Before April 2011:
Consumers pay $5.10 at the store

After April 2011:
Consumers pay $13.60 at the store
And receive $8.50 in electricity bill (or collect from CENADE office)
IF electricity consumption less than 200Kwh/month
The reform was pro-poor...
...but unpopular

Percent of people satisfied or very satisfied with reform (January 2011)

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bottom 40 percent of income</td>
<td>28</td>
</tr>
<tr>
<td>Rest</td>
<td>33</td>
</tr>
<tr>
<td>Losers (&gt;200 Kwh/month)</td>
<td>27</td>
</tr>
<tr>
<td>Winners (&lt;200 Kwh/month)</td>
<td>31</td>
</tr>
</tbody>
</table>
Escobar Alas expressed his concern that “the poor may be left out”
The pain of paying
Our analysis

• Surveys before and after
• Degree of satisfaction with the reform plus
  – Self-reported degree of information about reform
  – Positive and negative impacts of reform
  – Income
  – Consumption of LPG and electricity
  – Political support
  – Other household characteristics
• Probit model able to test two hypothesis: politics, information
Perceptions change but are sticky...

Figure 2: Satisfaction rate over time.

Note: people answering either 'satisfied' or 'very satisfied'.
...and politically costly

• Head of ARENA in Congress, Donato Vaquerano: the subsidy reform had been a “colossal mistake” by FMLN

• Head of FMLN party organization, José Luis Merino: subsidy reform “undoubtedly had an effect among urban sectors who have resented the measure”

• FMLN president of Congress, Sigfrido Reyes: the defeat (in 2012) had been due in part to “serious mistakes [including] the change in the gas subsidy [which] increased tremendously the price of gas for domestic use”
Limited knowledge about the subsidy

25 percent of the population did not know what the true market price of gas would be without the subsidy

And another 22 percent significantly underestimated it

Figure 3: Kernel density - perception about unsubsidized price.

Note: Kernel = Epanechnikov, Bandwidth = 0.3178.
Negativity bias

Informed
54% satisfied

Uninformed
24% satisfied

Positive impacts?

Helps poor: 20%
None: 10%

Negative impacts?

Inflation: 8%
None: 9%

Helps poor: 4%
None: 40%

Inflation: 21%
None: 1%
The role of information

- Being informed about the reform increased the probability of being satisfied with the reform by around 20 percentage points
Lessons

• It is not enough to have a sound compensation mechanism
  – Implementation mishaps are very costly

• Do not assume that people know
  – People will fill in the blanks
  – Pay attention to ‘surprising validators’

• Test, learn, and adapt
PS. Update
Cómo usar tu TARJETA SOLIDARIA para comprar gas

Para recibir tu subsidio al gas utilizando tu Tarjeta Solidaria, realiza los siguientes pasos:

1. Busca o contacta la tienda de gas subsidiado de tu preferencia

2. El vendedor digitará en el celular Telegas el número de tu Tarjeta Solidaria

3. Digitarás tu PIN o número secreto en el Telegas

4. El vendedor recibirá la autorización del subsidio y tu únicamente cancelarás la diferencia del precio mensual vigente.

Tu Tarjeta debe estar activada

Recuerda, tu PIN es secreto, tú debes digitarlo, no lo compartas con nadie

consulta los precios del gas en

www.minec.gob.sv

Ministerio De Economía Minec

@minec_sv

denuncias y mayor información al

2565-5555