

TC DOCUMENT

I. BASIC INFORMATION

Country:	El Salvador
TC Name/Number:	Support for the Design of Social Policy in El Salvador / ES-T1195
Associated Loan/Guarantee Name and number:	N/A
Team Leader/Members:	Luis Tejerina (SPH/CES), team leader; María Fernanda Merino (SPH/CPE); Gustavo Zuleta (SCL/SPH); Martha M. Guerra (SCL/SPH); Karen Munguía (COF/CES); and Pilar Jimenez (LEG/SGO)
Date of TC Abstract authorization:	January 29th
Donors providing funding:	Japan Special Fund
Beneficiary:	El Salvador
Executing Agency and contact name	Inter-American Development Bank, Social Sector Department, Social Protection and Health Division
IDB Funding Requested:	US\$600,000
Local counterpart funding, if any:	US\$160,000
Disbursement period:	24 months
Required start date:	March 15, 2013
Types of consultants:	Firms and Individual consultants
Prepared by Unit:	SCL/SPH
Unit of Disbursement Responsibility:	CID/CES
TC Included in Country Strategy (y/n):	Y
TC included in CPD (y/n):	Y
GCI-9 Sector Priority:	The TC is aligned with the GCI-9 strategic priority which focuses on the needs of the less developed and small countries and in particular, the TC contribute to the Social Policy for Equity and Productivity through the expansion and improvement of conditional cash transfer programs and increased access to basic health and nutrition.

II. OBJECTIVES AND JUSTIFICATION OF THE TC

A. Objective

- 2.1 The objective of the TC is to provide evidence-based technical inputs for the consolidation of key social sector reforms implemented by the country in recent years. Thus the TC is expected to strengthen the Bank's position as the country's strategic partner in the design of public policy.

B. Background

- 2.2 In the past three and a half years, the Government of El Salvador implemented important reforms in the social sector, spending in health and education increased from 4.7% to 5.5% of GDP between 2008 and 2012. However, the Salvadorian economy has shown a slow recovery in the post-crisis period, with a GDP growth rate of 1.4% in 2010 and 2011. This, combined with other factors has resulted in deterioration in the fiscal situation of the country due to its negative impact on the growth of tax revenues. As a result, the process of consolidation of public finances undertaken by the government has advanced at a slower pace than expected leading to deficits of 3.9% and 3.4% of GDP in 2011 and 2012 respectively. The current fiscal situation of the country requires a rethinking of some of the main social policies currently being implemented.
- 2.3 **Health.** Since 2009, a health sector reform took place which eliminated service fees and implemented an integrated network system in which primary health services are delivered to households through mobile health teams or Equipos Comunitarios de Salud Familiar (ECOS). Each ECOS is in charge of developing a risk profile for an average of 600 families and follow up visits depending on the risk profile of each person in the family. Whenever a health problem cannot be solved at the primary level the person is referred to the secondary and tertiary levels of the health system. The main goal behind the implementation of this model was to shift care towards preventive health services and to reduce, in the medium term, the burden on hospitals' admissions and consultations by tackling health problems at the primary level when possible. While there are some preliminary results showing improvement in indicators in the areas where the model is being implemented,¹ there has been little dissemination of them or discussions on achievements and areas of potential improvements of the on-going reform. Also, even though the ministry's budget increased from 1.9 to 2.4 percent of GDP between 2008 and 2012, the new model is currently being implemented in only 161 municipalities (out of 262) and no additional budget increments are expected in order to expand the model nationally.
- 2.4 **Social Protection.** In the area of social protection, the government has been implementing a wide range of programs directed to different age groups from early childhood to old age. While the Government has been actively promoting the importance of investments in early childhood, coverage of services is very low and the government lacks a national diagnostic of the services provided to that age cohort, a standard to measure the developmental status of small children or a strategic plan for the sustainable expansion of coverage.
- 2.5 In rural areas, Comunidades Solidarias Rurales, the Conditional Cash Transfer in El Salvador has been providing support to poor households since 2005. However,

¹ Ministry data shows that pre natal controls increased from 53.4% to 90.7% between 2008 and 2011 and postnatal controls increased between 49.2% and 82.4% between 2008 and 2011 in the areas where the ECOS are operating.

the program has not changed its core design since its creation and has not incorporated any new beneficiaries outside of the 100 (poorest) eligible municipalities according to a ranking developed in 2005. Today, the poverty ranking of municipalities has changed and many of the poorest municipalities are excluded from those initially selected by the Government. While the initial design of the program established that beneficiaries would remain for a period of three years, this policy was not enforced and no new incorporations were implemented leading to an ageing group of beneficiaries that exits the program as their kids become ineligible due to their age. The end result is that the program excludes poor households that started having children after the program incorporated the last group of beneficiaries and those that live in municipalities outside of the original 100 poorest. For these reasons the roster of beneficiaries has also been steadily declining from a maximum of 111,777 families to 84,818 in 2012² while at the same time, recent estimates show that 195,000 households are currently living in extreme poverty in El Salvador³. Comunidades Solidarias Rurales has the advantage of having its transfers fully funded by government funds; however the program needs to improve coverage of its target population.

- 2.6 Another key government social protection program is the old age program “Nuestros Mayores Derechos” which began in 2009. This program provides US\$50 monthly to people over the age of 70 living in the poorest 53 municipalities (according to the 2005 poverty map). The IDB has been working with the Government in the design of an impact evaluation of the program which will be implemented in 2013. The Bank recommended that the evaluation include a quality control component for the data collection in order to ensure an adequate measurement of the impact of the program.
- 2.7 In this context, the Bank has worked with the government to identify a series of strategic studies in priority areas aimed at consolidating the progress achieved in social sector reforms, identify necessary adjustments and tackle fiscal sustainability issues related to key social programs and services. The TC will finance the preparation of studies and proposals for consolidation and review of the health care reform model, cash transfer programs like “Comunidades Solidarias Rurales” a diagnostic of the current framework for delivery of integral child development services and the development of a plan for their expansion. The operation is aligned with sectorial priorities of the Ninth General Increase in Resources of the Inter-American Development Bank, IDB-9 (AB-2764) and the Bank’s Strategy on Social Policy for Equity and Productivity (GN-2588-4), to support the expansion and improvement of Conditional Cash Transfer programs and expansion of access to basic health care and nutrition.
- 2.8 The project is in line with the IDBs country strategy with El Salvador for the 2010-2014 period. Specifically, the activities included in the TC will provide

² International Poverty Center Policy note No168.

³ See Encuesta de Hogares de Propósitos Múltiples 2011.

http://www.digestyc.gob.sv/phocadownload/DIVISION_DE_ESTADISTICAS_SOCIALES/Publicacion_EHP_M_2011.pdf

technical inputs for the strategy's social protection goals of: (i) improving access to and quality of health services by providing options for the sustainability of existing gains in terms of coverage and by improving efficiency in the use of existing resources; and (ii) contributing to the better articulation of the Social Protection System by and providing options for the targeting rules and other design parameters of key social protection programs. The project will also contribute to the sustainability of gains in coverage achieved through the Integrated Health Program (ES-L1027) for US\$60 million and the Mesoamerican Health 2015 initiative grant (ES-G1001) for US\$4.87 million.

III. DESCRIPTION OF ACTIVITIES

C. Components

- 3.1 The TC includes US\$600,000 financed by the Bank and US\$160,000 of in-kind government counterpart consisting of human resources devoted to the design and adequate execution of the studies. In order to achieve the stated objectives, the TC has three components:
- 3.2 **Component 1: Health.** In the health sector the TC will finance five studies: (i) a study to measure progress in the development of a network of services by measuring recently developed management and performance indicators in hospitals and parameters such as references and returns between primary, secondary, and tertiary health services; (ii) a study of financing options and a revision of the current model. In order to ensure its financial sustainability, the study will include legal and normative analysis of options such as reforms of the "Fondo Solidario para la Salud" (FOSALUD)⁴ to reduce duplications and integrate the activities with those of the Ministry and organizational options for the ECOS such as composition and coverage (geographical and in number of families); (iii) a study of the workload and operational structure (including the procedures to manage appointments) of 30 of the health facilities with greater demand to improve the operational organization of Mobile Health Teams in order to improve their efficiency and the implementation of that model through staff training and development of manuals; (iv) an upgrade to the existing georeferenced information system of the Ministry in order to include the reporting of epidemiological information; and (v) the implementation of a health sector survey using questionnaires that will be implemented in other countries in the region in order to obtain a relative assessment of the efficiency of health services in El Salvador.
- 3.3 **Component 2: Social Protection.** In the area of social protection the TC will fund studies to provide an overview of the social protection system through the life cycle. This will include: (i) a national comprehensive review of regulation, existing supply of programs for early childhood development, and a plan for a financially

⁴ This Fund is created in order to provide health services after normal hours of the Ministry. The Fund is financed through sin taxes; however there is a lack of integration with the system as they keep separate personnel, equipment and medicine which are not accessible to the Ministry even if it is in the same physical space.

sustainable expansion of coverage combining institutional and community models; (ii) a consultancy to support the government in the development of Early Childhood Development indicators at the national level in order to provide necessary tools for policy design. (iii) a review of key social protection programs and tools such as the Conditional Cash Transfer “Comunidades Solidarias Rurales”, “Nuestros Mayores Derechos” (which by international standards still have a low coverage of their target population) and targeting mechanisms in order to update their design based on the current socioeconomic profile of the population in extreme poverty. The studies and proposals will emphasize fiscal sustainability of social programs and their adequate design to meet development goals such as breaking the intergenerational cycle of poverty in beneficiary families and will analyze existing targeting methodologies such as the “Registro Único de Participantes”, the index used for the selection of propane gas subsidies and the 2005 municipal poverty map in order to provide policy recommendations to increase their efficiency and effectiveness and key parameters such as amount of transfers; and (iv) quality control for the impact evaluation survey for the “Nuestros Mayores Derechos” Program.

- 3.4 **Component 3: Social policy Dialogue.** This component will finance consensus building on key issues between various actors in the government and other stakeholders. At least three national dialogues will be organized in the areas of health, nutrition and social protection including participation from multilateral institutions, donors, local think tanks⁵, and academia in order to ensure that results and recommendations coming out of studies/products financed by components 1 and 2 have broad support in order to become sustainable in the long term. These institutions will be invited to present studies whenever available on the relevant topics.
- 3.5 The TC will be executed by the Bank, however all Terms of Reference and the selection process for firms and consultants will be discussed with the government through the Technical Secretariat of the Presidency and workshops will be organized under component 3 in order to discuss and provide feedback to products prepared under components 1 and 2.

⁵ Including the Japanese embassy and JICA as donors of the funding for the technical cooperation.

Indicative Results Matrix

Component	Final Deliverable	Result	Means of verification
1) Health	1.1) Report on existing progress in the implementation of health reform 1.2) Proposal for financing option for new health model. 1.3) Proposal organizational management of first level. 1.4) Epidemiological information in georeferenced system. 1.5) Health household survey.	Policy changes to improve coverage under current budget.	Increased coverage of the model beyond 161 municipalities. Geographic information system website: http://geo.salud.gob.sv/
2) Social Protection	2.1) Review of institutionality of ECD services and proposal for expansion. 2.2) Support in the construction of national indicators in early childhood development. 2.3) Proposal for revision of social protection programs. 2.4) Quality control in the evaluation of <i>Nuestros Mayores Derechos</i> .	Investment plan and indicators adopted by government to expand coverage. Design of CCT and Nuestros Mayores Derechos updated based on studies, coverage increased.	Pilot of ECD indicator implemented. Operating manual of CCT and Nuestros Mayores Derechos
3) Social policy Dialogue	3.1) Three workshops help with participants from think tanks, academia and government.	Agreement on key points in health, ECD and social protection policies among different actors.	Minutes from dialogues in IDBDOCS.

Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding (in kind)	Total Funding
1) Health	1.1) report on existing progress in the implementation of health reform.	30,000	20,000	50,000
	1.2) proposal for financing option for new health model.	100,000	10,000	110,000
	1.3) proposal organizational management of first level.	50,000	20,000	70,000
	1.4) epidemiological information in georeferenced system.	25,000		25,000
	1.5) Household survey study	80,000		80,000
2) Social protection	2.1) review of supply of ECD programs and proposal for expansion of coverage.	60,000	20,000	80,000
	2.2) Proposal for indicators of ECD development.	30,000	15,000	45,000
	2.3) Proposal for revision in design of social protection programs.	130,000	15,000	145,000
	2.4) Quality assurance for impact evaluation of <i>Nuestros Mayores Derechos</i>	35,000		35,000
3) Social policy Dialogue	3.1) Three workshops help with participants from think tanks, academia and government.	60,000	60,000	120,000
Total		600,000	160,000	760,000

IV. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 4.1 The Technical Cooperation involves coordination between various government agencies. If the technical cooperation was to be Government executed, execution

arrangements would involve either multiple executing agencies or setting up a coordination mechanism between a coordinator and the many agencies involved. Given the amount of the funding and the short timeframe needed to have some of the inputs finalized it was agreed that the Bank would be the executor of the funds with close coordination with Government Agencies.

V. MAJOR ISSUES

- 5.1 **Delays in execution.** In order to avoid delays in execution due to the need to coordinate among various institutions the Bank will be the executor of the technical cooperation, administrative work will include the hiring of six firms and two individual consultants, as the hiring of firms is managed through the e-sourcing system, the additional workload for the country office is expected to be minimal.
- 5.2 **Government ownership.** It is a risk that the technical leadership of the Bank may translate into lack of ownership of the government of the studies prepared. For this reason all studies and terms of reference have been previously agreed with the Government and identified as priorities. In the execution process recurrent meetings with the government institutions involved will take place to maintain a shared ownership of technical cooperation products.
- 5.3 **Electoral period.** During the transitional period it is a risk that a new government may not consider studies funded by the technical cooperation. In order to ensure the relevance of the studies being considered, meetings with various local think-tanks were held in the design process. Additionally it is expected that the policy dialogues will lead to awareness of studies being implemented and viable policy recommendations for a potential new government.

VI. EXCEPTIONS TO BANK POLICY

- 6.1 None.

VII. ENVIRONMENTAL AND SOCIAL STRATEGY

- 7.1 The operation will not have any negative environmental or social impacts.

ANNEXES:

- [Letter of request](#)
- [Procurement Plan](#)
- [Terms of Reference](#)
- [Programming 2013 Aide Memorie](#)
- [Project Synopsis](#)

**SUPPORT FOR THE DESIGN OF SOCIAL POLICY
IN EL SALVADOR**

ES-T1195

CERTIFICATION

I hereby certify that this operation was approved for financing under the Japan Special Fund (JSF) through a communication dated January 29, 2013 submitted by Mr. Yasushi Kinoshita, Director-General of the International Bureau, Ministry of Finance of Japan. Also, I certify that resources from the Japan Special Fund (JSF) are available for up to US\$600,000 in order to finance the activities described and budgeted in this document. This certification reserves resources for the referenced project for a period of four (4) calendar months counted from the date of eligibility. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in U.S. dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.

(Original signed)

Sonia M. Rivera
Chief a.i.
Grants and Co-Financing Management Unit
ORP/GCM

3/20/13

Date

(Original signed)

Ferdinando Regalia
Division Chief
Social Protection and Health Division
SCL/SPH

3/20/13

Date