

# NATIONAL EDUCATION ACCOUNTS

General Vision 2009



**USAID**  
FROM THE AMERICAN PEOPLE





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## ACKNOWLEDGEMENTS

**Darlyn Xiomara Meza Lara**  
Minister of Education

**José Luis Guzmán**  
Vice- Minister of Education

**Carlos Benjamín Orozco**  
Vice- Minister of Technology

**Sonia de Melgar**  
National Director of Administration

### Research Team and Contributions:

#### Analysis in charge of

**Laura Salamanca**  
Analysis and Information Manager  
Coordinator of the National Education Accounts Team

**Jeimy Campos**  
Analysis and Information Management MINED

**Amber Gove**  
Senior Analyst in Education and Systems Policies  
Advisor to the National Education Accounts Team - EQUIP2

#### Charts and Graphs Edition Support

**Sandra Carolina Lovo**  
Analysis and Information Management

**Karen Lemus**  
National Education Accounts-EQUIP2

**Salvador Melgar**  
National Education Accounts- EQUIP2

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## Presentation

The National Education Accounts (NEA) was implemented as part of the 2021 National Education Plan (Plan 2021), with the purpose of providing a detailed account of all educational investments made throughout the country. It was hoped that the NEA would contribute to establishing national alliances and create a general consensus of the need to improve education coverage and quality. There is no doubt that education ranks high on the list of priorities, but continued and sustained investment is needed to reach the ambitious goal of offering students the competencies necessary to be competitive in the global market.

Over the last three years, the NEA recorded data on all education expenditures from public institutions, local governments, households, corporations, NGOs and donors in El Salvador. Information recorded in the NEA was collected from a variety of sources. Three surveys were drafted to this end: one addressed to local governments, another to public and private schools and the third to private stakeholders (companies, NGOs, and donors). The Multi Purpose Household Survey (EHPM for its acronym in Spanish) was used to gather data from households. Data on government expenditure was retrieved from the Ministry of Finance's accounting information, and detailed data was gathered from interviews with each one of the institutions that implement educational projects.

The collection of information compiled by the NEA has provided feedback to stakeholders for decision making, policy development, and for influencing strategies and actions within the framework of the 2021 National Education Plan. Products resulting from analysis of NEA data have been: a free secondary education policy, the extension of the school food program, and an education per capita investment index for municipalities, as well as other outcomes that will be discussed in depth later on.

This document introduces detailed data on investments in education made by the public sector which will allow Salvadorians to see how the Ministry of Education utilizes its funding, in a transparent manner, level by level, line item per line item and other breakdowns, and will provide details of the investments made by other public and private stakeholders in general.

This study was coordinated at the Ministry of Education in El Salvador (MINED) by the Analysis and Information Management Unit with the financial and technical collaboration of the United States Agency for International Development USAID through EQUIP2, who implemented the NEA methodology.

Darlyn Xiomara Meza Lara  
Minister of Education

José Luis Guzmán Martell  
Vice-Minister of Education

Carlos Benjamín Orozco  
Vice-Minister of Technology



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## Introduction

The National Education Accounts (NEA) is a methodology applied as part of the 2021 Education Plan in an effort to provide a general vision of the source, destination and use of funding designated for education. The NEA identifies stakeholder participation in education investment and clarifies their influence within the Salvadoran economy.

The NEA has become a major reference for policymaking in education, since it provides economic and financial information that has been analyzed and processed to target education resources in the most efficient manner. As a result, stakeholders are informed as to how much is invested, what the money is invested in, and who was the funding source. Decision making is also streamlined thanks to adequate technical analysis tools used while assessing NEA data, resulting in the efficient planning and implementation of the most suitable models and strategies to address problem areas.

The first chapter of this document describes the National Education Accounts and the outcomes achieved so far with the use of this powerful tool. It is worthy to note that since NEA implementation within the MINED, new policies have been drafted to streamline the flow, management and processing of data. Chapter two summarizes the investments made by Salvadorians, and identifies funding sources and educational levels to which resources are allocated.

Chapters three and four outline education expenditures from the Public Sector (Households, the central government, autonomous institutions and local governments) and the private sector (donor agencies, non-governmental organizations and companies). Chapter five summarizes the funding needs identified by the NEA, the different educational levels and the most vulnerable areas. In the Conclusions chapter, we present a series of advantages of using the NEA, a valuable tool in searching for new funding strategies and in targeting education services.

## 1. Development of the NEA in El Salvador

### 1.1 Background

During the period between 2005 and 2009, the education sector received several budget increases, particularly as of 2007, with the approval of the TRUST that was used as a public indebtedness tool to fund the 2021 National Education Plan goals. Despite the above, and given the country's economic growth, the allocated budget has not been able to surpass 3.3% of the GDP<sup>1</sup>. Reasons why gross budget allocation goals were established both in the 1995-2005 Ten Year Plan and in the 2021 National Education Plan were to measure investments in education as compared to the GDP, that correspond to the financial theme, and to help visualize the cost to achieve these goals.

Resource availability is key for an adequate qualitative and quantitative education supply. The Salvadoran education system is currently facing challenges to increase school coverage at the preschool and secondary levels, since over the last two decades investment in education has been mainly designated to universalizing primary education. Coverage expansion, in monetary terms, means the funding of new education buildings, hiring a larger number of teachers, investments in furniture, equipment and the strengthening of teaching skills. In other words, it means funding capital expenses as well as current expenses.

Aware of the great challenges ahead, the 2005-2009 administration requested that USAID identify a methodology that would help track the various education funding sources and therefore build consensus to invest in one single education plan. The NEA emerged within the "Strengthening Basic Education" program, implemented by the Education Quality Improvement Program (EQUIP2) coordinated by the Ministry of Education through its Analysis and Information Management Unit.

The building of the NEA at the MINED has been characterized by three important activities, the first of which was the consolidation of a work team and a development support team.

The second activity was the process of gathering data from the public sector, other central government agencies, and municipalities, while at the same time closing data gaps among the private sector, households, donors and businesses. The third important activity involved the consolidation, dissemination, and use of the data on educational investments.

### 1.2 How does the NEA work?

National Education Accounts (NEA) is a methodology that identifies and records investments in education throughout the nation. It has been used in various countries and has become an internationally known tool, particularly in the health sector. Morocco, the Philippines and Turkey are the only countries to date that apply the NEA methodology in education; no country in Latin America, with the exception of El Salvador, has set up this system of recording expenditures in the field of education.

The MINED attempts to answer the following basic questions through the use of the NEA:

- Who invests in education?
- How much do these funding sources spend?
- Where are these funds designated to (which suppliers, and which services)?
- Who benefits from this funding distribution scheme?

The first step in building the NEA in 2006 was the consolidation of the work team comprised of MINED subject matter experts, organized under the MINED Information Analysis Management Unit, a specialized unit in charge of developing the NEA, with the technical support of EQUIP2. The work team was set up as a technical group to collect and analyze NEA data.

Parallel to this, an *Interagency Support Committee* was also created, with the role to advise and collaborate in strategic governmental areas, gather financial information, and develop a positive dialogue to build the trust of potential NEA financial data

<sup>1</sup> This occurred in the year 2001, when the budget allocated amounted to \$468.8 million and the GDP was estimated in \$14,307 billion dollars.

providers. The team was comprised of representatives from the Ministry of Finance- the Directorate of Fiscal and Economic Policies-, The General Directorate for Statistics and Census (DIGETYC)- Coordination of Household Surveys-, Technical Secretariat of the Presidency, Central Reserve Bank – National Accounts Section-, The Salvadoran Institute for Professional Education – and the Labor Market Observatory Management-

In order to respond to these questions it was necessary to record and process existing data on education investment. This task was started in 2006, and to this date all gaps have been closed. The first information source used was the administrative and financial registry of the Ministry of Finance to identify government investment in education, not only through the MINED but also through other agencies such as ANDA (Water Administration), CENTA, and MOP (Ministry of Public Works), among others. The Multi Purpose Household Survey was used to identify family investment. The most important gaps in the investment in education were found in local governments, companies, non-governmental organizations and donors.

New partners were identified during this gap closing effort, among which we can mention the Presidential Monitoring Commission for Plan 2021, the Corporation of Municipalities of El Salvador (COMURES), working through the Departmental Mayor Committees, and the American Chamber of Commerce in El Salvador (AMCHAM), working through the Board of Directors and the Corporate Responsibility Board. These entities joined efforts with the MINED, since the strategies and working structures to target local governments and the private sector had been previously designed.

Once the information was processed, analyzed and consolidated, data was placed on four NEA general charts that summarized funding sources, suppliers and investment levels. Two Working Documents detailing local government investment on education, and another containing the results at the private sector level (donors, corporations and Non Governmental Organizations) were published, since information on these had not yet been recorded.

The NEA provides detailed information by educational level and investment line item, which makes it a powerful policymaking

tool, as evidenced in the following section, in addition to enhancing both education quality and coverage.

### 1.3 Outcomes to Date

The preliminary analysis of the NEA<sup>2</sup> provides a more comprehensive vision of the domestic investment in education by identifying households or families as one of the major stakeholder in funding education. The outcomes of the municipal, school, NGO, private sector, and donor surveys allowed decision makers to use this information to track line items with the highest level of investment by education level to design strategies that make them more flexible, to invest in the 2021 priorities, and to align with international goals. For example, the NEA helped to design policies that enhance the management system and that diversify financing. In this sense, the NEA is nurturing the debate on public expenditure efficiency and efficacy and on opportunities to rank and designate resources to the coverage and quality areas.

- a) **Designing a policy to provide free secondary education.** One of the commitments undertaken by the MINED upon launching the Plan 2021 was to increase the coverage at the secondary education level (7th and 8th grades) up to 42%, or 50% since the net coverage rates prior to 2005 reached around 26% . The MINED decided to invest in the free secondary education goal as of 2008, based on the information provided by the NEA and the outcomes of the Multi Purpose Household Survey that showed that household expenditures had become significant when children reached the secondary school level. Many youth dropped out of school at this level, due to monetary and family reasons. In addition, outcomes also showed that in absolute terms, the number of young people outside the school system was increasing; therefore, the MINED determined that the amount spent by parents to cover enrollment and tuition added up to \$15 million. This figure was validated by the MINED’s administrative records. It was decided that the first phase of this disbursement would absorb the full amount as of 2008, and that a larger amount (\$28

<sup>2</sup> This analysis was published in March 2007 in the, “2007 General Vision of the National Education Accounts”

million) would be budgeted to cover graduation, new infrastructure expansions and more teaching hours. In the year 2008, the additional amount of \$16.8 million was allocated to return enrollment fees, tuition, and graduation costs, along with the investments already carried out by the MINED.

- b) **Designing a proposal to provide free transportation to students from public schools.** As part of the effort to ensure access to education, MINED staff worked on a proposal in 2008 to subsidize the transportation of secondary education (grades 7 and 8) and Third Cycle (Middle and High School) students from public schools, based on enrollment cost data available from the school census and the transportation costs stated in the Multi Purpose Household Survey (EHPM). This proposal has not yet been implemented due to difficulties in the negotiation with transporters. Notwithstanding, the proposal was very helpful to learn about the costs of this type of policy, which could be followed up in the future.
- c) **Estimating expenditures in preschool education, expansion of the school food programs and the continuous support for free secondary education, in the 2009 Budget Bill.** The preliminary estimation of the cost to take care of 12,953 children at the pre primary level was determined in September 2008, along with the investment to expand the school food program for the secondary school students (30,491 more students from the 7th and 8th grades, than in 2008), and to continue supporting free education for secondary school (grades 7 and 8) students (15,298 new students). This estimate considered the cost of inputs such as teachers, administrative staff, materials, academic coordinators, security guards and classroom maintenance.
- d) **Estimating the Government's investment indicator in Primary Education for the Millennium Challenge Account.** As part of the efforts to calculate the investments made in education and with the support of the Ministry of Finance, it was possible to obtain the education investment data from the Integrated

Financial Management System Classification (SAFI as per its acronym in Spanish). With the support of the Technical Secretariat of the Presidency, it was also possible to obtain the reports on education projects from the majority of the education institutions in the country, by education level, resulting in a more accurate estimate for the MINED on the investment in primary education by the government as a whole. This indicator was one of the commitments acquired by El Salvador to receive support from the US government through the Millennium Challenge Program, focused on the northern region of the country.

- e) **Acknowledging the local governments with the greatest investment per capita.** Thanks to the information extracted from the municipality survey, it was possible to elicit the main data on municipal investment in education by line item and amount, based on the following criteria: investment per capita considering the 2007 Population Census, student expenditure, the percentage of the municipal budget targeted for education and global investments. This information was used to build a municipal investment chart that was delivered to the 262 municipalities within the country, and to publish a document containing the work carried out. The idea to recognize local governments emerged from the desire to motivate other local governments to invest more in education and to coordinate actions with the MINED. One future plan is to sign an agreement with COMURES, to consolidate the data gathering mechanisms and coordinate joint actions between local governments and the MINED.
- f) **Improving the domestic and international expenditure recording system.** The NEA report enriched the UNESCO financial form that requested surveyors to fill in data regarding expenditures by education level and by type of funding source, disaggregating data into national, regional, local, public and private expenditures, from families, companies, and donors. As of 2005, this information had not been reported, since the process was not automated, but starting in

2006 the filling in of the report has been more complete. The information gathered from the local governments through the NEA survey will also be incorporated.

- g) **Updating the investments required to achieve the goals of the 2021 National Education Plan and the Millennium Development Goals.** From July to October 2008, the MINED, in coordination with the United Nations Development Program (UNDP), updated the indicator projections and resources needed to fulfill the long term 2021 Education Plan Goals and the MDG. MINED set up work groups for this update, and considered the data from the NEA compiled from governmental data bases and specific surveys, disaggregated data of the MINED Management Directorate, and the specific information from the educational programs. This update was developed by applying the EPSSim model (Education Policy and Strategy Simulation), developed by the United Nations Organization for Education, Science and Culture (UNESCO) and its main outcomes were included in the document “Financial Requirements to Achieve MDG and the 2021 Education Plan goals”.
- h) **Integrating the MINED data system and the NEA institutionalization.** The potential of the NEA became evident upon its construction, as well as its influence when combined with other sources of information on education policy decision making. The MINED is working with the support of USAID and EQUIP2 to integrate the NEA into the data system. This integration of data sources will contribute to help decision makers and donors, the private sector and families to use the information to jointly improve education in the country.
- i) **Consolidating and developing strategies to foster greater collaboration with other stakeholders: local governments, donors, and companies, among others.** Some coordination measures are already being implemented. For example, the school food program is being implemented with the National Family Secretariat as well as other components of the Healthy School Program. Some companies have already

expressed to the MINED their desire to support the schools with higher performance rates, and donors are willing to support specific programs, as is the case of MEGATEC. Nevertheless, the aim is to move towards a coordination that allows visualizing the long term investment of each stakeholder and the line item invested to reach the education goals of the country.

#### 1.4 Consolidation of the NEA within the MINED

The previous section gives an account of the achievements gained so far with the use of the NEA, particularly in the drafting of public policies that have benefited from this information. Nevertheless, it is important to highlight the key aspects for the future consolidation of this system within the MINED, which include: human resources, infrastructure, IT, surveys, and the collaboration with other governmental entities.

Another advantage of the NEA project is counting with the teams at the MINED, specifically, the Analysis and Information Management Unit that coordinated and worked directly with the EQUIP2 consultants for three consecutive years. The Manager of the Analysis and Information Management Unit as well as the head of the economic department provided great support. This high performance team was complemented by two full time external consultants residing in El Salvador and one part-time international consultant. The specific goals of this team included: preparing the data bases, compiling information from the governmental accounting system, establishing contacts in public and private key institutions and supporting the MINED in sustaining the support proposals for the 2021 National Education Plan.

The need for infrastructure and IT equipment cannot be forgotten, specifically the availability of servers to house the data bases and computers with adequate hardware and software (capable of running programs such as SPSS and STATA). It is also important to highlight the need to update team members in the use of these programs which will in turn contribute to achieving better results.

The MINED has to have the capacity to absorb large data bases and analyze the data to support the construction of the

NEA without delaying the team with long processing times. Therefore, the IT staff of the MINED has to set up an information management strategy in support of the Analysis and Information Management and have a cleared and consolidated data base. The document containing the technical requirements to contract the system is ready, but funding and development are still pending.

An important effort has been made to bridge the information gaps identified by the team through new surveys under the NEA. As previously explained in other sections of this report, the surveys were developed in a period of several months in 2007 and 2008. The financial information extracted from the surveys was provided by mayors, NGO directors, school principals, and other individuals involved in education financing and provision. In total, three main surveys were carried out to feed the NEA: private contributions, municipalities, and both public and private schools.

The MINED has to carry out periodical surveys to insure the continuity of the NEA (two in two years is recommendable).

These surveys can be executed with the support of other public or private institutions. A relevant alliance could be made with the Central Reserve Bank, taking advantage of the economic census and incorporating the fields necessary to place the NEA in the same instrument. Similarly, the Municipality Survey could be incorporated under other existing surveys carried out by DIGESTYC. The identification of adequate strategies is relevant to find the most cost effective one for the Project.

The best way to guarantee that other governmental agencies have the mandate to provide statistical information to build the NEA is through interagency agreements.

It is very important to strengthen the relationship with the institutions that comprise the Support Committee like the BCR, DIGESTYC, Ministry of Finance, Technical Secretariat of the Presidency, and INSAFORP. At present, no agreements have been signed with any of these institutions, although all of them have supported this effort to a higher or lesser degree, which is evidenced by the data shown in this report.

## 2. Salvadoran Society Expenditures in Education

### 2.1 Funding Sources

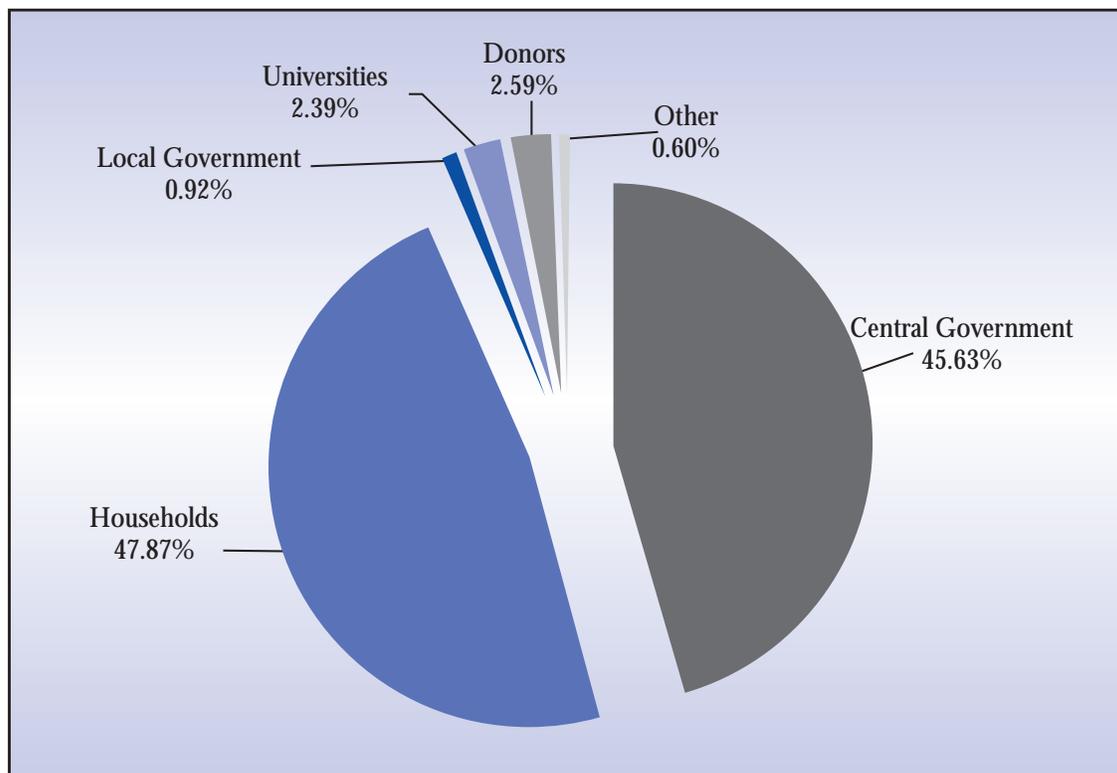
The most determinant funding sources in education in El Salvador are contributions made from families as well as public funds from the Ministry of Education.

These two sources together amount to \$1.228 billion dollars, equivalent to 89% of the total amount invested in the country. The other funding sources from the private sector are: donors with 3%, universities with 2%, municipalities with 1% and other governmental institutions with 4%. There are also other Stakeholders, such as private companies and NGOs that represent less than 1% of the total amount spent in education. See figure 1.

In 2007, households recorded an investment in education equivalent to \$653.7 million and the MINED recorded \$575.1

Nevertheless, when adding all public sector influences- other governmental institutions and the municipalities- the total for the public sector increased up to \$635.7. Donors have made an important contribution that as of this year has amounted to \$35.4 million. Universities contributed with \$32.7 million, and the remaining actors (NGOs and private companies) gave \$8.2 million.

**Figure No. 1**  
Investments in Education in El Salvador, by funding source 2007, in percentages

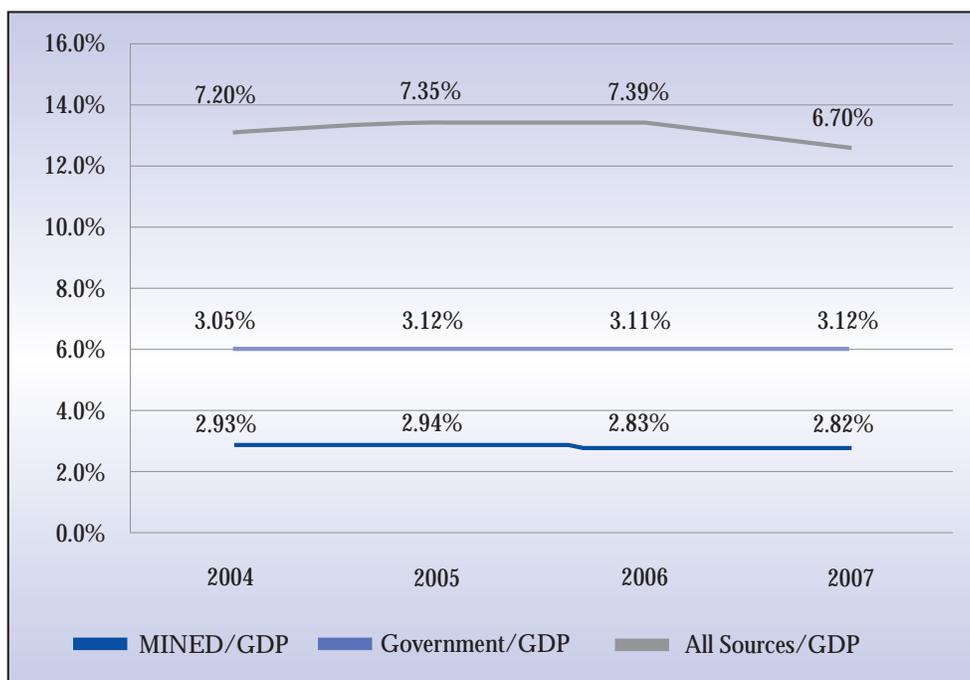


Source: Original based on information from the NEA. Year 2007

NEA identified expenditures by different levels of disaggregation, for a period of several years. Figure No. 2, shows the expenditures by the MINED in terms of the GDP that remained between 2.9 and 2.8 throughout the period. If we add all the other public sources, such as other governmental agencies and municipalities, public investment remains at 3.1% of the GDP. Nevertheless, upon visualizing all funding sources, investment in education in the country adds up to 7.4% of the

GDP throughout most of the period, with the exception of 2007 when the domestic investment was 6.7% of the GDP. The international measures of this indicator only include public expenditures as a way to force governments to undertake policies that foster greater coverage and quality in education. Notwithstanding, it is important to recognize the efforts made by society to promote alliances and build consensus to reach substantial improvements.

**Figure No. 2**  
Investment in Education with respect to the GDP 2004-2007 in percentages



Source: Original compilation based on information from the NEA. Year 2007  
NOTE: Mined: Executed Budget. Government includes other ministries and Local Governments

## 2.2 Service Providers

The largest investment is for public schools, approximately \$1.2 billion. In the case of private service providers, investment is scarcely \$3.63 million. It is important to highlight that from the pre primary to secondary education (grades 7 and 8), the number of public schools is almost five times more than the number of private schools.

Investment in education from pre primary to secondary education is almost totally designated for public providers, including the special education schools. Notwithstanding, some stakeholders such as local governments, private companies, NGOs and donors provide funds to private school providers as well.

In some cases it is important to distinguish that the final beneficiary- the student- can obtain a scholarship granted by the municipality. In other words, these scholarships are funded with public money, but through a private service provider. At the higher university and non university levels, investment by type of provider changes, since funding is given mostly to private service providers. In the case of Universities, private

providers receive \$24 thousand more and in the case of higher non university education, the difference is \$5 thousand.

Despite the fact that the report on non formal education is quite low compared to other various educational levels, providers are mostly public.

**Chart 1: Investments in Education by education level, service provider and funding source 2007 in million US\$**

2. EDUCATION FUNDING PER EXPENSE EXECUTING UNIT, ACCORDING TO EDUCATION SERVICE PROVIDERS	1. General Government			2. Private Sector				3. Others	TOTAL
	1.1 General Government		1.2 Local Government	2.1 Universities	2.2 Other Household Disbursements	2.3 Enterprises	2.4 Foundations / NGOs	3.1 International Cooperation	
	1.1.1 MINED	1.1.2 Other Ministries	1.2.1 Municipal City Halls						
1. Kindergartens	\$55,441.1	\$755.6	\$722.2	\$0.0	\$50,160.7	\$53.8	\$242.0	\$9,028.4	\$116,403.9
1.1 Public	\$55,441.1	\$755.6	\$722.1	\$0.0	\$24,913.2	\$52.2	\$197.2	\$8,173.4	\$90,254.9
1.2 Private	\$0.0	\$0.0	\$0.1	\$0.0	\$25,247.5	\$1.6	\$44.7	\$855.0	\$26,149.0
2. Basic Education Schools	\$382,911.2	\$4,006.4	\$7,964.6	\$0.0	\$324,179.6	\$1,347.7	\$1,761.4	\$14,112.8	\$736,283.7
2.1 Public	\$382,911.2	\$4,006.4	\$7,949.3	\$0.0	\$207,666.3	\$1,317.1	\$1,719.4	\$10,063.9	\$615,633.7
2.2 Private	\$0.0	\$0.0	\$15.2	\$0.0	\$116,513.2	\$30.6	\$42.0	\$4,049.0	\$120,650.0
3. Middle Education Schools	\$48,343.2	\$197.6	\$3,450.4	\$0.0	\$112,480.7	\$389.0	\$734.4	\$5,383.1	\$170,978.4
3.1 Public	\$48,343.2	\$197.6	\$3,412.4	\$0.0	\$59,750.3	\$311.7	\$707.2	\$3,071.2	\$115,793.5
3.2 Private	\$0.0	\$0.0	\$38.0	\$0.0	\$52,730.5	\$77.3	\$27.2	\$2,311.9	\$55,184.9
4. Universities	\$58,537.1	\$27,433.3	\$255.3	\$32,654.0	\$152,001.0	\$1,008.5	\$0.0	\$1,054.7	\$272,943.8
4.1 Public	\$58,537.1	\$27,433.3	\$138.5	\$0.0	\$38,110.6	\$177.3	\$0.0	\$495.5	\$124,892.4
4.2 Private	\$0.0	\$0.0	\$116.8	\$32,654.0	\$113,890.3	\$831.1	\$0.0	\$559.2	\$148,051.4
5. Higher Non University Education	\$0.0	\$0.0	\$44.3	\$0.0	\$13,728.7	\$6.4	\$1,350.4	\$1,149.8	\$16,279.7
5.1 Public	\$0.0	\$0.0	\$37.4	\$0.0	\$4,212.4	\$5.8	\$1,318.2	\$233.2	\$5,807.0
5.2 Private	\$0.0	\$0.0	\$6.9	\$0.0	\$9,516.3	\$0.6	\$32.2	\$916.7	\$10,472.7
6. Informal Education	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$35.0	\$243.3	\$601.1	\$879.4
6.1 Public	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$243.3	\$595.1	\$838.4
6.2 Private	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$35.0	\$0.0	\$6.0	\$41.0
7. Special Education Schools	\$0.0	\$0.0	\$0.0	\$0.0	\$1,172.1	\$0.0	\$0.0	\$0.0	\$1,172.1
7.1 Public	\$0.0	\$0.0	\$0.0	\$0.0	\$753.4	\$0.0	\$0.0	\$0.0	\$753.4
7.2 Private	\$0.0	\$0.0	\$0.0	\$0.0	\$418.6	\$0.0	\$0.0	\$0.0	\$418.6
8. Other	\$29,907.0	\$15,615.2	\$144.6	\$0.0	\$0.0	\$38.0	\$957.0	\$4,056.2	\$50,718.1
8.1 Public	\$29,907.0	\$15,615.2	\$144.6	\$0.0	\$0.0	\$57.2	\$844.3	\$2,878.9	\$49,447.2
8.2 Private	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$38.2	\$112.7	\$1,177.4	\$1,328.3
<b>TOTAL</b>	<b>\$575,139.6</b>	<b>\$48,008.1</b>	<b>\$12,581.5</b>	<b>\$32,654.0</b>	<b>\$653,722.8</b>	<b>\$2,878.4</b>	<b>\$5,288.5</b>	<b>\$35,386.2</b>	<b>\$1365,659.1</b>

Source: Original compilation based on information from the NEA. Year 2007

## 2.3 Different Levels in Education Investment

The emphasis placed on educational investment has been targeted at the primary level, which receives \$523 million, followed by the higher level with \$294 million, and the third cycle (secondary and high school) with \$211.3 million. Less is spent in secondary education (grades 7 and 8) and pre primary education, although investment has been slowly building up in the last three years. This data is located on the chart for public investment by educational level.

This chart repeats the trend of the previous charts. As the level of education increases, investment is more private than public; with a strong weight at the household level. From pre primary to the third cycle, investment is mainly public (central government and municipalities) but families bear the weight of the expense in education from the secondary education level and up.

Chart No. 2: Spending in Education by education level and funding source 2007, in million US\$

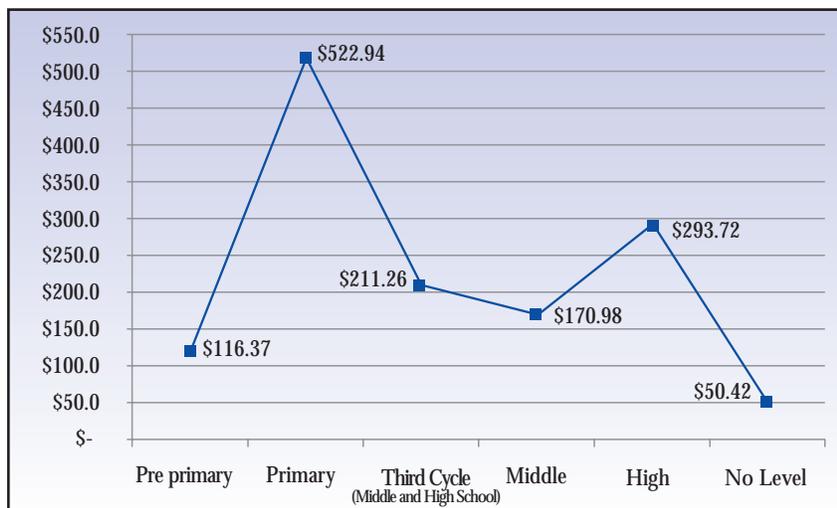
Source of Funding	Preschool	Primary	Third Cycle	Secondary	Higher	No Level	Total
MINED	\$ 55.4	\$ 272.3	\$ 110.6	\$ 48.3	\$ 58.5	\$ 29.9	\$ 575.1
Other government institutions	\$ 0.8	\$ 3.6	\$ 0.4	\$ 0.2	\$ 27.4	\$ 15.6	\$ 48.0
Municipalities	\$ 0.7	\$ 6.0	\$ 2.0	\$ 3.5	\$ 0.3	\$ 0.1	\$ 12.6
Total Government Investments (A)	\$ 56.9	\$ 281.9	\$ 113.0	\$ 52.0	\$ 86.3	\$ 45.7	\$ 635.7
Households (public schools)	\$ 24.9	\$ 150.0	\$ 55.9	\$ 59.8	\$ 42.3	\$ 2.5	\$ 335.4
Households (private schools)	\$ 25.2	\$ 78.0	\$ 38.2	\$ 52.7	\$ 123.4	\$ 0.8	\$ 318.3
Private Companies (NEA data)	\$ 0.1	\$ 1.1	\$ 0.3	\$ 0.4	\$ 1.1	\$ 0.1	\$ 2.9
NGOs (NEA data)	\$ 0.2	\$ 1.4	\$ 0.4	\$ 0.7	\$ 2.2	\$ 0.3	\$ 5.3
Higher Education Institutions	\$ -	\$ -	\$ -	\$ -	\$ 32.7	\$ -	\$ 32.7
Total Private-includes households- (B)	\$ 50.4	\$ 230.5	\$ 94.7	\$ 113.6	\$ 201.7	\$ 3.7	\$ 694.6
International Donations ( C)	\$ 9.0	\$ 10.6	\$ 3.5	\$ 5.4	\$ 5.8	\$ 1.1	\$ 35.4
Total (A+B+C)	\$ 116.4	\$ 522.9	\$ 211.3	\$ 171.0	\$ 293.7	\$ 50.4	\$ 1,365.7

Source: Original compilation based on information from the NEA. Year 2007

Salvadoran society, according to this data, spent more than \$1 billion in education, equivalent to 6.7% of the GDP in 2007, the year in which investments were calculated. This information is quite relevant, since it shows that several sectors are making their own efforts to expand coverage and enhance the quality of education in the country. The priority that households give to education is a relevant element to reach the educational goals set forth in the Plan 2021 and becomes an incentive to design public policies conducive to leveraging these efforts, and to seek alliances with other private stakeholders and international donors.

Investment in primary education sustains the achievement of the Millennium Development Goals that established the target of 100% net schooling rate by the year 2015 at this level. The effort of all stakeholders is directed towards this goal. Nevertheless, there are still challenges at the remaining educational levels. Figure No. 3 shows investment peaks at the primary and university levels, but also evidences the challenges in pre primary, secondary and high school levels, as previously mentioned.

Figure No. 3  
Investment in Education per Educational Level in million US\$ (includes all sources)



Source: In-house compilation based on information from the NEA. Year 2007

## 3. Public Sector Investment in Education

### 3.1 Central Government

The expenditures of the Government of El Salvador (GOES) on Education can be divided into three major categories:

1. Central Government fund allocation to the Ministry of Education, to execute education programs and the Ministry's operational expenses.
2. Investment by the central government agencies and by autonomous agencies of the central government other than the MINED, through the implementation of educational programs, construction of educational infrastructure, or training.
3. Investments in education by the local governments through projects developed directly by municipal governments.

Before the implementation of the National Education Accounts in 2006, investment in education only considered expenditures from MINED's budget for education; therefore, this report is a major breakthrough since it measures government investment in education in a more comprehensive fashion.

#### 3.1.1 Ministry of Education (MINED)

The records of the Ministry of Finance, specifically from the Financial Management System (SAFI), constitute the major data source for this chapter followed by the reports generated by the Financial Unit of the MINED and the National Administrative Directorate, which allows for educational investment data per level.

A third type of report is the one containing data from the International Standard Classification of Education (ISCED 97), conceived by the UNESCO in the early 70s as "an instrument suitable for assembling, compiling and presenting comparable indicators and statistics of education, both within individual countries and internationally"<sup>3</sup>; this classification was

reviewed and updated in 1997, and to this date, El Salvador provides a yearly account of the investment in education, through the MINED.

#### A. MINED's Expenditures based on the SAFI's line item investments

The SAFI is "the modern Financial Management approach undertaken by the State. It is based on the application of the general system's management theory, for the development of joint management processes, through the integration of duties, procedures and information records related to the harnessing and application of financial resources, sustained by the public budget. It is organized as a set of interrelated and integrated sub systems in its centralized or decentralized operations, with the support of automated systems, to achieve a flow of information such that it reaches leadership levels in support of the decision making process"<sup>4</sup>.

The SAFI divides its classification into the following: line items (two digit figures), accounts (three digit figures) and specific objects (five or more digits). The higher the number of digits the greater disaggregation of expenses and vice versa, when components are added they are aggregated to a lower level of digits.

Observing the outcomes of MINED's public investment during the period between 2001 and 2007, disaggregated by line items, it becomes evident that remunerations represent between 53.7% and 60.6% of the total invested amount, with the lowest remuneration rate in the year 2001, and the highest in 2004, dropping to 56.5% in 2007. Procurement of goods and services shows a decreasing trend, since for the year 2001 it represented 14.5% and in 2007 only 6.1% (US\$35.2 Million). Financial expenses only represented 0.2% of the total expenditures in 2007. MINED's current transfers shifted their share in budget execution from 9.0% to 28.0% during the 2001-2009 period, amounting to 162.3 million in 2007.

<sup>3</sup>UNESCO, 1997.

<sup>4</sup>Regulation of the internal Law for the State's Financial Administration. Decree No. 82, Section 2, Letter C.

**Chart No. 3: Public Expenditures executed by the MINED disaggregated by SAFI accounts (2001-2007) in US\$**

SAFI CODE	STRUCTURE OF BUDGETARY CLASSIFIER	MINED 2001	MINED 2002	MINED 2003	MINED 2004	MINED 2005	MINED 2006	MINED 2007
51	Remunerations	\$253,449,118.67	\$274,947,032.61	\$275,841,605.98	\$280,981,769.08	\$288,645,502.53	\$314,674,670.06	\$324,921,446.56
54	Procurement of Goods/Services	\$68,609,864.30	\$89,691,060.77	\$94,972,682.23	\$105,418,303.90	\$107,468,584.76	\$100,907,485.40	\$35,237,891.78
55	Financial and Other Charges	\$179,136.76	\$564,965.84	\$332,106.46	\$331,343.49	\$1,532,879.93	\$650,643.29	\$1,318,718.06
56	Current Transfers	\$42,488,363.42	\$45,169,346.92	\$48,965,670.28	\$62,311,018.63	\$74,379,906.23	\$67,563,765.05	\$162,349,676.42
61	Investment in Fixed Assets	\$65,599,687.38	\$41,444,285.36	\$30,172,547.23	\$10,106,550.75	\$16,540,638.09	\$13,685,374.23	\$13,221,492.66
62	Capital Transfers	\$41,997,342.12	\$16,966,994.89	\$16,046,664.13	\$4,431,211.44	\$12,764,545.56	\$28,579,066.11	\$38,090,383.37
	<b>TOTAL</b>	<b>\$472,323,512.65</b>	<b>\$468,783,686.39</b>	<b>\$466,331,276.31</b>	<b>\$463,580,197.29</b>	<b>\$501,332,057.10</b>	<b>\$526,061,004.14</b>	<b>\$575,139,608.85</b>

Source: Own, data extracted from the data pertaining to the Ministry of Finance of El Salvador

With regards to capital accounts, during the period between 2001 and 2003, investment in fixed assets increased partly due to the earthquakes in the year 2001, followed by a decreasing trend up to the year 2004, in which they represented 2.2% of the total expenses of the MINED, remaining much the same, until the year 2007 when they accounted for US \$13.2 million. Although capital transfers decreased from 2001 to 2004, ranging between 8.9% and 1.0% of total expenditures, as of 2005 they experienced an upward shift, reaching 6.6% in 2007. Chart No. 4 shows detailed information on each one of the SAFI line Items when disaggregated by account, that is by three digits which is the classification used by the NEA studies.

## B. MINED's Expenditure per Education Level

In accordance with the General Education Law (LGE) of El Salvador, the National Education System is divided into two modes: formal and non formal education. Formal education is the one taught in an authorized school facility, during a regular year, sequence, or cycle, subject to progressive education programs that lead to a diploma and passed grades. Formal education is divided into the following levels: early childhood education, pre primary, elementary, middle and high school<sup>5</sup>.

Non formal education is the one offered to students who wish to complete, update or expand their knowledge, and educate themselves in academic and labor matters, not subject to the education level and grades of the formal system. It is systematic and responds to the short term needs of individuals and society<sup>6</sup>.

Chart No. 5 shows investments by educational level for the period comprised between 2001 and 2007. Basic education (first to ninth grade) is the one with the highest budgetary execution, which is logical given the fact that this level serves the greatest amount of students and used 60.0% of MINED's total direct expenditures for the year 2007, that is, US \$345.0 million. The second highest share between 2001 and 2005 was the secondary level, with an upward trend. MINED's transfers to the UES have shown an increasing trend, representing to date 10.0% of the budget executed by the Ministry in 2006. By 2007, the MINED increased the subventions and subsidies for educational programs through foundations, NGOs, and universities, among others.

<sup>5</sup>General Education Law of the Republic of EL SALVADOR (LGE).

<sup>6</sup>Ibid, cap. 1, art. 10.

**Chart No.4: Public Expenditures executed by the MINED  
disaggregated by SAFI accounts (2001-2007) in US\$**

SAFI CODE	Budget Structure	MINED 2001	MINED 2002	MINED 2003	MINED 2004	MINED 2005	MINED 2006	MINED 2007
51	Remunerations	\$ 253,449,118.67	\$ 274,947,032.61	\$ 275,841,605.98	\$ 280,981,769.08	\$ 288,645,502.53	\$ 314,674,670.06	\$ 324,921,446.56
511	Permanent Remunerations	\$ 212,691,685.90	\$ 213,972,501.77	\$ 228,477,135.14	\$ 233,958,529.50	\$ 240,557,273.78	\$ 257,011,899.05	\$ 267,707,484.57
512	Temporary remunerations	\$ 10,844,613.81	\$ 11,214,732.37	\$ 13,825,729.18	\$ 13,736,298.92	\$ 13,859,250.20	\$ 14,955,561.96	\$ 19,291,750.36
513	Special Remunerations	\$ 23,905.36	\$ 29,522.37	\$ 28,689.97	\$ 33,692.51	\$ 33,774.23	\$ 41,871.20	\$ 33,273.88
514	Management's contributions to Public Social Security Institutions	\$ 20,517,891.05	\$ 17,903,392.20	\$ 18,725,279.18	\$ 19,841,791.83	\$ 20,293,664.89	\$ 22,545,608.29	\$ 23,940,870.43
515	Management's contributions to private social security institutions	\$ 9,365,308.11	\$ 12,186,638.47	\$ 13,289,138.31	\$ 13,397,742.00	\$ 12,716,245.68	\$ 13,806,711.03	\$ 13,797,138.99
516	Representation expenses	\$ 5,714.44	\$ 2,285.72	\$ 10,285.74	\$ 13,714.32	\$ 17,714.33	\$ 20,577.61	\$ 17,883.19
517	Compensations	\$ -	\$ 19,637,959.71	\$ 1,485,348.46	\$ -	\$ 1,167,579.42	\$ 6,292,440.92	\$ 133,045.14
518	Personal services commissions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
519	Sundry remunerations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
54	Procurement of goods and services	\$ 68,609,864.30	\$ 89,691,060.77	\$ 94,972,682.23	\$ 105,418,303.90	\$ 107,468,584.76	\$ 100,907,485.40	\$ 35,237,891.78
541	Goods for use and consumption	\$ 4,079,854.42	\$ 7,142,160.93	\$ 2,545,582.73	\$ 3,781,808.87	\$ 8,345,739.59	\$ 6,534,129.05	\$ 5,872,069.18
542	basic Services	\$ 3,843,523.24	\$ 4,620,906.61	\$ 5,141,675.55	\$ 7,374,448.02	\$ 6,887,945.98	\$ 8,004,672.82	\$ 9,399,639.31
543	General services and leasings	\$ 55,312,635.64	\$ 68,552,130.11	\$ 75,545,782.51	\$ 82,494,340.57	\$ 80,043,340.02	\$ 76,705,861.12	\$ 15,364,730.85
544	Fares and Per Diems	\$ 380,526.52	\$ 486,603.93	\$ 330,776.99	\$ 434,308.17	\$ 518,755.57	\$ 554,964.85	\$ 624,437.65
545	Consulting services, Studies and other Research	\$ 4,993,324.48	\$ 8,889,259.19	\$ 11,408,864.45	\$ 11,333,398.27	\$ 11,672,803.60	\$ 9,107,857.56	\$ 3,977,014.79
549	Taxes and other payables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
55	Financial and other expenses	\$ 179,136.76	\$ 564,965.84	\$ 332,106.46	\$ 331,343.49	\$ 1,532,879.93	\$ 650,643.29	\$ 1,318,718.06
551	Securities interests and commissions in the domestic market	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
552	Securities interests and commissions in foreign markets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
553	Interests and commissions from domestic public loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
554	Interests and commissions from foreign loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
555	Taxes, duties and fees	\$ 125,824.73	\$ 32,507.42	\$ 34,717.67	\$ 58,390.25	\$ 1,155,955.88	\$ 298,813.21	\$ 979,382.97
556	Insurances, commissions and banking expenses	\$ 52,842.71	\$ 531,921.31	\$ 297,274.50	\$ 272,953.24	\$ 237,135.84	\$ 271,728.78	\$ 308,035.99
557	Other non classified expenses	\$ 469.32	\$ 537.11	\$ 114.29	\$ -	\$ 139,788.21	\$ 80,101.30	\$ 31,299.10
559	Taxes and other payables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
56	Current transfers	\$ 42,488,363.42	\$ 45,169,346.92	\$ 48,965,670.28	\$ 62,311,018.63	\$ 74,379,906.23	\$ 67,563,765.05	\$ 162,349,676.42
561	Current transfers for tax contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
562	Current transfers to the Public Sector	\$ 32,844,104.41	\$ 29,819,330.00	\$ 31,129,793.50	\$ 37,711,279.74	\$ 50,046,397.70	\$ 58,073,544.67	\$ 67,804,963.67
563	Current transfers to the Private Sector	\$ 9,644,259.01	\$ 15,340,016.92	\$ 17,835,876.78	\$ 24,599,738.89	\$ 24,277,560.53	\$ 9,307,177.38	\$ 94,334,712.75
564	Current transfers to the foreign sector	\$ -	\$ 10,000.00	\$ -	\$ -	\$ 55,948.00	\$ 183,043.00	\$ 210,000.00
61	Fixed asset investments	\$ 65,599,687.38	\$ 41,444,285.36	\$ 30,172,547.23	\$ 10,106,550.75	\$ 16,540,638.09	\$ 13,685,374.23	\$ 13,221,492.66
611	Movable goods	\$ 4,039,472.94	\$ 7,314,852.30	\$ 14,786,918.00	\$ 464,185.87	\$ 865,276.95	\$ 3,912,380.50	\$ 2,294,250.11
612	Real estate	\$ 1,885,714.29	\$ 128,452.71	\$ 41,635.00	\$ 177,465.00	\$ -	\$ -	\$ 1,656,640.65
613	Animal stock	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
614	Intangibles	\$ 183,111.48	\$ 151,682.43	\$ 390,929.14	\$ 175,393.39	\$ 630,754.03	\$ 362,480.43	\$ 721,349.47
615	Pre investment studies	\$ 148,959.43	\$ 95,076.00	\$ -	\$ -	\$ -	\$ -	\$ 946,046.76
616	Infrastructure	\$ 59,342,429.24	\$ 33,754,221.92	\$ 14,953,065.09	\$ 9,289,506.49	\$ 15,044,607.11	\$ 9,410,513.30	\$ 7,603,205.67
619	Taxes and other payables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
62	Capital Transfers	\$ 41,997,342.12	\$ 16,966,994.89	\$ 16,046,664.13	\$ 4,431,211.44	\$ 12,764,545.56	\$ 28,579,066.11	\$ 38,090,383.37
621	Capital transfers due to Tax contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
622	Capital transfers to the Public Sector	\$ 3,910,052.68	\$ -	\$ 595,000.00	\$ 595,000.00	\$ 595,000.00	\$ 595,000.00	\$ 595,000.00
623	Capital Transfers to the Private Sector	\$ 38,087,289.4	\$ 16,966,994.89	\$ 15,451,664.13	\$ 3,836,211.44	\$ 12,169,545.56	\$ 27,984,066.11	\$ 37,495,383.37
	<b>TOTAL</b>	<b>\$ 472,323,512.65</b>	<b>\$ 468,783,686.39</b>	<b>\$ 466,331,276.31</b>	<b>\$ 463,580,197.29</b>	<b>\$ 501,332,057.10</b>	<b>\$ 526,061,004.14</b>	<b>\$ 575,139,608.85</b>

Source: Own source with data from the Ministry of Finance of El Salvador.

Chart No. 5: Public Expenditures by the MINED by educational level, according to budgetary line items (2001-2007) in US\$

Execution of Budget	2001	2002	2003	2004	2005	2006	2007
1. General education	\$ 21,389,926.88	\$ 15,278,162.93	\$ 17,197,519.14	\$ 16,768,315.80	\$ 16,177,083.22	\$ 18,058,220.00	\$ 18,940,786.19
2. Preschool	\$ 28,421,783.00	\$ 30,697,918.01	\$ 32,590,804.53	\$ 35,665,917.83	\$ 36,689,704.90	\$ 40,897,330.00	\$ 41,330,110.72
3. Basic	\$ 304,309,828.00	\$ 325,233,003.04	\$ 325,579,005.64	\$ 315,173,741.03	\$ 323,685,281.30	\$ 340,798,360.00	\$ 345,014,468.62
4. Secondary	\$ 49,647,112.00	\$ 48,529,686.68	\$ 39,298,452.30	\$ 37,216,188.83	\$ 53,758,909.39	\$ 44,512,618.72	\$ 46,581,467.05
5. Adult education	\$ 1,208,269.71	\$ 1,000,779.06	\$ 1,179,407.88	\$ 3,609,916.67	\$ 1,338,335.18	\$ 1,591,720.00	\$ 2,229,794.56
6. Total Education	\$ 23,480,251.00	\$ 27,068,110.00	\$ 29,091,460.00	\$ 35,591,460.00	\$ 47,391,460.00	\$ 52,854,931.00	\$ 52,474,097.44
7. Other	\$ 30,336,367.00	\$ 8,657,205.20	\$ 9,197,354.14	\$ 6,872,865.88	\$ 9,880,745.86	\$ 13,742,804.67	\$ 55,538,456.57
8. Cultural	\$ 13,529,975.00	\$ 11,741,207.78	\$ 11,609,337.42	\$ 12,140,276.13	\$ 11,892,902.49	\$ 13,104,089.24	\$ 12,366,649.37
9. Teacher Training	\$ -	\$ 577,613.64	\$ 587,935.56	\$ 541,485.12	\$ 517,633.04	\$ 500,370.00	\$ 663,778.33
<b>TOTAL</b>	<b>\$ 472,323,512.59</b>	<b>\$ 468,783,686.34</b>	<b>\$ 466,331,276.61</b>	<b>\$ 463,580,167.29</b>	<b>\$ 501,332,055.38</b>	<b>\$ 526,060,443.63</b>	<b>\$ 575,139,608.85</b>

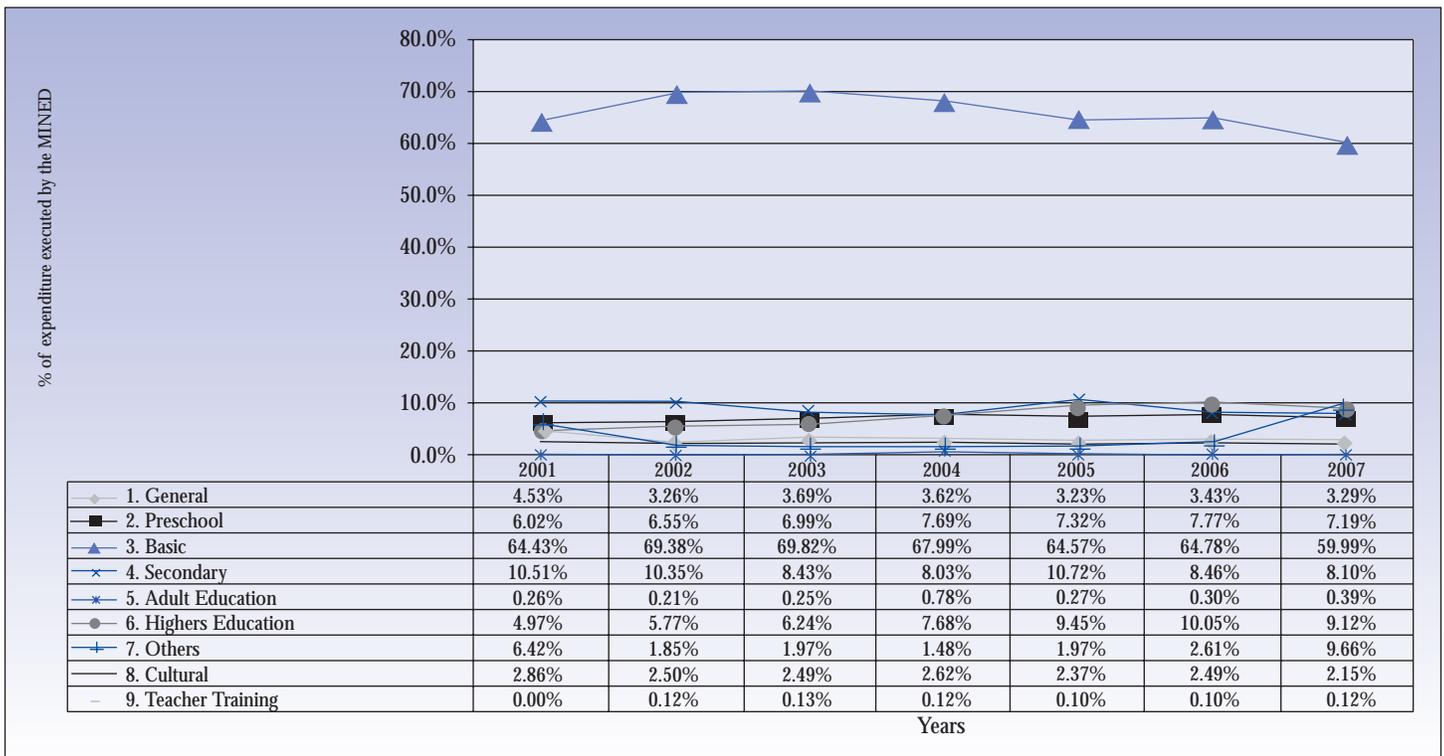
Source: Consolidated from the Analysis and information Management with UFI data.

On the other hand, direct expenses in pre primary education ranged between 16.0% for the year 2001 and 17.8% for the year 2006, representing 7.2% of MINED’s total expenditures

in 2007, amounting to US \$41.3 million. The expenditures attributed to general education line items; CONLCULTURA and Teacher Training represent a lower share.

Figure No.4

Public Expenditures by the MINED per educational level, according to budgetary classification



Source: Own data, extracted from the MINED data base

It is important to highlight that within this classification, whenever we mention “expenses by educational level”, we refer to direct expenditures, in the sense that they correspond to those classified as such in MINED’s budgetary structure, and therefore, their execution reports correspond to those reported to the Ministry of Finance. An effort has been made since the creation of the NEA to incorporate overhead expenses that support the programs or strategies corresponding to the different education levels in order to estimate government indicators.

### C. Public Investments in Education in accordance with the ISCED classification

As was explained in the introduction to this chapter, UNESCO’s ISCED classification aims at comparing data among different

countries. ISCED is a multi faceted tool, aimed at analyzing education policies and decision making strategies, regardless of the domestic education system and the economic level of the country. It can be used for many statistical purposes, such as school enrollment rates, human and financial resources, education level of the population, etc.

Consequently, the basic concepts and definitions of the ISCED were conceived to be universally valid and independent from particular circumstances of any domestic education system. Nevertheless, as a general system, it must include definitions and instructions comprising the full range of educational systems. The 1997 ISCED basically covers two classification variables: educational levels and sectors of education. It is structured as follows:

**Chart No. 6: International Standard Classification of Education (ISCED) per educational level**

CINE classification	Education levels	Comprises
CINE 0	Pre-school education	kindergarten
CINE 1	Primary education	I and II basic education cycles (First to sixth grades)
CINE 2	First cycle of secondary education	III basic education cycle (7th to 9th grades)
CINE 3	Second cycle of Secondary education.	Secondary education (High School)
CINE 4	Non tertiary post secondary education	Informal education
CINE 5	First cycle of tertiary education	Higher education (B.A., technical and profesorships)
CINE 6	Second cycle of tertiary education	Higher education (Masters and Ph.Ds)
SCN	Without a level classification	When it cannot be directly or indirectly attributed to any of the above mentioned education levels.

Source: Own data based on the ISCED 97- UNESCO.

An important achievement of the information standardization of education funding through the NEA is precisely its ability to review executed expenses and their correspondence with the various education levels, either because they are directly allocated to the budgetary structure or because they are subventions and subsidies to educational programs.

As can be observed on chart No. 7, in 2007, education investments increased by education level in accordance with the budgetary classification. It can be observed that the greatest funding along a three year period corresponds to primary

education, that is, to students from the first to the sixth year of schooling.

Besides, this is coherent with international commitments such as the Millennium Development Goals (MDG), accounting for 49.9% to 47.3% of MINEDs total funding. The box corresponding to “no level” includes the funding designated to CONCULTURA, Teacher Training, General Education and the subventions and subsidies for the years 2005 and 2006. As of 2007, the contribution of general education lines and subventions and subsidies was incorporated into the corresponding levels.

**Chart No. 7: Public Expenditures by the MINED, according to ISCED 97, by educational level in US\$**

Education levels (According to the ISCED classification)	MINED DETAILED PUBLIC EXPENSES		
	2005	2006	2007
Pre Primary	\$ 36,689,704.28	\$ 40,897,331.42	\$ 55,441,076.23
Primary	\$ 249,391,241.35	\$ 262,716,563.20	\$ 272,319,966.94
Third cycle (Middle and High)	\$ 75,632,375.13	\$ 79,673,518.42	\$ 110,591,247.32
Secondary education(7 <sup>th</sup> /8 <sup>th</sup> )	\$ 53,758,909.39	\$ 44,512,613.43	\$ 48,343,174.34
Higher education	\$ 47,391,460.00	\$ 52,854,936.00	\$ 58,537,121.98
No level	\$ 38,468,364.61	\$ 45,405,472.84	\$ 29,907,022.04
<b>Total</b>	<b>\$ 501,332,054.76</b>	<b>\$ 526,060,435.31</b>	<b>\$ 575,139,608.85</b>

Source: Own data based on the ISCED 97-UNESCO

### 3.1.2 Central Government and Autonomous Agencies

The first stage in the building of the National Education Accounts included the review of data on expenditures in education registered at the MINED’s accounting records and at the national accounts of the Ministry of Finance. The limitation imposed by the use of only SAFI data to complement MINEDs funding meant that it was not possible to disaggregate this data by educational level from the SAFI. Therefore, a parallel effort was developed through the Technical Secretariat of the Presidency (SETEC) to obtain data from projects executed by the various ministries and autonomous institutions per education level.

This process was successful and it was possible to compile

information that was later incorporated into the investment in education records of the government to provide national and international accountability by means of indicators such as public investment in primary education, which is monitored through the FOMILENIO project. The data on expenditures in education reported by other institutions also includes the expenses in public higher education through fund compensations. In other words, the differential does not come from the transfer made by MINED to the UES, nor the payment reported by households for higher education enrollment fees and public tuition.

The institutions that report investment in education are aggregated in chart No. 8: FISDL, ANDA, CONACYT, FANTEL, Ministry of the Government, FOVIAL, MAG, INDES, ENA, Military School, ITCA, IT –Chalatenango, IT-Sonsonate, IT Usulután, INSAFORP

Chart No. 8: Investments in education from other governmental agencies according to the ISCED classification per educational level 2001-2007 in US\$

Education levels (According to the ISCED classification)	Investments in Education by governmental agencies other than the MINED		
	2005	2006	2007
Pre-primary	\$ 3,717,231.36	\$ 4,969,604.29	\$ 755,636.86
Primary	\$ 5,602,587.88	\$ 7,866,347.86	\$ 3,581,645.76
Third cycle	\$ 2,740,192.85	\$ 1,613,346.89	\$ 424,789.52
Secondary education	\$ 678,437.91	\$ 2,909,955.43	\$ 197,568.36
Higher education	\$ 283,801.67	\$ 11,396,019.69	\$ 27,433,250.90
No level	\$ 9,462,940.45	\$ 13,853,258.06	\$ 15,628,330.29
<b>Total</b>	<b>\$ 22,485,192.12</b>	<b>\$ 42,608,532.22</b>	<b>\$ 48,021,221.70</b>

Source: Own based on data from MINHAC, SETEC and MINED.

### 3.1.3 Municipal Governments

A survey was designed to respond to one of the most important data gaps revealed by the NEA regarding the measure of the permanent contribution by local governments to education, based on the needs of the schools located in their areas of operation.

The survey included questions about the type of education projects that had been executed during the 2005 - 2006 period and the ones scheduled for 2007. The survey compiled data on project types, education level funded, service providers, and invested amount according to the funding source, among others. The main survey outcomes are shown below, divided into two categories, a) per funding source and b) per investment line item. This demonstrates the source of the funds invested by municipalities for the improvement of education within their communities.

#### A. Local Government. Investment by funding source

The main funding sources of local governments can be divided into:

- a. **Fund for Economic and Social Development (FODES)**<sup>7</sup>: In accordance with the FODES law, 80% of its funds should be for expenditures in local projects on infrastructure, water, construction of school classrooms and other works, and the remaining percentage should be targeted for operation and management expenses.
- b. **Municipal Duties**: This refers to the income gained by municipalities from tax contributions.
- c. **International Cooperation**: This refers to the projects directly executed by the municipalities, with funds from international donors.
- d. **Social Investment Fund for Local Development (FISDL)**: The FISDL is part of the Presidency of the Republic. It is the governmental entity in charge of local development, whose main goal is to combat poverty in El Salvador. Its mission includes generating wealth and local development with the participation of local governments, communities, private companies, and central government agencies that implement social and economic infrastructure projects. Education related FISDL investment programs include: "Solitary Network Program", National Program for the Prevention of Violence and Youth Delinquency (PROJUVENTUD), and the Education Infrastructure Program (PROESCUELA). Most of the projects executed by

<sup>7</sup> Enacted through legislative decree 74, dated September 8, 1988 (Official Gazette No. 176, volume 300, dated September 23, 1988) and amended through legislative decree 142 dated November 9, 2006 (Official gazette No. 230, volume 373, dated December 8, 2006)

municipalities are infrastructure projects inside the schools or along the roads to facilitate the access of students to the various schools, to provide water and health care, etc. These projects were included among the outcomes of this study.

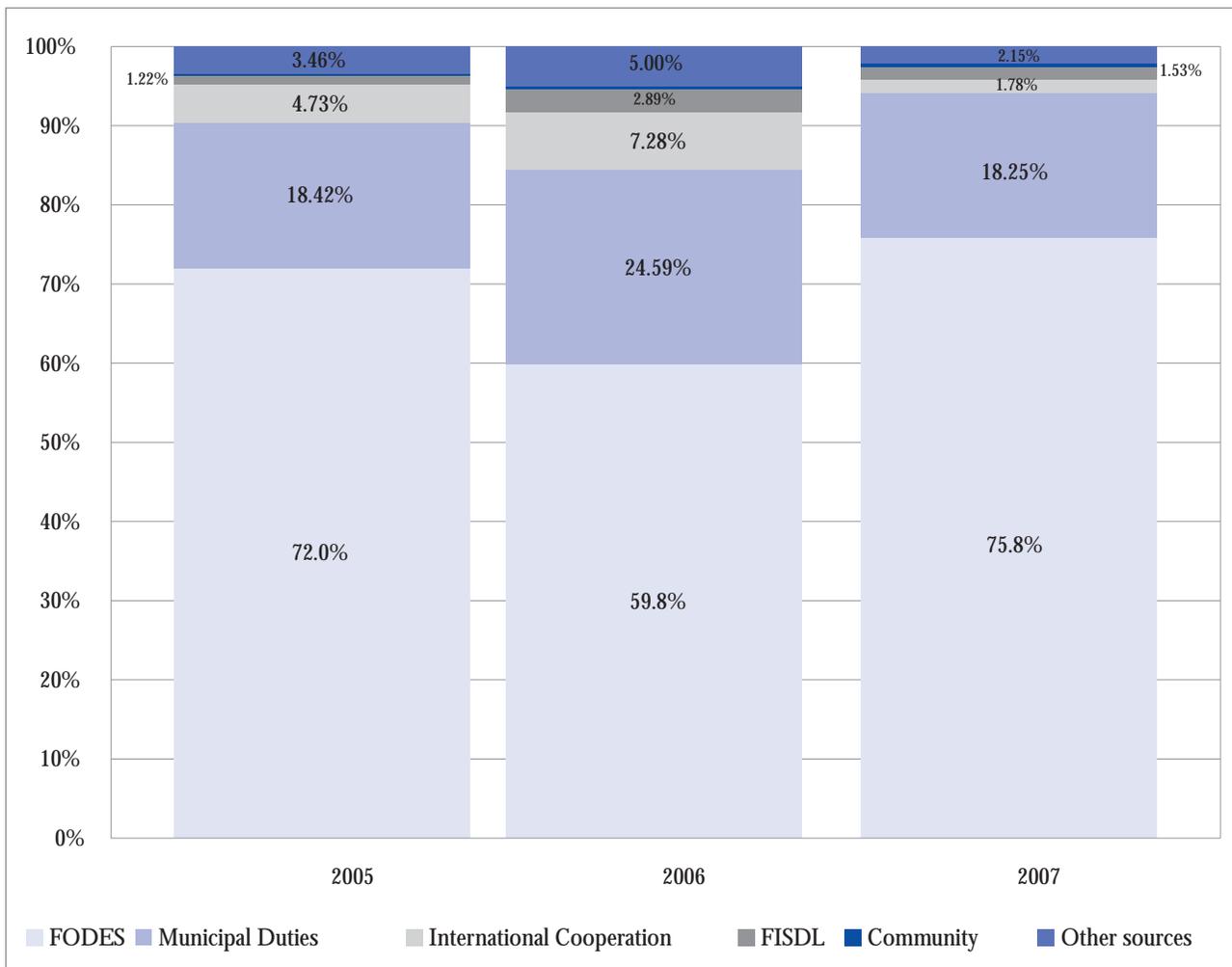
- e. **The Community:** Such as the support from the “Distant Brothers”, in other words from Salvadoran citizens residing in foreign countries, who after a certain period of time coordinate with members of their municipalities to assist in the development of local projects such as providing shoes to children under conditions of extreme poverty, construction projects, ect.

- f. **Other Sources:** Refers to funding sources other than the ones mentioned above.

The outcomes of the municipal investment study revealed that during the period between 2005 and 2007, the FODES contributed with 70% of the global investment in education (US \$21.5 million).

Municipal duties are the second most important source of funding with 20.1% (US \$6.2 million), while the funds from international donors channeled through the municipalities accounted for 4.3% (US \$1.3 million) used to fund school projects.

**Figure 5. Investment in Education by City Halls per funding source in Percentages**



Source: Survey to Municipal Governments on investments in education

## B. Municipal Government. Investment Detail

The Investment in education by municipalities reached US \$30.82 million during the period between 2005 and 2007, recording a significant growth in those years. In the year 2005, the total amount spent in education reached US \$9.08 million Dollars; in 2006 it amounted to US \$9.15 million and in 2007 to US \$12.58 million.

Upon disaggregating investment data per type of education project, it became evident that municipalities had contributed mostly with infrastructure works, which are undoubtedly very important for the sector, since they complement the efforts

of the MINED. These projects require immediate availability of funds in addition to an expedite response to the schools. Local governments also grant scholarships to students and invest in the sponsoring of social activities like: sports contests, fairs, celebration of holidays and other extracurricular events carried out by the schools that need funding.

Another important support is the funding of teachers in cases when the school needs a teacher to cover a subject matter or section and the parents or the school requests the municipality to cover the expenses while the permanent position is approved.

Chart No. 9: Investment by Municipality per type of project 2005-2007, in US\$

Project Type	2005	2006	2007	TOTAL
Infrastructure	\$ 6,364,781.79	\$ 5,408,788.64	\$ 8,561,138.81	\$ 20,334,709.24
Scholarships	\$ 535,577.95	\$ 800,074.11	\$ 903,899.47	\$ 2,239,551.53
Social activities	\$ 1,088,257.09	\$ 1,595,925.90	\$ 1,763,162.80	\$ 4,447,345.79
Teacher salaries	\$ 922,603.36	\$ 1,033,365.71	\$ 1,052,006.48	\$ 3,007,975.55
Other	\$ 173,004.22	\$ 313,318.01	\$ 301,265.06	\$ 787,587.29
<b>Total investments</b>	<b>\$ 9,084,224.41</b>	<b>\$ 9,151,472.37</b>	<b>\$ 12,581,472.62</b>	<b>\$ 30,817,169.40</b>

Source: Survey to Municipal Governments on investments in education

## C. Municipal Governments. Investment per Educational Level

The investment of municipal governments for the 2005-2007 period, detailed by educational level, shows that the majority

of the investment in education is dedicated to basic education (first to ninth grade), with 62.3% of the funds, and to secondary education (7th and 8th grades) with 28.1%. Some municipalities also reported having helped students from their community to access higher education, although in comparison to the total investment it only represents 1.9%.

Chart No. 10: Municipal Investments per Educational Level, 2005-2007, in US\$

Education level	2005	2006	2007	TOTAL
Pre Primary	\$ 658,030.77	\$ 780,670.79	\$ 715,456.61	\$ 2,154,158.17
Basic	\$ 5,943,710.45	\$ 4,884,124.21	\$ 8,375,882.04	\$ 19,203,716.70
Secondary	\$ 2,425,617.63	\$ 3,205,577.04	\$ 3,052,708.53	\$ 8,683,903.20
Higher	\$ 56,865.56	\$ 281,100.33	\$ 246,288.87	\$ 584,254.76
Other			\$ 191,136.57	\$ 191,136.57
<b>Total</b>	<b>\$ 9,084,224.41</b>	<b>\$ 9,151,472.37</b>	<b>\$ 12,581,472.62</b>	<b>\$ 30,817,169.40</b>

Source: Survey to Municipal Governments on investments in education

#### D. Municipal Government, Municipal investment line item

according to the Financial Management System (SAFI) of the Ministry of Finance of El Salvador, which lays the foundation for the standardization of the National Education Accounts.

A third relevant classification is the one on funding line items,

**Chart No. 11: Municipal Investment in Education by investment Line Item, according to the SAFI classification (2005-2007) in US\$**

LINE ITEM	2005	2006	2007	TOTAL
Permanent Remunerations	\$ 864,451.20	\$ 1,010,464.02	\$ 1,104,999.35	\$ 2,979,914.57
Temporary Remunerations	\$ 44,176.04	\$ 63,514.35	\$ 2,670.00	\$ 110,360.39
Special Remunerations	\$ 9,240.00		\$ 9,951.89	\$ 19,191.89
Use and Consumptio goods	\$ 1,028,938.72	\$ 1,460,303.45	\$ 1,693,191.91	\$ 4,182,434.08
Basic services	\$ 870.00	\$ 3,100.13	\$ 463.00	\$ 4,433.13
General services and leasings	\$ 69,927.47	\$ 99,289.38	\$ 57,974.92	\$ 227,191.77
Consulting services, studies and other research	\$ 13,135.75	\$ 23,243.01	\$ 32,820.46	\$ 69,199.22
Other expenses			\$ 1,721.00	\$ 1,721.00
Current transfers to the public sector	\$ 1,866.58	\$ 800.05	\$ 6,366.53	\$ 9,033.16
Current transfers to the private sector (SCHOLARSHIPS)	\$ 560,810.37	\$ 796,450.95	\$ 887,298.40	\$ 2,244,559.72
Current transfers to the foreign sector			\$ 1,040.50	\$ 1,040.50
Movables	\$ 165,254.22	\$ 347,191.86	\$ 355,783.86	\$ 868,229.94
Real estate	\$ 2,145.00		\$ 12,252.00	\$ 14,397.00
Infrastructure	\$ 6,323,409.06	\$ 5,292,115.17	\$ 8,409,938.80	\$ 20,025,463.03
Capital transfers to the public sector		\$ 55,000.00	\$ 5,000.00	\$ 60,000.00
<b>Total</b>	<b>\$ 9,084,224.41</b>	<b>\$ 9,151,472.37</b>	<b>\$ 12,581,472.62</b>	<b>\$ 30,817,169.40</b>

Source: Survey to City Halls on investments in education

The sum invested throughout the period in which the municipality survey was analyzed (2005-2007), is consistent with the type of investment project, with expenditures in infrastructure having the greatest weight, followed by use and consumption goods that include social activities and permanent remunerations comprised of teacher salaries and current transfers to the private sector (scholarships).

Document Number 2 of the *National Education Accounts: Municipal Investments in Education 2005-2007*, shows the outcomes of a census survey passed to 262 Salvadoran municipalities, through interviews with mayors, or administrative staff delegated by the mayor. The positive response rate was measured at 98.5%.

## 4. Investments in Education by the Private Sector

Private stakeholders that invest in education include households –families–, donors, non- governmental organizations (NGOs) and private companies. This entire chapter is dedicated to household, as they are the predominant investor in education.

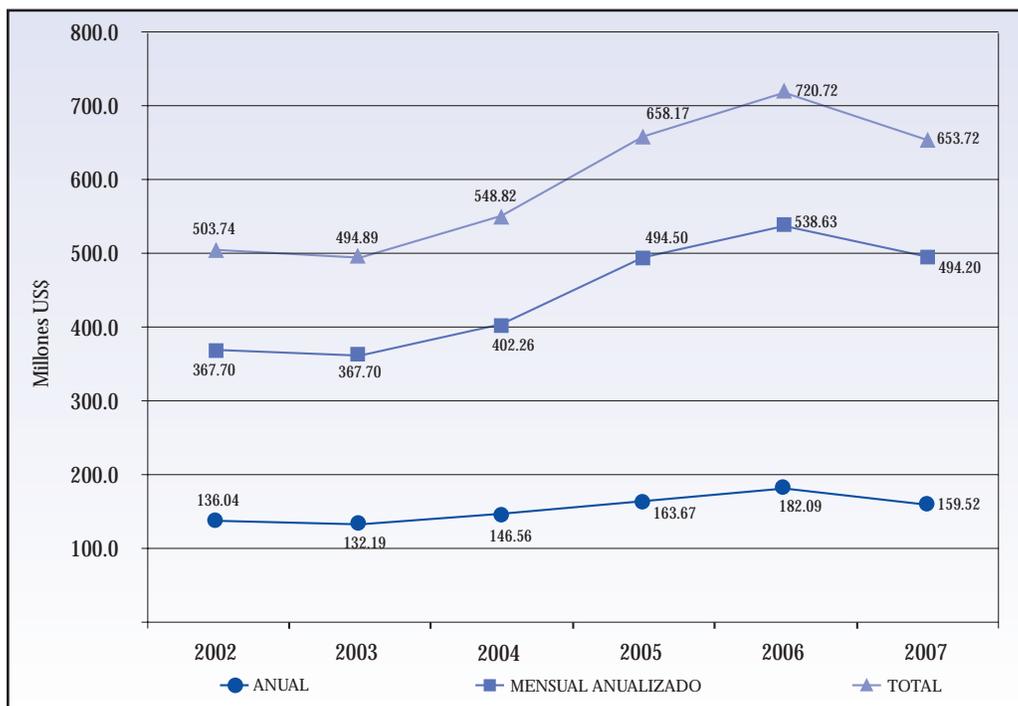
### 4.1 Household Investments in Education

Another section covers the data regarding donors, companies and NGOs. Households constitute, together with the government, the largest group of education investors. Households fund both private and public education, while public investment only covers students in the public sector. Consultation meetings were carried out with the General

Directorate for Statistics and Census (DIGESTYC) of the Ministry of Economy of El Salvador (MINEC) in order to incorporate the contributions made by households to education throughout the construction of the National Education Accounts (NEA). Additionally, the database of the Multiple Purpose Household Survey (EHPM) was also processed, and the results for the period from 2002 to 2007 have been systematized, using the year 2002 since the survey forms were changed that year, and the US Dollar became the national currency of El Salvador in 2001.

The Multiple Purpose Household Survey (EHPM) of the DIGESTYC/MINEC allows estimating household investment in education on a yearly basis, in accordance with the statistical analysis methodology. The sample that backs up the EHPM has national coverage and can be disaggregated by departments on variables such as annual and monthly expenditures.

Figure No. 6: Household Expense Trends (2002-2007) in million US \$



Source: Own, based on the data base of DIGESTYC, (EHPM 2002-2007)

Annual expenditures are reported as enrollment fees, school materials, school uniforms, text books and footwear. Monthly expenses are targeted for school fees, tuition, transportation, school snacks, and others, which are consolidated into one single annual lump figure. For purposes of estimating the annual expenditure figure, the school year has been determined at ten months.

The cross of this variable with the type of school (private/public) and the educational level of household members that are currently studying, allows for the estimating of education investment for early childhood education, primary, secondary, higher, university, non university, special education and other. Aggregation periods are established on an annual basis, and can be aggregated to the amounts of the budget executed every year by the public sector and the remaining private sector (international donors, private companies, and NGOs).

The total family expenditure at current prices in education services for the period referenced increased from US\$503.7 million in 2002 to \$653.7 million in 2007; equivalent to a 3.2%

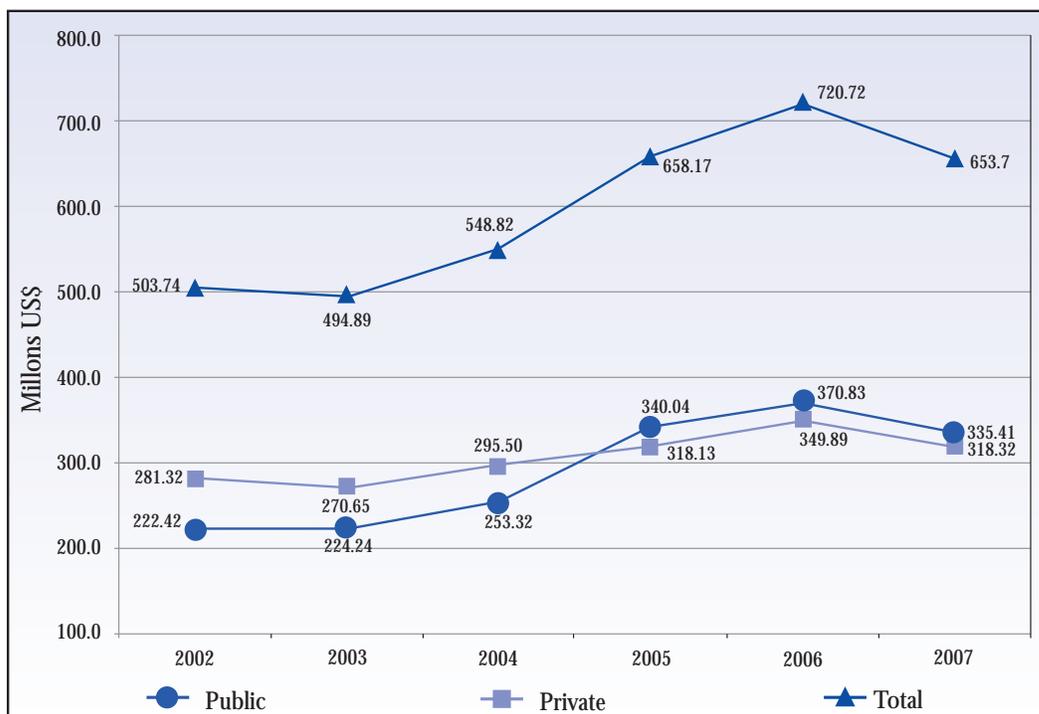
share of the GDP for the last year. Annual disbursements remain relatively stable, with an average of US \$153.3 million a year. Expenses in monthly items were higher, and the average yearly estimated amount to US \$ 443.3 million.

### A. Household Investments per type of School

It is important to keep in mind that households invest in two types of education: public (called official by the EHPM) and private, which is the sum of all expenditures in education at religious and non religious private schools reported to the EHPM by the households.

Interesting results emerge upon reviewing the amounts invested, disaggregated per education service provider, since the expenses at private schools remain pretty stable, increasing from US \$281.3 million in 2002 to US \$318.3 in 2007. Household expenditures in public schools increased even more from US \$222.4 million in 2002, to US \$ 335.4 million in 2007.

**Figure No. 7**  
Household Investment in Education by Public and Private Sector (2002-2007) in million US \$



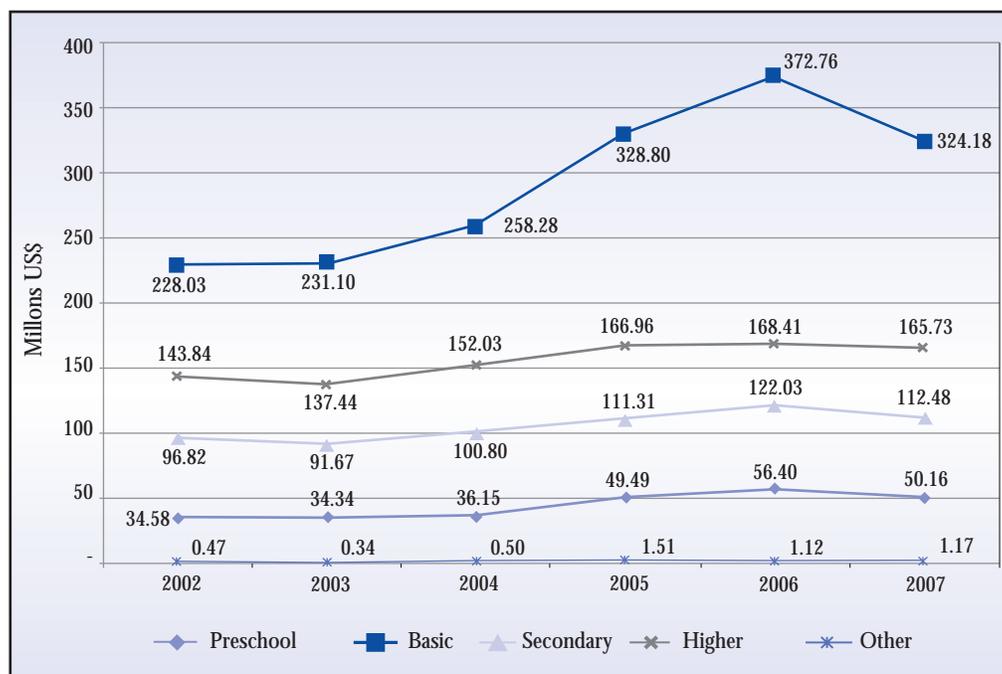
Source: Own data, based on the data base of DIGESTYC, (EHPM 2002-2007)

## B. Household Investments by educational level

The EHPM classifies education levels as: pre primary, basic (first to ninth year), secondary, higher, university, non university higher education and other, within what is considered special adult education. For purposes of presenting results comparable to the ones of the public sector, we have clustered higher education into one single group.

Household investments are concentrated in three education levels: Basic, equivalent to 45.3% (US \$228 million) of the total household expenses in 2002 and 49.6% (US \$324.1 million) in 2007; higher education in second place, which represented 28.6% in 2002 (US \$143.84 million) and 25.4% in 2007 (US \$165.73 million); secondary education ranks third in importance, and represented 19.2% in 2002 and 17.2% in 2007, equivalent to US \$96.2 million and US \$ 112.48 million respectively.

Figure No. 8: Household Investment in Education per educational level (2002-2007) in million US\$



Source: Own data, based on the data base of DIGESTYC, (EHPM 2002-2007)

## C. Household Investments by expense category and type

By 2007, households had spent 75.6% (US \$494.2 million) of the total funds on monthly line items, particularly on school food (40.5%) equivalent to US \$ 264.7 million of total expenditures and on tuition (23%) or US \$150.5 million. Annual expense line items are mainly school materials (25.8%) equivalent to US \$42.13 million, enrollment fees (21.5%) or (US \$ 32.91

million, and footwear (20.2%) equivalent to US \$ 31.09 million.

Annual line items increased their share due to the amount invested, and include enrollment fees, school materials and footwear. It is important to highlight this fact since the families interviewed stated that at the beginning of each school year they have problems covering all these expenses. The most important line items are tuition, school snacks that at the end became a component similar to school meals, and transportation.

Despite the fact that households designate the majority of their resources to public providers, they still have to make a significant

disbursement in tuition and enrollment fees, and also to keep the students inside the educational system.

Chart No. 12: Household investments in education by type of expenditure 2002-2007 in US\$

Type of Expenditure	2002	2003	2004	2005	2006	2007
<b>Annual Costs</b>						
Registration	\$ 37,413,540.50	\$ 36,426,929.30	\$ 37,460,970.00	\$ 35,428,390.50	\$ 38,298,540.75	\$ 32,914,936.26
Utilities	\$ 32,033,428.10	\$ 30,807,653.30	\$ 36,455,911.00	\$ 42,926,678.80	\$ 48,536,737.24	\$ 42,138,188.71
Uniforms	\$ 23,088,395.40	\$ 21,759,383.90	\$ 24,160,045.00	\$ 28,495,643.80	\$ 31,869,539.69	\$ 27,873,760.94
Texts	\$ 15,619,151.20	\$ 15,738,487.70	\$ 18,248,406.00	\$ 23,913,329.80	\$ 27,143,480.57	\$ 25,505,253.32
Shoes	\$ 27,889,860.50	\$ 27,454,736.10	\$ 30,236,455.00	\$ 32,905,592.90	\$ 36,246,697.28	\$ 31,089,699.76
<b>TOTAL</b>	<b>\$ 136,044,375.70</b>	<b>\$ 132,187,190.20</b>	<b>\$ 146,561,787.00</b>	<b>\$ 163,669,635.80</b>	<b>\$ 182,094,995.53</b>	<b>\$ 159,521,838.99</b>
<b>Monthly Costs</b>						
School Fee	\$ 144,688,139.40	\$ 140,442,731.40	\$ 154,859,160.00	\$ 152,496,057.00	\$ 166,895,280.70	\$ 150,540,037.30
Transportation	\$ 60,124,587.40	\$ 60,442,355.40	\$ 66,344,540.00	\$ 75,221,480.70	\$ 78,753,174.90	\$ 74,567,563.80
Break fees	\$ 155,957,651.40	\$ 155,966,987.40	\$ 177,969,960.00	\$ 262,660,513.90	\$ 287,148,269.50	\$ 264,691,112.10
Other	\$ 6,927,937.10	\$ 5,849,395.40	\$ 3,088,400.00	\$ 4,123,537.50	\$ 5,830,176.80	\$ 4,402,204.90
<b>TOTAL</b>	<b>\$ 367,698,315.30</b>	<b>\$ 362,701,469.70</b>	<b>\$ 402,262,060.00</b>	<b>\$ 494,501,590.00</b>	<b>\$ 538,626,901.90</b>	<b>\$ 494,200,918.10</b>
<b>TOTAL</b>						
<b>TOTAL</b>	<b>\$ 503,742,691.10</b>	<b>\$ 494,888,659.90</b>	<b>\$ 548,823,847.00</b>	<b>\$ 658,171,225.80</b>	<b>\$ 720,721,897.43</b>	<b>\$ 653,722,757.09</b>

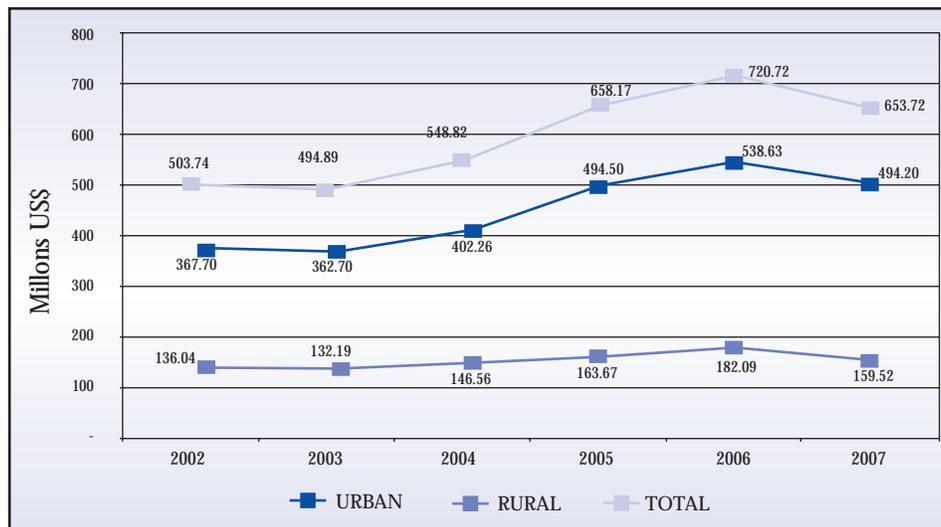
Source: Own data, based on the data base of DIGESTYC, (EHPM 2002-2007)

### D. Investments by geographical area

Upon analyzing the outcomes of the total household investment in education, disaggregated by rural and urban geographical areas, it is evident that by the year 2007, out of the total US

\$653.72 million, only 3.4% was designated to rural education funding, and this ratio has remained quite constant up to 2004. This amount has increased steadily from US \$91.72 million in 2002 to US \$153.15 million in 2007.

Figure No. 9: Total Household Investments by zone (2002-2007) in US\$



Source: Own data, based on the data base of DIGESTYC, (EHPM 2002-2007)

The low share of rural household expenses in education could be due to a lower concentration of inhabitants in that zone and also because rural area inhabitants tend to place less importance on education. These reasons could be investigated with greater depth in future studies.

### E. Household investments by income quintiles according to per capita income

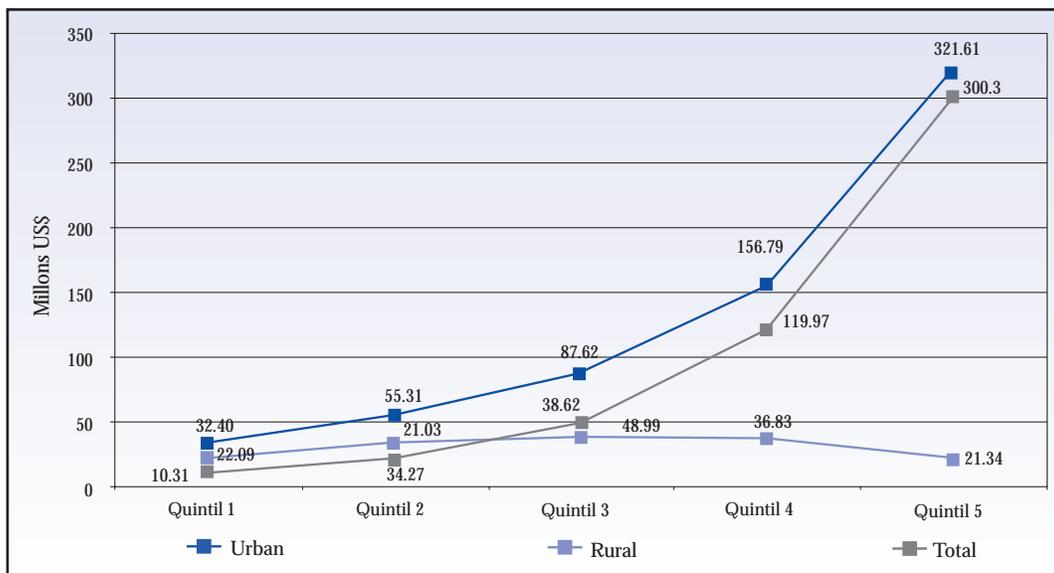
In order to continue analyzing household expenditures in education, we ranked households from the lowest to the highest income per capita, and grouped them into five categories (household quintiles), each one with 20% of the recorded households in ascending order. Therefore, quintile 1 represents the lowest income households and quintile 5 the highest income households.

When we compare household expenditures in education with income, it is evident that there is a direct and proportional relationship, as expected; the households in the lower income quintiles have of course the lowest share in education funding.

At the national level, this amount gradually increased to US \$ 32.4 million in 20% of the poorest households and to US \$ 321.6 million in the households of quintile 5, with the highest income.

It is important to highlight that by the year 2007, quintile 1, comprised of the lowest income group, showed that households in the urban area spent an average of USD\$221.46 per student, which is higher than the expenditures by rural households of US \$158.91. In absolute terms, the invested amount per urban household (US \$22.4 million) is significantly higher than the amount spent by rural households (US \$10.3 million).

Figure No. 10: Total Household Investments by zone and quintile (2007) in million US\$



Source: Own data, based on data from DIGESTYC, (EHPM 2007)

As is normal in population distribution based on income, the participation of the rural population compared to the urban population gradually dropped as the quintile 1 category gradually moved up to quintile 5 category. In fact, the urban student population categorized in quintile 1 amounts to 46,561 students,

while the rural population doubles this amount reaching 138,984 students; this explains that notwithstanding the average expenditure per household in the urban area is higher than in the rural area, the absolute amounts are higher in the latter. (See the Chart No. 13).

Chart No. 13: Average Investment, by student, zone and quintile (2007) in US\$

Quintile	Urban Student Population	Cost per Urban Student	Rural Student Population	Cost per Urban Student	Population Total	Total Cost per Student
1	46,561.00	\$ 221.46	138,984.00	\$ 158.91	185,545.00	\$ 174.60
2	109,850.00	\$ 191.49	177,355.00	\$ 193.24	287,205.00	\$ 192.57
3	193,020.00	\$ 253.83	164,178.00	\$ 235.24	357,198.00	\$ 245.29
4	344,766.00	\$ 347.96	125,730.00	\$ 292.89	470,496.00	\$ 333.25
5	414,489.00	\$ 724.43	48,678.00	\$ 438.44	463,167.00	\$ 694.38
Total	1,108,686.00	\$ 451.50	654,925.00	\$ 233.84	1,763,611.00	\$ 370.67

Source: Own data, based on data from DIGESTYC, (EHPM 2007)

For the urban areas, it can be observed that the ratio of student participation to income level is directly proportional; in the rural area, the ratio is inversely proportional, that is, the higher the income levels the lower the participation of students.

## F. Household Deductions from Education Investments

In the last analysis we compared the data on household investments in education taken from the EHPM

to the global amounts declared as a deductible expense for education expenditure in the tax returns delivered to the Internal Revenue Service. Chart no. 14 shows that despite the strong investment by households in education, one part of this expense is returned by the state, so the final net investment is really lower. In the year 2004, the net investment amounted to \$462.2 million and in 2007 it topped \$482.6.

The following chart shows how these household deductions have increased in recent years, from 16% in 2004 to 26% in 2007.

Chart No. 14: Household deductions for expenditures in education 2004-2007 in US \$

YEAR	Household deduction	Household expenses	%
2004	\$86.60	\$548.82	15.8%
2005	\$97.10	\$658.17	14.8%
2006	\$108.90	\$720.72	15.1%
2007	\$171.10	\$653.72	26.2%

Source: Internal Revenue Directorate- Ministry of Finance of El Salvador

## 4.2 Investments of the Higher Education Institutions

Education service providers are an important component within the NEA. Higher education institutions (IES) of El Salvador are classified into three groups:

- a. Universities
- b. Specialized Institutes
- c. Technological Institutions

The accreditation process set forth in the Higher Education Law authorizes the MINED to compile data from all higher education institutions, which is necessary to build aggregated indicators from higher education centers. Amounts, type of expense, and income levels and sources are some of the variables used. This chapter contains the data corresponding to higher education institutions, detailed by funding source (income) and main line item by expenditure, provided by the National

Directorate for Higher Education of the MINED (DNES).

### A. Basic Higher Education Statistics

For purposes of this analysis, we took a series of data from the period between 2002 and 2007. The public IESs include: the University of El Salvador (UES), the Military School Capitán General Gerardo Barrios, the National School of Agriculture Roberto Quiñónez (ENA), the Central American Technological Institute (ITCA), the Technological Institute of Chalatenango, the Technological Institute of Sonsonate, the Technological Institute of Usulután. All others are private higher education institutions. It is important to clarify that some organizations classify the last four institutions as private institutions with a State subvention. Nevertheless, for purpose of this analysis, we have included them within the public IES. During the period of analysis the number of higher education institutions dropped from 26 to 24, specialized centers dropped to 5, and technological institutes to 8.

Chart No. 15: Number of Higher Education Institutions by type 2002-2007

Year	Universities	Specialized Institutions	Technical Institutions	Total IES
2002	26	6	9	41
2003	26	5	9	40
2004	26	5	9	40
2005	26	5	8	39
2006	26	5	8	39
2007	24	5	8	37

Source: Own data, based on information from the Higher Education Directorate of the MINED

### B. Higher Education Institute Investment by funding source

According to the data provided to the MINED by the Higher Education Institutions (IES) through the National Directorate

for Higher Education, sources are classified into:

- a. Income from student tuitions
- b. Income from donations
- c. income from subsidies,

- d. Income from the sales of services  
e. Other income

The income behavior of the IES by funding source for the period from 2002 to 2007 shows that the highest percentage of income is from student tuitions that in the year 2002

accounted for 53.7% (US \$71.69 million) and 51.8% (US \$96.15 million) in 2007. Subsidies constitute another important funding source for IES that in the year 2002 amounted to US \$30.93 million and in 2007 to US \$ 59.15 million, equivalent to 23.2% and 31.9% of total income for those years.

**Chart No. 16: IES Income by funding source (2002-2007) in US\$**

Financing Source	2002	2003	2004	2005	2006	2007
Revenue from Students	\$ 71,689,807.59	\$ 75,151,058.25	\$ 80,464,519.19	\$ 83,658,195.80	\$ 88,060,683.36	\$ 96,151,381.10
Donations	\$ 3,071,962.53	\$ 2,855,786.66	\$ 3,133,288.80	\$ 3,670,105.09	\$ 4,004,758.11	\$ 2,448,983.98
Subsidies	\$ 30,929,710.75	\$ 32,845,535.64	\$ 41,970,334.69	\$ 51,865,021.72	\$ 58,402,882.21	\$ 59,149,206.51
Sale of Goods/Services	\$ 12,676,965.24	\$ 11,119,857.30	\$ 15,296,376.00	\$ 14,165,369.17	\$ 15,503,026.42	\$ 17,435,072.45
Other Revenues	\$ 15,179,646.91	\$ 9,879,637.32	\$ 12,967,595.58	\$ 16,795,974.47	\$ 25,114,589.29	\$ 10,276,322.42
<b>Total Revenue</b>	<b>\$ 133,548,093.02</b>	<b>\$ 131,851,875.17</b>	<b>\$ 153,832,114.26</b>	<b>\$ 170,154,666.25</b>	<b>\$ 191,085,939.39</b>	<b>\$ 185,460,966.46</b>

Source: Own data, based on information from the Higher Education Directorate of the MINED.

In 2007 this analysis disaggregated universities into public and private institutions and as expected, the income from student tuitions is still the highest source of income of private IES, accounting for US \$89.17 million, equivalent to 81.1% of total income, compared to the US \$6.9 million generated by tuitions from public institutions.

Contrary to tuitions, income from subsidies represents 78.4% of total income (US \$59.15 million) for public universities, the majority of which comes from transfers from the MINED to the UES.

**Chart No. 17: IES Income by Funding Source and sector 2007 in US\$**

Financing Source	Public	Private	Total
Revenue from Students	\$ 6,979,549.71	\$ 89,171,831.39	\$ 96,151,381.10
Donations	\$ 177,402.01	\$ 2,271,581.97	\$ 2,448,983.98
Subsidies	\$ 59,149,206.51	\$ -	\$ 59,149,206.51
Sale of Goods/Services	\$ 8,870,263.10	\$ 8,564,809.35	\$ 17,435,072.45
Other Revenue	\$ 290,256.19	\$ 9,986,066.23	\$ 10,276,322.42
<b>Total Revenue</b>	<b>\$ 75,466,677.52</b>	<b>\$ 109,994,288.94</b>	<b>\$ 185,460,966.46</b>

Source: Own data, based on information from the Higher Education Directorate of the MINED

## A. Detailed Higher Education Institution Investments

The data offered by the IES helped to analyze the type of investment in education according to expense type, for which it was necessary to classify the budget executed

by the IES into: a) salary expenses, b) scientific research expenses, books, equipment, training and other investments, c) expenses in social and cultural projections, sports activities, scholarships and other expenditures, d) expenses in infrastructure, e) operation and working expenses.

**Chart No. 18: IES Investments by type of expense (2002-2007) in US\$**

Type of Investment	2002	2003	2004	2005	2006	2007
Salaries	\$ 64,493,829.06	\$ 73,665,172.61	\$ 80,790,469.46	\$ 86,458,757.03	\$ 79,678,183.50	\$ 111,459,925.20
Science, books, equipment, trainings,	\$ 9,276,423.83	\$ 10,438,979.40	\$ 12,036,548.56	\$ 11,207,485.34	\$ 21,601,689.63	\$ 13,755,525.23
Social/cultural projects, athletics, and scholarships	\$ 20,483,926.77	\$ 22,497,782.98	\$ 23,568,879.09	\$ 24,120,488.71	\$ 28,883,491.26	\$ 44,541,207.03
Infrastructure	\$ 6,695,985.42	\$ 4,723,058.33	\$ 7,309,725.93	\$ 9,438,135.57	\$ 17,735,923.78	\$ 5,641,726.98
Operations	\$ 16,481,939.31	\$ 15,176,035.25	\$ 19,480,412.30	\$ 18,061,991.73	\$ 19,020,285.07	\$ 19,689,173.94
<b>Total</b>	<b>\$ 117,432,104.39</b>	<b>\$ 126,501,028.57</b>	<b>\$ 143,186,035.34</b>	<b>\$ 149,286,858.38</b>	<b>\$ 166,919,573.24</b>	<b>\$ 195,087,558.38</b>

Source: Own data, from the data base of the Higher Education Directorate of the MINED

Observing the behavior of IES expenditures between 2002 and 2007, it is evident that teacher and administrative staff wages account for the highest proportion of expenses (54.9%) equivalent to US \$64.49 million in 2002 and to (51.8%) equal to US \$111.46 million of total expenses in 2007. Investments in social and cultural projections as well as in sports and

scholarships are the next of importance, amounting to US \$20.48 million (17.4%) in 2002 and to US \$44.54 million (22.8%) in 2007. The third position in order of importance is for operational and working expenses that represented 14.0% (US \$16.48 million) in 2004 and 10.1% (US \$19.69 million) in 2007.

**Chart No. 19: IES Investments by type of Expense per Sector (2007) in US\$**

Type of Investment	Public	Private	Total
Salaries	\$ 61,413,713.92	\$ 50,046,211.28	\$ 111,459,925.20
Scientific investments, books, equipment, training and other	\$ 6,315,865.79	\$ 7,439,659.44	\$ 13,755,525.23
Social, Cultural and sports projections, scholarships and other	\$ 17,897,674.84	\$ 26,643,532.19	\$ 44,541,207.03
Infrastructure	\$ 855,449.37	\$ 4,786,277.61	\$ 5,641,726.98
Operation	\$ 4,660,612.20	\$ 15,028,561.74	\$ 19,689,173.94
<b>Total</b>	<b>\$ 91,143,316.12</b>	<b>\$ 103,944,242.26</b>	<b>\$ 195,087,558.38</b>

Source: Own data, from the data base of the Higher education Directorate of the MINED

This same exercise was repeated but by disaggregating IES into public and private for the year 2007 instead. Outcomes showed that the same is true regarding private IES expenditures, where salaries account for 48.1% (US \$ 50.05 million) of total expenses. Expenses in social and cultural projections equal 25.6% (US \$ 26.64 million), sports activities, scholarships and other expenses

account for 14.5% (US \$ 15.028 million). In public IES wages account for US\$61.41 million, equivalent to 67.4% of their total expenses, followed by social projection expenses US \$17.9 million (19.6%) and scientific research, procurement of books, equipment, training and other expenses, for the sum of US \$ 6.32 million that represents 6.9% of their total expenditures.

It is important to mention that by incorporating the chapter on higher education institutions into the National Education Accounts (NEA) as investors in education in El Salvador, and disaggregating them into private and public institutions, it was necessary to reconcile data in order to avoid duplications. Only the differential that does not originate from enrollment fees and tuition as declared in the EHPM for both private and public institutions is considered in the final investment report. In the case of private institutes we also verified the deduction of the transfer by the MINED to the UES.

### 4.3 Private Sector Investments. Subsectors of Donors, Non Governmental Organizations and private companies

The data presented in this section was gathered from a survey designed to close the data gaps among these three stakeholders. The survey was implemented in 2008 and information was requested for the period from 2006 to 2008. The sample taken included small and large companies, but is not representative of these sectors because the firms that collaborated did so either through a strategic partner or through their identification with public education.

#### A. Detailed investments by donors, NGOs and private companies

The investment of these three stakeholders in education during the period under analysis amounted to \$136.8 million, out of

which 85.4% corresponded to international donations. Companies and NGOs represent 5% and 9.5%, respectively. The amount spent in education by donors and NGOs increased during the period. Companies reported a reduction of approximately \$900 thousand between 2007 and 2008. See chart No. 20.

There is no data on companies for the year 2006, due to the difficulty of gathering information for the previous years and given that companies require more than one department to consolidate data. Other reasons mentioned by the firms were: that the 2008 social project program had not been approved yet and there was no assurance that the programs of previous years would continue.

The budget for investments in education projects decreased due to the lack of clarity or guidance regarding needs and the channels to designate funds, among other reasons. In opposition to other stakeholders, donors designate significant funds for education projects. It is important to highlight that there is constant coordination with the MINED through the Table of Donors coordinated by the Directorate for Donors. Donors not only contribute considerable amounts to education but also collaborate with execution and action lines for specific periods, and in special cases, can respond to unforeseen needs by increasing their cooperation.

NGOs provide incremental investments. These organizations also enjoy a closer coordination link with the MINED and carry out several actions directly with the schools.

Chart No. 20: Investments in Education by private Sub Sector, cooperating entities, NGOs and companies

Source	2006	2007	2008	TOTAL
Companies		\$ 3,866,944.23	\$ 2,935,595.18	\$ 6,802,539.41
NGOs	\$ 974,101.09	\$ 5,288,482.03	\$ 6,850,258.16	\$ 13,112,841.28
Donors	\$ 35,790,582.82	\$ 35,396,992.38	\$ 45,763,012.72	\$ 116,950,587.92
Total	\$ 36,764,683.91	\$ 44,552,418.64	\$ 55,548,866.06	\$ 136,865,968.61

Source: In-house compilation based on information from the NEA. Year 2007

## B. Investments by donors, NGOs and companies by educational level

The distribution of investments in education is heterogeneous for each one of the private stakeholders. Each one has its own educational level which it impacts in its own particular way. The private sector targets investments mainly for universities, \$1.2 million in 2007 and \$1.1 in 2008; followed by primary education as the second most funded level, and for the year 2008, expenditure increased by almost \$1.1 million. This is the only level that experienced an increase, since the total amount spent by the private sector in education dropped during that period.

The distribution of NGO investment shifted, the same as the

total amount invested during the period under analysis. Expenditures in educational projects for primary school reflect an important increase from \$112,300 in 2006 to \$2.4 million in 2008. This same growing trend is true for specialized institutions that record increases that reached \$2.3 million in 2008. Adult education is an important item in the NGO investment portfolio, going from \$81,000 in 2006 to \$211,000 in 2008.

International donors invest in a more equitable fashion; nevertheless, for the period under analysis, the levels in which more drastic changes in investment were observed are mainly in high school, reflecting an expenditure of \$684,500 in 2006, which increased to \$6.7 million in 2008.

**Chart No. 21: Investments in Education by private sub sector, donors, NGOs and companies**

Education levels	2006			2007			2008		
	NGO	Donors	Companies	NGO	Donors	Companies	NGO	Donors	
Maternal		\$ 454.43	\$ 1.72	\$ 35.00	\$ 517.29	\$ 2.37	\$ 35.00	\$ 448.83	
Pre Primary	\$ 105.31	\$ 4,475.34	\$ 199.63	\$ 206.97	\$ 8,511.14	\$ 51.44	\$ 249.27	\$ 9,317.85	
Primary	\$ 112.37	\$ 17,078.17	\$ 986.76	\$ 1,399.26	\$ 10,588.56	\$ 1,088.47	\$ 2,472.11	\$ 13,205.23	
Third Cycle	\$ 118.55	\$ 8,988.66	\$ 654.75	\$ 362.13	\$ 3,529.02	\$ 259.25	\$ 504.97	\$ 8,742.01	
High School		\$ 684.57	\$ 660.55	\$ 734.39	\$ 5,383.15	\$ 388.97	\$ 505.34	\$ 6,782.80	
University		\$ 432.82	\$ 1,222.39		\$ 1,060.70	\$ 1,008.32		\$ 1,017.74	
Technical Institutes	\$ 265.15	733.48	\$ 58.52	\$ 873.74	\$ 3,561.68	\$ 57.34	\$ 377.50	\$ 3,901.86	
Specialized Institutions	\$ 31.00		\$ 6.13	\$ 1,350.43	\$ 1,149.84	\$ 6.44	\$ 2,395.23	\$ 1,685.08	
Education for Adults	\$ 81.17	\$ 219.54	\$ 42.50	\$ 243.28	\$ 601.08	\$ 35.00	\$ 211.50	\$ 626.65	
Other	\$ 142.00	\$ 2,723.56	\$ 34.00	\$ 83.29	\$ 494.54	\$ 38.00	\$ 99.34	\$ 34.97	
<b>TOTAL</b>	<b>\$ 974.10</b>	<b>\$ 35,790.58</b>	<b>\$ 3,866.94</b>	<b>\$ 5,288.48</b>	<b>\$ 35,396.99</b>	<b>\$ 2,935.60</b>	<b>\$ 6,850.26</b>	<b>\$ 45,763.01</b>	

Source: In-house compilation based on information from the NEA. Year 2007

Technological Institutes received funds in 2006 for the amount of \$684,500, recording an increment up to \$3.9 million in 2008. The investment in university education increased from \$432,000 in 2006 to \$1.0 million in 2008

## C. Type of investment by donors, NGOs and companies by educational level

Investments by these stakeholders can be permanent or non

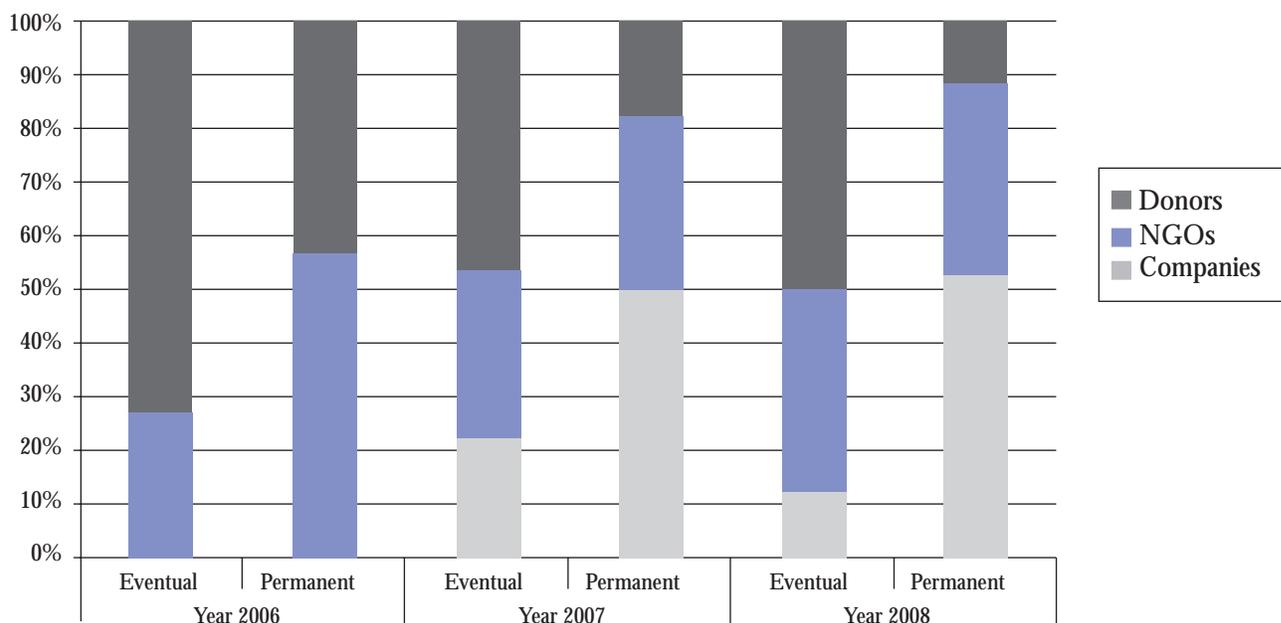
permanent, depending on several factors. Domestic firms, for instance, report that 42% of their investment is permanent. There are several cases in which firms considered that it was important to benefit schools located near their main offices, or where they executed their projects, since it allowed for building closer relationship with the surrounding communities.

In the case of NGOs, permanent investments represented 60% of the total amount invested within the period mentioned.

On the other hand, permanent investment by donors only represented 28.6% of their total donations. Their greatest investment is in infrastructure projects of a non permanent

nature. In contrast, non permanent projects accounted for 71.4% of their global investments and in the case of NGOs represented 40% of their funding.

**Figure No. 11**  
**Type of Investment by private stakeholders:**  
**Donors, Companies and NGOs, 2005-2007 in percentages**



Source: In-house compilation based on information from the NEA. Year 2007

### D. Investments in Training by cooperating entities, NGOs and businesses

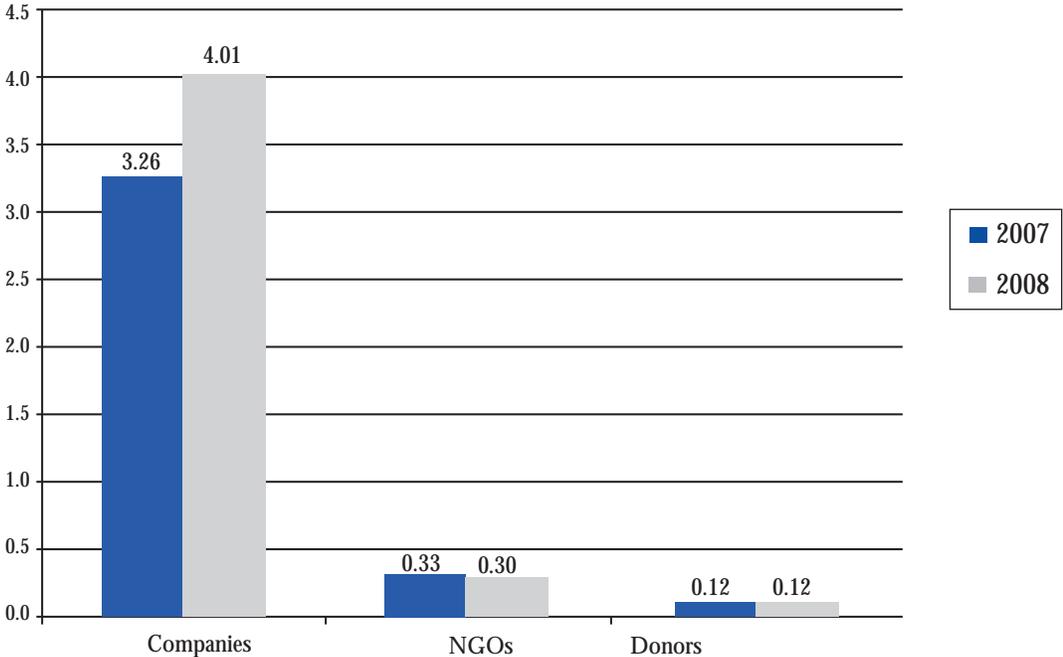
Survey outcomes show that 90% of global expenditure in training is carried out by private companies, equivalent to an investment of \$7.3 million for the period, which reflects a surge from \$3.2 million in 2007 to \$4.0 million in 2008.

On the other hand, NGOs invested the amount of \$621,200 in training during the period under study, recording a slight decrease in investments in 2008. Nevertheless, this information could be under-recorded, since at the outset it was believed that NGOs and donors did not invest significantly in this area.

The manner in which funds are channeled for training is defined by the needs of each stakeholder. NGOs consider that it is more important to train their management staff (30.6%) than their operational staff (13%), since they need a strengthened management to carry out projects with other organizations and to account for the executed works. Managers (27%) and technicians (25%) receive greater training at the NGOs, since they are in charge of developing projects.

Donors target 57.2% of their investments for training managers and technical staff and the remaining 42.8% of the global expenditure in training is distributed equally among administrative, operational and other staff.

Figure No. 12  
Type of Investment by Private Stakeholders, Donors,  
NGOs and Companies 2007-2008 in percentages



Source: In-house compilation based on information from the NEA. Year 2007

## 5. Education funding and investment needs in El Salvador

The National Education Accounts has tracked different funding sources for each educational level in the country. The results show that continuous funding is needed at the preschool and secondary levels. Despite the considerable investment at the higher education level, figures have demonstrated the challenges that still have to be overcome. Additionally, early childhood education is emerging as a new group that will need further investments as a result of recent changes in the national laws.

Based on the NEA results, several steps were undertaken by the 2004-2009 administration to overcome the funding needs at each education level in the country, in particular at the secondary education level. These efforts were geared towards lowering household expenditure at the secondary level, and in maintaining and expanding the school food program to include other education levels.

The NEA data suggests that, currently, the majority of the education expenditures made by the public sector are running budget costs. This can be explained by the structure of the education system, where human resources are crucial to attaining educational goals. Contracting teachers requires a strong permanent investment. On the other hand, capital investments are low, and have been low for the last ten years, with the exception of the period in which international loans with multilateral organizations were formalized to fund needs.

Increasing capital investments heighten the financial requirement scenarios. A detailed report of this information can be found in the document called, "Financial Requirements to Attain the Educational Objectives of the Millennium Development Goals and of the 2021 National Education Plan," prepared by the Ministry of Education and the United Nations.

As more specific expenditure line items are identified by the NEA, more needs emerge. It is not only a matter of funding one more classroom, or a new teacher, or even a whole new school. Rather, other needs become evident, like improving the quality of the services. Improving education quality requires

a strong investment not only in additional human resources but also in teaching materials and comprehensive strategies to ensure student retention. Therefore, increases in funding transfers from the administration to the schools are needed.

There are obvious areas where schools need additional funding. However, there are others, particularly administrative, that are not always as evident but are still critical to strengthening the capacity of the institution in offering a better education.

## 6. Conclusions

In El Salvador, the National Education Accounts tracked different education investments made by all Salvadoran stakeholders. Households and the government (central and local) are the main actors investing in education. The weight of household investment in education lies in enrollment fees and school materials. The central government mainly invests in teacher salaries and primary and secondary education. In the case of local governments, investments are mainly designated for school infrastructure, teacher wages and educational programs within their municipalities. Investments made by families and the government are trailed by investments from the donor community, which has maintained a continued level of investment in the form of research and project implementation. The private sector, in alliance with the public sector, has invested in textbooks, school materials, and scholarships; while NGOs invest in trainings and scholarships.

Salvadoran education investors have shown a marked preference for primary education, which becomes an incentive for the attainment of the Millennium goals. At present, coverage levels at this level are quite high, though this does not diminish the need to invest more at this level to continue and enhance quality. However, there are bigger gaps in preschool and secondary levels to this date. Those two levels are key requirements to complete 11 years of school education. Increasing investments in secondary education has been one of the priorities of the current administration and has become an investment target of all education stakeholders. However, we do not have the 2008 data available yet to evidence if there is a considerable increase on investment at this level. There are other government agencies that invest strongly in education, although mainly targeted at higher, primary and non formal education

All funding sources identified by the NEA methodology prove that investments in education exceed MINEDs budget of US\$575.1 million dollars. By including the investments made by local governments, the private sector and households, the total investment increases to US\$1.365.7 billion dollars. This is equivalent to 6.7 % of the GDP, comparable to the investment of other countries throughout the region. This amount illustrates

the importance that Salvadorians place on making education a priority.

At the end, the NEA analysis has been made public to motivate stakeholders to continue investing in education. Much has been accomplished, but there is still a long way to go, especially if Salvadorians seek to be a more globally competitive society.

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## Document Accronyms

ANDA	National Water and Sewage Administration of El Salvador
BCR	Central Reserve Bank of El Salvador
BID	Inter American Development Bank
BM	World Bank
CINE	International Standardized Education Classification
NEA	National Education Accounts
CNS	National Health Accounts
CONACYT	National Council for Science and Technology
DIGESTYC	General Directorate for Statistics and Census
EDUCO	Education with Community Participation
EHPM	Multi Purpose Household Survey
FANTEL	Special Fund of Resources from the Privatization of ANTEL
FISDL	Social Investment Fund for Local Development
FODES	Fund for the Economic and Social Development of Municipalities
FUSADES	Salvadoran Foundation for Economic and Social Development
INSAFORP	Salvadoran Institute for Professional Education
ISDEM	Salvadoran Institute for Municipal Development
ISNA	Salvadoran Institute for the Comprehensive Development of Children and Teenagers
MIHAC	Ministry of the Treasury
MINED	Ministry of Education
MOP	Ministry of Public Works
PAEBA	Basic Adult Education Program
PIB	Domestic Gross Product
SAFI	Integrated Financial Management System
UES	University of El Salvador
UNESCO	United Nations Organization for Education, Science and Culture
US\$	US DOLLARS



The MINED, started the National Education Accounts Project within the framework of the 2021 National Education Plan in 2006, with the purpose of measuring the total expenditures of the country in the education system, disaggregating contributions by investment source and by education service provider. To this date, we have current data on the investments per education level and also on their contribution in terms of key indicators, such as the Gross Domestic Product of the country and public expenditures.

This document reflects the efforts carried out to systematize education investments; it includes data up to the year 2007, and is part of a series of studies related to investment in education. The Ministry of Education through the National Education Accounts Project, carried out this effort within the framework of the 2021 National Education Plan, driven with the support of USAID, through EQUIP2.

We consider that this report is a fundamental contribution to measure the efforts of various stakeholders in the development of education in El Salvador, and to translate these efforts into strategies that can contribute to the fulfillment of national and international goals. More importantly is to join efforts in favor of greater access to quality education services.