

EL SALVADOR

UNITARY COUNTRY

LATIN AMERICA

BASIC SOCIO-ECONOMIC INDICATORS

Income group - LOWER MIDDLE INCOME Local currency - US Dollar (USD)

POPULATION AND GEOGRAPHY

AREA: **21 041** km²

POPULATION: **6.426** million inhabitants (2014),
an increase of 0.3% per year (2010-14)

DENSITY: **305** inhabitants/km²

URBAN POPULATION: **66.7%** of national population

CAPITAL CITY: **San Salvador** (17.1% of national population)

Sources: World Bank Development Indicators, UNDP-HDI, ILO

ECONOMIC DATA

GDP: **51** billion (current PPP international dollars)
i.e. 7 936 dollars per inhabitant (2014)

REAL GDP GROWTH: **2%** (2014 vs 2013)

UNEMPLOYMENT RATE: **6.2%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **475** (BoP, current USD
millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **13.6%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.666** (medium), **rank 116**

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
262 MUNICIPALITIES (MUNICIPIOS) AVERAGE MUNICIPAL SIZE: 24 527 INHABITANTS	-	-	262

MAIN FEATURES OF TERRITORIAL ORGANISATION. Salvador is a unitary State with a one-tier structure of decentralization made up of 262 municipalities. Aside these local self-government, 14 departments (*departamentos*) represent the central State at the local level. The legal basis of decentralization have been set by the Constitution of Salvador, and enforced by the Municipal Code and the Municipal Tax Code. The Constitution guarantees decentralized territorial authority to municipalities and states that "Municipalities are autonomous, economic, technical and administrative, and governed by a municipal code" and that "the municipality is the primary policy and administrative unit within the state organization". Although decentralization policy in its traditional definition with a devolution of powers to local self-government has been adopted in 2007, it can be said that effective decentralization process actually primarily started in the early 2000's, with the central State vesting public and private companies, as well as other organizations, with competences for the provision of certain public services at the local level.

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. Local governments are responsible for service provision regarding education, potable water provision, health and roads, since the early 2000s. Later, governments then aimed to reform the decentralization system between 2009 and 2014, to empower municipalities further, and thus promote local development. According to the Municipal Code, competences of municipalities are 28 and may be classified into four types: development and implementation of plans and programs of economic and social development at the local level ; provision of public services ; control and regulation of activities of individuals ; advocacy and promotion of activities of its inhabitants. To exercise these responsibilities, municipalities can join Regional Municipal Corporations or Departments (such as the Corporación de Municipalidades del Área Metropolitana de San Salvador) to mutualize financial expertise.

SUBNATIONAL GOVERNMENT FINANCE

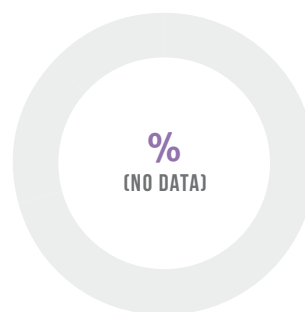
EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2013)	2.5%	10.4%	100%
CURRENT EXPENDITURE	1.6%	-	63.6%
STAFF EXPENDITURE	0.7%	7.3%	26.7%
INVESTMENT	0.9%	31.3%	36.4%

Investment represent up to 36.4% of total subnational expenditures, while current expenditures represent 63.6%. Investment expenditures have significantly increased over the last years because of large investment programs at the national level, including massive investments in social infrastructures. Yet total subnational expenditures represent a small share of national GDP, taking into account that most municipalities are of small and medium-size, with very limited financial capacities.

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE

- GENERAL PUBLIC SERVICES
- DEFENCE
- SECURITY AND PUBLIC ORDER
- ECONOMIC AFFAIRS
- ENVIRONMENTAL PROTECTION
- HOUSING AND COMMUNITY AMENITIES
- HEALTH
- RECREATION, CULTURE AND RELIGION
- EDUCATION
- SOCIAL PROTECTION



Expenditures within the municipal sphere are highly concentrated on current expenditures, especially for the smallest rural cities with limited resources. The share of local government expenditures in GDP is very low, as a large part of the education and social protection spending is supported by independent public bodies. The share of local expenditures in total public expenditures slightly increased from 7% in 2007 to 10.4% in 2013.

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	2.3%	10.2%	100%
TAX REVENUE	0.3%	2.1%	14.1%
GRANTS AND SUBSIDIES	1.2%		52.4%
OTHER REVENUES	0.8%		33.4%

Municipalities revenues can be divided into current revenues and capital revenues. As municipalities situations appear to be very heterogeneous, local governments resources account for a very small share of GDP in 2013. The share of local revenues in total public revenue has remained stable from 9.3% in 2007 to 10.2% in 2013.

TAX REVENUE. Tax revenues (corrientes) come from direct taxes paid by individuals and companies which develop an economic activity in the municipality's territory. Main revenues are added-value taxes, and property taxes.

GRANTS AND SUBSIDIES. Municipalities receive their main financial resource from central State grants. The largest transfer is allocated through the Fund for economic and social development of the municipalities of El Salvador (Fondo para el Desarrollo Económico y Social de las Municipalidades - FODES), allocating 6% of the national budget to municipal governments, 80% for investment and 20% for expenses operating. The law provides for criteria for allocation of resources, which consist of population, poverty, equity and land area where percentages are established as follow: population 50%, 25% equity, poverty 20% and land area 5%.

OTHER REVENUES. Municipalities can perceive non-tax revenues : fees and charges (administrative acts, business licenses, fees for services rendered by the municipality, imported goods, ect.) ; revenues from sale of good and services (provision of various services that are not in charges and fees), fines ; donation from public or private sector ; and contributions for special services as Salvador has created 5 special contributions that has to be paid for benefits that are derived from the execution of public works by the municipality, such as expanding public services inducing land valuation. Municipalities may also receive resources from the sale of fixed assets such as land or buildings, capital transfers received from public sector entities and recoveries of loans and financial investments in securities.

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	1.6%	2.8%

Local governments' overall debt in El Salvador has increased from representing only 1.9% of general government debt in 2007 to 2.8% in and respectively from 0.8% of GDP to 1.6% in 2016.

A joint- study of:



Source of Statistics: Municipal code of El Salvador (Codigo municipal de El Salvador) • Constitution of the Salvador Republic • Secretaría técnica de la presidencia, Política nacional de descentralización, 2007 • Ministerio de Hacienda, Evolucion de la política de descentralización y desarrollo local en El Salvador, Boletín Presupuestario n°3 Julio-Septiembre 2010 • A. Montalvo (2010), Descentralización del estado Salvadoreño, la nueva reforma democrática, Universidad Dr. José Matías Delgado de El Salvador • IMF-GFS • FESPAD - Dinámica de las finanzas públicas en El Salvador (2012 - 2014) • Art.4 Ley de creación del FODES