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# Power, Politics, and Resilience: A comparative analysis of health reform in post-conflict El Salvador and Guatemala



Abt Associates Inc.

In collaboration with:

Avenir Health | Broad Branch Associates | Development Alternatives Inc. (DAI) | Johns Hopkins Bloomberg School of Public Health (JHSPH) |

Results for Development Institute (R4D) | RTI International | Training Resources Group, Inc. (TRG)





# Session Outline

- ▶▶ Welcome
- ▶▶ Introductions
- ▶▶ Presentation
- ▶▶ Discussion/Q&A

# Experts



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Health Finance and Governance Project

Previous: UNAIDS; Ministry of Health, Mexico; Harvard



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Health Finance and Governance Project

Previous: Inter-American Development Bank

# Background

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**Health Finance & Governance**  
Expanding Access. Improving Health.

**GUATEMALA**  
**HEALTH SYSTEM ASSESSMENT 2015**

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**EL SALVADOR** DOMESTIC RESOURCE MOBILIZATION FOR HEALTH

**Mobilizing Tax Revenue and Prioritizing Health Spending in El Salvador – A Case Study**  
Emice Heredia-Ortiz, DAI

**Introduction**

Developing countries around the world are increasingly looking to mobilize tax revenue to finance priority development spending to meet their populations' needs. In this quest, raising more financial resources alone is not enough. Tax reform, even if efficient, will have diminished benefits if it is not accompanied by an equally efficient reform of public expenditure allocation—directing revenue to productive public expenditure programs.

El Salvador provides an important example of a country that underwent tax reform efforts, which boosted revenues to finance key social development programs, including health. Two decades after the end of the civil war and its return to democracy in 1992, El Salvador has achieved important progress in health outcomes, improving life expectancy at birth from 66 years in 1990 to 72 years in 2013, while reducing the under-five mortality rate per 1,000 live births from 59 to 16 in the same period. Accompanying these improvements are the almost doubling of government health spending as percent of GDP from 2.4 in 1995 to 4.6 in 2013 (Figure 1) as well as tax revenue mobilization from less than 8 percent of GDP at the end of the civil war to over 15 percent in 2013.

# Power, Politics, and Resilience:

## A comparative analysis of health reform in post-conflict El Salvador and Guatemala

**Jose Carlos Gutierrez,  
Carlos Avila**

**January 19, 2016**

DISCLAIMER: The views expressed in this presentation do not necessarily reflect the views of the United States Agency for International Development (USAID) or the United States Government.



# Research Question & Methodology

**What explains El Salvador's relative success in health reform, compared to Guatemala's more challenging experience?**

- ▶▶ What political factors enabled or hindered reform?
- ▶▶ What examples of resilience can be gleaned from these experiences?

**Methodology:** Literature Review and Comparative Analysis



# Outline

- ▶▶ Historical Background
- ▶▶ Health System Performance
- ▶▶ Analytical Framework
- ▶▶ Key Contextual Factors:
  - ❖ Peace Process
  - ❖ Political Structure
  - ❖ Social Exclusion
  - ❖ Fiscal Policy
- ▶▶ Health System Reforms
- ▶▶ Key Takeaways



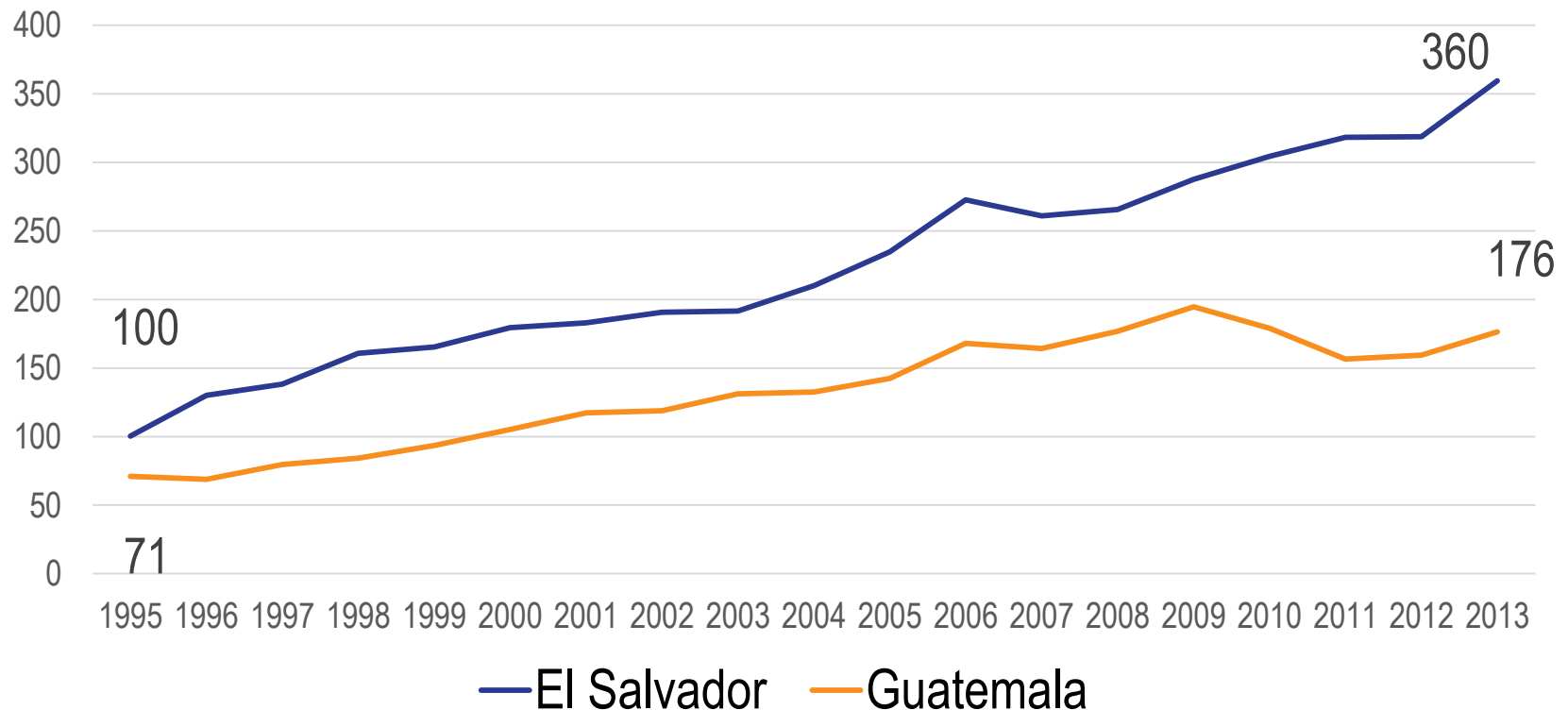


# Statistics at a Glance

	El Salvador	Guatemala
Population	6,126,583	16,342,897
Urban Population (%)	67	52
GDP per capita (current Int. PPP)	8,602	7,706
GINI Coefficient	42	49
Population living below poverty line (%)	32	59
Life Expectancy (years)	73	72
Adult Literacy (%)	88	79
Intentional Homicide Rate (per 100,000)	64	31

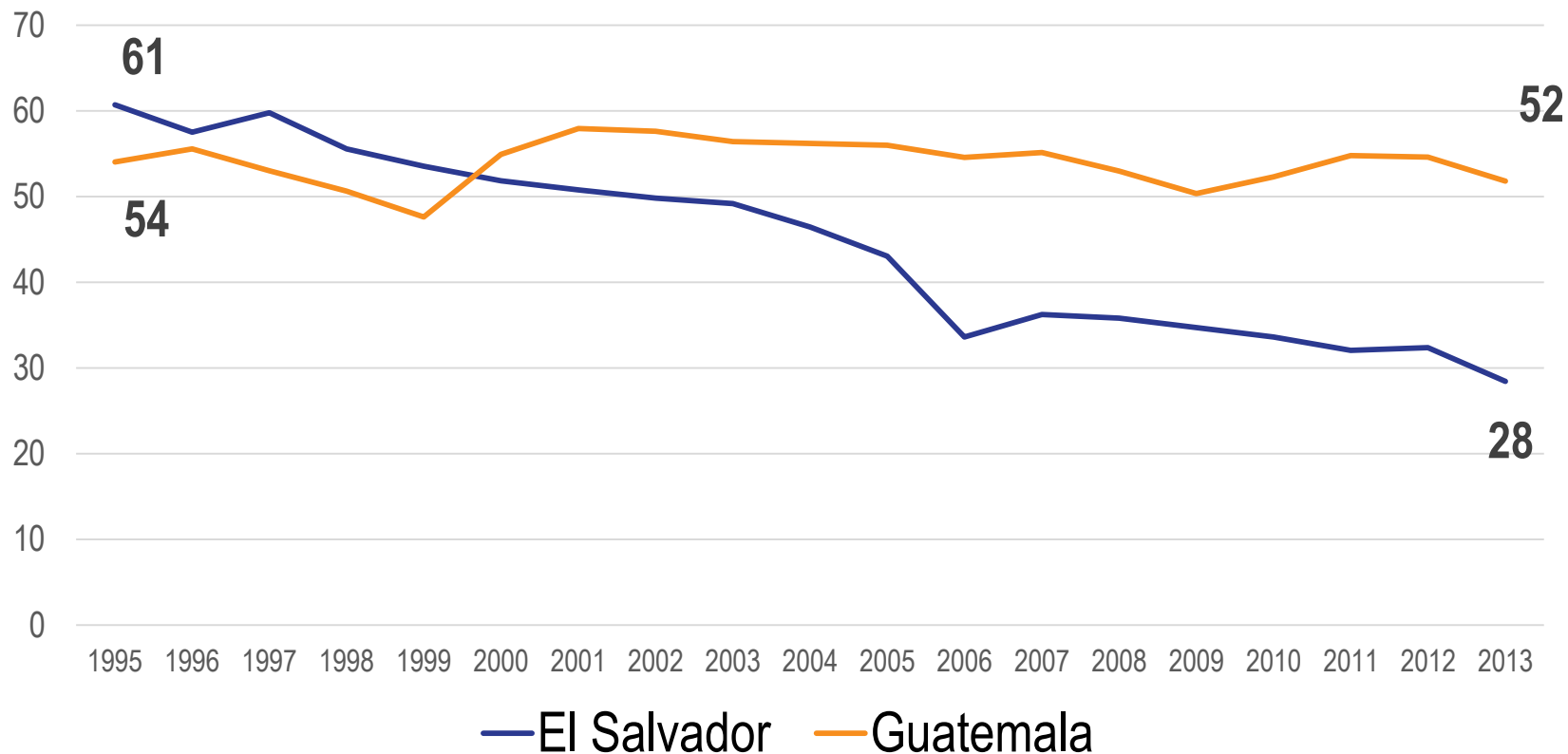
# Government Health Expenditure Per Capita (Int. PPP)

Government Health Expenditure Per Capita (Int. PPP),  
1995-2013



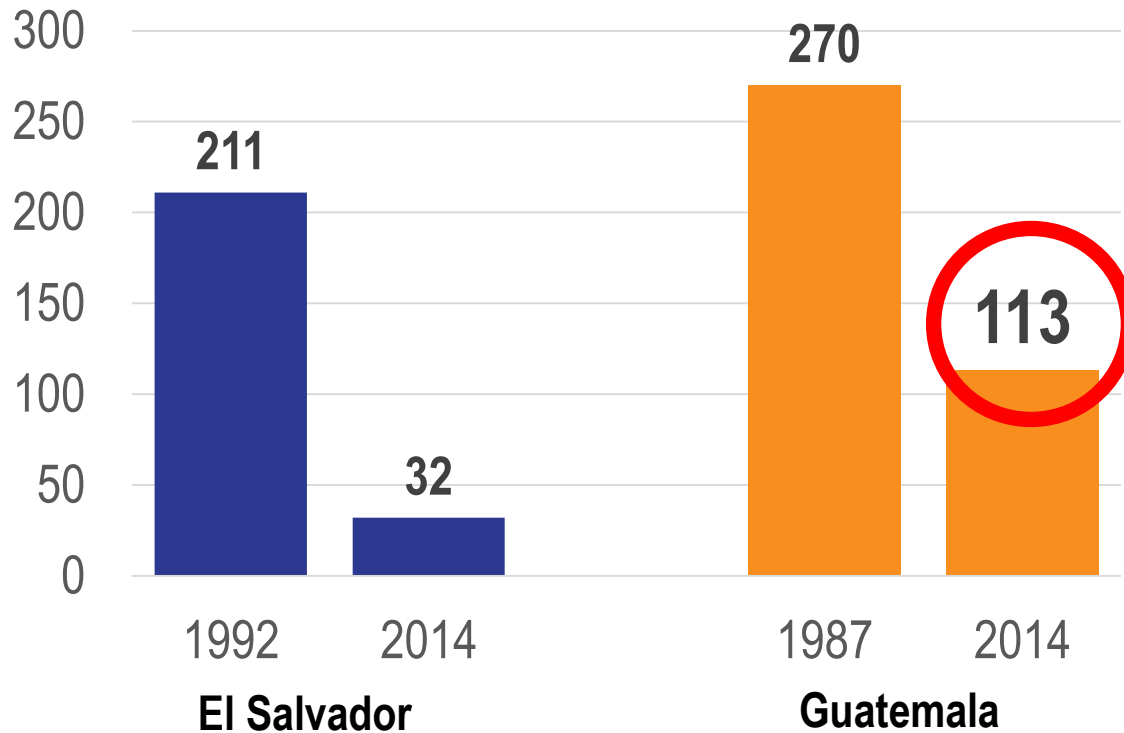
# El Salvador Reduced Out of Pocket; Guatemala did not

Out of Pocket Spending as % of Total Health Expenditure, 1995-2013



# Guatemala has Experienced Slower Reduction in Maternal Mortality

**Maternal Mortality Ratio  
(per 100,000 live births)\***



\*The baseline years are different due to the available of quality indicators for DHS and other surveys.



# Analytical Framework: The Politics of UHC in LMICs

## **Stages of policy cycle**

- ▶▶ Agenda Setting
- ▶▶ Design
- ▶▶ Adoption
- ▶▶ Implementation

## **Explanatory variables**

- ▶▶ Interests
- ▶▶ Institutions
- ▶▶ Ideas
- ▶▶ Ideology

Fox and Reich, 2015. The Politics of Universal Health Coverage in Low- and Middle-Income Countries: A Framework for Evaluation and Action. *Journal of Health Politics, Policy and Law* 40(5): 1019-1056.

# Power Imbalance in Peace Negotiations

## El Salvador

- ▶▶ Conflict: 1980 - 1992
- ▶▶ Negotiations: 1990 - 1992
- ▶▶ Negotiated during military stalemate
- ▶▶ Business elites (ANEP) involved throughout peace talks and aligned with other state actors
- ▶▶ Democratization after peace
- ▶▶ 1993: FMLN becomes political party

## Guatemala

- ▶▶ Conflict: 1960 - 1936
- ▶▶ Negotiations: 1991 - 1996
- ▶▶ Guatemalan military superiority
- ▶▶ Business elites (CACIF) resisted peace talks until 1996; pressure was international
- ▶▶ “Democratization” before peace
- ▶▶ 1998: URNG becomes political party

**Differential positions of power during negotiation influenced the post-conflict political economy and the implementation of reforms called for in the peace accords**

# From Peace to Politics

## Discusión del Presupuesto



# Political Institutions: Veto Players, Fragmentation, and Entrenched Policy Stability

## El Salvador

- ▶ Unicameral legislature– 84 members: 64 from 14 Departments, 20 from national list
- ▶ Proportional representation, open list
- ▶ 5 parties with seats (ARENA 35, FMLN 31)
- ▶ ARENA dominance throughout military rule and until 2008; FMLN in power since 2009

**Despite lacking a majority, coalitions with remaining parties are feasible**

## Guatemala

- ▶ Unicameral legislature– 158 members: 127 members from 22 departments, 31 from national list
- ▶ Proportional representation, closed list
- ▶ 18 parties/blocks with seats. Largest blocks are FCN (37) and UNE (31, after 16 defections)
- ▶ Members often change parties: “Transfuguismo”
- ▶ Alternation each election

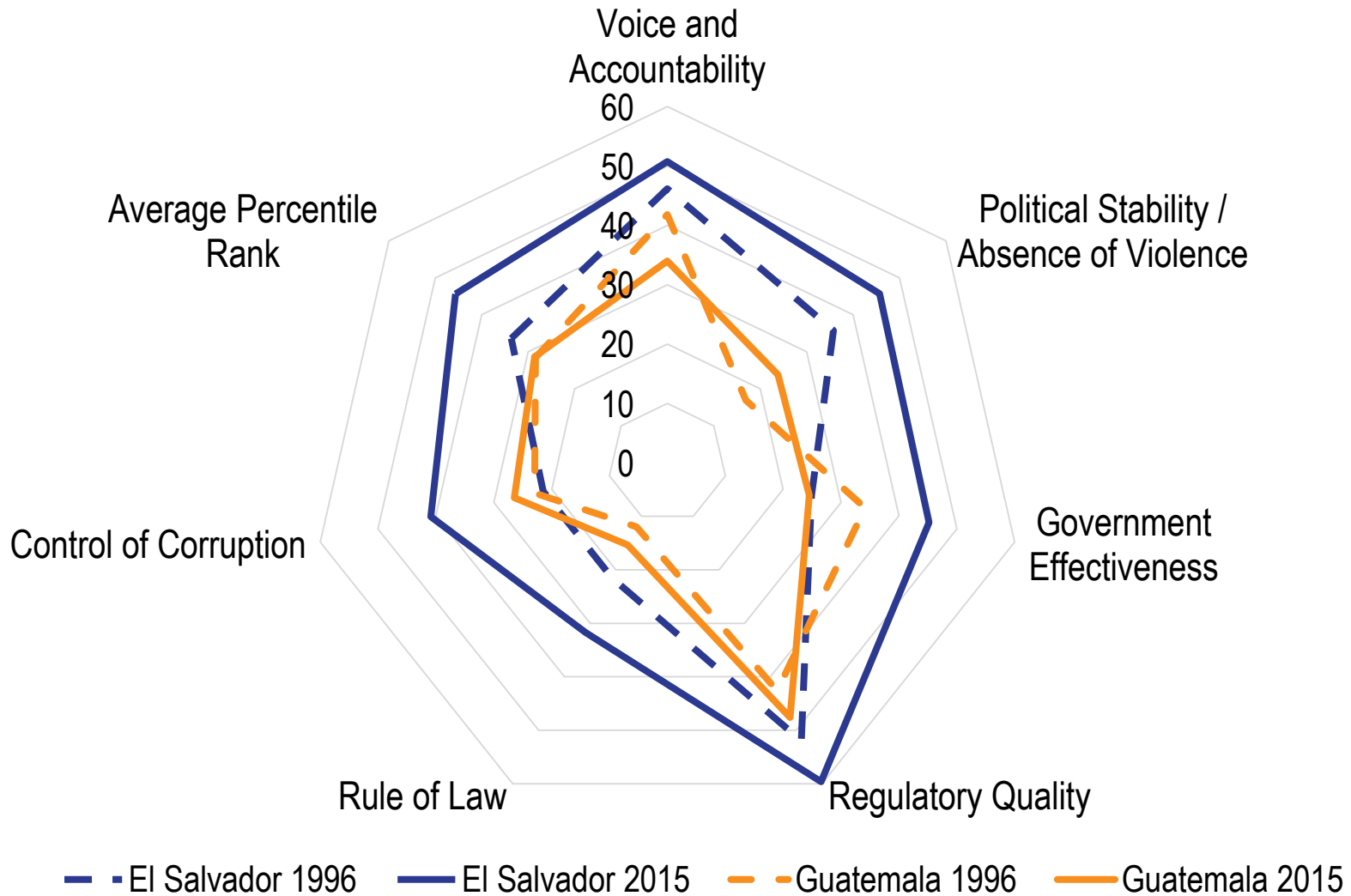
**Fragmentation complicates coalition-building**

[https://es.wikipedia.org/wiki/Pol%C3%ADtica\\_de\\_Guatemala](https://es.wikipedia.org/wiki/Pol%C3%ADtica_de_Guatemala)

[https://es.wikipedia.org/wiki/Asamblea\\_Legislativa\\_de\\_la\\_Rep%C3%BAblica\\_de\\_El\\_Salvador](https://es.wikipedia.org/wiki/Asamblea_Legislativa_de_la_Rep%C3%BAblica_de_El_Salvador)



# World Governance Indicators: 1996-2015





# Social Exclusion of Indigenous Groups in Guatemala

## El Salvador

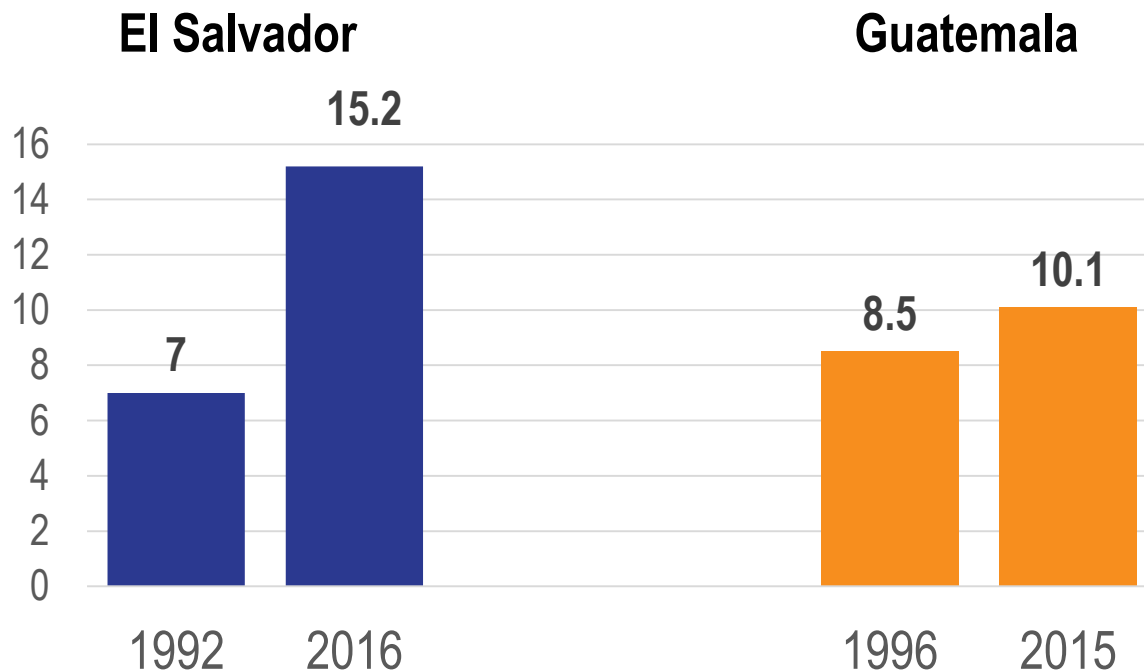
- ▶▶ 1% Indigenous

## Guatemala

- ▶▶ 46% Indigenous
- ▶▶ More than 20 languages
- ▶▶ Legacy of exclusion and discrimination in health system
- ▶▶ Low indigenous participation in national politics, but high involvement in local politics and community development

# El Salvador Doubles Tax Revenues; Guatemala Fails to Fulfill Peace Accords Goal of 12%

## Tax Revenue as % of GDP



Heredia-Ortiz, Eunice. 2015. Mobilizing Tax Revenue and Prioritizing Health Spending in El Salvador – A Case Study. HFG. Washington, DC.

Cabrera, Maynor and Aaron Schneider. 2015. Chapter 4: Institutions, Inequality and Taxes in Guatemala. In Progressive Tax Reform and Equality in Latin America. Ed. James E. Mahon Jr., Marcelo Bergman, Cynthia Arnson. Wilson Center: Washington, DC.

# Fiscal Policy Comparison

## El Salvador

- ▶ **Mid-90's - 2000:** modernized and enhanced auditing; tax and trade reforms, introduced VAT
- ▶ **Mid-2000's:** strengthened tax authority, modernized IT, improved client support to tax payers, fraud reduction and tax compliance
- ▶ **Late 2000s – 2015:** revenue generation, raised income tax and excise rates, updated tax code.

## Guatemala

- ▶ **1996:** Accords goal: 12% of GDP by 2002
- ▶ **2006:** Tax revenue peaks at 12% and has since declined
- ▶ Each incoming administration attempts reform, which is ultimately watered down
  - ❖ CACIF; Constitutional Court
- ▶ VAT is largest revenue source; regressive
- ▶ **2015:** La Linea Scandal
- ▶ **2016:** Tax reform proposal shelved

Heredia-Ortiz, Eunice. 2015. Mobilizing Tax Revenue and Prioritizing Health Spending in El Salvador – A Case Study. HFG. Washington, DC.

Cabrera, Maynor and Aaron Schneider. 2015. Chapter 4: Institutions, Inequality and Taxes in Guatemala. In Progressive Tax Reform and Equality in Latin America. Ed. James E. Mahon Jr., Marcelo Bergman, Cynthia Arnon. Wilson Center: Washington, DC.



# El Salvador's Reforms: 1990s - 2010

**1990s:** Proposals for increased private sector role

**2003:** Social mobilization against privatization, provision remains public

**2004-2007:** Decentralization and other minor reforms

**2009:** Health reform based on comprehensive PHC

▶ Abolition of User Fees

**2010:** Service Delivery Network reform

PAHO/MINSAL. 2014. El Salvador en el camino hacia la cobertura universal de salud: Logros y desafíos. San Salvador, El Salvador.

Clark, Mary A. 2015. The New Left and Health Care Reform in El Salvador. *Latin American Politics and Society* 57(4): 97-118.

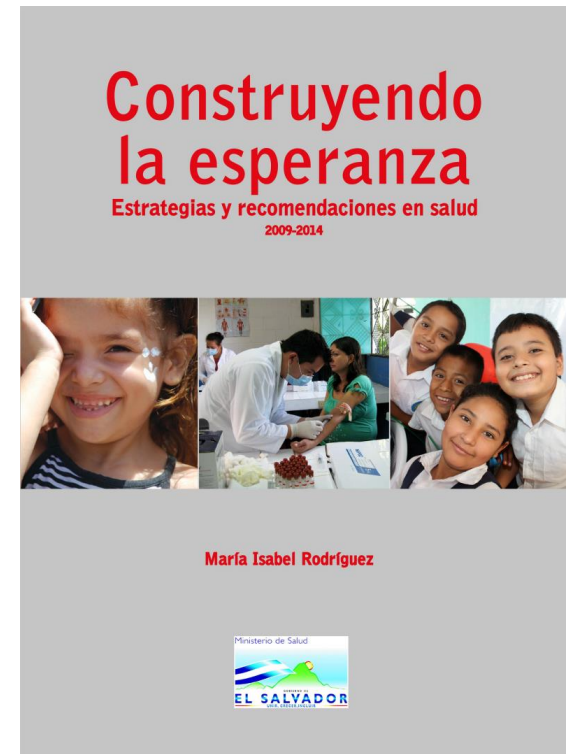
# El Salvador: Comprehensive Sector-wide reform

## Integrated Service Delivery Network based on comprehensive PHC:

- ▶▶ Multidisciplinary health teams
- ▶▶ Expansion of PHC infrastructure
- ▶▶ Community mapping and household prioritization
- ▶▶ Outreach and prevention visits
- ▶▶ Improved referral system

## Other reforms:

- ▶▶ Ministry of Health stewardship
- ▶▶ Citizen participation forum
- ▶▶ Information systems
- ▶▶ Medicines and vaccines
- ▶▶ Human resources for health
- ▶▶ National Research Institute



PAHO/MINSAL. 2014. El Salvador en el camino hacia la cobertura universal de salud: Logros y desafíos. San Salvador, El Salvador.

Clark, Mary A. 2015. The New Left and Health Care Reform in El Salvador. *Latin American Politics and Society* 57(4): 97-118.



# Guatemala's PEC: Fragmented Health Reform

**1997:** Expansion of Coverage Program (PEC)

- ❖ Contracting out services to NGOs
- ❖ Focus on maternal and child health, basic PHC

**2008:** Coverage reached 4.5 Million

**2013:** Contracting out was phased out

**Government support over the years varied and ultimately faded, limiting PEC's impact**

Lao Pena, Christine. 2013. Improving Access to Health Care services through the Expansion of Coverage Program (PEC): The Case of Guatemala. Washington, DC: World Bank.

Avila, Carlos, et al. 2015. Guatemala Health System Assessment, August 2015. Bethesda, MD: Health Finance & Governance Project, Abt Associates Inc.



# Guatemala's PEC in the balance: Successes and Failures

## Successes

- ▶▶ Rapid expansion of coverage in weak state context
- ▶▶ Immunization coverage
- ▶▶ Local innovation

## Failures

- ▶▶ Fragmentation
- ▶▶ Lack of infrastructure
- ▶▶ Weak information systems
- ▶▶ Limited evidence of impact and failure to reach targets
- ▶▶ Weak accountability and oversight

**Narrow focus created a perception of second-class services for the poor**

Lao Pena, Christine. 2013. Improving Access to Health Care services through the Expansion of Coverage Program (PED): The Case of Guatemala. Washington, DC: World Bank.

Avila, Carlos, et al. 2015. Guatemala Health System Assessment, August 2015. Bethesda, MD: Health Finance & Governance Project, Abt Associates Inc.





# Comparison Summary

	El Salvador	Guatemala
<b>Peace Negotiation</b>	Military stalemate	Rebels defeated
	Business elite participation	Business elite opposition
<b>Political System</b>	Stable party system	Unstable parties
	Incumbent party victories	Alternation
	Less veto players	More veto players
	Average governance indicator percentile: 46%	Average governance indicator percentile: 29%

# Comparison Summary (continued)

	El Salvador	Guatemala
<b>Social Participation and Exclusion</b>	Marginalized groups incorporated into major party	Social exclusion of indigenous peoples and inadequate political representation
<b>Fiscal Policy</b>	Successful tax reform Counter-cyclical fiscal policy	Fiscal policy failure Effective opposition from business elites
<b>Health Reforms</b>	Comprehensive PHC Service delivery reforms embedded in broader reforms with political will	Selective PHC Fragmented reform with wavering political support

# The Uncertain Future of Health Reform

## El Salvador: Progress at risk

- ▶▶ Growing debt crisis
- ▶▶ Political gridlock
- ▶▶ Failure to negotiate fiscal reform, health worker salaries, and 2017 GOES budget
  - ❖ Salaries accounted for 64% of MINSAL budget in 2014

## Guatemala: Chronic crises

- ▶▶ Bitter debates about primary care models
- ▶▶ High MSPAS turnover and policy instability
- ▶▶ Political influence in staff deployment

### **Silver lining:**

- ▶▶ Legacy of innovation at local level
- ▶▶ 2016 Reform proposal
- ▶▶ 2017 Budget Increase

IMF. 2016. El Salvador 2016 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for El Salvador. IMF Country Report No. 16/208.

MSPAS. 2015. Proceso de la Reforma al Sector Salud en Guatemala: Saliendo de la crisis y construyendo el futuro. Ciudad de Guatemala, Guatemala.

Avila, Carlos et al. 2015. Guatemala Health System Assessment 2015. Washington, DC: HFG.



# Key Take-aways

- ▶▶ The health reform process is fragile. Financial and political crises can quickly undo progress that has been built over decades.
- ▶▶ International institutions are critical players in presenting available policy options and shaping the discourse, but country actors are ultimately the decision-makers.
- ▶▶ Fiscal policy and financing health reform are key barriers to reform. Incremental tax administration reforms can pave the way for wider reforms, but are not sufficient.
- ▶▶ Comprehensive PHC is more effective than selective PHC, and can generate more community buy-in.
- ▶▶ Participation of civil society can mobilize support for reforms and can pressure governments against unpopular decisions, but political will at the highest level of government is necessary to implement and maintain reforms.

**Questions about the distribution of power and resources are at the core of health systems strengthening just as they are the root cause of social and political conflict.**



# Q&A



**Dr. Carlos Avila**



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