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CDF

Profiles

# El Salvador

## Country Background and Recent Developments<sup>1</sup>

El Salvador is the smallest country in continental Latin America and—with approximately 6.3 million inhabitants—the most densely populated. GDP per capita is US \$2,100, higher than Nicaragua, Guatemala and Honduras but below that of Costa Rica and Panama. With a limited natural resource base and no remaining agricultural frontier, the country has recently experienced major economic disruptions as a result of natural disasters (hurricane Mitch in 1998 and earthquakes in 1986 and 2001). Between 1978 and 1990 it was also torn by a devastating civil war that resulted in about 80,000 deaths, half-million people displaced and another million fleeing to the United States.

The transition to peace and economic reform started in 1989 when Alfredo Cristiani of the Republican Nationalistic Alliance (ARENA) party won the presidential elections. The Peace Accords were signed in Chapultepec, Mexico, on January 1992 and the Farabundo Marti Liberation Front (FMLN) agreed to lay down its arms in exchange for political, military and judicial reforms, although a National Reconstruction Plan was also broadly defined. The administration of President Cristiani launched an economic program of fiscal austerity,

stabilization, liberalization and privatization, that has been continued by Presidents Armando Calderon Sol (1994-1999) and Francisco Flores (elected in 1999), and all members of the ARENA party. The country is ranked today as the top free market economy in Latin America and one of the freest in the world<sup>2</sup>. Its sovereign debt has also received an investment grade rating and the country recently placed bonds for US \$500 million in international markets at very favorable rates.

Despite the prudent macroeconomic policies and the deep economic reforms, growth has remained low and averaged only 3 percent between 1996 and 2000, which is scantily above the 2 percent growth of population over the same period. The earthquakes and the slowdown in the U.S. economy reduced growth to about 1.5 percent in 2001, but the economy is expected to pick-up in 2002 and 2003. Even before the reconstruction, the country faced major economic challenges in terms of its rising fiscal deficits: expenditures due to the earthquake; traditionally low tax collection; reduced competitive advantage in the *maquila* production due mainly to adoption of the US dollar as the currency; and poor performance of the coffee sector.

The National Directorate for Statistical and Census (DIGESTYC) estimated that 41.3 percent of households is living in poverty, while 16.7 percent was in extreme poverty, defined in terms of a food basket meeting basic nutritional needs. In rural areas extreme poverty reached 27.4 percent and overall poverty 55.4 percent. The decrease in poverty during 1991 – 1999 was substantial, reaching 18 percent. These favorable results are explained

<sup>1</sup> This profile is part of a series that is being prepared by the CDF Secretariat to deepen the understanding of the CDF principles, broaden the experience, and share valuable lessons. The profiles are based on roundtables among stakeholders, with external actors, including the Bank, acting as observers. The roundtable used as background for this profile was held in San Salvador on April 9 and 10, 2002. The Central America Integration System (SICA) played a key role in the organization of the roundtable.

<sup>2</sup> 2001 *Index of Economic Freedom*, The Heritage Foundation, Washington, 2000.

by the steady pace of economic growth and the new opportunities of formal employment that were created in the maquila industries, the increases in social spending and the high levels of migration and foreign remittances. Official estimates put the remittance figure for 2000 at about US \$1,800 million, which represents 62 percent of total exports and 14 percent of GDP. In spite of the reductions in poverty, El Salvador remains a country with very high inequality and the Gini coefficient of income distribution is estimated at about 0.50.

Preliminary estimates indicate that the augmentation of poverty levels due to earthquakes of 2001 would range between 2.6 and 3.6 percentage points. While the most acute poverty had been previously concentrated in the northern and eastern areas, poverty has now worsened in the western and southern regions where the effects of the earthquake were greater. About 40 percent of all public schools in the country reported moderate to severe damage, 50 percent of public hospitals and 30 percent of health posts were disabled, 30 percent of housing was destroyed and 41,400 small- and micro-enterprises suffered significant losses<sup>3</sup>. The earthquake has forced the Government to refocus public expenditure towards reconstruction needs and reviving economic activity in the worst affected areas of the country.

As indicated, the Nationalistic Republican Alliance (ARENA) party has won all presidential elections since 1989. Until 1997 they also had absolute control over the Legislative Assembly, which basically rubber-stamped the initiatives of the Executive. In the 1997 mid-term elections ARENA lost its absolute majority in the Assembly and in the mid-term election of March 2000 the party of the former guerrilla organization (FMLN) won 31 out of 84 seats, becoming the largest single force. Since the new Assembly involved itself aggressively in policy-making areas, the Government was forced to spend more time building policy consensus and reaching agreements with minor parties.

However, in February 2002, the FMLN expelled six legislators that sided with the Government in approving the 2002 budget and thus, lost

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<sup>3</sup> *Country Assistance Strategy for the Republic of El Salvador*, The World Bank, Washington, November 2001.

We committed ourselves to carrying out a far reaching and inclusive discussion to motivate the people to react to our proposal.

Methodologically, we were willing to learn and be flexible and creative. In each location, with heterogeneous groups, we received contributions that allowed us to deepen and widen the content, and also design, in the process, a participatory experience of great social and political value.

We learned that we the Salvadorans can reach agreements and are capable of overcoming mistrust, while giving full out freedom to our creativity. We also found that the participatory process generated a mobilization that exceeded our initial perception of our mission and the anticipated outcomes.

We learned that the National Plan cannot be a document that is delivered, with the hope that someone, sometime, makes it happen.

On the contrary, we reached the conclusion that the National Plan is a process of successive agreements.

National Development Committee  
Report to the President of El Salvador,  
Hon. Armando Calderon Sol, on the  
Advance of the Consultation to the People  
May 19, 1999

its power to block bills requiring a two thirds majority, including the approval of foreign bond issues and loans from international organizations. The FMLN remains deeply divided between the "orthodox" and "reformist" factions, with the former controlling the party. For the time being, Congress will remain deeply fragmented and ARENA will continue to control the legislative agenda through its alliances with smaller parties until at least the 2003 congressional elections.

El Salvador is well aware that its viability depends on its integration with other Central Ameri-

can countries. The Central American Common Market was initiated in the 1960's and has experienced ups and downs due to political differences and conflicts among member countries. The strengthening of democratic processes in El Salvador, Guatemala, Nicaragua and Honduras has renewed the interest in integration and produced some new dynamics. The countries have again started to talk with a common voice and have given new and expanded responsibilities to common market institutions. In October 2000 the Secretariat of the Central American Integration System presented a document with the long-term vision of social integration in the region and a Consultative Group for the Transformation and Modernization of Central America was held in Madrid, Spain, on March 2001

### Long-Term Vision and Development Strategy

*The National Development.* El Salvador has an independent broad-based National Development Commission in charge of formulating a National Plan (Plan de Nación). This Commission was established in May 1997 by former President Armando Calderon Sol to create consensus in the search for solutions to the problems and challenges facing the country. The independent Commission was confirmed by President Francisco Flores, who was elected in March 1999, and has wide support among all sectors of society. The members of the Commission are well-respected professionals and some of them represented the FMLN in the negotiations for the Peace Accords of January 1992.

Since the beginning of its work, the Commission has followed a fully participatory approach. For this purpose, it rejected the idea of elaborating a substantive and finished document that would annul the consultative process. The first document, *Basis for the National Plan*, was made public in January 1998 and contains a broad analysis of the main problems that El Salvador faces, a vision of the country people want, and the main challenges and commitments necessary to achieve this vision. This was a working document to promote the discussion and serve as an instrument to reach understandings and agreements among all stakeholders.

Between February and October 1998 the National Development Commission organized nationwide public consultations to develop a shared Na-

tional Plan. This consultative process had a three-pronged approach:

- *Territorial consultations.* Representative's citizens of each of the 262 municipalities of the country participated in 52 local workshops. These workshops selected members to represent them in departmental assemblies that defined a vision for the country and identified the main issues for the region and their suggested actions. A total of 14 departmental assemblies were held.
- *Specialized consultations.* A large group of experts (about 210) evaluated the commitments suggested by the National Development Commission and proposed strategies on 19 key subjects (poverty and social exclusion, modernization of the state, fiscal reform, decentralization and territorial reorganization, judicial reform, ethics in El Salvador, health sector reform, education, environment and development, etc).
- *Intersectorial consultations.* Representatives of political parties, business organizations, labor unions, cooperatives, churches, universities, professionals, teachers and other organizations examined the political, economic, social, institutional and citizenship commitments proposed in the *Basis for the National Plan*.

At the end of the consultative process in January 1999, about 800 stakeholders publicly signed a "Citizens Declaration". The results of the consultative process are summarized in two documents: *Basis for the National Plan. Report on Territorial Consultations* and *Key Topics for the National Plan. Specialized Consultations*. Citizens all across the country were almost unanimous in identifying unemployment as the top problem faced by El Salvador. This was followed by poverty and exclusion, delinquency and insecurity, inadequate educational system, stagnation of agricultural production, concentration of power and resources and loss of natural resources. As stated by the Commission, these issues should constitute the central organizing ideas for public policies that would respond to the demands of the

population.

The consultative process led the National Development Commission to conclude that the “National Plan goes beyond a document that is produced with the hope that somebody sometime will implement it”. According to them “the National Plan is a process of successive agreements. It is, at the same time, a process of awareness, of dynamic participation, a fundamental approach to elaborate proposals and a mechanism to adopt agreements, commitments and responsibilities among all national sectors”<sup>4</sup>.

To address the central issues of unemployment, marginality and social exclusion, the National Development Commission suggested some concrete set of actions that should be undertaken. These are not traditional sectoral policies, but broadly defined development projects in specific regions that are expected to have the greatest possibilities to spread and produce far reaching structural transformations. These proposals were presented in October 1999 in a document entitled, *Initial Actions of the National Plan*. In November 2000 it was followed with a complementary document entitled *Territorial Actions of the National Plan*, which identified complementary priority development projects in each of the five regions of the country.

The earthquakes of January and February 2001 seriously affected the activities of the National Development Commission. Emergency assistance and the rehabilitation of damaged infrastructure became top priority and some of the actions proposed by the Commission have been postponed. However, the Territorial Commissions that were established as part of the consultative process for the elaboration of the National Plan have contributed to better define and implement the reconstruction efforts that are now underway. The Commission has been closely collaborating with the Government in these activities.

**Contents and Approach.** The long-term vision of the country is the result of an interactive process between the original proposals of the National Development Commission and the nation-

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<sup>4</sup> “Basis for the National Plan. Report to the President of the Republic Dr. Armando Calderon Sol on Advances in the Process of National Consultation”, National Development Commission, San Salvador, May 1999.

wide consultative process. Each territorial workshop was required to define their vision of the country and the results are presented in the document *Report on the Territorial Consultation*, mentioned above.

The following characteristics describe the country that is desired by a broad spectrum of Salvadorans:

- A society with equal opportunities for everybody and without marginality, exclusion or discrimination;
- An effective democracy with appropriate consultation and citizen participation in decision making;
- A secure country without violence and with a just and efficient judicial system;
- A country of honest citizens, without corruption and influence peddling;
- A country with adequate decentralized employment opportunities;
- A country that produces wealth, supports agriculture and promotes entrepreneurship;
- A country with high quality of life, including education, nutrition, health, housing and drinking water;
- A reforested country where protection and conservation of the environment is a national priority;
- A society based on a solid family structure that transmits moral, civic and spiritual values.

The document “Basis for the National Plan” establishes as a starting point that “development is a participatory process that must include in a harmonious manner economic, territorial, environmental, political, ethical, social and cultural factors”<sup>5</sup>. It adds that the development of El Salvador cannot be identified only with economic growth and that macroeconomic stability, competitiveness and integration to international markets are not by themselves the final ends of the development process but only means to achieve it.

Consistent with the above approach, the report describes a series of commitments for society as a whole in five action areas: political, educational, socioeconomic, citizens participation and institutional. The following is a partial list of these commitments:

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<sup>5</sup> “Basis for the National Plan”, National Development Commission, El Salvador, 1998, pages 5.

- Consolidate democracy and establish better links between elected representatives and those that are represented;
- Decentralize power and reform the administrative division of the country;
- Redefine the role of the state;
- Establish transparency as a basis for all actions of the public sector;
- Establish honesty as the golden rule for public and private activity;
- Strengthen the family structure;
- Deepen the transformation in education and improve its quality;
- Prioritize technological and scientific development;
- Define priority development areas;
- Develop small and medium enterprises;
- Strengthen the financial system;
- Consolidate macroeconomic stability;
- Promote fiscal reform;
- Guarantee the satisfaction of basic needs for all the population;
- Protect the environment;
- Strengthen social organizations and increase participation;
- Modernize and decentralize public administration.

These commitments were reviewed in the 54 territorial workshops and 14 departmental assemblies and several new proposals were added. Among them were proposals to introduce referendum as a way to consult citizens' opinions on key issues, to facilitate the participation of independent candidates in municipal and legislative elections, to transform the credit system giving access to small and agricultural producers, to eliminate duplication and waste of resources in the public sector, to reevaluate the functions of all governmental institutions and to give greater attention to early childhood development and to the integration of youth in society<sup>6</sup>.

Since the most important challenge facing El Salvador is to eliminate the marginality and structural exclusion of broad segments of its population,

the National Development Commission has proposed the development of the country's interior by using the potential of each of five newly defined integrated regions. These proposals are built around three unifying axes: regional development and decentralization, expansion and reconversion of the productive base and Central American integration.

The poorest Northern Region is defined as an area that could provide environmental services to the rest of the country and urgently needs to be integrated through a new road system. Complementary investments must be undertaken to establish three national parks, modernize agricultural production, improve drinking water supply systems, establish water treatment plants and strengthen municipal governments. The Commission suggests that the Eastern Region be converted into the Central American gate for international trade through the construction of the port of Cutuco and related investments. Similarly the Western Region would be dedicated to tourism and the Central Coastal Region to agricultural and industrial exports.

The approach proposed by the National Development Commission rejects the traditional view of establishing appropriate sectorial policies but rather, promotes a holistic integrated regional strategy, specifically targeted to reduce exclusion of certain areas of the country. The Commission has defined initial viability conditions (macroeconomic stability, quality of education, security and reduced violence and environmental protection); different instruments to be used (financial agencies, economic incentives, institutional reforms and international cooperation); and has quantified the costs of the different individual projects to be undertaken.<sup>7</sup> All these projects resulted from the territorial consultations have broad acceptance among the beneficiary population and have already increased citizens' participation and mobilization.

The approach taken by the National Development Commission of El Salvador suggests that the territorial aspects of exclusion must be dealt squarely and straightforwardly. It also stresses the importance of participation and mobilization to

<sup>6</sup> The full set of proposals can be found in the document "Basis for the National Plan. Report on Territorial Consultations", National Development Commission, El Salvador, April 2000.

<sup>7</sup> The instruments and actions are detailed in the *documents Initial Actions of the National Plan and Territorial Actions of the National Plan*.

identify appropriate projects and to complement the design of good policies, programs and institutions. Given the budget limitations, the Commission has identified initial actions that can be undertaken within existing programs and that constitute the first steps in the recommended development process.

*Links with Public Expenditures.* The Government that was elected in March 1999 has established macroeconomic stability and an efficient and participatory government as the basis for all its actions. Its Program, the “New Alliance”, is built around four pillars:

- **Alliance for Work.** Includes strategies and actions to generate new opportunities for employment and income generating activities, stressing in particular agricultural development, small and medium enterprises and the promotion of foreign investment.
- **Alliance for Solidarity.** Includes strategies and actions to increase social participation, local development and access to quality public services, with special emphasis on education, health, drinking water and housing
- **Alliance for Security.** Includes strategies and actions to decrease delinquency and violence, strengthen the rule of law and the administration of justice, fight corruption in the public sector, improve the domestic capacity to identify and deal with natural disasters and to continue with the modernization of the armed forces.
- **Alliance for the Future.** Includes strategies and actions to harmonize national development with environmental protection, improve the management of hydrological and forestry resources, increase the quality of life in Metropolitan San Salvador and advance the process of integration among Central American countries.

The Government’s Program for 1999 - 2004 is consistent with the National Plan developed by the independent Commission. It addresses the key issues of unemployment, poverty and exclusion, violence and insecurity, inadequate education, stag-

nation of agriculture and protection of natural resources. The only issue that is not targeted directly is the concentration of power and resources, although several of the proposed strategies would make contributions in this direction.

The independent Commission has worked with the Government in identifying projects that should be initiated as first steps in implementing the National Plan and were included in the budget for 2001. However, the earthquakes changed the priorities and some investment decisions had to be postponed. Late in 2001 the Legislative Assembly approved a loan from the Japanese Government for US \$90 million for the new port recommended by the Commission in the Eastern Region, together with complementary investments for US \$56 million.

## National Dialogue and Ownership

**Country ownership.** The process of establishing a long-term development vision for El Salvador started with the Peace Accords of January 1992. While these Accords dealt mainly with political, military and judicial issues, the search for an understanding on economic and social issues was envisaged through the creation of a Forum for a National Agreement. Political parties, labor unions and the private sector were represented in this Forum, which recommended the Congressional approval of new labor laws and the ratification of several conventions of the International Labor Organization. About that time, a parallel broad based group started to look at the problems of education and reached understandings on basic reforms that were needed in this sector. A Ten-Year Education Plan (1995-2010) was developed and has started to be implemented with financing from both the World Bank and the Inter-American Development Bank.

In 1996 when the country was again concentrating heavily on short-term problems and in the political infighting between ARENA and the FMLN, the private sector presented their long-term vision of the country in a document called *The Salvadorian Manifest*. This document attracted the attention of policymakers and started a process of consultations between business organizations and political leaders. Then, in May 1997, President Calderon Sol—who at the beginning of his administration had eliminated the Ministry of Planning—

created the independent National Development Commission, composed of illustrious and well-respected citizens from across society, and gave them the responsibility to propose a methodology and an agenda to establish a National Plan.

As indicated above, the approach followed by the National Development Commission since its inception was that of wide and open participation. There were territorial consultations all across the country, specialized consultations with groups of experts and intersectorial consultations with representatives of political parties, business organizations, labor unions and other civil society organizations. In a sense, the Commission has set a new standard for participation that should be followed in other countries. It consulted a broad territorial spectrum of the population, close to their residence, on their long-term vision of the country, their principal problems, the solutions that they envisage and their views about the challenges and commitments that would be necessary to include in a National Plan. The Commission discussed proposals and views with representatives of more than 70 organizations from all sectors of society and sponsored 19 panels of experts on subjects of national interest. All consultation results are well documented<sup>8</sup>, made accessible to the population at large and adequately reflected in the proposed *Initial Actions of the National Plan*.

The Commission recommended creating a Management Group (Grupo Gestor) that would assume the responsibility promoting the discussion and reaching agreement on the commitments to be incorporated in the National Plan. This Management Group started its deliberations in 1998 and was composed of 14 representatives, which included all major political parties, the private sector, labor unions and major civil society organizations. The Group worked for several months, but gradually dispersed as members lost interest. At the same time, Territorial Management Groups were created at the level of the departments and have continued with their activities. Their strong motivation and commitment have provided a strong basis to continue with the definition and implementation of regional

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<sup>8</sup> The basic documents are “Basis for the National Plan. Report on Territorial Consultations”, April 2000 and “Key Subjects for the National Plan. Specialized Consultations”, January 1999.

plans.

As indicated, the National Development Commission has rejected the view of preparing a document called “The National Plan”. In their view, the National Plan is a process of awareness, of dynamic participation and of reaching successive agreements on fundamental issues (see above) and should not be identified with “a document that is elaborated with the hope that somebody sometime will implement it”.<sup>9</sup> Therefore, what must be examined is the degree of acceptance of the fundamental ideas and concepts of the Commission, rather than that of a specific document.

A wide spectrum of society shares the Commission’s view that the “most important challenge of El Salvador is to eliminate the marginality and structural exclusion of wide segments of the population”<sup>10</sup> and that the key to address this challenge is to incorporate the interior of the country into the development process. There is also broad agreement that the response to this challenge cannot be found in specific macroeconomic or sectorial policies, but requires a holistic and integrated approach to development.

The Commission’s proposal to establish a unifying development axis to meet the challenge of marginality and structural exclusion was also well received. The proposed axis was in the areas of regional development and decentralization, expansion and reconversion of the country’s productive basis and Central American integration. There is also strong support for the idea of identifying a dynamic unifying development initiative in each of the five proposed regions. There is also countrywide support for the specific territorial actions and projects that were proposed, although they have a strong local impact. However, due to a shift in investment priorities because of the 2001 earthquakes, some of the activities in this area were postponed.

**Participation.** Congress has not formally examined the documents prepared by the National Development Commission, although all the main po-

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<sup>9</sup> “Report to the President of the Republic Dr. Armando Calderon Sol on Advances in the Process of Citizens Consultation”, op. cit., page 8.

<sup>10</sup> “Initial Actions of the National Plan”, op.cit., page 3.

litical parties have been consulted, have participated in the work and have sent representatives to the Management Group. However, Congress has examined some of the regional development proposals of the Commission and has started to endorse them, although in a piecemeal fashion.

The activities of the National Development Commission also have the strong support of the private sector. The National Association of Private Enterprises (ANEP)—which is a grouping of organizations in the areas of agricultural, industry, commerce, services, construction, finance, tourism, small- and medium- enterprises and others— has strongly endorsed the recommendations of the Commission and the programs described in the documents *Initial Actions of the National Plan* and *Territorial Actions of the National Plan*.

ANEP has organized two national congresses of the private sector (ENADE 2000 and ENADE 2001), which have defined the view of the private sector on education, health, environment, violence and insecurity, the modernization of the state, the judicial system, fiscal and macroeconomic policies, transport and infrastructure and other economic sectors. While these meetings have mainly concentrated on short-term issues, they have endorsed the view advanced by the Commission that the biggest long-term challenge of El Salvador is to eliminate poverty and provide equality of opportunity to all the population. The document that emerged from ENADE 2001 clearly identifies these issues as the top challenge faced by the country today.

To pursue its agenda, ANEP has created Working Commissions with several Ministries on issues like macroeconomic stability, public investment, productivity, banking and finance, education, environment, electric energy and tourism. In September 2001, the Legislative Assembly established an Ad-Hoc Commission to serve as a link with the private sector. They have met regularly with ANEP to define priorities in the legislative agenda. These meetings have been useful in getting approval for financing some of the programs recommended by the National Development Commission. The private sector is a very active force in the development process in El Salvador and has recently incorporated a long-term perspective to its actions.

Members of numerous non-governmental organizations participated in the territorial and specialized consultations organized by the National Development Commission and made important contributions. The Commission also met with representatives of Catholic and Protestant churches, officers of the armed forces, primary and secondary teachers, university students and several trade union leaders. Some of these organizations were later represented in the national and territorial Management Groups described above. However, the approach of the Commission was to involve all citizens from a region or with specialized knowledge rather than having a meeting restricted to representatives of civil society organizations.

Since the National Development Commission is an independent body, it is important to examine the level of commitment of the Government to its recommendations. The administration of President Flores has fully supported the Commission's activities, although it was not its creator. It has provided the needed financing and technical support for the functioning of the Commission. The Government also shares the fundamental concepts and recommendations and has integrated them in its "New Alliance" Program. However, this governmental support is not assured for the future, especially if there would be a change in the party controlling the Executive. The ad-hoc nature of the National Development Commission must be somewhat institutionalized, although this may change its nature and wide acceptance.

The specific approach followed by El Salvador in developing a National Plan has the advantage of establishing a long-term vision and development agenda that is strongly supported by society as a whole and is independent of political and bureaucratic structures. It is truly a vision and agenda of the Salvadoran citizens, with full country ownership. However, the approach has weaknesses in the areas of implementation and continuity.

Implementation of the development agenda is not in the hands of the independent Commission and is the responsibility of the Government, which did not formulate the agenda and establish the programs that are defined as a priority. Moreover, unforeseen events as the earthquakes may force the Government to change priorities temporarily. Continuity in the Commission has been maintained



because no member of the original National Commission has been replaced, but there are no established rules for the future. At a certain stage, the country may have to deal with the trade offs between an independent commission with no real power and the creation of a bureaucratic governmental institution.

## Implementation and Partnership

**Advances in Implementation.** The National Development Commission has been very effective in creating consensus about the priority problems of the country and the need to involve local communities in the design and implementation of solutions. The central government, municipal governments, Congress, political parties, the private sector, academics, the local media and other stakeholders have accepted the conclusions of the Commission that the priority issues are unemployment and the marginality and exclusion of vast segments of the population, especially in the interior of the country. In January 1999, a large group of stakeholders publicly signed the “Citizens Declaration” proposed by the Commission and in November 2000—in another public ceremony—they expressed their agreement with the proposals made by the Commission to address these issues.

To offset the existing mechanisms of territorial, social, economic, cultural and political exclusion, the Commission proposed five regional projects that have greater possibilities to induce structural transformations and multiplier effects. These projects are built around the concepts of sustainable development, connectivity and integration and local empowerment and are described in the document *Territorial Actions of the National Plan*, which—as indicated—was publicly endorsed by all major stakeholders in November 2000. However, the earthquakes of early 2001 forced a refocusing of investment towards reconstruction and the Commission has recently concentrated its efforts in a reduced number of projects, in what has been labeled a “take-off strategy”. These projects are the construction of the port of Cutuco and related activities, the development of the basin of the Great San Miguel River and the Northern Longitudinal Road system.

The National Assembly approved the construction of the Port of Cutuco and the complemen-

tary investments to develop the Eastern Region in mid 2001, in spite of the lack of qualified majority by the Government. The recommendations of the National Development Commission and the local support it had created through the process of territorial consultations and mobilizations were crucial to convince some opposition deputies to vote in favor of the project and approve the loan made for this purpose by the Japanese Development Agency. Smaller investments to start the development of the basin of the Great San Miguel River and for the road system of the Northern Region were included in the 2002 budget approved by the National Assembly.

The National Development Commission has worked closely with some key governmental institutions, such as the Technical Secretariat of the Presidency, the Executive Commission for Ports (CEPA), and the Salvadoran Institute for Municipal Development (ISDEM), the Ministry of Agriculture and the Social Investment Fund for Local Development (FISDL). It also has excellent working relations with political parties, businesses and labor organizations, churches, the armed forces, the national organization of municipalities (COMURES), the civil society network for local development and other organizations.

Besides providing the long-term development perspective for the actions of governmental and non-governmental organizations, the Commission has been a dynamic force to promote local participation and mobilization and to shift the emphasis to the development and empowerment of the interior of the country. These regions had been traditionally neglected with the high concentration of economic activity in the capital city of San Salvador, but are now well represented by the Territorial Management Groups organized by the Commission.

As indicated before, there is a Government’s Program for the period 1999 – 2004 called the *New Alliance*. While this program was developed initially in an independent manner as part of the electoral process, it has incorporated all the key recommendations of the National Development Commission and is consistent with its work. For example, the Government’s Program has established as top priority the creation of employment and of income-generating activities. For this purpose, it has defined concrete actions to, among others, promote agri-

cultural development, expand exports, attract foreign investments, help small and medium enterprises, improve labor markets and train the labor force.

The Government has also accepted the recommendation to increase local participation and decentralization. The Program for 1999 – 2004, has defined actions to improve the coordination between the central government and municipalities—some of which have received some new responsibilities. The Government has also continued with the transformation of education, whose aim is to improve access and quality mainly in the interior of the country, and has started implementing the health system reform. The basic principles for the reform of this sector were established during the process of specialized consultations conducted by the National Development Commission in 1998 and are included in the document *Key Subjects for the National Plan, Specialized Consultations*.

*Local Governments.* The National Development Commission has worked in close association with municipal governments and local authorities. Given the large fragmentation and the need to define viable and sustainable projects, the Commission has promoted the establishment of municipal associations (mancomunidades municipales), which act as a joint entity protecting common regional interests. Priority has been given to 29 associations, representing 126 municipalities. These associations have received financial and technical assistance from the Salvadoran Institute for Municipal Development (ISDEM) and have actively participated in the definition of strategic actions for each of the newly defined regions.

As indicated before, the Commission also promoted the creation of Territorial Management Groups in each of the 14 departments of the country. Local mayors, entrepreneurs and concerned citizens, together with representatives of local NGOs, compose these groups. In the Eastern region there is also a Coordinating Council involving all the departments concerned with the development of the area around the port of Cutuco and in the Northern Region. The mayors of 49 municipalities have joined forces to promote the Northern Longitudinal Road System.

*Private Sector.* The private sector—through the

National Association of Private Enterprises (ANEP)—has provided strong support for the activities of the National Development Commission. While the conclusions of the National Encounter of Private Enterprises held in 2000 (ENADE 2000) were focused on short-term measures to reactivate the economy, the National Encounter in 2001 (ENADE 2001) explicitly defined a long-term perspective in full agreement with the conclusions of the National Development Commission. Poverty alleviation and equality of opportunities for all citizens have been accepted as long-term development objectives of the private sector, which also stress the importance of maintaining economic stability and of strengthening the fundamental basis of the market economy.

Several proposals presented by the National Development Commission in the document *Territorial Actions for the National Plan* have been incorporated into the agenda of the private sector and figure in its policy discussions with the Government and the National Assembly. Representatives of the private sector participate in all Territorial Management Groups that have been created and private investors have already expressed their willingness to finance some of the investments that are required for the development of the port of Cutuco.

The private sector of El Salvador has a tradition of several years of active involvement in political and governmental affairs. Their actions were instrumental in promoting the signing of the Peace Accord of January 1992 and they have financed several studies about the future economic development of the country. The private sector is called to play an important role to make the National Plan operational, but has not been given a defined role in the proposals of the Commission. The situation is similar with respect to the Government Program for 1999-2004, which only defines actions for the public sector. The development process of El Salvador would be greatly enhanced if the role of the private sector and other crucial actors is well defined and made explicit.

*External Partners.* El Salvador has received large financial support from several multilateral and bilateral agencies. The most active multilateral agencies are the Inter-American Development Bank (IDB) and the Central American Bank of Economic Integration (CABEI), followed by the World Bank

and the European Union. In term of bilateral assistance, the most important partners are the United States, Japan, Spain and Germany. A Consultative Group meeting was held in Madrid on March 2001, chaired by the IDB. This meeting dealt with the reconstruction needs after the earthquakes of 2001 and pledges reached a total of US \$1400 million.

Foreign assistance has been an important source of funding and ideas for the country's development. For example, the reforms in education were first financed by USAID, then by the World Bank and later by the IDB. This assistance has been crucial for the success of the reform program since there were initially legal impediments and reluctance to transfer funds to local communities to manage their own schools. Traditionally there has been very little donor coordination and each agency has pushed its own agenda, with little concern for the activities of others. The situation remains very much the same even after the introduction of the National Development Plan. Both the IDB and the World Bank conducted consultation processes to validate each one their assistance strategies, without giving sufficient consideration to the path-breaking participatory process that has been going on in El Salvador.

The National Development Commission has been active in getting external financing for its proposals. It played a crucial role in obtaining financing from the Government of Japan for the port of Cutuco and has mobilized support from the Municipality of Barcelona, Spain, for help in strengthening local governments and undertaking some studies in the Eastern Region. Assistance from the Governments of Spain, Mexico, Israel and Sweden has also been received in a piecemeal fashion. Again the needs of the country would be better satisfied if the mobilization of foreign assistance were done in a more integrated and strategic fashion.

## **Results and Performance Monitoring**

As indicated, the long-term development objectives defined by the National Development Commission are expressed in terms of social commitments. These commitments are broadly defined and progress in implementation is almost impossible to monitor and evaluate. On the other hand, the initial actions of the National Plan are presented in term of well-defined regional projects, which can therefore be monitored. However, since the link

between the regional projects and the development objectives have not been established, no monitoring of final results can be undertaken in the present situation.

The construction of the port of Cutuco and the development of its area of influence is in its initial stage. Therefore it would be possible to define expected outcomes in terms of specific development objectives and monitor the results. This would greatly improve project design and sequencing. The situation is similar for the Northern Longitudinal Road System and the development of the basin of the Great San Miguel River, which are also priority projects included in the "take-off strategy".

The activities of the National Development Commission would be greatly improved if it focuses on some well-defined development targets, along the lines of those used for the Millennium Development Goals (MDG). At the present time, however, there is little awareness of the MDGs in El Salvador, and there are no mechanisms in place to follow progress and help the development agenda implementation.

The Government's Program for 1999 – 2004 contains well-defined five-year targets and yearly performance indicators. For example, it defines the number of schools that must incorporate the enhanced new curricula and teaching methods or the number of small agricultural producers that must be trained. The Technical Secretariat of the Presidency is responsible for monitoring implementation and advances and examining the performance of each governmental institution. It has recently received support from the IDB to establish an appropriate monitoring system. However, this is a system to follow-up processes and inputs more than outcomes and results.

Since the Peace Accords of January 1992, El Salvador has made important advances in transparency and openness of information. The Government's Program for 1999 – 2004 is available on the Internet, as well as information about the budget, economic and social indicators and public sector procurement. However, the available information does not permit an adequate follow-up of implementation of programs or of budget execution. After 1997, when the opposition won a majority of seats, the National Assembly has aggressively pur-

sued a policy of demanding information and explanation about Government expenditures and programs. In spite of the small size of the country, there are five national newspapers, twelve TV stations and 73 radio stations. The press is active and lively, but focused on small short-term issues.

El Salvador has made important advances in the reduction of poverty. The percentage of households living in poverty decreased from 59 percent in 1991 to 41 percent in 1999. Over the same period, net enrollment in primary education increased from 75 percent of the relevant age group to 97 percent, while infant mortality decreased from 46 per thousand to 30 per thousand. Preliminary estimates indicate that the earthquakes produced a substantial setback and that poverty may have increased between 2.6 and 3.6 percent. ■

# El Salvador

## Long-Term Vision and Strategy

- Does the country have a long-term vision/strategy?
- Are the vision and strategy holistic, balanced and well-sequenced?
- Do the vision and strategy target development results, e.g., MDGs?
- Is the medium-term strategy consistent with the vision and the expenditure framework?

## Enhancing Country Ownership

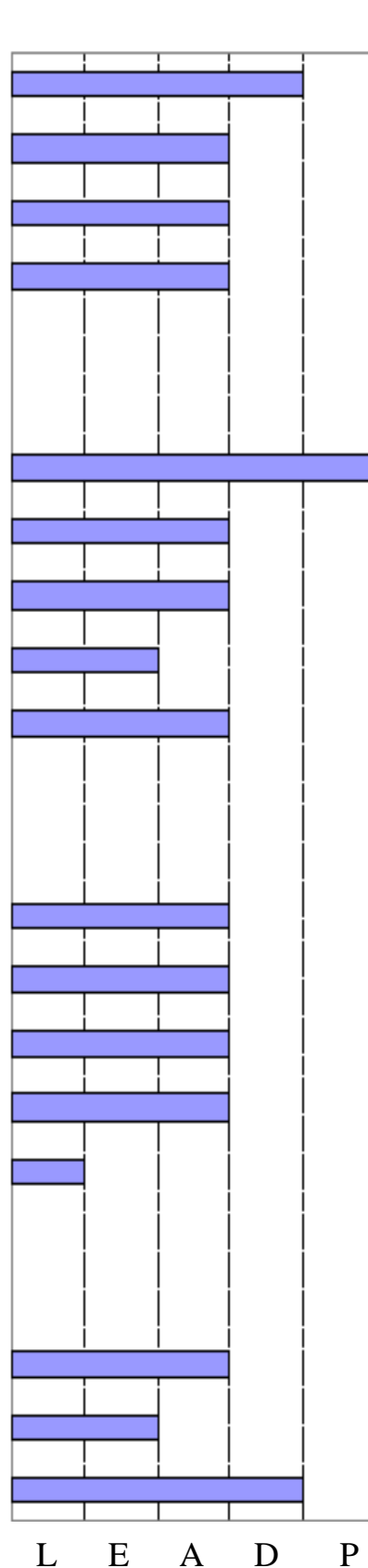
- Do the vision and strategy originate within the country?
- Do NGOs play a role in developing/implementing vision/strategy?
- Does the private sector play a role in developing/implementing vision/strategy?
- Have elected national institutions played a role in the strategy formulation process?
- Does government have capacity to formulate and implement policy and programs?

## Partnership Among Stakeholders

- Are there effective in-country fora for partner coordination?
- Does Government lead the coordination of development partners?
- Are partners' assistance strategies aligned with the country's vision and strategy?
- Are partners being selective, or taking steps to reduce duplication of effort?
- Are partners' operational practices harmonized?

## Focus on Development Results

- Does the Government have an adequate development coordination information system?
- Is Government putting mechanisms in place to track development results?
- Is development information accessible to stakeholders, e.g., media, website, etc.?



"L" means "Little or No Action" — due to a wide variety of circumstances, including political developments, capacity limitations or unforeseen events, action has remained at a virtual standstill.  
 "E" means "Elements Exist or Being Considered" — there is some basis for making progress, either through what already exists, or definite plans.  
 "A" means "Action Has Been or Being Taken" — progress has or is being made, although not yet enough, and the basis exists for even more substantive progress.  
 "D" means "Largely Developed" — significant action has been taken already, although further action is needed.  
 "P" means "Substantially in Place" — the activity is virtually accomplished.