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THE ECONOMICS OF BASIC EDUCATION IN EL SALVADOR

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EXECUTIVE SUMMARY

Total expenditures in education almost doubled between 1970 and 1980 in real terms (adjusted for inflation), and expenditures in basic education increased 2.32 times. After 1980, expenditures in education fell 48% in real terms between 1980 and 1987, returning to virtually the same level reached in 1970. Basic education has lost a significant amount of real resources since 1980, as total expenditures in all levels of education for 1987 were less than the level reached in basic education alone in 1980. Such reductions in real resources affected capital expenditures and real salaries. USAID's revitalization program represents 8.6% of the total annual expenditures.

Salaries constitute 93 to 97% of the education expenditures. This implies that policy-makers lack a financial instrument to implement improvements in education, since the budget is driven by the payroll. The exaggerated proportion of salaries in the level of expenditures severely distorts the structure of expenditures which cuts into the efficient use of education resources. Under these conditions, unit cost is meaningless as an indicator of quality in the input structure of education.

The mean real teacher salary in basic education has fallen 60 to 67% in the 1980-1989 period. The main short-term effect of this decline is that many teachers hold one or two additional jobs (pluriempleo) which aggravates the situation created by teachers' poor attendance record at many schools. This seriously damages teacher performance in the classroom, especially in the presence of a total lack of supervision. The long-term effect can be even more grave since, with a secular decline in real salaries, only individuals from the most marginal socioeconomic levels of El Salvador would be attracted to the teaching profession. This, together with a chronic deterioration in the quality of teacher training, implies a continuous erosion of the teaching endowment of the nation.

Enrollment in private schools, on the other hand, grew from 6.7 to 12.2% of total basic education enrollment between 1978 and 1987. This implies a total growth in number of students of 2.3 times during the period, with most of that increase taking place after 1985. Other forms of private involvement in basic education is through community participation in local school affairs. Anecdotal evidence suggests that community participation is important and has potential in future strategies for educational development.

Parallel to the predominance of salaries in basic public education, (the MOE's main activity is personnel administration) were issues such as the output quality of education, virtually neglected in the range of educational policy choices. The

employment-salary equation is what determines the nature of the relationship between the MOE and the teachers' union. The possibilities for educational development in El Salvador are constrained by the concentration of administrative power in the MOE, and the concomitant concentration of power by the teachers' union. In this context, communities (and parents) have no influence in the educational process.

The management information system for educational decisions is flawed since student flow statistics are not related to budgetary variables. Besides, the reliability of the raw data feeding the MIS is highly questionable. The planning function of the MOE is ineffective and must be radically changed. Efficiency analyses must be complemented with cost-efficiency and cost-effectiveness considerations. Another major deficiency of information flows is the lack of output-quality variables (academic achievement). There is no system in place to determine the effectiveness of textbooks on the efficiency of basic education, or on achievement.

The predominant concept of decentralization is naive since it is not based on a genuine transfer of decision-making powers to the periphery. There are strong incentives to keep the actual levels of centralization since decentralization of administrative powers implies a loss of political advantages to those holding the central power. Even though the communities or any other decentralized entities lack the experience to undertake a major decision-making role, decentralization of administrative routines must be pursued through a gradually implemented strategy.

The current educational management structure is creating a system of permanent dependence on foreign assistance. As the economic and fiscal prospects of El Salvador do not allow optimistic expectations about increases in the educational budget, the dependence on foreign assistance is expected to continue. It is necessary to reduce the financial dependence of educational development by implementing adapted technologies.

A major strategic reconceptualization of MOE and union roles must be carried out. There are competent and dedicated personnel among the ranks of the MOE that must be given significant participation in the restructuring of basic education. They must be the main protagonists of educational reform (not foreign consultants and contractors). The role of foreign technical assistance must focus on supporting the local personnel in finding and implementing solutions to the educational problems. These solutions must be more than simply technical in nature; they must involve human behavior and values. In fact, the technical component may be much less relatively important than international experts tend to imply. Education is produced in the classroom, not in the ministry, and the main actor in the process is the teacher. The teacher has gradually lost the status once enjoyed in the

society. The effectiveness of the teacher is enhanced when supported by the community and the students' parents. Though difficult, it is possible for a good teacher to perform with few instructional materials and even in a physically poor environment as long as he/she is able to motivate and inspire the students. Thus, to raise the social and economic status of the teacher, essential to effective educational development, it is necessary to formulate a strategy that includes effective training, gradual income increases tied to performance (monitored by parents and communities), and an increased public awareness of the importance of the profession in all aspects of national life.

It also is necessary to promote a strategic alliance between MOE and the teachers' union to transform the prevailing antagonistic relationship into one of mutual support and understanding. A central objective of such an alliance is to influence the central government and the general public to invest in education and improve the economic and social status of the teacher, with strong community involvement.

Recommendations for USAID Interventions

Project interventions that affect isolated areas by filling the MOE's budget gaps without profound complementary changes in management structure and styles should be reconsidered, since they are bound to have reduced or no effectiveness, while reinforcing the dependence on foreign assistance. The policy dialogue should include an agenda for in-depth transformation of the MOE's managerial structure and a firm GOES commitment to include in its public policy package a decision to invest more in basic education. The policy dialogue should include the teachers' union.

A number of areas with practical policy implications require some research before specific projects are designed. The research projects should be carried out with the intense participation of MOE and other Salvadoran personnel as a preparatory phase for the managerial transformation of the sector. Specific projects must be designed by Salvadorans with the assistance of highly effective international personnel (when needed) capable of transmitting knowledge to their counterparts.

USAID should consider financing the organic development of the MOE to transform it into a sophisticated and effective policy-making system. The effort should be developed in stages with verifiable targets over a long period of time, with possible experiments in decentralization and community participation. An important component should be the training of Ministry personnel, teachers, union members and officials, and selected community leaders, possibly through short- and long-term training programs, in the United States and third countries when advisable. Innovations in educational technology must be conditioned to managerial development.

I. INTRODUCTION

This study is focused on the basic education system of El Salvador which comprises the first nine years of formal schooling. Although USAID emphasizes primary education (first to sixth grades), such distinction is no longer made by the Salvadoran system implemented since the Educational Reform of 1968. As a result, the available statistical information is generally best suited for the analysis of basic education and not for primary. Nonetheless, the implications of the analysis that follows are equally valid for future policy actions regardless of whether or not they are aimed at the first six grades or extended three additional years.

To generate operationally useful policy implications and recommendations, a study of the financial aspects of basic education in El Salvador must be carried out in the wider context of applied economic analysis. There are several compelling reasons for this approach. First, it is universally accepted that budgetary allocations to basic education in El Salvador are highly insufficient; therefore, one of the critical challenges facing policy-makers and donor agencies is to identify feasible allocation alternatives, evaluate them, and choose the best courses of action. Secondly, the current financial constraint is so binding that even the best financially feasible alternative does not seem to be sufficient to promote strong educational development; therefore, it is necessary to define strategies that enhance the financial base of the system. Third, the secular deterioration of teachers' real wages and the workings of teachers' labor markets in El Salvador determine conditions that directly affect the efficiency and effectiveness of basic education; conditions that must be explicitly taken into consideration in any educational development effort. A fourth reason is that the current managerial and institutional structure and operating conditions of public education in the country does not guarantee a high usage level of the available resources--i.e., the decision-making process regarding allocation and use of resources is ineffective and must be radically changed. Finally, it is essential that the development of basic education in El Salvador become responsive to the economic development needs of the country at large, that educational development policies be integrated more effectively into the context of public policy in general, and that the education system be made accountable for its outputs.

All of the above-mentioned topics belong to the realm of micro and macroeconomic analyses and will be dealt with in this report to the extent allowed by data and time constraints. It is important to note at the outset that the economic aspects of educational development, though essential, are not presented here to indicate definitive solutions to the problems of basic educational development in El Salvador. The effort must be a

multidisciplinary one, where all of the other disciplinary aspects of education are brought into the picture. Economic analysis considerations, in synthesis, have two central objectives: to find the best educational development alternatives on the basis of cost-effectiveness in the presence of severe resource constraints, and to provide guidance on educational strategies for fostering high quality manpower.

Section II is dedicated to a brief analysis of the evolution of expenditures in basic education over a period of several years, their relative share in total government expenditures, and the proportion dedicated to salaries. The section also deals with the implications of the current unit costs, the levels of real salaries, and the role of private education. Section III deals with the effectiveness of the current educational management system, the availability and use of information, and the decision-making processes. Section IV examines the range of possible policy alternatives for future action. Finally, Section V is dedicated to recommendations for future USAID interventions.

II. FINANCING BASIC EDUCATION

The analysis of the evolution of the structure and composition of educational expenditures is limited by the availability of data with the "right" disaggregation. Even though El Salvador's Ministry of Education (MOE) has an effective and well-organized documentation center, financial statistics are not collected and tabulated to show the levels of expenditures by level of education, or the amounts actually dedicated to capital and recurrent expenditures in consistently long time series.¹ Financial data for basic education is only available for the 1970-1980 period; although the raw data seems to exist, its tabulation for this analysis was not feasible within the time framework allocated for this report.

The analysis below is based on "real" figures--i.e., adjusted to eliminate the distorting effects of inflation and to allow for year-to-year comparisons of the real levels of resources dedicated to education. Nevertheless, the adjustment process is based on implicit deflators whose reliability is not well established. The expenditure data also refers to actual execution of the corresponding budgets.

A. The Evolution of Real Public Expenditures in Education

Total expenditures in education almost doubled between 1970 and 1980 in real terms (adjusted for inflation), and expenditures in basic education increased 2.32 times (see Table 1). In the same period, real Gross Domestic Product (GDP) increased 37%, while total government expenditures increased almost 2.4 times. Simultaneously, the relative share of government expenditures in the GDP went from 11 to 19%, while the share of total education in the GDP also increased from 2.9 to 4.2%, but lost proportional participation in total government expenditures, decreasing from 26.9 to 22.2%.

In other words, in the period 1970-1980 expenditures in all levels of education and in basic education grew five and six times faster than the economy, but not as fast as total government expenditures. The mean rate of growth of expenditures in basic education was a hefty 8.9% per annum, while the corresponding rate of annual enrollment growth was 5.4%, suggesting that coverage increased. This also implies that a significant proportion of the increases in public spending was dedicated to provide the facilities (especially teachers, whose numbers increased 34% during

¹ Budget figures are available for many years in some detail, but not actual execution figures. Budget and actual figures typically tend to differ widely, especially with regard to non-labor expenditures, such as maintenance and investments.

that period, and classrooms) for a larger student body, and the rest to other cost components, such as teachers' salaries which increased 27% for the entire period. It is important to note that mean teachers' salaries during that period increased only between 1979 and 1980, losing ground in real terms during the 10 previous years. This means that the combined effect of increases in number of teachers and increases in mean salaries augmented the level of expenditures by 70% between 1970 and 1980 which means that the increase in total spending (2.32 times as mentioned above) reflected an increase in spending other than labor (presumably physical assets) equivalent to 62%.

The upward trend in expenditures for all levels of education came to an end in 1980 as economic activity regressed and despite the continuing growth in government expenditures until 1981. Total expenditures in education fell 48% in real terms between 1980 and 1987--i.e., returning to virtually the same level reached in 1970. At the time of this report, no information was available for actual expenditures in 1988. On the other hand, the breakdown of financial statistics by levels of education was discontinued after 1980 for reasons unknown. Yet, it can be assumed that real expenditures in basic education must have suffered a significant reduction over the period.

Some estimates in the MOE indicate that the share of basic education is currently 83% of the total recurrent budget, which implies that this level of education suffered relatively less than the secondary level. In any case, basic education has lost a significant amount of real resources since 1980. Table 1 shows that total expenditures in all levels of education for 1987 were less than the level reached in basic education in 1980. Such reductions in real resources affected capital expenditures (investment in physical facilities and spending in maintenance virtually came to a halt), and the real salaries. This latter point is discussed below in a separate section.

It is important to point out that within the financial resources available for education, USAID's revitalization program represents 8.6% of the total expenditures.² However, the proportion overestimates the actual transfer of resources to the education system since it contains a significant component of foreign technical assistance. On the other hand, the 8.6% underestimates the size of the contribution to basic education since the only comparison base available was the total level of expenditures which includes the upper secondary level. Although

² The proportion is estimated roughly on the total level of expenditures for 1987, and using as numerator the amount allocated for the revitalization program (US\$37.6 millions) divided by four years of expected execution, and converted into colones at the rate of exchange of 5 colones to the dollar.

the actual proportion may be somewhat greater or smaller than the estimate, it can be assumed to be highly significant, since it allows the financing of activities otherwise neglected because of a lack of domestic funds. The implications of external assistance also will be discussed at a later stage.

B. Composition of Expenditures³

The available statistics show that the proportion of labor costs (mostly teachers' gross salaries) to total expenditures in all levels of education taken jointly (no breakdown is consistently available) has been increasing since 1970 (see Table 2). This proportion reached 96% in 1986 and decreased to 93% in 1988. The lower proportion of labor costs in earlier years reflects relatively greater activity in investment expenditures.

The proportion of labor costs can be assumed to be higher for basic education since the non-labor costs tend to be higher for secondary and higher education. Some sources within the MOE place this estimate as high as 97%, which can be expected to be a better approximation since the actual expenditures tend to affect non-labor items proportionally more severely than employment. This is also consistent with the fact that the 1989 budget for school maintenance includes salaries for 500 workers but only 500,000 colones for building materials (implying that the maintenance crews are virtually idle--yet paid--most of the time). The Ministry's estimate of the amount of funds needed to provide the building materials necessary to employ the 500 maintenance workers is 14 million colones (at current prices). It also is estimated that such allocation would cover slightly more than the current corrective maintenance needs of the education system (basic and secondary or "media", with no breakdown available).

C. The Meaning of Unit Costs

It is common practice among educational analysts to use unit costs as an indicator of school quality, or perhaps less inaccurately, as an indicator of the quality of school inputs.⁴ Such an approach is mistaken and the case of El Salvador serves to demonstrate why. In a system where costs are driven by the payroll, costs per student are almost equal to teacher salaries per student, a coefficient that varies as a function of several factors, among them:

³ This analysis is based on budget figures, not on actual execution.

⁴ This practice has been borrowed from empirical investigators who use unit cost as a "proxy" for quality in regression analysis for lack of direct measurements.

- o The student/teacher ratio (also determined by internal efficiency conditions such as repetition rates).
- o The collective bargaining process between teachers' unions and the government.
- o The fiscal conditions that allow the government to reach certain wage rates.
- o The macroeconomic conditions that determine the general levels of productivity, inflation, and employment.
- c The actuarial structure of the teachers' body that determines automatic adjustments based on seniority (escalafón) and other factors.

Based on these five points, and in the presence of a 96% or higher proportion of labor to total costs, it becomes apparent that unit costs cannot be taken as quality indicators of any kind, and the analysis of their variations over time or over cross-sections is generally meaningless.

D. The Erosion of Real Wages and its Implications

The trajectory of nominal and real teacher salaries in basic education in El Salvador over the last 20 years is a study in instability and secular impoverishment. According to estimates generated for this analysis, nominal teacher salaries tend to remain constant for a number of years while they fall in purchasing power because of inflation. Occasionally they are adjusted upwards and in some cases, the adjustment is sufficiently high to more than compensate for the previous losses. Thus, for instance, nominal salaries remained relatively constant between 1968 and 1970 (no figures were found for 1971) losing around 4% up to 1970 to be adjusted nominally by 19%--i.e., increasing in real terms 17% (see Table 3). Then there are two more years in which the real loss is 17% and another adjustment in 1976 recovering part of the ground lost. At this point, mean real salaries are somewhat greater than the level reached in 1968 (6%) but lower than what they were in 1972 (-7%). The following three years represent alternative losses and almost equivalent adjustments of significant magnitudes. In 1980 a major adjustment is made in nominal wage rates (51%) lifting mean real salaries to their highest level since 1968 (24% above). From that time on, real salaries begin to erode acutely, dropping 60% until 1989. This secular deterioration is not smooth, however, since the loss for 1986 was only 27% in real terms.

The estimates of real salaries were based on the implicit deflators (inflation adjustment indexes) applied to GDP and various categories of expenditures, as shown in Table 1. Nevertheless, if

the salaries were to be adjusted by the available statistics on the consumer price index, the results would show a more severe erosion in real salaries, approximately 67%. In other words, the average salary of the basic education teacher in 1989 can buy today only 33 to 40% of what it bought in 1980.

Although a more comprehensive (and rigorous) analysis of the short- and long-run effects of this situation would require an examination of the structure of fringe benefits (especially pension regimes), the figures reflect a serious problem. How do teachers cope with this situation? What are the effects on teacher performance? What kinds of individuals can be recruited into the teaching profession under such conditions? Paradoxically (but not surprisingly) the MOE estimates that between five and seven thousand unemployed teachers are waiting for school vacancies. In strictly economic terms, this means that regardless of the losses in real wages, the current wage rates can continue their downward trend without affecting the supply of teachers. In other words, based on teacher supply-demand considerations alone, the current salaries are not so low, even if they are insufficient from the point of view of what they can buy. The level and continuous deterioration of real wage rates reflect the general economic and fiscal conditions which prevail in El Salvador. If several thousand unemployed teachers are willing to work at the current wage rates, no matter how much lower they are now compared to the levels of 1980, it is obvious that the economy at large is not offering any other better employment prospects.

A head-count approach to the demand and supply of teachers, however, and the concomitant wage rates is not sufficient to a thorough understanding of the situation. It is reported that moonlighting, or pluriempleo, is widespread among teachers, in many cases involving not only one but two extra jobs to maintain the previous levels of real income. The lack of effective supervision of teachers' school attendance and performance facilitates this phenomenon. It also is reported that teachers who live far from their corresponding schools usually attend classes three days a week instead of the required five.⁵

Under such circumstances, it can be assumed that the short-term effects of low and declining real teacher salaries negatively affect teachers' performance. In the face of the many adversities, only teachers with a strong vocational inclination and sense of

⁵ See the complementary study by Regino Chávez and Enrique Herrera, The Quality of Education in El Salvador: A Report of Focus Groups Results, Juarez and Associates, Inc., (Draft Final Report), September 24, 1989, page 16. Coincidentally, some of the teachers interviewed for this study declared that the "ideal" salary for exclusive dedication to teaching would be between 2,500 and 3,000 colones a month, the level reached previously.

mission would continue to endeavor to be effective and to improve their effectiveness. The Salvadoran teacher has many reasons to feel abandoned and to feel that the teaching profession is no more important than any another form of employment.

Equally or even more worrisome is the long-term effects of a continuing decline in real salaries. It can be realistically assumed that as real salaries deteriorate, the individuals attracted to the teaching profession will come in larger proportions from the poorest segments of the population. If we believe that the educational endowment of an individual is a composite of his/her formal education and the education provided by family background, the cultural diversity and educational endowment of the teacher body at large would consequently diminish. This does not imply that individuals with a poor socioeconomic background would not make good teachers, but as the formal education system in itself is of low quality, including the subsystem that educates the teachers, the educational component of family background becomes more relatively important. For example, if private education is considered to be of better quality than public education, it is doubtful that under the prevailing salary conditions, individuals with a "better" education would want to become teachers in El Salvador.

D. Private Involvement

There are at least two types of private involvement in education: private schools and private (community-based) participation in the public system. There is some evidence that community participation in supporting local schools is significant; however, there is little information available regarding its intensity and nature, and in how much the corresponding resources have made up for the insufficiencies of public financing.

Enrollment in private schools, on the other hand, has grown from 6.7 to 12.2% of total basic education enrollment between 1978 and 1987. This implies a total growth in number of students of 2.3 times during the period, with most of that increase taking place after 1985. No figures are available regarding the volume of financial resources that private enrollment entails, nor is there any information on the quality of private education. Though it is generally assumed that private is better than public schooling in El Salvador, the rapid expansion of private education in the presence of the extremely austere economic conditions prevailing in the country leaves room to suspect that there may be a segmentation in the private system--one that comprises the traditional clientele coming from the higher income strata, and the other composed of children from less economically advantaged families but unhappy with the quality of public education. This topic must be further investigated to establish the potential for the private school system to play a more significant role in basic education.

III. THE MANAGEMENT SYSTEM OF THE MINISTRY OF EDUCATION

A. The Predominance of Personnel Administration

The analysis of expenditures in the previous chapter shows that the education budget is almost equivalent to the payroll. As a result, there is virtually no flexibility or room for educational policy-makers to implement changes, since in practice, they lack the financial instrument to allocate resources. This condition is dramatically illustrated by the fact (as reported in the interviews) that the formulation of the 1989 education budget was a carbon copy of the previous year's.

This severely limits the domain of the decision-making process to personnel administration actions, such as terminations and replacements, salary adjustments, granting of leaves, and processing the interminable requests for transfers.⁶ The high proportion of time dedicated to personnel administration burdens the entire Ministry and creates a grave managerial anomaly: the system controls the managers; the managers are almost impotent to change the system. Almost all they can do is: a) go along with the pressures generated by the payroll dynamics, and b) create new vacancies and appoint new teachers when the Central Government Budget allows it with the purpose of increasing coverage.

Analogous to a muscle that is not used, the management subsystem in charge of improving the coverage, quality, efficiency, and relevance of education suffers of severe atrophy. It is important to keep in mind that financial statistics in the MOE do not reflect the levels of expenditures by level of education. Despite the constitutional mandate establishing universal coverage for basic education, the MOE does not know how much it is spending at this level of education since 1981. Before 1981, there were statistics reflecting this breakdown of expenditures, but apparently this knowledge is not needed by the top decision-makers, since there is very little they can do with the information. This situation has persisted for almost a decade and decision-makers inside or outside the Ministry seemed not to have worried about whether the government is complying with the constitutional mandate. As payroll and personnel administration issues absorb most of the attention of the Ministry's personnel, the institution seems to be a huge personnel department and little else. It seems that the main role of the Ministry is to provide

⁶ According to the report prepared by the Academy for Educational Development, Improvements in Educational Efficiency for Basic Education, El Salvador, Ministry of Education (September 1988), between three and nine thousand individual personnel actions or transactions are handled between March and June of each year.

employment, while the delivery of education is just a welcome by-product.

B. The Political Economy of the Basic Education System

1. The Concentration of Ministerial Power and Its Educational Ineffectiveness

Even if almost entirely limited to administration of personnel, the Ministry concentrates a great deal of power at the central level. Such concentration of power tacitly invites teachers to appeal to the institution for many kinds of requests related to placement and compensation. What prevails in this process is the convenience of the employee, not educational criteria. The system is increasingly used by its employees; decisions on educational matters do not seem to be made, and as the teachers' real salaries deteriorate, the Ministry loses an equivalent amount of authority to demand minimum performance standards in the classroom.

2. The Concentration of Teacher Union's Power

The concentration of ministerial power has its counterpart in the concentration of the teacher union's power. The most important role of the union is to determine the general level of nominal salaries through its relations with the MOE. As real salaries deteriorate, the importance of the unions in trying to recover nominally what is lost by inflation increases. The relations between the union and the Ministry is as devoid of educational content as the individual teacher's negotiation with the Ministry regarding a salary adjustment or a transfer. In the Ministry-union relationship, the former can hardly include demands in return for salary increases, since salaries usually deteriorate and all the union is doing is trying to reduce the losses of its members. In other words, the continuous erosion of salaries puts the MOE in a defensive position when dealing with the union.

Teacher unions are often singled out as one of the most stubborn sources of opposition to educational development. Regardless of the validity of the statement, the fact is that teacher unions are rarely given an opportunity to demonstrate if they have something to contribute to the improvement of their educational establishments. The anachronistic educational management system represented by ministries of education in many Third World countries is a critical factor in educational stagnation, and one of the stumbling blocks of a collaborative relationship with unions. It is true that teacher unions do not always appear to be favorably disposed to collaborate with ministries of education in matters other than salaries; however, both unions and ministries tend to make a common mistake--they tend to operate without a comprehensive approach to the roots of the problems which equally

affect salaries and educational performance. Both groups need a better grasp of the general economic and fiscal conditions which determine the levels of finance that a country dedicates to education and teacher salaries. Almost everywhere in Latin America, teachers' real salaries have deteriorated because of macroeconomic conditions. Failure to understand this phenomenon has pitted unions against ministries despite the fact that both are victims of the same factors. Instead of joining forces, they have often preferred confrontation, and in the process, both continue to suffer losses. Teacher unions and ministries (with community support) must reorient their bargaining strategies to convince top policy-makers that the nation must invest in education, because education is needed for economic development. The solution to low teacher salaries and educational budgets lies on the economic base of the country, and unions and ministries must commit to ensuring that education contributes to the enhancement of the economic base, and not simply depend on it for its own self-serving interests.

3. The Role of Students', Parents, and Communities

As the main business of the MOE and the teachers' union jointly revolves around the salary-employment equation, the students' parents are generally limited to the role of passive spectators. There are no effective mechanisms for the parents to exercise any influence on ministerial actions. Despite the existence (in theory) of such mechanisms, the combined effect of the centralization of power by ministry and union, and the concomitant effect of conducting business almost exclusively around salary and employment, virtually eliminates the potential influence of the parent on the educational process. The fiscal crisis of the current decade, however, and the ensuing physical deterioration of the schools has motivated the most concerned parents to mobilize community efforts to support the local schools. Although, the evidence of this phenomenon is mostly anecdotal since there are no systematic studies available, the importance of such support is reported as substantial and offers some hope for more decisive parental and community involvement in the education process. Nonetheless, the magnitude of this potential must not be overrated since not all parents are willing or able to allocate energies in support of the local schools as the study of Chavez and Herrera shows.⁷

⁷ Op. cit., page 13. Though Chavez and Herrera report on the general importance of the parent, they also report on teachers' beliefs that parents are not as involved as in the past, a situation attributed to the increasing disintegration of the Salvadoran family "as the father is lost to the war, or leaves to look for employment in other parts of the world."

C. The Information Gaps of Educational Management

An interesting feature of the current management information system in the MOE is that it does not include financial variables. This omission is a tacit acknowledgement that financial variables are not believed to be necessary since there is no managerial control over the budget. Why invest in the installation and operation of such a system if its decision-making value is severely restricted by lack of financial and managerial flexibility?

A management information system is an instrument for providing relevant information to decision-makers. The use of such a system depends on three main factors: a) the technical ability of the managers to interpret and act upon the information, b) their willingness to take actions, and c) their ability to make and implement decisions. Under the current circumstances, watching the flows of students through computerized models represents an expensive distraction if the decision-makers are restricted from changing the efficiency parameters. The irony of this situation, and it must be pointed out, is that this type of management information system is installed at the recommendations of foreign contractors and consultants who tend to become the system's main users. Even if there were enough flexibility to allocate financial resources, the system is still limited since it is not connected to a financial module tying the flows of students to other economic and financial variables and parameters.⁸

Another potential limitation of the current system is related to the reliability of enrollment and promotion data. As teacher supervision has almost disappeared, there is no mechanism to check the accuracy of the reported student statistics. A management information system based on unreliable and possibly inaccurate data is rendered useless. At the same time, there is no systematic knowledge on how promotion decisions are made by teachers in the classroom. As promotion procedures determine promotion and repetition rates, it is essential that the management information system be complemented by information and supervision of the corresponding procedures.

Something similar can be said with regard to information on student academic achievement. As educational policies have been mostly concerned with coverage expansions--while assuming

⁸ During the field work, an effort was made by the author to install a financial simulation computerized model that links student flows to costs and financing of basic education. The enthusiasm with which this improvised initiative was received by MOE officials, by rapidly mobilizing resources (manpower) and gathering long series of hard-to-find statistics is evidence of the strong desire to work to improve ministerial effectiveness, and of the existing technical capabilities to accomplish such goals.

unrealistically that output quality of education would remain constant--almost all interventions have been aimed at reducing repetition and desertion. The output quality of education has been grossly neglected, a factor that can be expected to have a severe negative impact on the quality of the labor force of any society, since the system becomes quality blind and tends to drift towards lower quality if left alone under the pressures to expand coverage.⁹ At the time of this report, no system was in place at the MOE to observe systematically the levels and trends of student academic achievement in Salvadoran basic education, and how those levels affect the efficiency conditions of the system. Without observing and monitoring the levels of academic achievement, how would the Salvadoran society know that its education system is producing desirable outputs? What is the point in augmenting the number of "graduates" before the system commits itself to a quality standard?

Continuing efforts to expand the quantitative frontier of basic education while ignoring the quality dimension may result in a significant waste of resources, since it would simply provide an educational illusion through universal coverage of a weak education. The ethical implications of this situation are as important as the economic implications.

The insistence on installing refined management information systems that take only student flows into account introduces an imbalance in the educational management structure, since the complementary innovations that would make the information system useful are not in place. A fundamental deficiency is the fact that the management information systems tend to reinforce the centralized nature of the prevailing management structure and styles in the education sector. The teacher is the one who needs information feedback to monitor the effectiveness of his/her teaching performance, and this does not require a sophisticated technological innovation when many other educational factors are not available. This statement should not be construed as denying the practical value of central management information systems; the objective here is to provide a sense of equilibrium to the areas where improvements must be implemented first. The usefulness of such systems depends on the quality of the data collected at the school level, as stated before. The first users of that information must be the teacher, the principal, and the community. It is their decisions which could be most significant in improving basic education. If the information cannot be used at the school level, the MOE cannot make up for that deficiency. Education is

⁹ The current concern in the United States about the quality of education--not just simplymindedly the quality of the educational inputs--is highly relevant to El Salvador. The U.S., however, had a system that allowed for some form of quality monitoring, albeit imperfect.

produced in the classroom, not in the Ministry.

D. Other Managerial Deficiencies

1. The Use of Textbooks and the Administration of the Curriculum

No studies currently assess the effectiveness of curriculum administration, such as determining factors, and how students and teachers use textbooks. Therefore, it is not known how the introduction of instructional material is affecting the efficiency of the system regarding promotion and retention rates and, consequently, the cost-efficiency and cost-effectiveness of basic education.

2. Naive Decentralization

Despite the frequent rhetoric about decentralization of the MOE, the prevailing decentralization doctrine is based on a naive conception of what should be done. More often than not, decentralization attempts consist of redrawing the institutional organigram with its corresponding geographical dimension, but without a genuine transfer of decision-making powers towards the periphery. The most frequent explanation is that the periphery is not ready for the new responsibilities, so too much decentralization could mean even less efficient operation of the system, and possibly chaos. Even though the argument does not lack merit, the real reason against decentralization is a reluctance to relinquish the power vested in the center. Despite the fact that such power may be limited to personnel administration matters, it is still power, and in the Salvadoran political and institutional milieu, it has significant worth for politicians. (There are reports that transfers and teachers' appointments are frequently obtained through bribes to responsible officials.¹⁰)

A real decentralization attempt would move the day-to-day administrative routines out of the MOE to regional centers or communities. A top activity candidate for decentralization is the processing of personnel actions which absorbs so much time and energy in the Ministry. Decentralization could provide significant opportunities to improve the accountability of the educational system through incremental community participation. However, a gradual strategy must be implemented; abrupt changes could reinforce the predictions of those who oppose decentralization regarding the periphery's ability to carry new responsibilities. More on this topic will be discussed in the final chapter.

3. Long-term Dependence on Foreign Assistance

¹⁰ See AED's report, op. cit.

A pervasive condition of basic education in El Salvador is the lack of investments, maintenance, and basic educational materials, making the basic education system highly dependent on foreign assistance to expand and improve as well as to cope with the erosion of the fiscal base and the educational budget in real terms. Such intrinsic dependence is reflected in the existence of a budget mechanism (the "extraordinary" budgets) that is dedicated to channel those resources.

Based on the fiscal situation of El Salvador and future economic prospects, it is not realistic to expect a major increase in funds available for education in the short and middle terms. Therefore, the need for foreign resources is expected to continue. The challenge is whether such assistance could be managed to avoid permanent addiction or could serve to foster long-run sustainability of educational finance. Without major reforms of the institutional structure and management styles that prevail in the education sector, additional assistance will simply fill in the gaps and, possibly, allow policy-makers to postpone any real solutions.

At the same time, it is extremely necessary to coordinate the foreign assistance efforts and any complementary host country actions. On two occasions during interviews with MOE officials, it was reported that not all of the new classrooms built under the revitalization program had corresponding teachers because of lack of funds. Although the number of new classrooms without teachers could not be established, the fact that it was reported by responsible officials is a troublesome development. This also contrasts with the fact that there are virtually no funds allocated for building supplies for school maintenance, while the same supplies are presumably wasted, at least partially according to the reports, in adding new facilities.

The analysis presented in the previous pages can be summarized as follows:

- o The financial base of basic education is highly insufficient and continues to deteriorate.
- o The continuous deterioration of teachers' real wages may be eroding the quality of the nation's teaching endowment.
- o As the output quality of education is not monitored, it can be presumed to be suffering continuous erosion, contributing to a lower quality labor force.
- o The predominance of employment and salary issues in the MOE and in the teachers' unions makes the entire system lose perspective of its purpose and become ineffective

with regard to future improvements.

- o The concentration of administrative power by the MOE and of political power by unions leaves the students' parents and their communities without a significant role to play in the effectiveness, relevance, and future direction of basic education in El Salvador.

IV. THE RANGE OF POSSIBLE SOLUTIONS

El Salvador is suffering an educational catastrophe of far-reaching implications regarding the economic, social, and political viability of the nation. There are no quick fixes for the educational problems discussed in this report; the challenge is to find long-term strategies that can assist the country in finding definitive and profound solutions. The following sections discuss some of the elements that should be taken into account in the design of future actions.

A. Identifying the Current Strengths

Perhaps the most important resource available to the MOE is the existence of some experienced officials and teachers with a high level of concern about the problems discussed in this report. They must be the principal actors in any serious effort to change the current situation, not international consultants and contractors. International technical assistance may be necessary, but it could represent a waste of resources if the improvement of basic education in El Salvador is not engineered by Salvadorans themselves. Yet, the participation must reach outside the realm of the MOE. An effective development strategy must gather support from many different sources, allowing them genuine participation, especially the teachers' unions, the communities, the legislative and judicial bodies, the media, the public sector, the organized private sector, and the political parties. Even if wide participation sounds complex, good quality and universal education is what everybody wants, and a topic around which a sense of national unity might be built in this divided nation.

The solutions to the problems will not be merely technical; they involve human behavior and values. In fact, the technical component may be less relatively important than some experts want to believe. The issue will involve ways to mobilize and coordinate the participation of the national talent, and recruit those individuals who can be inspired to participate in a task of historical dimension. It also will be necessary to identify institutional arrangements that can cause individual efforts to converge into a common action plan for the Salvadoran milieu.

B. Revitalizing the Teacher's Social Status

The teacher in El Salvador has lost the status once enjoyed in the society. The effectiveness of the teacher is enhanced when supported by the community and students' parents. A teacher who is seen holding extra jobs to make ends meet is perceived as less dedicated and, therefore, less deserving of the respect and consideration that is generally associated with the profession. An effective teacher is also a leader who motivates the students'

curiosity and desire to learn new skills and develop fundamental character traits. A good teacher can perform without many instructional materials and even in a physically poor environment as long as he/she is able to motivate and inspire the students. Instructional materials and adequate physical facilities cannot, on the other hand, make up for a good teacher. Raising the social and economic status of the teacher is essential to effective educational development. To achieve it, it is necessary to formulate a strategy that includes effective training, gradual income increases according to performance (monitored by parents and communities), and an increased public awareness of the importance of the profession in all aspects of national life.

C. A Reconceptualization of the Role of the Ministry of Education

Based on the principle that education is actually produced in the classrooms and not in the MOE, a reconceptualization of the role of the Ministry in the development of education should be made a top priority. A more effective ministry would gradually rid itself of the burdensome administrative tasks that are better handled at decentralized level, while becoming more active and effective in providing guidance, technical assistance, and financial support to the schools. The Ministry should become a center for policy design and financing, serving as a link between the education system and the rest of the society, including the economic and fiscal systems. It also should monitor the coverage and quality of education, conduct and/or promote educational research on matters of high priority, influence the process of teacher training (pre-service and in-service), and provide leadership on the importance of investing in education. These functions cannot be performed by a ministry that is bogged down with administrative matters. Also, a new ministry cannot be created overnight. But if well designed and implemented, positive results could be felt in just a few years.

D. Strengthening Community Participation

The organic development of the MOE depends on its ability to shed its current administrative burdens. This cannot be accomplished by the Ministry alone since it needs decentralized entities that can gradually assume responsibility for the tasks. Though it is not possible in this report to elaborate the details of the required steps and conditions, some general principles or strategic goals can be defined. A fundamental principle is that the community gradually becomes the main center to which the teaching system must be accountable. As the components of teaching performance are several (from simple attendance to academic achievement) each can be incorporated into an accountability mechanism. Teacher performance must be linked to compensation and promotions; linkage that can be established at the community level. At the same time, the community could have the opportunity to

identify the good teacher and endeavor to attract a good teaching staff.

Another of the strategic goals of community participation is the creation of an institutional framework that facilitates the mobilization of resources from sources other than the central fiscal system. The current level of dependence on central government financial resources to support basic education is one of the reasons why the educational system is stagnant. The community may be able to apply resources in kind to the educational process, but this requires a level of commitment that can be achieved only by a strong sense of participation in educational affairs. This also can be applied to local fundraising efforts, not only based on parental contributions, but also on donations and sponsoring activities by local enterprises.

A third and long-run strategic goal would be to make the community mainly responsible for the compensation and general welfare of their teachers. Even if a large proportion of the teachers' income comes from the central fiscal system, communities can be critical in helping to provide housing by applying labor to the effort, and by providing a general environment attractive to good teachers.

E. Reorienting Teacher Union Strategies: From Confrontation to Participation

As important as a reconceptualization of the roles of the MOE is a reconceptualization of the teachers' union roles. As the Ministry moves away from a mere administrative apparatus, the employment-salary nature of the relation between the Ministry and the union will have to change. As the communities gain influence in the determination of specific levels of compensation for their teachers--even if always relying on some salary component provided by the MOE--the bilateral monopolistic nature that currently prevails will be dissolved. Union development could be redirected to working with the government to develop sound economic and fiscal policies that not only provide better pay for the teachers, but also avoid the macroeconomic policies that lead to inflation. The union's potential role in recovering the social status of the teacher is another important strategic goal. Other areas for union policy actions include: teacher training and its relation to effectiveness and compensation; organization of market information systems to facilitate transfers, temporary replacements and appointments; and organization and administration of pension regimes and health insurance schemes adapted to the professional requirements of the sector.

F. The Limits and Potential of Private Schools

Given the recent growth of private basic education in El Salvador, and the extremely austere economic conditions of the country that limit families' ability to pay for private education, it is doubtful that under the current conditions there is room for private schools to absorb a significantly higher proportion of total enrollment. However, private schools could be considered as a conduit of fiscal funds that could not be channeled through communities for effective administration. The feasibility of a voucher system should be considered but carefully studied before significant decisions are made in this direction.

G. The Role of Educational Technologies

Technological innovations of any kind must be conditioned to the implementation of the managerial changes necessary to make them effective. In general, technological additions to the current system can be expected to be of rather limited potential for all the reasons mentioned in this report. In other words, technological panaceas cannot effectively replace the quantitative and qualitative elements that are indispensable to strong educational development.

H. Linking Educational Development Policies with Public Policy

It is not possible to achieve in-depth educational development in El Salvador with exclusive reliance on sectoral policies. The development of the basic education system of El Salvador must be part of the government's public policy package, where education ceases to be seen as a "social program" and becomes also an economic program in which the country must increase its level of investment and attention. The educational crisis of El Salvador and its solutions must be put in the foreground by the Government of El Salvador and given top priority in budget allocations. The current level of expenditures must be increased, otherwise decreased coverage will become unavoidable and the current deterioration of the system will continue indefinitely. Particularly important is that the GOES makes the MOE accountable for the projected improvements on empirically verifiable targets, especially in the area of academic achievement and cost-effectiveness. It is also imperative that the GOES becomes more active and demanding with regard to the quality of basic education vis-a-vis the national need for a more productive, competitive, and efficient manpower base.

V. RECOMMENDATIONS FOR A.I.D. INTERVENTIONS

The following recommendations are very general in nature and based on the range of possible solutions examined in the previous chapter. The recommendations are also generally aimed at focusing USAID's interventions on activities that have a long-run impact and require sustained effort and financing, something that would be very difficult for the MOE and the GOES. This approach is preferred to the current one in which foreign assistance is too much oriented to filling the gaps of the educational budget. The recommendations also try to avoid inconsistencies between USAID's initiatives and complementary actions of the MOE.

A. Policy Dialogue and Bilateral Agreement on a Long-term Strategy

Project interventions that affect isolated areas by filling the MOE's budget gaps without being complemented by fundamental changes in the management structure or other conditions of the basic education system should be reconsidered, since they are bound to have reduced effectiveness while reinforcing dependence on foreign assistance. The policy dialogue should include an agenda for in-depth transformation of the MOE's managerial structure and a firm GOES commitment to include in its public policy package a decision to invest more in basic education.

As teachers' unions are also critical policy-makers in educational affairs, they must be given a stronger voice in the policy dialogue. There cannot be any fundamental changes in basic education of El Salvador with the opposition of the unions.

B. Collaborative Research for Effective Policy Formulation and Implementation

A number of areas require some research with practical policy considerations before new projects or interventions can be designed. Some of these areas are the following:

- o Teacher attendance and performance in the classroom.
- o Use of textbooks and their impact on repetition and retention.
- o Obstacles to effective curriculum administration.
- o Teacher promotion practices and procedures in the classroom.

- o Determination of priorities for in-service teacher training.
- o Short- and long-term consequences of deterioration of teachers' salaries.
- o Analysis of national ability to pay for private education, and private school capabilities for future expansion.
- o Degrees and forms of community involvement in their local schools.

These research projects should be carried out with intense participation of MOE and other Salvadoran personnel as a preparatory phase for the project described in the next section.

C. Financing the Creation of a New Managerial System in Basic Education

As discussed in the previous chapter, the organic development or transformation of the MOE from an administrative system to a more sophisticated and effective policy role should be in the charge of Salvadoran personnel, technically competent as well as concerned by the current crisis and willing to work for effective improvements. The foreign technical assistance component would serve as a conduit of international experience, as a coaching element and, perhaps, as a source of inspiration. However, regardless of the importance and level of the consultants and contractors, the Salvadorans must be the actual protagonists and intellectual authors of the transformation to make it genuinely national and sustainable in the long-run. The effort should be developed in stages with verifiable targets over a long period of time, with possible experiments in decentralization and community participation. An important component is the training of MOE personnel, teachers, union members and officials, and selected community leaders, possibly through training programs, short- and long-term in the United States and third countries when advisable. Part of this effort could be the production of a newspaper, similar to El Agricultor in Honduras, but addressed to teachers, to discuss the alternatives for improving basic education in the country, and to promote interest, recruit participation, and build consensus.

ANNEXES

TABLE 1

EL SALVADOR: EXPENDITURES IN PUBLIC EDUCATION AND ITS SHARE IN THE GROSS DOMESTIC PRODUCT AND TOTAL GOVERNMENT EXPENDITURES (1968-1989)

(In Millions of Colones at 1962 Prices)

YEAR	GROSS DOMESTIC PRODUCT	TOTAL GOVERNMT EXPENDIT.	GOVERNMT EXPEND/ GDP (%)	TOTAL EDUCATN EXPENDIT.	EDUCATN EXPEND/ GDP (%)	EDUCATN EXPEND/ GOV (%)	BASIC EDUCATN EXPENDIT.	BASIC ED. EXPEND/ TOTED (%)
1970	2,394	259	11	70	2.9	26.9	40	57.7
1971	2,509	326	13	100	4.0	30.8	46	46.2
1972	2,646	338	13	98	3.7	29.1	65	65.8
1973	2,780	352	13	95	3.4	27.1	55	57.4
1974	2,958	419	14	105	3.6	25.2	57	54.0
1975	3,123	473	15	116	3.7	24.5	62	53.9
1976	3,247	481	15	129	4.0	26.8	70	54.5
1977	3,444	514	15	134	3.9	26.1	73	54.6
1978	3,665	596	16	132	3.6	22.1	77	58.3
1979	3,602	608	17	122	3.4	20.1	66	54.3
1980	3,289	618	19	137	4.2	22.2	93	67.9
1981	3,017	694	23	128	4.3	18.5		
1982	2,848	670	24	112	3.9	16.7		
1983	2,870	582	20	93	3.3	16.0		
1984	2,936	579	20	94	3.2	16.2		
1985	2,994	507	17	88	2.9	17.4		
1986	3,013	401	13	75	2.5	18.8		
1987	3,092	453	15	72	2.3	15.8		
1988	3,185	401	13					

TABLE 2

EL SALVADOR: RELATIVE SHARE OF LABOR COSTS
IN TOTAL EDUCATION EXPENDITURES
(Budget Figures)
(In Thousands of Colones at Current Prices)

YEAR	SALARIES	OTHER PERSONAL SERVICES	FRINGE BENEFITS	TOTAL EXPENDIT.	RELATIVE SHARE (%)
1971	56155	3884	15688	96791	78.2
1972	66535	3030	16570	110944	77.6
1973	70989	4290	16724	110684	83.1
1974	85632	5286	29898	139906	86.4
1975	95158	7324	31173	159697	83.7
1976	119700	13048	33755	216296	77.0
1977	139244	22226	35474	266125	74.0
1978	162604	27895	44038	289755	80.9
1979	169782	30027	44796	293454	83.4
1980	243504	36172	58125	422054	80.0
1981	259183	37529	50153	419026	82.8
1982	253966	32007	34029	381937	83.8
1983	247533	32795	18233	346965	86.0
1984	251705	29232	18248	352869	84.8
1985	299723	37717	35924	416722	89.6
1986	320260	26897	40629	402257	96.4
1987	377593	32390	47747	501647	91.2
1988	421314	32284	60414	550920	93.3

Source: Ley del Presupuesto General, El Salvador, 1971-1988

TABLE 3

EL SALVADOR: MEAN BASE TEACHER SALARIES PER MONTH IN BASIC EDUCATION

(Colones)

YEAR	NOMINAL SALARY	RATE OF CHANGE	IMPLICIT DEFLATOR	RATE OF CHANGE	REAL SALARY	RATE OF CHANGE	RELATIVE TO 1980
1968	212		1.0204		2,128		-22.7
1969	225	6.13	1.0248	0.43	2,249	5.68	-18.4
1970	227	0.89	1.0741	4.81	2,164	-3.74	-21.4
1971	Missing		1.0778	0.34			
1972	270	18.94	1.0892	1.06	2,539	17.30	-7.8
1973	273	1.11	1.1986	10.05	2,332	-8.12	-15.3
1974	273	0.00	1.3328	11.19	2,098	-10.07	-23.8
1975	Missing		1.4340	7.59			
1976	405	48.35	1.7573	22.55	2,360	12.52	-14.3
1977	428	5.68	2.0812	18.43	2,106	-10.77	-23.5
1978	480	12.15	2.0989	0.85	2,342	11.20	-15.0
1979	482	0.42	2.3897	13.86	2,066	-11.80	-25.0
1980	729	51.24	2.7106	13.43	2,754	33.34	0.0
1981	729	0.00	2.8660	5.73	2,605	-5.42	-5.4
1982	730	0.14	3.1485	9.82	2,374	-8.85	-13.8
1983	729	-0.14	3.5364	12.32	2,111	-11.09	-23.4
1984	729	0.00	3.9709	12.29	1,880	-10.94	-31.7
1985	860	17.97	4.7871	20.55	1,840	-2.14	-33.2
1986	859	-0.12	6.5603	37.04	1,341	-27.12	-51.3
1987	1,010	17.58	7.6138	16.06	1,359	1.31	-50.7
1988	1,112	10.10	8.7530	14.96	1,301	-4.23	-52.8
1989	1,112	0.00	10.2410	17.00	1,112	-14.53	-59.6

Sources: Ministry of Education, Ley del Presupuesto General, Ramo Educacion, 1968-1970, 1972-1974, 1976-1988, Figure for 1989 was estimated.

Implicit deflator was estimated on figures from Banco Central de Reserva, El Salvador.