easier in order to increase collection** of the Income Tax, and thus make the Salvadoran tax system more progressive. **Continue the efforts to target subsidies** in order to reduce the fiscal pressure they cause.

¹⁰⁸ https://ec.europa.eu/europeaid/el-marco-de-resultados-de-devco_es


4. **[Ministry of Finance, SETEPLAN, sectors supported by the EU]: Gradually move forward with the implementation of results-based budgeting and related tools** (MTEF, plan-budget links, etc.). Involve the sectors in the design and piloting of these tools in order to increase their ownership and usefulness. Complete the implementation of SAFI II to operationalise these reforms, which are not compatible with the current IT system.
5. **[SETEPLAN and other social sector stakeholders]: Continue to make progress with universalising the Social Protection System by promoting contributory social protection.** Involve social stakeholders and political parties in this objective. Consider an organisational re-design to improve inter-institutional coordination.
6. **[SETEPLAN, MINED, INSAFORP, Ministry of Labour and other social sector stakeholders]: Raise the level of importance of the *Jóvenes con Todo* Programme and strengthen the links between labour policy, careers guidance, employability, TTE and the private sector.**
7. **[SETEPLAN, SIS, INSAFORP, CONAMYPE, ISDEMU, Ministry of Labour and other social sector stakeholders]: Reinforce the gender components in the different social interventions and strengthen the *Ciudad Mujer* Programme.** Consider carrying out a specific evaluation of the efficiency and sustainability of the improvements achieved when government support ends. Forge links with government institutions related to the economy to spread the gender approach to other areas of government where it has less of a presence, as well as with social and economic actors.
8. **[MINED, SETEPLAN and other social sector stakeholders]: Coordinate policies and interventions to reduce exposure to violence at school and alleviate families' precarious economic situation**, both of which are identified as determining factors in access to education and dropping out. With regard to the economic factor, consider a significant increase in the scholarships programme targeted at the most vulnerable families and those in periurban and rural areas.
9. **[MINED]: Increase access to ICTs by students and teachers**, as this is identified as a common determining factor in the improvement of all the outcome indicators (enrolment, repetition, dropping out, and quality/PAES grades), and **seek to expand and improve the school food and school kits programmes. Consider evaluating the presidential programme *Un niño, una niña, una computadora*** to assess its efficiency and effectiveness and, if possible, the impact it is achieving. **Ensure that the equipment is properly maintained**, and consider decentralising the maintenance budget to the schools themselves, as the current centralised system for purchasing and distributing spare parts is ineffective. **Review the quality and location of educational infrastructure** and whether it is adapting to changing demand, due to internal migration and the growth in the urban population.
10. **[MINEC and CNC]: Continue to strengthen the National Quality System by altering the composition of the CNC Board to make it more operational and effective.** Also, use this forum to guide policy to secure the support of the sectoral ministries for the efforts to introduce the culture of quality. **Reach agreements with other public institutions to make the CNC the point of reference for the internal certification of processes and systems in the public sector**, and the use of its facilities and services the main means of achieving it.
11. **[MINEC and CNC]: Develop agreements and protocols for action with the sectors with the greatest export potential**, particularly for exports of products that require certification. The pharmaceutical, food and agroindustry sectors should be dealt with as a priority. Likewise, **all the standards issued should be classified by sector and made public** through the website, in order to make the monitoring of the measures adopted publicly accessible.

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