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**Local Development:
Seeking an Alternative In Post-Conflict El Salvador**

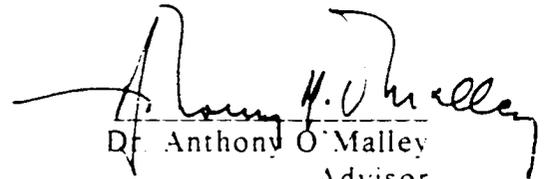
Masters Thesis

Submitted in partial fulfillment of the requirements for the degree of
Masters of Arts in International Development Studies
Saint Mary's University

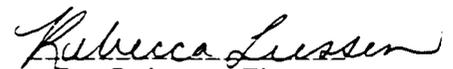
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Abstract
Local Development:
Seeking an Alternative in Post Conflict El Salvador

Suzanne Taylor
April 2000

This study examines local *development* and its conditions for implementation, popular participation and decentralisation, in post-conflict El Salvador. The ability of local development to facilitate social transformation and equitable economic development depends on the use and definition of these two principal conditions. The central questions of the study are: (1) Is local development being used as an Another Development approach that will make the primary agent of development the community thereby strengthening the capacity of the community to define its own development to challenge existing economic, social and political structures? or (2) Is local development a response from within the neoliberal model of development to the problems created by economic and political restructuring? A theoretical convergence of neoliberalism and Another Development occurs through the concepts of participation and decentralisation thereby providing the theoretical and analytical framework of the study. A case study based on research gathered from three municipalities located in the northern zone of the department of San Vicente, El Salvador is presented. The case study examines local development in practice and observes how participation and decentralisation are manifested within this context.

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Acknowledgements

I would like to thank my supervisor Dr. Henry Veltmeyer for assistance, guidance and support throughout the past year. Thank you also to the two other members on my Committee, Dr. Anthony O'Malley and Dr. Rebecca Tiessen for their questions and critical comments.

I also thank Andrea Doucet for her support, encouragement and commitment to learning and education.

Muchas gracias a Abdon y Sylvia Aguillon por su amistad, hospitalidad y por compartir conmigo su cultura y familia. También gracias a mi tres profesoras de español, Rebecca, Emilia y Amalia. Gracias a ASDI por la oportunidad para trabajar con una gran organización y para aprender su visión de desarrollo.

I thank my truly special friends, Nick, Cheryl, Doug, Stephanie, Tara, Annette and Sean for their endless encouragement and support and for listening to the trials and tribulations of thesis writing. A special thanks to Jennifer for a great friendship during my studies and for helping me get to El Salvador in the first place.

Finally, I thank my family, Mom, Dad, Louise and Anne-Marie. They have always believed in everything I do and have always encouraged me to ask questions and find answers.

List of Acronyms

ARENA – Alianza Republicana Nacional

ASDI - Asociación Salvadoreña del Desarrollo Integral

COMURES - Corporación de las Municipalidades de la República de El Salvador

FISDL – Fondo de Inversión Social para el Desarrollo Local

FODES – Fondo para el Desarrollo Económico y Social de los Municipios

FMLN – Frente Farabundo Martí de la Liberación Nacional

FUNDE - Fundación Salvadoreña para el Desarrollo

FUSADES – Fundación Salvadoreña para el Desarrollo Económico y Social

ISDEM – Instituto Salvadoreño de Desarrollo Municipal

IFI - International Financial Institutions

NEM - New Economic Model

NGO - Non-Government Organisation

PARTNERS - Partners in Rural Development

PNC - Policía Nacional Civil

PTT - Programa de Transferencia de Tierra

USAID- United States Agency for International Development

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Chapter One Introduction

1.1 Background

The signing of the 1992 Peace Accords in Chapultepec, Mexico, ended a 12 year bloody civil war in El Salvador during which time over 80,000 people died, 500,000 were displaced and over one million were forced to emigrate. Material destruction was over one billion dollars and the initial estimate for rebuilding only the most urgent elements of the physical infrastructure amounted to 630 million dollars. The Peace Accords represented the beginning of social, economic, and political rebuilding and reconciliation in a country not only destroyed by civil war but which maintains a long history of violence, social exclusion and political repression.

Seven years later, El Salvador is still struggling to resolve its problems and differences. Although reconstruction programs have made some advances in the social, economic and political arenas of Salvadoran society, extreme poverty levels in the rural areas and in the densely populated urban areas have not diminished, the Salvadoran economy remains fragile and a narrow sense of democracy is being fostered.

Structural adjustment programs and stabilisation policies initiated in 1989 by the World Bank and the International Monetary Fund significantly influence

Salvadoran reconstruction. The objective of adjustment and stabilisation was the implementation of a neoliberal model of economic development. Reform of the internal economic structure was based on increasing the strength of the private sector and fostering the growth of the non-traditional export sector. On the fiscal side, the focus of reform was to simplify direct taxes, introduce a value-added tax and re-privatise the banking system with autonomy given to the Central Reserve Bank.

The success or failure of economic restructuring and fiscal stabilisation in El Salvador must be put into context. Three important factors contributed to the effective implementation of the reform package: first, relative political stability; secondly, a renewed private sector-government alliance; and finally, the flow of remittances entering the Salvadoran economy.

The Peace Accords marked the end of the war and beginning of a negotiated revolution. The Accords and the National Reconstruction Plan not only brought an end to the political violence and conflict but attempted to resolve the issues underlying the civil war in particular, economic and political inequality and social exclusion for a majority of Salvadorans. The reconstruction program can be divided in two categories: political reforms and social economic reforms.

Political reforms included changing the role of the armed forces from one of public security to national defence and the creation of the Policia Nacional Civil

(PNC), which now includes ex-combatants from both the Farabundo Martí National Liberation (FMLN) front and the government forces. In order for this to be achieved, a Truth Commission was established to review and investigate human rights offences carried out by members of the police and military. The Judicial System was reformed with the objective of diminishing the dominance of the ruling political party in the Supreme Court. The creation of the National Judicial Council was designed to provide the judicial system with a degree of autonomy and independence from the government structure. In addition to free elections, electoral reforms included the legalisation of the FMLN as an official political party and broadening the representation of various political parties in the supervision of election. Finally, reform of the public administration of former war or conflict zones was initiated with the renewal of Cabildos Abiertos (open town meetings) which collect community initiatives and present them for consideration as reconstruction projects. This opening toward decentralisation of government and the integration of civil society¹ in defence of its own special interests has led to the creation of approximately 400 projects.²

In comparison to the political reforms, social and economic reforms found in the

¹ Civil Society is understood as "those units capable of expressing community interests and, by doing so...transcend the private realm and move towards public and political fields in which they become a decisive force in the face of the state or of the dominant interests lined to power." Torres-Rivas E. and Gonzalez-Suarez M., Obstacles and Hopes: Perspectives for Democratic Development in El Salvador. International Centre for Human Rights and Democratic Development. San Jose. June 1994. p.10.

² Torres-Rivas E. and Gonzalez-Suarez M., Obstacles and Hopes: Perspectives for Democratic Development in El Salvador. International Centre for Human Rights and Democratic Development. San Jose. June 1994. p. 27

National Reconstruction Plan were vague and ambiguous. The general objective of the Plan was the redistribution of economic resources to the poor and landless of El Salvador. The Programa de Transferencia de Tierra (PTT) was created with the purpose of administering the transfer of land to ex-combatants and campesinos/as. Land transfer remains problematic in El Salvador as the PTT struggles with inefficiency in delivery, which is often associated with bureaucratic processes; for example, many beneficiaries of the PTT have not received technical support and/or credit assistance to facilitate increased productivity of the land. Secondly, the reconstruction program did little to challenge the agrarian reform of the 1980s. The 245-hectare cap on landholding was not removed. Thirdly, many Salvadoran women who fought in the war continue to be ignored in the land transfer program. And, finally, agricultural policy has been pushed to the back pages of the government's economic development plan.

1.2 Posing the Problem

The political and economic inequalities, which contributed to the civil war in El Salvador, continue to exist. The country is need of an economic development path that will eventually diminish the gap between the rich and the poor and limit the spread of poverty. Social and economic reform should be complemented by political reform that will support and strengthen democratic political institutions established after the war.

Within the framework of post-war reconstruction, adjustment and stabilisation development actors that include government agencies, international aid institutions, community and/or grassroots organisations and non-government organisations, are using *local development* as an alternative and sustainable approach to development at both community and national levels. Development actors of various shapes, sizes and power consider *local development* as a mechanism or tool that has the potential to address economic and social inequalities and strengthen El Salvador's newly democratic political institutions.

Local development in the post-war context is understood as a development approach that incorporates economic growth, equality, cultural and social advancement, environmental sustainability and gender equity within a process that is based on participatory democracy and the collaboration of resources and skills of a variety of development actors. The objective of *local development* is to contribute to the improvement of the quality of life and to the resolution of collective social and economic needs of a people.³

As *local development* is being used by a wide variety of actors not only is defining the concept problematic but also understanding the objective of its current use in theory, policy and practice. Is *local development* being used as an Another Development approach that will make the primary agent of development

³ FUNDE. "El desarrollo local y regional en el plan de desarrollo nacional: una propuesta a la nación." Alternativas para el Desarrollo. El Salvador. No. 55. Septiembre/Octubre 1998. p. 3.

the community thereby strengthening the capacity of the community to define its own development to challenge existing economic, social and political structures? or Is *local development* a response (or change in priorities) from within the neoliberal model of development to the problems created by economic and political restructuring?

To rephrase this question: are recent and current developments in El Salvador an effective response from within or a consequence of *local development*? What is the agency? And what are the requirements or necessary conditions of *local development*? What are the role and the impact of policies and institutional changes established at the national level by the central government?

These questions arise in the intellectual context of a worldwide movement to search for and establish an alternative form of development to the neoliberal model. This alternative focuses primarily on the experiences of people, popular movements and localised associations and their ability to bring about change and development from within. In the 1990s in the context of the post war reconstruction in El Salvador, as in many countries in Latin America, this search took various forms. The basis for this intellectual development will be discussed with reference to the emergence of Another Development theory in the 1970s and the rise of neoliberalism in Latin America in the 1980s. The latter of the two approaches to development created a region wide decentralisation of government services, redemocratisation of government and facilitated the emergence and

strengthening of civil society. It is within this context that thinkers and practitioners searched for and proposed alternative approaches to mainstream development practices and patterns. The search for Another Development raised several questions and reintroduced civil society to development theory. In particular, the role and influence that this space independent from government characterised by self generated community power and solidarity has in the New Economic Model of neoliberal capitalist development.

1.3 Rationale of the Study

Development approaches based solely on increasing economic growth have demonstrated an inability to address issues of social justice, democracy, poverty and growth-with -equity. Both in theory and in practice a shift towards more inclusive approaches to development has been observed; for example, development approaches now connect concepts such as democratic development equitable economic growth and improving living conditions. *Local development* is an inclusive concept, which incorporates culture, gender, the environment, local history and the economy into a process of collaboration based on participatory democracy. *Local development* is an approach, which should improve the ability of the community to represent itself and participate directly in the development process. It is therefore, necessary to look at an observable shift in the agency of development from the non-government organisation in the mid 1980s to the grassroots community associations in the mid 1990s. This shift is grounded in a change in aid priorities and in particular is influenced by a move

towards supporting democratisation and good governance as a mechanism for economic and social development.

El Salvador is a country that covers 20,935 square kilometres of territory. With a population of approximately six million people, it remains the most densely populated country in Central America (288 people per square kilometre).⁴ Extreme poverty is experienced by a large percentage of the population, particularly those people living in rural areas. A fundamental challenge to economic growth and sustainability in El Salvador is the inclusion of the rural sector in particular, the agricultural sector in the country's economic development plans. Politically, a push to modernise the state apparatus through its decentralisation towards the municipalities is occurring. The Constitution of 1983 clearly recognises the economic, administrative and technical autonomy of the municipal government and supports the municipal government as a fundamental actor in the fostering of a more democratic, representative and participatory political structure.⁵ However, with 262 municipalities receiving only six percent of the national budget, municipal governments are finding it increasingly difficult to answer to the needs of communities.

⁴ Inter-American Development Bank. "Basic Socio-Economic Data. Statistics and Quantitative Analysis Unit." Intergration and Regional Programs Department. El Salvador. <http://www.iadb.org>.

⁵ Article 206 of the Constitution of the Republic of El Salvador refers to the Municipal Code, which describes 28 cultural, economic, administrative and social responsibilities of the municipal government thereby outlining the importance of the municipal government in the promotion and support of local development. La Constitución de 1983. Título VI "Órgano del Gobierno: Atribuciones y Competencias" Capítulo VI "Gobierno Local" Sección II "Las Municipalidades."

While El Salvador continues to grapple with solutions to social, economic and political problems, *local development* emerges as an approach with the potential of encouraging equality in economic development and strengthening the democratisation process. *Local development* is a new approach to economic and political development in El Salvador. It is important to critically examine the various motives behind its use, its condition of implementation, and whether or not it truly has the capacity to increase political participation, strengthen democracy and promote an equitable path to economic development.

1.4 Thesis Statement

The thesis of this study is that equitable economic and social development and the strengthening of the democratisation process in El Salvador can be achieved through *local development* on the condition that popular participation and the decentralisation of the central government towards local government are applied within the framework of Another Development^o: an approach that views development as people-centred, people-led, empowering, community based and local.

Conditions for *local development* include decentralisation and participation.

^o Another Development theory comprises a variety of theorists. For the purpose of this study works from the following sources were reviewed: Korten, Friedman, Max-Neef, Kaufman, Dag Hammarskjold Foundation. See Chapter Two of the study for the analysis of Another Development theory.

First, the decentralisation of responsibilities and resources of the central government towards the municipal or local government to increase its capacity to assist in the social and economic development of its communities. And secondly, strengthening the participation of the local community in the identification of needs and in the decision-making structures.⁷

Since development actors from across the political spectrum (grassroots to IFIs) are using *local development*, this concept can be interpreted within the theoretical frameworks of both neoliberalism⁸ and Another Development.⁹ In addition, the two conditions for *local development* (participation and decentralisation) can also be understood within both of these theoretical contexts. Although participation and decentralisation are common development vocabulary, the meaning, use, and outcome of these concepts depends on their ideological and theoretical interpretation.

Neoliberalism presents participation as an end in itself: the participation of the community and of civil society in the implementation of development projects is a required condition for the sustainability of these programs. Decentralisation is

⁷ COMURES. "Desarrollo local, descentralización y los gobiernos municipales." San Salvador. Octubre. 1998. p. 3.

⁸ Neoliberalism refers to a development that is based on the following assumptions of the free market capitalist system: the market alone provides solutions to all economic problems, there exists no other alternative to capitalism; and, capitalism is a fundamental component of democracy. A discussion of neoliberalism is presented in Chapter Two of the study.

⁹ Another Development refers to development that is based on the following principles: need oriented, endogenous, ecologically sound, and that is based on and results in structural

a change in the administration and/or management of development actors and resources. Both participation and decentralisation are technical instruments which, when used properly, can lead to improved project design, implementation and sustainability.

Within the framework of Another Development participation and decentralisation are *political instruments of change*. Participation is both a means and an end in itself: participation of the members of the local community in the development process will result in their access to decision-making structures thereby empowering the community to challenge and transform existing political, social and economic structures. Decentralisation creates the political space necessary for increased popular participation.

1.5 Theoretical Approach and Analytical Framework

The thesis will be argued within the theoretical framework of Another Development and includes a review and critique of neoliberalism as a basis for understanding the political and economic context from which *local development* has emerged within Latin America and El Salvador.

The neoliberal model of development based on the free market capitalist system has reached an unprecedented scale of globalisation. Governments of all regions

transformation. A further discussion of Another Development is presented in Chapter Two of the study.

of the world and international financial institutions (IFIs) now share a common economic development vision based on the following assumptions: the market alone provides solutions to all economic problems; there exists no other economic alternative to capitalism; and, capitalism is a fundamental component of democracy.¹⁰ This shared economic vision is realised through the implementation of a standard set of policies, which constitute a structural adjustment program. Restructuring within neoliberalism places the market at the centre and forces the state to assume a secondary role in economic development. The objective of structural adjustment programs is to remove the structural blockages preventing the efficient operating of the market.¹¹

In Latin America in the late 1980s, the new economic development path achieved through the implementation of structural adjustment programs is referred to as the New Economic Model (NEM). NEM replaced inward looking development strategies with export led growth strategies. Strong state intervention, characteristic of many Latin American economies in the 1980s, was replaced with increased emphasis on market forces.¹² While the NEM has experienced success, this success remains relative to the economic and social trade-offs that followed its implementation. Privatisation has led to increased unemployment which not been absorbed through labour market reform. The weakening of domestic capital

¹⁰ Una oportunidad para reflexionar sobre la libertad del meercado." Revista de Extención de la Universidad Centroamericana Jose Siméon Cañas. Octubre 1998. p. 878.

¹¹ Rapley J., Understanding Development: Theory and Practice in the Third World. Lynne Rienner Publishers. London. 1996. p. 71.

markets has resulted in more expensive investments, which are required for technological modernisation.¹³ A reduction in real wages occurred and many small and medium enterprises declared bankruptcy. Finally, a weak central state incapable of responding to internal economic problems and rising social security needs remains.

Both the financial and social crisis which ensued with the implementation of the neoliberal programs of adjustment and stabilisation have demonstrated the inability of the dominant paradigm to effectively address social and economic issues of democratisation, social justice, ecological sustainability and growth-with-equity. The social policy of neoliberalism propounds that the benefits from economic restructuring will eventually trickle down to the poorest of the poor. Unfortunately, the shift towards market oriented economies and pressure from IFIs to reduce spending in social welfare programs have prevented many governments from addressing the needs of the poor and/or from limiting the expansion of poverty.¹⁴

During the 1970s, criticism from development theorists on over-consumption patterns, destruction of natural resources and an increasing gap between the rich

¹² Bulmer -Thomas V., The New Economic Model in Latin American and Its Impact on Income Distribution and Poverty, MacMillan Press Ltd. London. 1996. p. 10.

¹³ Bulmer -Thomas V., The New Economic Model in Latin American and Its Impact on Income Distribution and Poverty, MacMillan Press Ltd. London. 1996. p. 10.

¹⁴ Mayo M. and Craig G., "Community Participation and Empowerment: The Human Face of Structural Adjustment or Tools for Democratic Transformation?" Community Empowerment: A

and the poor, encouraged by the development strategies rooted in modernisation, contributed to the search for a new development paradigm referred to as Another Development.¹⁵ The approaches to development found within Another Development paradigm are normative in the sense that they focus on what development ought to be rather than on how development is currently taking place. These development strategies focus more on content rather than form; that is, they are concerned primarily with the purpose and meaning of development approaches rather than the form development assumes.

The major principles of Another Development state that development should be need oriented, endogenous, self-reliant, ecologically sound, and based on and resulting in structural transformation.¹⁶ Within the framework of these principles, a number of concepts and ideas have been used to direct analysis and inform policy and action. The concepts include decentralisation, popular participation, democratisation, strengthening civil society and social transformation. For the sake of this analysis, these concepts are defined within the context of the literature review in chapter two. This review has resulted in the following working ideas:

Development: is a process of social and economic transformation which is not only limited to change but which must result in 'progress'.

Reader in Participation and Development, eds. M. Mayo and G. Craig, Zed Books, London, 1995, p.3.

¹⁵ Hettne B., Development Theory and the Three Worlds, John Wiley and Sons Ltd, New York, 1990, p. 152.

- **Decentralisation:** involves “restructuring the real divisions of power by devolving central functions and resources to regional and local governments.”¹⁷
The deconcentration of central powers is directly related to fostering an active political community at the local level, which strengthens democratic institutions by demanding accountability and responsiveness from the local government. Decentralisation is not simply a change in the administrative process; rather it requires greater inclusion of previously marginalised groups in the decision-making structures of government. In addition, decentralisation creates a political space for the discussion of issues regarding appropriate social and economic development and planning of the community.
- **Participation:** is understood as both a means and an end in itself. Participation of the members of the local community will result in their access to decision-making structures thereby empowering the community to transform existing political, social and economic structures. As a means, participation allows the “majority of the population to identify and express their needs and to contribute directly to the solving of social problems.”¹⁸
- **Democratisation:** is understood as a process which extends beyond securing peace to include the reconciliation of a society divided by civil war; the building and strengthening of democratic institutions such as free elections, political parties and representative, accountable and accessible governments:

¹⁶ Hettne B., Development Theory and the Three Worlds. John Wiley and Sons Ltd. New York. 1990. p. 153.

¹⁷ Friedman J., Empowerment: The Politics of Alternative Development. Blackwell Publishers. Cambridge. 1992. p. 81.

and, the protection of human rights. It is a process, which requires the transformation of social, economic and political structures to ensure an equitable distribution of resources and power.

- **Civil Society:** is understood as “those units capable of expressing community interests and by doing so they transcend the private realm and move towards public and political fields in which they become a decisive force in the face of the state or of the dominating interests linked to power.”¹⁹
- **Non-Government Organisations:** are non-profit organisations based both in developing and developed countries which fund development projects through interaction with colleague institutions and/or popular grassroots organisations.²⁰
- **Grassroots Organisations:** are also referred to as community based organisations or popular organisations. Their membership is drawn from the local community population. These organisations may or may not receive funding from NGOs and government agencies.²¹
- **Sustainable Development:** refers to the relationship development has with the environment as addressed in the Brundtland Report of 1987. *Our Common Future*. In general, the capacity to secure present needs without compromising

¹⁸ Kaufman M., Community Power and Grassroots Democracy: The Transformation of Social Life. Zed Books Ltd. London. 1997. p. 7.

¹⁹ Torres-Rivas E. and Gonzalez-Suarez M., Obstacles and Hopes: Perspectives for Democratic Development in El Salvador. International Centre for Human Rights and Democratic Development. San Jose. June 1994. p. 10.

²⁰ MacDonald L., Supporting Civil Society: The Political Role of Non-Governmental Organisations in Central America. MacMillan Press Ltd. 1997. p. 7.

²¹ MacDonald L., Supporting Civil Society: The Political Role of Non-Governmental Organisations in Central America. MacMillan Press Ltd. 1997. pp. 7-8.

future needs.

On the basis of these concepts and the stated principles of Another Development, the data of the study will be interpreted with reference to the following ideas:

- I. The decentralisation of government provides a necessary condition of *local development* namely increased popular participation.
- II. Decentralisation, as practised or implemented across Latin America, has largely been the initiative of the central government. Decentralisation is also a condition for the neoliberal model of economic and political development.
- III. There is a convergence of two political agendas and two theoretical models of development: neoliberalism and Another Development. The former from 'above' and the latter from 'below'. This convergence occurs through the concepts of decentralisation and popular participation.
- IV. This theoretical and political convergence has opened space for civil society to participate in the development and political process. How this space is being used, to what end and who is participating will require further examination.
- V. Although participation for social transformation has been experienced by many of the rural poor during the civil war, participation by the local citizenry and by members of civil society in the political and development processes of a liberal democracy remains a fairly new phenomenon in El Salvador.

These ideas, derived from a review of the literature and a preliminary study of the situation in El Salvador, serve to guide the analysis and inform the thesis of the

study. As such this set of working ideas or guiding principles are related to the theory implicit in the thesis statement.

1.6 Methodology

The methodological approach of the study is as follows:

- Secondary analysis of data from academic journals will be gathered through library and computer assisted research in Halifax and in San Salvador. These data include the literature on Another Development, neoliberalism, popular participation, civil society, community development and case studies of alternative approaches to development. The ideas and data found in these bodies of literature will be used to support the thesis argument and will be used to provide critical analysis of the case study.
- A case study of the northern zone of San Vicente, an administrative district in El Salvador, where a *local development* approach to social and economic development is currently being implemented is presented. The research was conducted during a 6 month work term as Institutional Policy Advisor with Partners in Rural Development (PARTNERS), a Canadian non-government organisation. The work term was carried out in full in El Salvador from October 1998 to March 1999. The research was collected while I was working. The distinction between researcher and worker was made in the final analysis of the data however this separation was not consistent during the collection of

the data. My working environment therefore defined the data collected. This environment included PARTNERS and the Asociación Salvadoreña para el Desarrollo Integral (ASDI). ASDI is a local non-government organisation and is considered one of the 'big five.' This refers to the five organisations, which emerged from the five parties of the FMLN. The data used in the case study were gathered through participant observation in community meetings and development project meetings. Research also came from a variety of documents including three municipal development plans, one compilation of seven community development plans, Departmental Census and organisational documents such as policy and methodology for project implementation. Two formal interviews were conducted with the mayors of the Municipalities of Santa Clara and Apastepeque. The answers to the questions were hand written during the interview and later integrated into the final thesis. I also attended conferences, which although not included in the actual case study, did provide me with an understanding of the issues within the larger Salvadoran societal context. These conferences included the Presidential Debate on Local Development and a Fundación Nacional para el Desarrollo (FUNDE) sponsored forum on Structural Adjustment in El Salvador and Latin America.

1.7 Structure of the Argument

The thesis of the study will be argued as follows:

- **Chapter Two** critically examines various bodies of literature that relate to the

theoretical frameworks of structuralism, modernisation theory, neoliberalism, and Another Development. The literature will also review the NEM in Latin America and its social impacts. The objective of this review is not only to establish a theoretical foundation for an analysis of *local development* but also to establish an analysis for the findings of the problem addressed in this study. This chapter provides a secondary analysis of data presented by the authors of academic studies in the above mentioned bodies of literature. The scope and context of these studies is comparative in Latin America. This secondary analysis will provide direct and indirect evidence in support of the thesis argument.

- **Chapter Three** provides a macro context of El Salvador within which adjustment, stabilisation and post-war reconstruction are discussed. The macro economic and political context of El Salvador provides background information to the current conditions and circumstances from within which *local development* has emerged. The review of this context allows for the identification of conditions required in recent efforts to pursue a community-based path towards national development in El Salvador.
- **Chapter Four** provides a case study of the northern zone of San Vicente, a department (administrative district) in El Salvador where *local development* is currently being implemented. Issues concerning implementation, objective,

agency, participation and decentralisation are critically examined.

- **Chapter Five** revisits the conclusion made in each chapter and provides recommendations on participation and decentralisation within the context of *local development* in theory, policy and practice.

Chapter Two Theoretical and Analytical Framework

Chapter Two will establish a theoretical foundation for *local development* and will provide a theoretical analysis for the findings of the problem proposed in this study. This chapter begins with a brief review of development theory prior to the 1980s. It is followed by a review of neoliberalism and the New Economic Model (NEM) in Latin America. This model initiated by the Chilean government in the mid 1970s and widely implemented in the region in the 1980s provides the theoretical and ideological context for the surge of *local development* across Latin America in the 1980s. At this point the dimensions of Another Development are introduced as a theoretical framework for understanding *local development*. *Local development*, a form of Another Development, is critically examined through the concepts of participation and decentralisation. These concepts are central to the theory and practice of *local development*. They are the analytical tools used to advance and argue the thesis of this study.

2.1 Development Theory prior to the 1980s

During the 1950s and the 1960s two schools of thought dominated development theory and practice: *structuralism and modernisation*. The former, rooted in Latin America and elaborated by the economists and sociologists of CEPAL in Santiago Chile, provided an approach to development, which became popular among economists and planners of the Third World. While the latter, based on

the tradition of liberalism, was advanced and supported by countries of the First World, in particular those of the West.

2.1.1 Structuralism

Central to the theory of underdevelopment and development, as proposed by the structuralist school, is the idea that “economic relations between the centre and the periphery tended to propagate the condition of underdevelopment and widen the gap between developed and underdeveloped countries.”²² These economic relations were unbalanced as the international market indicated deteriorating terms of trade between primary commodities generally based in underdeveloped economies and manufactured goods, located in developed economies.²³ Several key principles or structural features of underdeveloped economies which help maintain economic inequality within the international trade regime were identified: (1) the dual existence of a large traditional agricultural sector with low productivity and a small modern sector established through foreign capital; (2) the inability to independently produce capital goods required in the manufacturing sector; and (3), a large percentage of production in the modern sector is exported and the technology required for production in this sector is imported.²⁴ Only through the ratification of these economic structural features could economic development be obtained. Key policy recommendations proposed

²² Cardoso F. H.. “The Originality of a Copy: CEPAL and the Idea of Development.” CEPAL Review, Second Half of 1977. p. 32.

²³ Cardoso F. H.. “The Originality of a Copy: CEPAL and the Idea of Development.” CEPAL Review, Second Half of 1977. p. 33.

by the structuralist school include government intervention in the establishment of import substitution and in the creation of common trading markets among underdeveloped countries. These two policies would permit diversification in the domestic market and assist in the strengthening of the industrial sector of the economy.²⁵ Important to the contribution structuralists made to development theory and practice is the idea of inward looking development strategies, internal restructuring and state intervention as means of initiating and sustaining economic growth. Simply replicating the development path of developed countries or those of the centre would not lead to industrialisation and sustained economic development of underdeveloped economies.²⁶

2.1.2 Modernisation Theory

While structuralist thinking dominated development planning in the South, modernisation theory directed most development activity in the North. This approach viewed development as a process containing various phases through which an economy had to pass in order to achieve industrialisation. Underdevelopment was therefore perceived as a necessary phase that an economy would eventually surpass. As an economy enters a new phase its characteristics and activities become increasingly similar to those found in western societies. Non-economic factors are largely ignored thereby making development a

²⁴ Hunt D., Economic Theories of Development: An Analysis of Competing Paradigms. Harvester Wheatsheaf. New York. 1989. pp. 121-122.

²⁵ Hunt D., Economic Theories of Development: An Analysis of Competing Paradigms. Harvester Wheatsheaf. New York. 1989. p. 122.

homogeneous process with the end result being the creation of economies engaged in an international free market system.²⁷ Social and cultural conditions and institutions are factored into the growth or industrialisation equation much like economic factors; that is, it was argued that these non-economic factors would "evolve in a manner consistent with the logic of capitalist economic growth."²⁸ Social structures and institutions that created obstacles to economic growth were to be dissolved and replaced; for example, collectivism would be replaced by individualism. The premise for this change is closely linked to economic growth. The values associated with individualism are related to the division of labour, worker productivity and entrepreneurship in capitalist economies. Changes to these social and cultural institutions and values would promote a similar and/or complimentary change within the process of economic development thereby increasing the rate of modernisation.²⁹ A study performed within the modernisation paradigm on Latin American development and underdevelopment argues that century old social systems based on feudalism prevented the countries of this region from economic progress. Diffuseness, elitism and weak achievement were social and cultural values identified as incompatible with the values associated with capitalism of which include, materialism and a strong work ethic. The study concluded that replacing the old values with 'modern' values

²⁶ Levitt K., "The State of Development Studies," International Development Studies. Occasional Paper. No. 92.1. Saint Mary's University. Halifax. p. 54.

²⁷ Levitt K., "The State of Development Studies," International Development Studies. Occasional Paper. No. 92.1. Saint Mary's University. Halifax. p. 45.

²⁸ Brohman J., Popular Development: Rethinking the Theory and Practice of Development. Blackwell Publishers. London. 1996. p. 7.

would foster the necessary, correct and complimentary social and cultural institutions for modernisation.³⁰

Modernisation theory of development must be understood within the historical and political context of its day, in particular, the intensification of the Cold War. During the 1950s and the 1960s, the spread of liberal democracy and free market capitalism were critical to American foreign policy and to strengthening the presence of the United States in the countries of the Third World.

2.2 Development in the 1980s: Neoliberalism

During the mid to late 1960s neo-classical economics became increasingly popular as its development economists criticised the structuralist response to underdevelopment which was based on state intervention in the market economy through the implementation of import substitution industrialisation policies.³¹ Criticism was accompanied by a proposal for a shift towards export industrialisation through the adoption of market enhancing policies such as subsidies, increased trade liberalisation and currency devaluation.³² By the 1970s several countries of the Third World began implementing policies based on the neo-classical approach to economic growth and development. Countries began

²⁹ Brohman J., Popular Development: Rethinking the Theory and Practice of Development. Blackwell Publishers. London. 1996. pp. 21-22.

³⁰ Brohman J., Popular Development: Rethinking the Theory and Practice of Development. Blackwell Publishers. London. 1996. p. 21

³¹ Levitt K., "The State of Development Studies." *International Development Studies*. Occasional Paper. No. 92.1. Saint Mary's University. Halifax. p.72.

adopting monetarist and fiscal stabilisation policies and implemented restructuring programs to make structures within the economy more favourable to free market activity.

The trend towards neo-classical development economics peaked in the 1980s with the adoption of the neoliberal-liberal model of economic development and growth by countries in all regions of the world and by the international financial institutions. The shared economic vision based on the free market capitalist system had reached an unprecedented scale of globalisation. Development within neoliberalism is explained through market led growth and its respective components, which include increased savings and private investment, low wages, industrialisation, technological advancement through global economic integration and the trickle down benefits of growth.³³ The goals of neoliberalism include placing the market at the centre of all activity, making the state assume a secondary role, and attaching a significant amount of faith in the individualistic nature of human beings.³⁴ The emphasis placed on the market and on the rational behaviour of the individual has resulted in a scientific approach to economic activity. Although policy prescriptions can be achieved through precise statistical analysis of market mechanisms, this quantitative analysis results in the over simplification of complex social processes. Consequently, many non-economic

³² Rapley J., Understanding Development: Theory and Practice in the Third World, Lynne Rienner Publishers, London, 1996, p. 61.

³³ Brohman J., Popular Development: Rethinking the Theory and Practice of Development, Blackwell Publishers, London, 1996, p. 31.

factors of development cannot be measured within the neoliberal parameters of economic growth.³⁵

During the 1980s, the countries of the Third World experienced a reorientation of their economies through the adoption of restructuring and reform packages prescribed by the International Monetary Fund and the World Bank. The following assumptions of neoliberalism have shaped these structural adjustment and stabilisation programs: the market alone provides solutions to all economic problems; there exists no other economic alternative to capitalism; and, capitalism is a fundamental component of democracy.³⁶ These shared set of assumptions have been embodied into a recipe for the development for the Third World. The policy instruments or tools used to carry out these reform programs include fiscal austerity, disinflationary policies, privatisation of state-owned enterprises, trade liberalisation, currency devaluation, general deregulation and attracting new private foreign investment.³⁷

³⁴ Rapley J., Understanding Development: Theory and Practice in the Third World, Lynne Rienner Publishers, London, 1996, p. 71.

³⁵ Brohman J., Popular Development: Rethinking the Theory and Practice of Development, Blackwell Publishers, London, 1996, p.32.

³⁶ Una oportunidad para reflexionar sobre la libertad del mercado," Revista de Extensión de la Universidad Centroamericana Jose Siméon Cañas, Octubre 1998, p. 878.

³⁷ Rapley J., Understanding Development: Theory and Practice in the Third World, Lynne Rienner Publishers, London, 1996, p.71.

Fiscal austerity in the reduction in spending by the government often takes the form of direct taxes and borrowing. According to the neoliberal development ideology, increased government spending through the withdrawal of money from the economy will lead to increased interest rates and crowd out private investors. The result is a decrease in the ability of businesses to attract savings and a decrease in the business investment thereby leading to a decrease in economic activity.

A second tool used in the implementation of neoliberalism is privatisation. Within the values of a free market capitalist economy, it is assumed that private sector owners as compared

2.3 The New Economic Model in Latin America

Prior to the 1980s the economies of Latin America were characterised by import substitution industrialisation strategies which required a high degree of state intervention in market mechanisms. Neoliberals argued that Latin American countries were attempting to sustain weak inward looking economies through increased international borrowing and increased state intervention. The structures which maintained this economic model and which resulted in price distortions and macroeconomic imbalances were to be replaced by structures supportive of an outward oriented and market led development model.³⁸

In Latin America, the restructuring of economies during the late 1980s is referred to as the implementation of the New Economic Model (NEM). The NEM is a process of gradual change in which economies pass through three phases of reform with the end result being the implementation of the neoliberal model of economic growth and development. The three phases are: (1) the implementation of stabilisation policies after the debt crisis; (2) the liberalisation of the economy

to public sector owned enterprises have more interest in maintaining an efficient and profitable organisation and or company.

Trade liberalisation deserves little explanation; a reduction in barriers to trade in a n effort to increase the flow of goods and services. Liberalisation of trade is achieved generally a) the elimination of quantitative and qualitative restriction on imports; and b) the liberalisation of domestic markets through the removal of price controls and marketing boards.

Currency devaluation is often used as a mechanism to liberalise markets. Neoliberal economists argue that the devaluation of local currency will entice local export producers to increase production of their goods and materials. A secondary result is an increased flow of currency within the local economy as devaluation leaves local producers with an increased income.

and the privatisation of formerly stated-owned or public sector services and enterprises; and (3) finally after the successful implementation of the previous two phases is achieved, the country can concentrate on export-led growth strategies.³⁹

The NEM is the neoliberal response to the crisis of economic growth in Latin America and is based on the above mentioned assumptions of the market, the state and individual human behaviour. The neoliberal interpretation of the economic challenge for the countries of this region is as follows: "find some efficient way of recovering self-sustained growth which would guarantee productive employment to a growing population and re-establish the confidence of the external financial markets by serving the debt."⁴⁰ On the social side, the NEM should have immediate positive social impacts including improvement in living standards, strengthening democracy and encouraging private or individual initiative.⁴¹

The principal policy instrument used to carry out stabilisation is the control of inflation rates through a reduction in the growth of the money supply. This is achieved by placing controls on wages, cutting public spending and raising

³⁸ Brohman J., Popular Development: Rethinking the Theory and Practice of Development. Blackwell Publishers. London. 1996. p. 84.

³⁹ Green D., Silent Revolution: The Rise of Market Economics in Latin America. Cassell. London. 1995. pp. 4-5.

⁴⁰ Sunkel O. and Zuleta G., "Structuralism versus Neoliberalism in the 1990s." in CEPAL Review. No. 42. December 1990. p. 36.

interest rates. Within the Latin American region inflation fell to 49 percent in 1991 and then decreased to 16 percent in 1994.⁴² Considering inflation had reached approximately 1200 percent in 1989 and 1990, these figures indicate a significant improvement in economic stabilisation. In El Salvador, annual inflation rates dropped from 24 percent in 1989 to 9 percent in 1994.⁴³

The key to economic restructuring within structural adjustment is increased privatisation. The sale of state owned enterprises during the late 1980s and early 1990s reached an unprecedented scale in Latin America. As governments attempted to make foreign debt payments, the potential revenue that could be acquired through the sale of government industries and companies seemed irresistible. Privatisation not only permitted the servicing of foreign and domestic debts, but also represented a shift towards the neoliberal ideology of less state and more private sector management. The move towards export led growth strategies was achieved through trade liberalisation. The liberalisation of the markets resulted in the doubling of exports from US\$ 78 billion in 1986 to US\$153 billion in 1994. Although trade liberalisation increased export earnings within the region, it also led to increased imports. Between 1986 and 1994 imports rose from US\$ 60 billion to US\$ 171 billion, creating a deficit of US\$ 18

⁴¹ Sunkel O. and Zuleta G.. "Structuralism versus Neoliberalism in the 1990s." in CEPAL Review, No. 42, December 1990, p. 36.

⁴² Green D., Silent Revolution: The Rise of Market Economics in Latin America, Cassell, London, 1995, p. 76.

⁴³ Green D., Silent Revolution: The Rise of Market Economics in Latin America, Cassell, London, 1995, p. 224.

billion.⁴⁴

Behind these three principal policy instruments is an array of strategies for reform among which include, the reorientation of the economy toward the exterior by placing greater importance on exports and decreasing protection on imports. Secondly, increasing domestic savings and improving efficiency in the allocation of funds for investment projects which will produce greater savings than consumption. A third strategy is reforming of the role of the state in the economy through its removal in the production of goods and services and in the provision of social services and programs.⁴⁵

Although some statistics demonstrate a level or form of 'success' in the implementation of structural adjustment and stabilisation programs, for example decreased inflation rates and increased exports, a number of shortcomings of the policies behind the neoliberal model of development are identified. First, export led growth strategies in the economies of the Third World has resulted in increased reliance on a few primary commodities. These primary exports are subject to fluctuation in the international market, which are often controlled by transnational corporations and which can lead to a decline in the export sector.⁴⁶ In addition to the possible threat of economic contraction, primary export

⁴⁴ Green D., Silent Revolution: The Rise of Market Economics in Latin America. Cassell. London. 1995. p. 80.

⁴⁵ Green D., Silent Revolution: The Rise of Market Economics in Latin America. Cassell. London. 1995. p. 37.

commodities generally require low wage, low skills and have low levels of productivity which do not necessarily lead to the creation of strong and sustainable economies.⁴⁷

On the fiscal side, stabilisation programs promoted through the removal of interest rate ceilings and the liberalisation of capital accounts, balance of payments and of foreign exchanges have created negative effects on economic stabilisation.⁴⁸ The removal of interest rate ceilings had resulted in increased interest rates, which have not led to increased domestic savings but have stopped the borrowing of funds for investment. In addition, rising interest rates have increased costs for companies and have forced the refinancing of loans. The devaluation of exchange rates has produced similar effects on economies. Financial openness created by changes to exchange rates has created greater possibility for capital flight within the countries of the region.

The negative impacts of the NEM in Latin America suggest a 'too much too fast' problem in the implementation of adjustment and stabilisation. Instability and poor economic performance have been accelerated for many countries as the coordination of privatisation, liberalisation and financial openness was poorly designed. This has been demonstrated by little improvements made in savings

⁴⁶ Brohman J., Popular Development: Rethinking the Theory and Practice of Development. Blackwell Publishers. London. 1996. pp. 148-149.

⁴⁷ Brohman J., Popular Development: Rethinking the Theory and Practice of Development. Blackwell Publishers. London. 1996. p. 149.

and investment, servicing of foreign debts and inflationary problems. The aggravation of macroeconomic imbalances and market imperfections also suggests that the problem with structural adjustment programs is not just a matter of poor design but is more related to the ideological limitations of structural adjustment. The trickling down of the benefits of economic restructuring to lower social and economic classes remains questionable and problematic for the countries of Latin America thus demonstrating the harmful social impacts of stabilisation and adjustment. Indeed the benefits and costs of adjustment are highly skewed with the latter weighing heavily on the masses of workers and peasants who make up a majority of the population.

2.4 The Social Impact of the New Economic Model on Latin America

The structural adjustment and stabilisation programs embodied within the NEM of Latin American countries have demonstrated a certain degree of success in terms of economic growth. However, when weighed against the negative social impacts incurred directly from these programs, the NEM in Latin America is clearly a failure. The rich got richer and the poor got poorer; "a principal effect of economic restructuring was to shift income from labour, the working wage earning population to capital, to individuals deemed to have higher propensity to

⁴⁸ Brohman J., Popular Development: Rethinking the Theory and Practice of Development. Blackwell Publishers. London. 1996. pp. 155-156.

invest their savings.”⁴⁹ In 1980, 40 percent of the total population in Latin America were living in poverty. This number rose to 44 percent in 1986 and to 62 percent in 1993 with a total of 197 million people living in poverty.⁵⁰ Poverty was spread throughout both urban and rural regions. Between 1980 and 1990 poverty levels in the region rose in urban and rural areas with increased poverty demonstrating more concentration in the cities; “87.8 percent of the 52.6 million additional poor people in Latin America were classified as urban. By 1990 the urban poor were estimated at 115.5 million of the total poor of 195.9 million and total population of some 420 million.”⁵¹

Inequality was intensified with the implementation of economic restructuring under the neoliberal ideology. According to neoliberal thought, inequality is a necessary evil, which provides workers with incentive to work harder and generate greater levels of productivity and economic growth. In Brazil, for example, the richest 20 percent of the population earn more than 32 times the income of the poorest 20 percent.⁵² Increased economic inequality has resulted in increased or widespread poverty in the region. Adjustment and stabilisation has affected peoples lives in a variety of ways including, income distribution, working conditions, taxes, commodity prices, state services and environmental

⁴⁹ Veltmeyer H., “Latin America in the New World Order.” Canadian Journal of Sociology, Vol. 22, No. 2, 1997, p. 222.

⁵⁰ Veltmeyer H., “Latin America in the New World Order.” Canadian Journal of Sociology, Vol. 22, No. 2, 1997, pp. 223-224.

⁵¹ Bulmer -Thomas T., The New Economic Model in Latin American and Its Impact on Income Distribution and Poverty, MacMillan Press Ltd. London, 1996, pp. 8-9.

degradation.

Income redistribution has manifested itself as income retraction, particularly among lower income workers. The removal of income from workers demonstrates a disproportionate loss of real workers thereby intensifying inequality. The World Bank has acknowledged this disparity but states that "real wage containment remains a necessary element of the adjustment process [and that] mechanisms will have to be found to shift some of the burden to the higher income groups in the interest of social justice and domestic peace."⁵³

As demonstrated with the inequality in income redistribution, the social costs of adjustment and stabilisation have been accrued primarily by the popular or working class sector of the population. A number of reasons are given for this growing disparity between the rich and the poor within the region. First, policies of market liberalisation contributed to rising unemployment in the formal sector and more specifically within labour intensive jobs. The rise in unemployment levels and the removal of labour regulations have contributed to a decrease in minimum wage earnings and in real wages. The removal of price subsidies and controls on basic grains and other principal agricultural commodities have resulted in an increase in prices thereby impacting negatively the purchasing

⁵² Green D., Silent Revolution: The Rise of Market Economics in Latin America, Cassell, London, 1995. p. 93.

⁵³ Pinstrup-Anderson P., "Macroeconomic Adjustment and Human Nutrition," Food Policy, No. 13. pp. 39-40.

power of lower and working class individuals. As previously mentioned, adjustment strategies target the size of government and the services provided by government. The shift towards the privatisation of state run services, in particular the provision of basic social services including health care and education, has reduced the accessibility and feasibility of these services by the poor.⁵⁴ The growing disparity in economic, political and social power between the rich and the poor over the last decade demonstrates a connection between the New Economic Model of development and the expansion of poverty and associated social costs.

2.5 The Search for Another Development

A movement in development thinking paralleled the resurgence of the neo-classical approach to economic development in the late 1970s.⁵⁵ As neo-classical economic policies for development proved incapable of fulfilling basic human needs for a majority of the world's poor, development thinkers and professionals initiated a search for Another Development based both on meeting basic human needs and the sustaining of the earth's natural resources.⁵⁶

The Dag Hammarskjold Foundation released the guiding principles of Another Development in 1975 in a report on Development and International Co-operation.

⁵⁴ Brohman J., Popular Development: Rethinking the Theory and Practice of Development. Blackwell Publishers. London. 1996. pp. 162-163.

⁵⁵ Hettne B., Development Theory and the Three Worlds. Longman Group Ltd. London. 1990. p. 152.

With the satisfaction of both material and immaterial needs at the centre of the search for Another Development, five key components of the new paradigm were identified. Development is a multi-dimensional and faceted process that requires the integration of economic, social and political conditions. It is endogenous, ecologically sound, self-reliant and it is predicated on social transformation and changing the institutional structures of the economy and society.⁵⁷ The two preceding and dominant paradigms of development, structuralism and neo-classical economics are both based on capitalism with the former proposing state intervention or regulated capitalism and the latter advancing free market capitalism.⁵⁸ Another Development extends this boundary in development thinking and planning by incorporating a social analysis that raises the question: development for whom?⁵⁹

Until the search for Another Development began, the agency in development

⁵⁶ Friedman J., Empowerment: The Policies of Another Development, Blackwell Publishers, Cambridge, 1992, p. 2.

⁵⁷ "Dag Hammarskjold Report on Development and International Co-operation." Development Dialogue, September 1975, pp.

1. Development is whole: referring to the idea that development encompasses the social, political, economic, cultural and environmental areas of society. 2. Development is endogenous: meaning that development stems from the core or heart of each society. Every society must rely on its respective resources and be ready to collaborate with other societies to ensure sustainability and self-reliance. 3. Development is ecologically sound: development consists of a relationship between the social and natural systems. 4. Development is self-reliant: a people or a society has the ability to set its own path of development and has the ability to sustain its own development. 5. Development is transformation: social, economic, political transformation must occur with another development. The path of development a society chooses should possess the ability to ensure that the transformation of these structures will occur.

⁵⁸ Veltmeyer H., "The Search for Another Development." Working Papers in International Development Studies, No. 97.2, Saint Mary's University, Halifax, p. 21.

planning was limited to the state and/or the market. Another Development thinkers and practitioners discussed the existence of a third agent: people and their autonomous power. People can reach a consciousness of their role in their development and the development of their community and country. They have the ability to challenge the state and economic powers and to assert their needs and concerns within decision-making structures.⁶⁰ With people at the centre, development evolves from within the community and stays within the community.

Although Another Development approaches are perceived as community based with little involvement of the state or government structures and organisations, this approach in fact encourages interaction between community and state. It is argued that social transformation cannot be achieved in isolation. Interaction between the state and the community is necessary for several reasons. First, the state may become increasingly aware of the needs of its citizenry and possibly become more accountable which in turn strengthens democratic institutions. Secondly, political, economic and social structures that exist within a community are often replicated at a larger regional and/or national level. The poor therefore cannot act alone: they require action on behalf of the state in order to achieve change and sustained improvement in their quality of life. In order to change

⁵⁹ "Dag Hammarskjold Report on Development and International Co-operation." Development Dialogue. September 1975. pp. 18.

⁶⁰ Friedman J., Empowerment: The Politics of An Alternative Development. Blackwell Publishers. Cambridge. 1992. p. 3.

existing power relations, the poor require access to and space in the structures within which development decision-making occurs. Political empowerment of the poor therefore becomes an important instrument in achieving sustained social transformation at the community level.⁰¹

This concept of people-centred development is closely related to the principle of self-reliance. Another Development focuses on the importance of poor people to obtain and maintain control over the resources located in their environment. To have the capacity to define their own development in terms of the goals for the community and action required to achieve the set goals. And finally, to have the ability to recognise local actors who can facilitate the development path of the community, and to ensure that all members of the community have a voice in development planning, particularly women and indigenous peoples who have remained excluded in existing development approaches.⁰²

From the above mentioned principles of Another Development a few observations can be made. First, these guiding principles reflect the importance of self-reliance, control over resources and the need for political transformation towards a system that is more inclusive. As stated by Friedman, these principles are the political claims of the Another Development paradigm. The guiding principles of

⁰¹ Friedman J.. Empowerment: The Politics of An Alternative Development. Blackwell Publishers. Cambridge. 1992. p. 7.

⁰² Friedman J.. Empowerment: The Politics of An Alternative Development. Blackwell Publishers. Cambridge. 1992. p. 10.

action are not to be interpreted as goals or ends in themselves rather they belong to a process that will result in social transformation. "Greater autonomy over the life spaces of the poor in the management of resources, collective self-empowerment, the importance of respecting cultural identities and the democratic participation of the poor in all phases of development"⁶³ suggests increased political integration.

2.6 Local Development as a Model of Another Development: Participation and Decentralisation as Conditions for Implementation

In this theoretical context *local development* can be understood as a development approach that incorporates economic growth, equality, cultural and social advancement, environmental sustainability and gender equity within a process based on participatory democracy and the collaboration of diverse development actors. The objective of *local development* is to contribute to the improvement of the quality of life and to the resolution of the collective social and economic needs of a people.⁶⁴ There are two critical conditions for *local development*: decentralisation and participation. First, decentralisation of the responsibilities and resources of the central government to increase the capacity of the municipal or local government to assist in the social and economic development of its communities. And secondly, strengthening the participation of the local

⁶³ Friedman J., Empowerment: The Politics of An Alternative Development, Blackwell Publishers, Cambridge, 1992, p. 10

⁶⁴ FUNDE, Desarrollo regional/local en El Salvador, Versión Popular, Agosto 1997, p. 19.

population in the identification of needs and in the decision-making structures.⁶⁵

Returning to the central question of this study: is *local development* an alternative development approach that will make the primary agent of development the community, thereby strengthening the capacity of the community to define its own development and challenge existing economic, social and political structures? Or, is *local development* a response (or change in priorities) from within the neo-liberal model of development to the problems created by economic restructuring and reform?

The above question demonstrates the applicability of *local development* within the theoretical frameworks of both neoliberalism and Another Development. This theoretical convergence occurs through the concepts of participation and decentralisation.

2.6.1 Participation

Participation of the community is the key to a successful and sustainable development plan or project. Within neoliberalism, participation is understood as an a means to an end: the participation of the community and of civil society in the implementation of development projects is seen as a necessary condition for the sustainable success of these programs. Using the World Bank as an example

⁶⁵ COMURES. "Desarrollo local, descentralización y los gobiernos municipalidades." San Salvador. Octubre. 1998. p. 3.

of neoliberal discourse in practice, participation is defined as a “process by which people-especially disadvantaged people- can exercise influence over policy formulation, design alternatives, investment choices, management and monitoring of development interventions in their communities.”⁶⁶ Within this theoretical framework, participation is an instrument in development planning. It is a tool that can be used to achieve greater effectiveness in project implementation, improved efficiency in project delivery and long term sustainability of the development project. Although a common development vocabulary is applied both within the neoliberal and the Another Development discourse, the meaning attached to concepts like participation and empowerment remain distinct and different. From the World Bank Perspective, participation is a means to achieving greater success in the project cycle-from design, delivery, direction and sustainability.

Within the framework of Another Development, participation is both a means and an end in itself; participation of the members of the local community will result in their access to decision-making structures thereby empowering the community to challenge and transform existing political, social and economic structures. As a means, participation allows the “majority of the population to identify and

⁶⁶ Bhatnagar B., and Williams A.C., “Participatory Development and the World Bank: Potential Directions for Change,” World Bank Discussion Papers, No. 183. The World Bank, Washington, 1992. p. 2.

express their needs and to contribute directly to the solving of social problems.”⁶⁷

The goal therefore is the reorganisation or transformation of society’s political economic and social structures and institutions. In order to achieve equitable economic and social development and to strengthen democratisation, participation in *local development* must be for social transformation as understood within the context of Another Development.

Participation is a complex concept that is used in a variety of contexts. For the purpose of this study, participation will be discussed as a process of transformation and of community power and empowerment. As a process, participation implies a change that is not static. It is a process that extends beyond modernisation and which requires a transition from the present situation to an alternative organisation of the cultural, social, political and economic relations and structures of society.⁶⁸

A critical component of this process of change is self-awareness and self-empowerment within the community. For poor communities, participation begins with being able to understand their social and economic environment, the problems that exist, the causes of these problems and the action required to

⁶⁷ Kaufman M.. Community Power and Grassroots Democracy: The Transformation of Social Life. Zed Books Ltd. London. 1997. p.7.

⁶⁸ Kaufman M.. Community Power and Grassroots Democracy: The Transformation of Social Life. Zed Books Ltd. London. 1997. p. 5.

resolve these problems.⁶⁹ Participation through conscientisation is system-transforming as opposed to system-maintaining. This process consists of several components ranging from the organisation of the poor for self-reliance and collective identity to consensus building for collective decision-making and management.⁷⁰

Participation, therefore, leads to greater control of the community over their own situation, their poverty, decisions and action for change and the benefits that arise from change. The community is an important part of participation as it embodies a group of people who share a common interest: the place where people live and often work. Community power and participation are connected as the latter encourages progressive steps towards empowerment. This process begins with self-awareness and moves to the collective management of community problems. Within the framework of Another Development, this progression is critical to social transformation. The community moves from the participation in

⁶⁹ Kaufman M., Community Power and Grassroots Democracy: The Transformation of Social Life, Zed Books Ltd. London, 1997, p. 57.

⁷⁰ Rahmans M.A., "Qualitative Dimensions of Social Development Evaluation: Thematic Paper in Evaluation Social Development Projects.", eds. D. Marsden and P. Oakley Development Guidelines Oxfam, 1990, pp. 45-49

The following steps are used in the evaluation of participation in community development:

- I. organisation of the disadvantaged and underprivileged in structures under their own control
- II. knowledge of their social environment and its processes developed by the disadvantaged
- III. self-reliance, an attitudinal quality strengthened by the solidarity caring and sharing of collective identity
- IV. creativity
- V. institutional development, in particular the management of collective tasks and mass participation in deliberation and decision-making
- VI. solidarity-the ability to handle conflicts and tension, to care for those industries and a consensus that all should advance together
- VII. progress for women in articulating their points of view, and the evolution of gender relations towards equality as assessed by women themselves.

and management of decisions for the 'immediate' to the control over decisions, which effect the long-term development and vision of the community. The local community is not limited to participating in the implementation stage of development. Instead the community becomes responsible for the design and direction of development plans and strategies which influence its future.⁷¹

2.6.2 Decentralisation

A second condition of *local development* is the decentralisation of the state apparatus from the central government towards the municipal or local governments. Similar to the concept of participation, decentralisation is often used within the neoliberal discourse in which case it is associated with privatisation and market led development. Within this context, decentralisation is referred to as administrative instrument used to correct inefficiencies associated with highly bureaucratic structures. The objective is not political rather it is functional. The success of decentralisation is therefore measured by improved access to development resources and actors.⁷² This requires greater distribution of services and infrastructure and refining organisational and decision-making capacities of lower level government structures and agencies. This type of administrative reform may lead to political change, that is increased popular participation, however, that is not the stated objective. Administrative

⁷¹ Toffler A., "The Crisis of Democratic Governance," eds. D. Korten and R. Kauss. People Centred Development: Contributions Toward Theory and Planning Frameworks. Kumarian Press Ltd. Connecticut. 1984. p. 248.

⁷² Brohman J., Popular Development: Rethinking the Theory and Practice of Development. Blackwell Publishers. London. 1996. p. 238.

decentralisation to improve management and accessibility is in itself sufficient with or without popular empowerment.⁷³

Decentralisation is not only a technical solution to bureaucratic problems of transparency, accessibility and distribution; it is also a mechanism, which changes the organisation of government and the nature of the relation between the government and the local community. Decentralisation can lead to more inclusive and integrated political structures. The relaxing of the centralised political and economic power structures gives rise to greater political involvement of local communities, the formation of democratic responsiveness, and the strengthening of the local government with regards to accountability, effectiveness and competency. Through the decentralisation of political decision-making and economic control over resources, space is created for increased popular participation at both local and national levels. Within this context, decentralisation is associated with economic and political democracy as it is addressing a fundamental question of power: "who rules and how that rule is carried out?"⁷⁴

The centralised government structure was designed to answer to the needs and demands of an industrial age. Parliamentary democracy or indirect democracy

⁷³ Brohman J., Popular Development: Rethinking the Theory and Practice of Development. Blackwell Publishers. London. 1996. p. 238.

⁷⁴ Brohman J., Popular Development: Rethinking the Theory and Practice of Development. Blackwell Publishers. London. 1996. p. 241.

emerged out of the industrial civilisation several hundreds of years ago. As the process of industrialisation spread so did this type of political democracy. Today, the process of industrialisation has changed dramatically. The technology used today in economic and social development, often referred to as appropriate or advanced technology, varies greatly from that used during the industrialisation period. With the change in the process of industrialisation comes a change in the demands of today's societies thereby creating a need for a new political technology capable of effective responsiveness.⁷⁵ Societies have become increasingly diverse, socially, culturally, and politically as demonstrated by the variety of roles and occupations held by people today and the differences found in ethnicity, regions and cultures. So, how does this effect the political structure of parliamentary democracy or indirect democracy often associated with strong centralised states? This political apparatus is unable to cope with the diversity in demands presented by society thus making consensus increasingly difficult to achieve. The diversity in the decisional environment has been transformed leaving the political decision-making structures that were once designed to provide uniform, formula recipe decisions ineffective.

Decentralising the decision-making structures from the central state to the local or regional government level allows the government structure to better deal with issues such as human rights, poverty, and environmental sustainability.

⁷⁵ Toffler A., "The Crisis of Democratic Governance," eds. D. Korten and R. Kauss. People Centred Development: Contributions Toward Theory and Planning Frameworks. Kumarian

However, if the participation of a greater number of people and of local decision-making structures is to be effective, they must be allowed to deal with decisions that will effect the long range future and not only in those that are involved with the here and now. Local people need to be involved in the design of long range development plans and not simply managing the implementation of plans decided by outsiders.⁷⁶

The decentralisation of decision-making both in political and economic arenas not only makes for a more effective system but creates space for people to participate thereby strengthening constituencies and democratic institutions. This leads to greater accountability of the political system to the local citizenry, it requires the local population to take responsibility for its own social, political and economic development and provides a forum in which alternative solutions to development can be heard, debated and formulated. Decentralisation and participation mutually reinforce common action and democratic empowerment thereby fighting powerlessness and alienation.

2.7 The Actors in Local Development

Three principal actors in *local development* are identified: non-government organisations, community-based organisations or grassroots organisations, and

Press Ltd. Connecticut. 1984. p. 243.

⁷⁶ Toffler A., "The Crisis of Democratic Governance," eds. D. Korten and R. Kauss. People Centred Development: Contributions Toward Theory and Planning Frameworks. Kumarian Press Ltd. Connecticut. 1984. pp. 247-248.

the municipal or local government. Why are they important to examine and observe? All three actors are effected by and affect the two conditions of *local development*: participation and decentralisation. This section of the study will examine the relation NGOs and grassroots organisations have within the context of civil society and the role it plays in *local development*. The municipal or local government will also be examined with reference to the process of decentralisation and to the role this level of government maintains in fostering and strengthening the participation of the local citizenry.

2.7.1 Non-Government Organisations and Community Based Organisations

During the 1980s and throughout the first half of the 1990s, non-government organisations were identified by international aid agencies, international financial institutions and by governments as the appropriate agency for reaching the poorest of the poor. NGOs were seen as organisations that use participatory methods in the implementation and evaluation of projects. The participation of members of the local community was perceived as an ingredient for success and sustainability of a project or plan. Since the mid 1990s there has been a shift in the 'appropriate' agency for the delivery of international aid. More and more frequently, the international development community is turning to community based organisations as the primary agent in the implementation development projects.

The relationship between NGOs and community-based organisations is important

not only to project delivery but also to the strengthening of civil society and in the participation of the community in the process of development. If strengthening civil society is the emphasis or a main objective of an NGO then participation of the local community assumes different characteristics than if the main priority of the NGO is the successful implementation of a development project. The latter is referred to as instrumental participation whereby participation of the beneficiaries is limited or determined by the design of the project which has already been outlined by external actors.⁷⁷ Within the context of strengthening civil society, participation of the local community is referred to as political empowerment.⁷⁸ In this situation, the NGO not only creates space for greater control of community over the direction of its development but also supports the involvement of the community in social movements and encourages dialogue between the community and decision-making structures at the national level.

Although many NGOs may be interested in strengthening civil society in local control over development, the relationship these organisations have with community associations can often be counterproductive to the pursuit of community empowerment. The following ways in which the work of grassroots organisations has been undermined by NGO activity are identified: first.

⁷⁷ MacDonald L., Supporting Civil Society: The Political Role of Non-Governmental Organisations in Central America. MacMillan Press Ltd. 1997. p. 25.

⁷⁸ MacDonald L., Supporting Civil Society: The Political Role of Non-Governmental Organisations in Central America. MacMillan Press Ltd. 1997. p. 25.

international and local NGOs often impose their own agenda on the local community thereby ignoring the needs and participation of the community within which they are working. Secondly, communities have their own political and structures of power. If these are not identified in the development planning process, efforts to strengthen community associations and organisations can be undermined.⁷⁹

It is important to note that the above mentioned concerns have been addressed by numerous NGOs and are not to be understood as sweeping generalisations made about the actions of the entire NGO community at large. However, the relationship and impact that NGOs have on the community associations and grassroots organisations is critical to the participation of these groups of civil society in their own development process and in both the local and national political and economic processes. If increased emphasis is going to be placed on grassroots organisations as the principal agency in the development of the community, then more attention must be given to understanding how and why these groups emerge. In addition, the majority of these organisations are representative institutions therefore it is important to observe the nature of their own accountability and impact they have on democratic development of the community.

⁷⁹ Milton D.. "The NGO Sector and Its Role in Strengthening Civil Society and Securing Good Governance." eds. A. Bernard, H. Helmichand, P.B. Lehning. Civil Society and International Development. North South Centre of the Council of Europe and Development Centre of the Organisation for Economic Co-operation and Development. Paris. 1998. pp. 86-88.

With regards to *local development*, participation of the local citizenry is critical to success of this particular approach. However, as previously mentioned, the nature of participation must extend beyond simply an instrumental usage of the concept. If the local population is going to be the principal agent for *local development* then its participation must be based on the need for social and economic change and transformation. Being the principal agent in the *local development* process does not mean that the community and its representative associations have to act alone and independently. In fact, if poor communities are going to be directly involved in their own development process, they will require assistance. The NGO community can facilitate participation by directly funding grassroots organisations and “investing in community organisations for learning, in order to promote the independence of civil society organisations and by ensuring that NGOs improve their relationships with local communities.”⁸⁰

2.7.2 The Municipal Government

As decentralisation is a critical component and prerequisite for *local development*, the role of the municipal or local government is equally important to observe. Democratic decentralisation should lead to greater administrative autonomy and political independence of the municipal government. Within this

⁸⁰ Milton D., “The NGO Sector and Its Role in Strengthening Civil Society and Securing Good Governance,” eds. A. Bernard, H. Helmichand, P.B. Lehning, Civil Society and International Development, North South Centre of the Council of Europe and Development Centre of the Organisation for Economic Co-operation and Development, Paris, 1998, p. 92.

context, decentralisation should improve the accountability of the local government to its citizenry and should increase the participation of the local population in the decision-making structures at the local level. The municipal government and local political activity should therefore become more transparent and accessible to the local population.

Through the process of decentralisation, the municipal government has the capacity to increase citizen participation in the formulation and execution of social and economic policy. Decentralisation changes the nature of political activity, political culture and political participation. First, political activity changes as the role of the political party becomes one of a service to the community and brings politics closer to the needs of the community.³¹ In doing so, issues such as the environment, women and development and sustainable economic development become more concrete and are understood in relation to the community. Second, the nature of political culture should change to one of consensus building. The need for obtaining solutions based on mutual civic understanding and co-operation is critical to ensuring that the interests and needs of different sectors and organisations within the local population are represented and accounted for in the design and implementation of social and economic policy.³² With regards to political participation, the municipal government has the

³¹ Palma Carvajal E., "Decentralisation and Democracy: The New Latin American Municipality," CEPAL Review, No. 55, April 1995, p. 49.

³² Palma Carvajal E., "Decentralisation and Democracy: The New Latin American Municipality," CEPAL Review, No. 55, April 1995, p. 49.

ability to shape and strengthen the level of involvement of the community in its own development. The various mechanisms through which this can be achieved include; the introduction of compulsory consultations; the institutionalisation of channels of community participation; the administration of community services; the execution of social programs; and, the promotion of micro-enterprises.⁴³ A compulsory consultation with the community refers to the participation of the community in the evaluation and choosing of proposals for development projects. The recognition of existing community associations and their respective resources and information should be consulted during the design of policy and projects. Although the execution of social programs is the final stage in the decision-making process, responsibilities and resources can be transferred to local associations and organisations to carry out the implementation of new programs. Likewise, the handling of the administration of community services such as day care, old age homes and care for the disabled, may be given to organisations that focus and specialise in these areas of social service. And finally, the community can become involved in the promotion of economic development, in particular in the pursuit of small enterprises.

The actors identified in *local development* are each equipped with resources. When these resources are used within the context of *local development*, decentralisation and popular participation are mutually reinforced through

⁴³ Palma Carvajal E., "Decentralisation and Democracy: The New Latin American Municipality." CEPAL Review, No. 55. April 1995. p. 50.

consensus building and strengthen one and other's organisational capacity to direct development. However, if *local development* is to come from below or from within the community and for the community, both the municipal government and the non-governmental sector must be committed to aiding and facilitating the ability of the community to participate at a level that is empowering. The community, through its representative organisations and associations must be able to participate in the local political process in both the formulation and execution of development plans. In addition, and perhaps more importantly, the community must develop the capacity to engage in forms of political action which link the development of the community to larger social, political, and economic events and issues occurring at the national level.

2.8 Critical Analysis of Local Development

From a review of the literature, the following conclusion can be drawn from the process of *local development*:

1. The conditions for *local development*, decentralisation and participation, can be implemented and strengthened from above and not necessarily from below. Theoretically, both can be interpreted within the framework of neoliberalism and the context of Another Development. Both perspectives, in practice and in theory, have a different emphasis, goal, principal actor and therefore different outcome.

From above or within the neoliberal framework, decentralisation is initiated from a higher level of government to ensure that the administration of services

becomes more efficient and effective. Participation is limited to manifestations such as voter turn out, which are important to strengthening democratic development and to legitimising the political party and leader in office. However, this instrumental limitation of participation does not foster a dialogue between the local population and national policy. Also, it does not allow the local population to understand its situation and link this situation to broader political movements occurring on a national or regional level. The emphasis of *local development* within this context is limited to social development: an improvement in the accessibility and distribution of social services, thereby making decentralisation an administrative change and participation a means to an end. The principal actor in this context is the municipal government with little attention given to the potential role, importance and contribution of members of civil society, among which include non-government organisations and community based associations. In a country like El Salvador, which maintains a long history of political repression, violence, poverty, and massive disparity between the rich and the poor, *local development* may be used as a strategic approach to development that will ease and control social and economic tensions. Within this theoretical framework, institutions of power are neither altered nor transformed. Rather, the social impacts are reduced and managed in order to maintain existing structures of power and social organisation.

With regards to democratic development, it may be strengthened within this context as newly democratic institutions such as elections, city councils, and

open town meetings will be used. By exercising these institutions they are strengthened and become new political traditions associated and characteristic of liberal democracies. In the end, a dialogue between the local community, local government and national government may occur. Although these democratic institutions and traditions are being exercised, the process of *local development* within this context is initiated from above with little if any input from the actors at the local level. The local population therefore remains removed and external to its own development process.

2. Within the context of Another Development, *local development* assumes a different emphasis, goal, principal actor and outcome. The emphasis of *local development* from below is economic development. This refers to the availability of employment opportunities that provide sufficient income for consumption and fair working conditions.

As previously discussed, when *local development* initiatives come from above, issues of social marginalisation and exclusion are handled in such a way that the root causes are left unresolved and social unrest becomes managed in order to preserve the economic and political structures of power. In contrast, *local development* action that is initiated from below or from within the community may lead to new social organisation. The community itself seeks assistance from external organisations that are committed to similar goals. The community therefore maintains control over the direction and purpose of its own

development. The principal actor is the community however, the role of the community and its actions are not defined from the outset. Rather, both are endogenous and are created as the process of *local development* unfolds. Participation within this context is both a means and an end itself. Participation ensures that the community is principal agent in determining the direction of its development and that the community continues to be central in the process.

These distinctions in vision and purpose of *local development* as seen from above and below will be used in the analysis of a case study on *local development* in Chapter Four of the study.

Chapter Three

The Macro Context of Local Development in El Salvador

Chapter three provides a macro economic, political and social context of El Salvador. This historical survey begins with a brief review of the structural adjustment and stabilisation program of 1989 and is followed by an overview of the contents of the 1992 Peace Accords. The two conditions of *local development*, participation and decentralisation are discussed within the macro economic, social and political context of the country.

3.1 Structural Adjustment and Economic Stabilisation in El Salvador

The objective of the structural adjustment and stabilisation program of 1989 was the establishment of an economic development model based on the free market system and private enterprise. In order to achieve this goal, all market restrictions were removed and space was created for increased capital accumulation. Policy instruments used to implement the reform package included decreasing public expenditure; devaluation of the national currency; privatisation of state enterprises and services; the liberalisation of the market through the removal of the state in market intervention; reduction in tariff barriers and the removal of price controls on over 200 products; removal, reduction and simplification of taxes; and, the re-privatisation of the banking system.³⁴ These policy instruments moved El Salvador away from its dependence on agricultural exports to increased

reliance on non-traditional agricultural and industrial exports. The rationale for this shift in economic activity was that agricultural exports faced inconsistency and uncertainty on the international markets.

The economic reform package in El Salvador was successful in terms of reaching its objective- the implementation of a neoliberal model of economic development. This success must be put into context. Three factors external to the economic reform package greatly influenced the success of adjustment and stabilisation. First, by the end of the 1980s military and political tensions in the country and within Central America were significantly reduced. Secondly, the election of Cristiani and the Alianza Republicana Nacional (ARENA) initiated a renewed alliance between the government and the Salvadoran private sector. And finally, there was an increase in the availability and circulation of foreign exchange resulting from foreign remittances.⁸⁵ During this period, "approximately one-fourth of all Salvadoran families depended on average 60 percent of their income to come from relatives in the United States or from economic assistance institutions."⁸⁶

⁸⁴ Judson F., "El ajuste y las agendas nacionales centroamericanas," Estudios Centroamericanos, Universidad Centroamericana Jose Siméon Cañas, Julio-Agosto, 1998, p.598.

⁸⁵ Wood E. and Segovia A., "Macroeconomic Policy and the Salvadoran Peace Accords," World Development, Vol. 23, No. 12, 1995, p. 2081.

⁸⁶ Pelupessy W., and Uggén J.F., "Economic Adjustment Policies in El Salvador During the 1980s," Latin American Perspectives, Vol. 18, Issue 4, 1991, p. 20.

In 1998 the Inter-American Development Bank calculated that family remittances reached US\$ 1.3 billion. "Central America After Hurricane Mitch-El Salvador." Consultative Group Meeting

Within this context, the success of restructuring the Salvadoran economy is understood. Annual inflation rates dropped from 23.4 percent in 1989 to 17.8 percent in 1990 and to 9.8 percent in 1991.⁸⁷ It is argued that this reduction in inflation is related to the amount of remittances and foreign aid entering the country during the last years of the war. The adjustment side of reform has created a less protected Salvadoran market and increased space for capital accumulation, both of which are direct results of privatisation and the liberalisation of the market. The real growth of GDP increased from 1.6 percent average per annum between 1985-1989 to 4.6 percent average per annum between 1990-1994.⁸⁸ Although the government attempted to reduce spending in an effort to manage the deficit, reductions were marginal. To compensate, the government introduced a value-added tax on goods thereby generating revenue from increased prices. Higher prices forced the adoption of an interest rate policy and a fixed exchange rate policy. Both policies were successful in attracting new foreign capital however they affected the trade sector of the economy by creating a greater imbalance between imports and exports.⁸⁹

Although adjustment and stabilisation demonstrated success in economic terms,

for the Reconstruction and Transformation of Central America. Inter-American Development Bank. http://www.iadb.org/regions/re2/consultative_group.

⁸⁷ Candel Salazar R., "El Salvador: Industrial Policy; Business Attitudes and Future Prospects." CEPAL Review, No. 55, April 1995, p. 181.

⁸⁸ Segovia A., "Macroeconomic Performance and Policies since 1989." ed. J. K. Boyce. Economic Policy for Building Peace: The Lessons from Building El Salvador. Lynne Rienner Publishers. London, 1996, p. 62.

⁸⁹ Candel Salazar R., "El Salvador: Industrial Policy; Business Attitudes and Future Prospects." CEPAL Review, No. 55, April 1995, p. 182.

economic restructuring has exacerbated poor and unequal social conditions in El Salvador. Poverty, unemployment, accessibility to social services and socio-economic inequalities between the rich and the poor have not been reduced or limited with the implementation of the neoliberal model of economic development. In El Salvador the percentage of the population living in poverty and extreme poverty lies between 60 and 70 percent of the total population. The restructuring of the Salvadoran economy had resulted in a deepening of the marginalisation of the poor and has decreased the overall standard of living for low and middle-income families. Similar to its neighbouring countries, the amount of people unable to produce or consume has decreased with adjustment and stabilisation. Prior to reform two thirds of the population could not meet necessary basic consumption needs. With reform, three quarters of the population are unable to produce or purchase basic goods and needs.⁹⁰

Poverty levels did not decrease. In fact extreme poverty levels among the urban population rose from 23.3 percent in 1988-1989 to 29.6 percent in 1992-1993. According to statistics prepared by CEPAL, poverty levels and extreme poverty levels increased from 68 percent to 74 percent and 51 percent to 56 percent between 1980 and 1990, respectively.⁹¹ The rise in poverty levels and the implementation of adjustment and stabilisation are directly related. First, the

⁹⁰ Judson F., "El ajuste y las agendas nacionales centroamericanas." Estudios Centroamericanos. Universidad Centroamericana Jose Siméon Cañas. Julio-Agosto. 1998. p. 604.

⁹¹ Segovia A., Cambio estructural, políticas macroeconómicas y pobreza en El Salvador. PNUD. San Salvador. Diciembre 1997. p. 10.

decrease in government spending on social services and the decline in the role of the state and its institutional capacity to intervene in social service needs has affected accessibility and availability of health care, education, water and sanitation services. According to 1995 statistics, only 40 percent of the rural population had access to health care, 38 percent had access to water and 65 percent had access to sanitation.⁹² In the urban areas the figures were higher however they still indicate an inadequate supply of social services: 80 percent have access to health care, 78 percent had access to water and 91 percent had access to sanitation.⁹³ Real wages have fell from 37.0 in 1989 to 35.2 in 1992. The liberalisation of the market through the removal of tariffs and import restrictions has resulted in the inability of small producers to compete effectively as they are unable to produce at competitive prices. This has negatively affected small agricultural producers by removing them from the market and turning them into subsistence farmers.⁹⁴ This is critical to the social and economic development of El Salvador, considering that a large percentage of the population resides in rural regions. Human development indicators gathered by the UNDP state that the rural population accounts for 56 percent of the total population.⁹⁵ It is important to note that the management of poverty has largely been the result of remittances from Salvadorans living abroad and through international aid

⁹² PNUD. Indicadores de desarrollo humano e indice de pobreza de capacidad. PNUD. San Salvador. Septiembre. 1996.

⁹³ PNUD. Indicadores de desarrollo humano e indice de pobreza de capacidad. PNUD. San Salvador. Septiembre. 1996.

⁹⁴ Judson F., "El ajuste y las agendas nacionales centroamericanas." Estudios Centroamericanos. Universidad Centroamericana Jose Siméon Cañas. Julio-Agosto. 1998. pp. 604-607.

institutions and not from social programs designed by the government to help alleviate and limit poverty.

3.2 Social Policy: The Response to Adjustment and Stabilisation

In response to increased social and economic problems resulting from economic restructuring the Salvadoran government under the leadership of President Cristiani adopted a social policy. However, this policy was couched in the macroeconomic policies of adjustment and stabilisation and was based on the trickle down theory of neoliberalism; economic growth now and redistribution later.

The social policy of the Cristiani government was a three-part program, which focused on the following areas: compensatory programs to those people most affected by restructuring; strengthening the provision of social services; and, institutional reform of the health and education sectors.⁹⁶ The government identified 80 municipalities within which the majority of the population resided in rural areas and accounted for 30 percent of the poorest of the poor.⁹⁷ Between 1989 and 1993 1.0 percent to 1.2 percent of the national GDP was allocated to social programs which included community work, nutritional programs and direct transfer payments. Although the intended beneficiaries of the programs were the

⁹⁵ PNUD. Indicadores de desarrollo humano e índice de pobreza de capacidad. PNUD. San Salvador. Septiembre. 1996.

⁹⁶ Segovia A., Cambio estructural, políticas macroeconómicas y pobreza en El Salvador. PNUD. San Salvador. Diciembre 1997. p. 33.

rural poor, they accounted for less than one quarter of the final beneficiaries.⁹⁸

Compensatory programs were designed to help alleviate the situation of the poorest of the poor. With the satisfaction of basic needs as the focus, the compensatory program contained the following elements: housing projects, credit assistance for small agricultural producers, nutritional assistance to children and expectant mothers, improvement in basic infrastructure, employment projects in the reconstruction of roads, work for food programs, and subsidisation of transportation and propane gas.⁹⁹

3.3 The Peace Accords

The thirteen year long bloody civil war ended in 1992 with the signing of the Chapultepec Accords. These accords marked the beginning of reconciliation, reconstruction and democratisation of Salvadoran society, a country with a long history of political violence and repression, human injustice, social exclusion and poverty. The Peace Accords represent a negotiated revolution which required political compromise for both the left and the right; the left agreed to democracy within a capitalist economy with few demands made on socio-economic reforms and the right agreed to political participation of the left again with limited socio-

⁹⁷ Sollis P., "La disminución de la pobreza en El Salvador: una evaluación del programa del gobierno de Cristiani." Estudios Centroamericanos, No. 522. p. 338.

⁹⁸ Segovia A., Cambio estructural, políticas macroeconómicas y pobreza en El Salvador. PNUD. San Salvador. Diciembre 1997. p. 33.

⁹⁹ Sollis P., "La disminución de la pobreza en El Salvador: una evaluación del programa del gobierno de Cristiani." Estudios Centroamericanos. No. 522. pp. 339-340.

economic reform.¹⁰⁰ The Accords marked the end of the war but more importantly contained two principal objectives: first, the institutionalisation of democracy; and secondly the resolution of the causes of the war, principally, organised violence, the distribution of power and socio-economic inequalities.¹⁰¹

Organised violence was addressed through the disarming of the FMLN, the redefinition of the national police, and through the purging and reduction of the armed forces. Under the supervision of the United Nations, the FMLN provided an inventory of its weapon holdings both inside and outside of the country. By early 1993, the FMLN began destroying its weaponry. In addition to the surrender of arms, the FMLN turned its military structure into a political party structure. The National Police changed its institutional mandate from national defence to one of public security. This transition required the handing over of military power. A police academy was created which not only provided training but which also separated the police from the armed forces. In addition, the Accords implemented a 20% quota on the police force for both former guerrillas and former police officers. Also, all members of the former police force and of the guerrilla movement were evaluated to determine whether or not they were guilty of human rights violations during the civil war. The transformation of the armed forces was also critical to the reduction of organised violence in

¹⁰⁰ Wood E., "The Peace Accords and Post-war Reconstruction." ed. J.K. Boyce. Economic Policy for Building Peace: The Lessons of El Salvador. Lynne Rienner Publishers. London. 1996. p. 79.

Salvadoran society. In addition to the reduction in the power held by the armed forces, the Accords attempted to change the ideology of the military. The armed forces were restricted to the defence of national territorial boundaries and became dependent on civilian power thereby removing their ability to interfere with political decisions.¹⁰²

The unequal distribution of power, both political and economic remains an unresolved principal cause of conflict within Salvadoran society. The Peace Accords attempted to resolve this imbalance through a variety of changes made to public administration, the electoral process and the judicial system. First the public administration of former conflict zones was carried out through the decentralisation of the central government towards the local and/or regional governments. The municipal governments were granted greater autonomy in the administration of their localities. The promotion of the participation of civil society in the direction and the development of local communities was encouraged through the reopening of Cabildos Abiertos. These open town meetings provide a forum for community associations, non-government organisations and other members of the public to bring forward ideas about social, economic and political development plans and issues. The political space created by the Cabildos Abiertos encourages the political debate, a critical

¹⁰¹ Boyce J.K., "El Salvador's Adjustment Towards Peace: An Introduction," ed. J.K. Boyce. Economic Policy for Building Peace: The Lessons of El Salvador. Lynne Rienner Publishers. London. 1996. p. 13.

instrument in the strengthening of newly democratic institutions. The reform of the electoral process represents an important element in the building of a democracy and in the reconciliation or pacification of El Salvador. The legalisation of the FMLN as an official political party exemplifies the broadening of the Salvadoran political spectrum. For example, the 1994 post-war election, witnessed representations from both left and right wing political parties. Although these elections experienced much confusion with regards to voter registration and an abstention rate of approximately 45 percent of the voter population, an increase in voter turnout of nearly half a million was achieved.¹⁰³ The reform of the judicial system was initiated with the creation of a division of powers: Executive, Legislative and Judiciary branches. The division of power established a much-needed distance between the judicial system and the mainstream political system thereby ensuring autonomy and non-partisanship within the third level of power. A necessary requirement for political democracies. Depoliticizing the judicial system continues to be problematic in El Salvador. During the preliminary stage of the peace process, the Supreme Court rejected many of the recommendations from the United Nations and numerous human rights violations remain unaccounted for.¹⁰⁴

¹⁰² Torres-Rivas E. Gonzalez Suarez M., Obstacles and Hopes: Perspectives for Democratic Development in El Salvador. International Centre for Human Rights and Democratic Development. San Jose. 1994. p. 22.

¹⁰³ Torres-Rivas E. Gonzalez-Suarez M., Obstacles and Hopes: Perspectives for Democratic Development in El Salvador. International Centre for Human Rights and Democratic Development. San Jose. 1994. pp. 31-32.

¹⁰⁴ Torres-Rivas E. Gonzalez-Suarez M., Obstacles and Hopes: Perspectives for Democratic Development in El Salvador. International Centre for Human Rights and Democratic Development. San Jose. 1994. pp. 27-28.

The social and economic inequalities, which served as a catalyst for El Salvador's armed conflict, continue to be the most difficult and problematic to resolve as the reorganisation and the reform of century old social structures is difficult to legislate. The principal social and economic reforms included in the Peace Accords are land transfer to former ex-combatants and civilian supporters of the FMLN. The provision of credit assistance for small agricultural producers and owners of small businesses. The creation of programs to assist in the alleviation of the social impacts of structural adjustment. An increase in access to foreign aid by remote communities. The creation of a negotiation forum for labour, business and government. And finally, a National Reconstruction Plan targeted to reconstruct former conflict zones.¹⁰⁵

The transfer of land to ex-combatants and supporters of the FMLN was divided into a three-phase program, which allotted 237,000 manzanas of land for redistribution. One manzana is equal to approximately 0.7 hectares or 1.7 acres. During the first phase of the program, 77,000 manzanas of state land was to be distributed to 15,400 beneficiaries. The second phase of land transfer targeted ex-combatants from both the FMLN and the government through the distribution of 20,000 manzanas to 4,000 people. And, finally the third phase would see the

¹⁰⁵ Wood E.. "The Peace Accords and Post-war Reconstruction. " ed. J.K. Boyce. Economic Policy for Building Peace: The Lessons of El Salvador. Lynne Rienner Publishers. London. 1996. p. 82.

transfer of 140,500 manzanas to 28,100 beneficiaries.¹⁰⁶ The process of transferring land has encountered several obstacles, which are often associated with bureaucratic processes. Also, it is important to note that although the amount of land being redistributed appears to be quite extensive, it provides approximately 7 acres of land to each beneficiary. In addition, the land in most cases is not prime agricultural land as it suffered considerable environmental degradation during the war. To date, the land transfer program has not been completed. Although most of the land has been redistributed, an accompanying program for the economic development of the land remains undetermined; for example, credit assistance for housing and production costs have not been steadily implemented. Most beneficiaries of the land transfer program remain incapable of producing for commercial sale and income and are reliant on the land for subsistence living.

Development and peace are interdependent as a "failure to achieve broad improvements in living standards would fuel social tensions and heighten the risk of renewed war."¹⁰⁷ As previously mentioned, structural adjustment and stabilisation programs were designed with the goal of implementing a neoliberal model of economic development within which the role and size of the state is limited and decreased. The separation of the state and the market into specific

¹⁰⁶ Torres-Rivas E. Gonzalez-Suarez M., Obstacles and Hopes: Perspectives for Democratic Development in El Salvador, International Centre for Human Rights and Democratic Development, San Jose, 1994, p. 33.

¹⁰⁷ Boyce K., "Adjustment Toward Peace: An Introduction," World Development, Vol.23, No. 12, 1995, p. 2067.

roles and responsibilities suggests a lack of consideration for the political economies within which both function and operate. The unequal distribution of power, both political and economic, remains problematic in El Salvador's post conflict society.

Without the intervention of the state in areas that address this imbalance such as income distribution and agrarian reform, the unequal distribution of power will remain a constant issue in Salvadoran political, economic and social arenas. Resolving this problem requires a commitment to the strengthening of the democratisation process that will go beyond support for electoral reforms and peaceful elections.

3.4 Conditions for Local Development: Participation and Decentralisation in El Salvador

3.4.1 Participation

In a country with a history of political repression and social exclusion, the concept of participation for the transformation of both political and social life, remains a complex issue. It can be argued that in El Salvador the people participated for social transformation for more than a decade. Participation in this context manifested itself as civil war. Its success is debatable and dependent upon who is telling the story. Popular participation, within the framework of *local development* is understood as a mechanism that strengthens the democratisation process and which is both a means to the empowerment of a

people. Participation in this context is perpetual, always changing and never static.

The participation of the community is not only guaranteed by the creation of community associations and Community Development Councils, it is also guaranteed in the *Código Municipal*. Título IX “De la participación de la comunidad.” Artículo 115 states that the municipal government must use *Cabildos Abiertos* (open town meetings) every three months to inform the public of the plans and decisions of the government.¹⁰⁸ The open town meetings are designed to hear from various associations, unions, and private citizens. Another institutional mechanism used to promote the participation of the local community in the political process is the *Consulta Popular*. This is a group of people from the municipality who gather to discuss one particular development project for example, safe drinking water. Unlike the open town meetings, which are more of a forum for discussion of problems that exists within the community and which can influence the decision of municipal counsellors, decisions rendered in the *Consulta Popular* must be adopted by city council.¹⁰⁹ In addition to these institutional mechanisms, the *Código Municipal* and the Constitution of the Republic of El Salvador recognise the right of members to organise themselves into community associations.¹¹⁰ Their freedom of association is therefore guaranteed at both the municipal and national levels of government.

¹⁰⁸ FUNDAUGO. *Código Municipal Explicado*. FUNDAUGO. San Salvador. 1998. pp. 74-75.

¹⁰⁹ FUNDAUGO. *Código Municipal Explicado*. FUNDAUGO. San Salvador. 1998. pp. 75-76.

In the Salvadoran context, the participation of civil society as a mechanism for strengthening the democratisation process has generated a wide variety of opinions. Some see the participation of civil society as a prerequisite for democracy while others fear that in a highly political society, like El Salvador, it is difficult to identify representatives of civil society therefore a considerable amount of space is created for the abuse and authoritarian use of civil society.¹¹¹

To understand popular participation as a condition for *local development* it is important to observe how the concept of participation is understood within El Salvador. For this to be achieved, we will examine Salvadoran civil society and the role and nature of non-government organisations. Secondly we will examine how participation has evolved at the local and regional level. And, finally, we will review the findings of a study on popular participation in a Salvadoran community that is currently pursuing an agenda of *local development*.

3.4.2 Salvadoran Civil Society

To better understand popular participation and the strength of civil society in El Salvador, it is necessary to historically contextualize the formation of civil society and its institutional and organisational network. The structure and membership of Salvadoran civil society can be divided into two organisational

¹¹⁰ FUNDAUGO. Codigo Municipal Explicado. FUNDAUGO. San Salvador. 1998. pp. 76-77.

¹¹¹ Torres-Rivas E. Gonzalez-Suarez M., Obstacles and Hopes: Perspectives for Democratic Development in El Salvador. International Centre for Human Rights and Democratic Development. San Jose. 1994. pp. 42-43.

forms: (1) those organisations that are service providers and (2) those organisations that directly represent the interest of a group. It is important to note that these two categories do not always reflect the realities and challenges of 'organising' in society. Civil society should be seen as a continuum of interests and purpose, which change as society changes.¹¹² The distinction between these members are usually made more clear by the institutional structure that each assumes. The first organisational form comprises professional and technical staff and has a bureaucratic and administrative system. The second organisational form consists of associations that are often representative and have a membership which permits them to directly defend the interests of the group. Both are involved in the promotion of social interests however they differ in technical and organisational structure and subsequently vary in the type of action that will be used to advance and defend their respective interests.¹¹³

Salvadoran civil society during the civil war is very different than the one that is active today. During the 1980s El Salvador was polarised on all levels: socially, economically and politically. Although some sectors of the population experienced this division more intensely than others, generally speaking people were living in a condition of heightened insecurity and instability. Consequently,

¹¹² Gonzalez V., Las organizaciones no gubernamentales (ONGs): nueva expresión de la sociedad civil salvadoreña. Programa regional de investigación sobre El Salvador. San Salvador, 1991. p. 19. _

¹¹³ Gonzalez V., Las organizaciones no gubernamentales (ONGs): nueva expresión de la sociedad civil salvadoreña. Programa regional de investigación sobre El Salvador. San Salvador, 1991. p. 19. _

people organised themselves around this uncertainty; that is, the organisations, which surfaced during the war, were based on daily survival and self-development. Amidst the most adverse conditions, members of civil society discovered solutions to survival and managed to challenge the state at the same time.

The polarisation of civil society can be observed by the distinct groupings of members civil society, which emerged during the mid 1980s. First, the establishment of Fundación Salvadoreña para el Desarrollo Económico y Social (FUSADES) by members of the private sector in 1983 initiated the emergence of right wing, private sector financed civil organisations. These organisations were involved in a variety of activities including, educational development, housing, and economic development.¹¹⁴ FUSADES developed a very close working relationship with the United States Agency for International Development (USAID)¹¹⁵ and eventually became the primary vehicle for the promotion of US sponsored and supported policies for economic and social development.

During the same period but across the political spectrum, civil organisations rooted in the popular sector began to emerge. The organisations of FUSADES

¹¹⁴ Foley M.F., "Laying the Groundwork: The Struggle for Civil Society in El Salvador," Journal of International Studies and World Affairs, Vol. 38, Issue. 1, 1996, p. 4

¹¹⁵ Foley M.F., "Laying the Groundwork: The Struggle for Civil Society in El Salvador," Journal of International Studies and World Affairs, Vol. 38, Issue. 1, 1996, pp. 4-5.

In the first year of its existence, FUSADES, obtained a modest US \$ 185,000 contract with ISAID. The following year the organisation received a US \$ 50.6 million contract from USAID to carry out the "Industrial Stabilisation and Recovery Program."

were unable to reach the popular sector as effectively as the FMLN and church-based associations. People organised themselves into various groups to assist each other with survival, to push for resettlement and repopulation programs, and to establish co-operatives and community confederations.¹¹⁶ Most civil organisations within the popular sector were affiliated with the frente FMLN.

Although societal conditions have changed, the organisations stemming from the private sector and the popular sector remain highly influential and political. Although civil society, in peacetime, has moved from survival and self-development to democratisation and national development, it is important to remember that these civil organisations emerged in the war mentality and continue to remain affected by the war. These various members of civil society have had to redefine their purpose and mission because "their political force and their ability to influence their constituents or clients"¹¹⁷ have changed significantly in peacetime. Salvadoran civil society will continue to change and evolve with the deepening and strengthening of the country's democratisation process.

3.4.3 Non-Government Organisations

One way of understanding the role of civil society in democratisation and

¹¹⁶ Foley M.F., "Laying the Groundwork: The Struggle for Civil Society in El Salvador." Journal of International Studies and World Affairs. Vol. 38. Issue. 1. 1996. p.3.

¹¹⁷ Foley M.F., "Laying the Groundwork: The Struggle for Civil Society in El Salvador." Journal of International Studies and World Affairs. Vol. 38. Issue. 1. 1996. p.3.

development is to observe the actions of one sector in civil society: the non-government organisation in the popular sector.

In El Salvador, non-government organisations have a long history of organising and demanding rights.¹¹⁸ During the war many NGOs worked for those people and communities most affected by the war. NGOs were also capable of channelling the demands and initiatives of civil society to obtain solidarity and co-operation on an international level. For these reasons, the government and military forces often perceived NGOs as affiliates of the FMLN. Its reputation both internationally and domestic enabled the NGO community in El Salvador to exert pressure on the government, the guerrilla forces and the international community to end the war and consolidate a peace accord. Today in peacetime, NGOs still have a strong reputation internationally, nationally and have assumed a significant role in the reconstruction and democratisation of El Salvador.¹¹⁹ As representatives of civil society, NGOs have the capacity to facilitate and strengthen popular participation and have a role to play within the process of decentralisation.

Political polarisation continues to challenge the NGOs, which emerged within the popular sector. These NGOs have a reputation of being better organised and

¹¹⁸ Foley M.F., "Laying the Groundwork: The Struggle for Civil Society in El Salvador." *Journal of International Studies and World Affairs*. Vol. 38. Issue. 1. 1996. p. 43.

¹¹⁹ Martinez-Penate O., *El Salvador, democracia, autoratismo*. Nuevo Enfoque Editorial. El Salvador. 1996. p. 95.

administered than those organisations associated with FUSADES and the private sector. The former is also heavily dependent on external funding and is still likely to be associated with the frente FMLN. This political persuasion has translated into a perception of development that remains distinct from the civil organisations that are associated with FUSADES.¹²⁰ One is based on community participation, popular organisation and the establishment of a new popular economy while the other is based on the strengthening of the free market capitalist system.

The political division within the NGO community is reflective of the polarisation that exists within the larger Salvadoran civil society. Within the context of democratisation and development, the challenge continue to be the strengthening the capacity of civil organisations to collaborate to provide alternatives and choice to the local population and to effect a change within the broader social and economic structures of power.

3.4.4 Participation and Local Action

Although *local development* has emerged only recently as the recent approach to development at both the community and national levels in El Salvador, local action or participation at the local level maintains a long history in the development of Salvadoran communities. In the late 1970s and early 1980s, local

¹²⁰ Foley M.F., "Laying the Groundwork: The Struggle for Civil Society in El Salvador." Journal of International Studies and World Affairs. Vol. 38. Issue. 1. 1996. p. 17.

action was based on sector themes and specific population groups; for example, health and education and women and children. The end of the armed conflict shifted the focus of local participation to departmental and regional issues, which would be resolved by macro development projects. Since 1994, another shift in local action has occurred. We now see a movement towards the articulation of community demands and interests and the implementation of projects at the municipal level.¹²¹

During the civil war local action focused on sector themes and targeted specific groups of the population. The satisfaction of immediate needs for day to day survival shaped the way people participated, their motivation for participating and the outcome of their participation. Development projects were therefore short term and did not have a medium to long term vision. Local action manifested itself in infrastructure projects such as affordable housing, popular education, the provision of water and electricity. It was also sector based focusing on the environment and women and development. Participation was vertical in structure: the donor, the executor and the beneficiary. Some efforts were made by non-government organisations, to increase the institutional capacity of community associations and grassroots organisations. With the emphasis of participation being the 'immediate', local action remained localised or isolated. Linkages were not made to similar activities in neighbouring regions. Participation did not

challenge policies and government strategies designed at the national level even though any activity in community development was perceived as revolutionary and threatening to the government and its military force.¹²² Local action during the 1980s did contribute to the recognition of the importance of the role of community associations and municipal governments in social and economic development. The concept of the 'local' as being able to resolve development problems was also introduced by incorporating the resources both material and immaterial of the local population in the development process.

The end of the civil war in El Salvador changed the nature and style of local action. The majority of the action was initiated and financed by international organisations. This resulted in a formula recipe approach to development efforts. Most of the action was sector based: for example, it concentrated specifically on health, economic development or education. These areas of development remained separated from one another at the strategic level. However, the scope of action was often taken at a region or departmental level thereby improving collaborative efforts between public sector agencies and NGOs.

Since 1994, the principal actors in development are domestic or internal: they include municipal governments, community associations, and local non-

¹²¹ Rodriguez M. and Cumming A.R., "De la acción al desarrollo local." Alternativas para el desarrollo. FUNDE. No. 51. Enero-Febrero 1998. p. 18.

¹²² Rodriguez M. and Cumming A.R., "De la acción al desarrollo local." Alternativas para el desarrollo. FUNDE. No. 51. Enero-Febrero 1998. p. 19

government organisations. Increased horizontal discussion and decision-making occurs, as there is an emphasis on the importance of collaboration of financial resources and human resources. Strategic development planning was initiated through the process of collaboration as a variety of actors within a region came together to discuss issues and design plans and projects. Through participation, the 'local' began to articulate its needs and interests on a national level. The ability of the community to challenge development policy and to enter into dialogue with the local government and national governments has improved.¹²³

Local action initiatives during the last fifteen years have changed in terms of principal actors or agents, strategy, and level of insertion and influence at the national level. In order to move from local action to *local development* the following¹²⁴ must be strengthened in communities and fostered within existing local activities:

- I. the identification of and with a community and not with a collective body;
- II. the establishment of institutional mechanisms for *local development*;
- III. the identification of existing local resources and the management of new and necessary resources;
- IV. and, increased dialogue between the local needs and interests and national policy.

¹²³ Rodriguez M. and Cumming A.R., "De la acción al desarrollo local." Alternativas para el desarrollo. FUNDE. No. 51. Enero-Febrero 1998. p. 23.

¹²⁴ Rodriguez M. and Cumming A.R., "De la acción al desarrollo local." Alternativas para el desarrollo. FUNDE. No. 51. Enero-Febrero 1998. pp. 25-27.

3.4.5 Participation in the Community

A study was performed by a Salvadoran NGO, the Foundation Nacional para el Desarrollo (FUNDE), on *local development* efforts of the municipality of Nueva Trinidad, which is located in the northeastern region of the department of Chalatenango. The following observations on the importance of participation of the local citizenry in the process of *local development* were made.¹²⁵ It is important to note that this particular community maintains a high level of organisation, co-operation and mobilisation which has enabled citizens of Nueva Trinidad to survive poor socio-economic conditions including economic dependency on seasonal agricultural production, deteriorating natural resources and a low quality of life.¹²⁶

Realising that there was a need for an institutional body capable of representing and identifying development needs and interests of the community, the municipality together with the local population formed the Consejo de Desarrollo Municipal (Municipal Development Council). This was also partly in response to the lack of attention given to the municipality by the central government. The Municipal Development Council manages the immediate needs of the population and is responsible for the elaboration of a short-term development plan. The

¹²⁵ Perez V., "Acompañando el proceso de desarrollo local en el municipio de Nueva Trinidad, Chalatenango." Alternativas para el desarrollo. FUNDE. No. 54. Julio-Agosto 1998. pp. 20-21.

¹²⁶ Perez V., "Acompañando el proceso de desarrollo local en el municipio de Nueva Trinidad, Chalatenango." Alternativas para el desarrollo. FUNDE. No. 54. Julio-Agosto 1998. p. 20.

municipal government, the Municipal Development Council and local community associations identified the following observations on the importance and role of participation in the development of the community:

- I. The decision-making process should reflect a majority of the population.
- II. Decision-making within the community is not based on unanimity rather on a consensus obtained through the participation of all sectors and groups within the local population.
- III. It is through their participation that the interests and recommendations of the local citizenry are taken into consideration and incorporated in the decision-making structures and policy-making processes.
- IV. The participation of the community and members of civil society forces a dialogue between the local population, the municipal government and national government agencies.
- V. To be informed of any action taken within the municipal government is a right that all citizens maintain and part of exercising that right it achieved through popular participation.
- VI. Participation is not only limited to decision-making structures but includes involvement in the design and implementation of policy and projects.

3.4.6 Decentralisation.

As in many Latin American countries, the process of decentralisation in El Salvador is a priority in the reform of the State. Decentralisation is also an instrument that can be used for resolving political, economic and social

development issues. In the context of Latin America, decentralisation has the potential to consolidate democracy and provide that democracy with a much broader and diversified social base.¹²⁷

There can be no decentralisation without the strengthening of life at the community level, nor can regional development be successful unless it is based on a set of municipalities whose mutual cohesion reflects a true community of interests.¹²⁸

In Latin America decentralisation is mainly seen in terms of democratic reforms, reforms of the State and reform of territorial social participation. With regards to democratic development, decentralisation is seen as a mechanism, which can be used to improve equity and consensus building, both of which are critical to *local development*. Through decentralisation the "region" or smaller territorial spaces will play a more active and prominent role in development. They will have greater influence on correcting inter-regional disparities. Secondly, the participation of members of society will be more concentrated and effective, as it will be participation for a variety of demands. Thirdly, the implementation of social policies at the local level will be more efficient as collaboration is strengthened and necessary duplication is avoided. And finally, the supply of services will be closer to the demand of services, which will facilitate the selectivity, and targeting of compensatory policies.¹²⁹

¹²⁷ Palma Carvajal E.. "Decentralisation and Democracy; The New Latin American Municipality." CEPAL Review. No. 55. April 1995. p. 40.

¹²⁸ Palma Carvajal E.. "Decentralisation and Democracy; The New Latin American Municipality." CEPAL Review. No. 55. April 1995. p. 40.

¹²⁹ Palma Carvajal E.. "Decentralisation and Democracy; The New Latin American Municipality." CEPAL Review. No. 55. April 1995. p. 45.

The decentralisation process in El Salvador was initiated under the structural adjustment and stabilisation programs of the late 1980s. Decentralisation of the state was synonymous with the 'modernisation of the state' which implied modernising the public sector and creating an environment that would facilitate private sector export-led growth.¹³⁰ To achieve this, the Salvadoran central government initiated the privatisation of state-owned enterprises and of the delivery of services. Reforms have occurred within various industries and services including telecommunications, airport and seaport services, and electricity.

A second objective of the decentralisation process was to increase the involvement and the capacity of the municipal government to administer and assist in social and economic development. In 1988 the law of the Fondo para el Desarrollo Económico y Social de los Municipios (FODES) was established.¹³¹ The objective of FODES was to promote the constitutionally recognised autonomous rights and powers of the municipal government, as guaranteed in Article 207 of the Constitution of the Republic of El Salvador.¹³² This Article states that the municipal government is assigned a wide variety of tasks and responsibilities related to the economic, cultural and social development of its

¹³⁰ "El Salvador and the World Bank." The World Bank.

<http://www.worldbank.org/html/xtldr/offrep/sv2.htm>.

¹³¹ FUSADES. Boletín Económico y Social. Los Desafíos del Desarrollo Local. No. 1-6. Enero. 1998.

municipality. To facilitate the ability of the municipal government to effectively realise its rights, FODES provided some financial resources. FODES distributed approximately 25 million colones (US \$4.1 million) annually, to the 262 municipalities.¹³³ Distribution of funds was based on population size with those municipalities of greater population receiving fewer funds. In 1997, FODES received an additional 125 million colones (US\$ 15.6 million approximately) which was proportionally distributed among the municipalities.¹³⁴

In 1998, the FODES law was reformed to substantively increase the transfer payments to the municipal governments. It was established that the municipalities would receive 6 percent of the current net revenue of the national budget. This percentage amounted to approximately 450 million colones (US\$ 56 million). These funds were channelled through and distributed by the Instituto Salvadoreño de Desarrollo Municipal (ISDEM). In addition, the Fondo de Inversión Social para el Desarrollo Local (FISDL) distributed, to the municipal governments, a 326.4 million colones (US\$ 41 million) received from foreign resources. Approximately 10 million colones of the FODES budget are given to ISDEM and FISDL for administrative costs. The rest of the FODES fund is distributed to the

¹³² Artículo 207 de la Constitución "...Garantizar el desarrollo y la autonomía económica de los municipios..."

¹³³ FUSADES. Boletín Económico y Social. Los Desafíos del Desarrollo Local. No. 146. Enero, 1998.

¹³⁴ FUSADES. Boletín Económico y Social. Los Desafíos del Desarrollo Local. No. 146. Enero, 1998.

Table 1
Distribution of FODES 1998

Amount Transferred Million of Colones	Number of Municipalities
Under 1	1
Between 1.01 and 2	90
Between 2.01 and 3	66
Between 3.01 and 4	41
Between 4.01 and 5	22
Between 5.01 and 6	13
Between 6.01 and 7	16
Between 7.01 and 8	2
Between 8.01 and 9	2
Between 9.01 and 10	0
Between 10.01 and 11	0
Between 11.01 and 12	1

Source: FUSADES, Boletín Económico y Social, Los Desafíos del Desarrollo Local, No. 146, Enero 1998.

Table 2
Total Transfers in 1998 in Relation to 1997

Amount Received in Relation to 1997	Number of Municipalities
Under 30 time more	7
Between 20 and 30 times more	11
Between 10 and 20 times more	71
Between 5 and 10 times more	156
Between 3 and 5 times more	8
Between 1 and 3 times more	9

Source: FUSADES, Boletín Económico y Social, Los Desafíos del Desarrollo Local, No. 146, Enero 1998.

municipal governments according to the following criteria: 50 percent population, 25 percent equity, 20 percent poverty and 5 percent territorial coverage. See Table 1 and Table 2 for the distribution of FODES funds to the municipal governments. Currently the municipal governments are lobbying the Salvadoran National Assembly with the objective of obtaining a greater percentage of the national budget. Although the above figures may appear substantive, these funds are distributed among 262 municipalities. In 1998, 90 municipalities each received only between 1 and 2 million colones which is equal to a quarter of a US \$ million (see Table 1). The municipal governments are demanding an annual increase in transfer payments that would eventually amount to 12 percent of the national budget.

According to the Corporación de Municipalidades de la República de El Salvador (COMURES), decentralisation in El Salvador is understood as a process through which a transfer of competencies and resources from the central government to the municipal, departmental and regional government occurs. This transfer is accompanied by the provision of the necessary financial resources, administrative independence and political legitimacy. The process is incomplete without the participation of the citizenry in the political process and in the benefit of the

production and distribution of goods and services.¹³⁵ Decentralisation therefore “determines the existence of community level government.”¹³⁶ This process recognises the municipal government as a level of government independent and equal to other levels of government. The fact that its resources and jurisdiction may be less than those found at the national level should not undermine the importance of the municipal government. The municipal government is elected through citizen participation, which confirms its democratic nature.

The role of the municipal government in the development of its community changes with increased decentralisation of government services and responsibilities. Without a decentralisation of resources from the central government, the municipal government will find it increasingly difficult to assist in the social and economic development of its local community. The March 2000 elections in El Salvador have resulted in two significant developments that will affect the institutional capacity of the municipal government. First, the FMLN won 31 of the 84 seats of the National Assembly, leaving 29 seats under the control of the ARENA and 14 distributed among four smaller political parties. In the municipal elections, the FMLN won the mayorship in El Salvador’s largest cities and now governs 78 municipalities indicating an increase of 30 since the previous elections. ARENA still maintains control in 124 municipal

¹³⁵ COMURES. “Desarrollo local, descentralización y los gobiernos municipalidades.” San Salvador. Octubre. 1998. p. 7.

¹³⁶ Palma Carvajal E.. “Decentralisation and Democracy: The New Latin American Municipality.” in CEPAL Review. No. 55. April 1995. p. 47.

governments, however this number is down from 160. Although the election results are positive for the FLMN, the deep-rooted political divisions between the FMLN and the ARENA will present a challenge to the municipal governments as they attempt to gain increased political and economic autonomy. A second development that emerged from the March 2000 elections was the release of a proposal requesting the reform of the current tax system. COMURES has prepared a proposal that outlines several tax reforms which, if implemented, would result in a significant increase in municipal revenue. Two of the reforms are based on the property and parcel taxes that would be assessed according to geographical location, development of the property and use of services. The lobby movement, led by COMURES is advocating for municipal control over the assessment of land and property, collection of taxes and distribution of revenue.¹³⁷ Both of these recent events will affect the resources, infrastructure and institutional capacity of the municipal governments of El Salvador and its ability to influence social and economic development at the local level.

3.5 Concluding Summary

As discussed, popular participation and decentralisation are complementary in the implementation of a *local development* approach to social, economic and political development. It has been demonstrated that a critical component of decentralisation for democratic development is the participation of the local citizenry in the processes of change, which may include policy development.

¹³⁷ "Proponen nuevos impuestos locales," La Prensa Grafica, 23 marzo 1992.

project implementation and administration of resources. In addition popular participation in *local development* must be supported and encouraged by political and economic development institutions. That is, for *local development* to be successful, the local population must be supported by these institutions. This support has taken a variety of forms from the constitutional guarantee of open town meetings to the creation of Municipal Development Councils which provide a forum for government and civilian collaboration and which ensures participation of the local population in decision-making processes. Although a mutual cohesion between government and the people is required for *local development*, this alone is not sufficient. On a national level, a commitment to both decentralisation and popular participation is needed. In the case of El Salvador, the national government must accompany its administrative decentralisation process with the decentralisation of economic resources. Municipal governments are not equipped the necessary financial resources for the implementation of a *local development*. On a regional level, other development actors including members of the private sector and the non-government community must also commit to a collaboration of resources.

Chapter Four

Case Study: Local Development in the Northern Zone of San Vicente

Chapter four is a case study of the municipalities of Apastepeque, Santa Clara and San Esteban Catarina, which are located in the northern zone of the Department of San Vicente (an administrative district) in El Salvador. This study is based on information gathered from the three municipalities where a *local development* approach to community and municipal development is currently being implemented. The chapter begins with a profile of the region, which includes a social and economic review of the municipalities. The third section of the case study examines how the conditions of *local development*, popular participation and decentralisation manifest themselves within the communities and the issues associated with these concepts.

4.1 Sources of Data and Collection of Data

The case study is based on research I collected during a 6-month work term in El Salvador, which began in October of 1998 and terminated in March of 1999. The case study comprises information gathered from a variety of sources of which include a Departmental Census, Municipal Development Plans, Community Development Plans, Institutional Policies, and Municipality Associations. In addition two interviews were conducted with Mayors from the Municipalities of Santa Clara and Apastepeque. Participant observations in weekly community meetings, work-related meetings, and community association meetings are also included in the research. It is important to explain the role I assumed during the

collection of the data as my association with various development institutions affected the way the information was gathered, my perception and analysis of the information, and influenced the way in which people discussed certain issues. While in El Salvador I was working as an Institutional Policy Advisor for PARTNERS in Rural Development, a Canadian non-government organisation. PARTNERS is a non-profit organisation that addresses poverty at the village level in developing countries. In partnership with southern NGOs, PARTNERS supports self-help projects; strengthens the capacity of community organisations, promotes policies that alleviate poverty, and raises public understanding of development issues. One of the non-government organisations PARTNERS is affiliated with in El Salvador is the Salvadoran Association for Integrated Development (ASDI). ASDI has 12 years of experience working with people that live in former conflict zones. It supports the resettlement process for returning refugees from Honduras. ASDI collaborates under the National Reconstruction Plan to facilitate the civil reintegration of former FMLN combatants. Its current sectors of intervention are agriculture, immigration at national and regional levels (Central America), micro-credit, health education, and *local development* strengthening. Most of my research and findings of these communities was performed while working on *local development* policy for ASDI. It is important to note that ASDI has a long history of involvement in these municipalities. The organisation provided relief assistance to the local population during the Salvadoran Civil War. ASDI is currently involved in long term sustainable development in these communities. While working with ASDI, I was assisting in

the formulation of the organisation's institutional policy on *local development*. As previously mentioned my association and work with this particular organisation shaped and determined my participation in community meetings and work related meetings. This relationship also influenced with whom I was able to talk and interact. My work also led to my attendance in a variety of conferences including a presidential debate on *local development* and a conference on Structural Adjustment in Latin America.

The distinction between worker and researcher was quite often a difficult one to identify and practise as my research revolved around my work. The data gathered was limited to the scope of my work term and defined by the relationship between PARTNERS and ASDI, and ASDI and the communities within which it worked. Analysis of the information while in El Salvador proved to be difficult as I was constantly trying to understand and interpret what I saw, what I read, and discussions I had with people within the research environment. A critical analysis of the data was therefore conducted upon my return to Canada as I discovered the importance of creating some distance between the data and the context of my research. This distance also provided me with the time that was necessary to digest and understand the data within an academic context. Making the link between the theory and practise of development could only be made in Canada.

4.2 Profile of the Region

The northern zone of the department of San Vicente (see Figure 1), where the municipalities of Apastepeque, San Ildelfonso, Santa Clara and San Esteban Catarina are located covers a territory of 788 square kilometres which constitutes approximately 67 percent of the total geographical area of the department.¹³⁸ This region maintains a population of approximately 47,000.¹³⁹

A majority of the population resides in rural areas thereby making agriculture the principal economic and subsistent activity. Health care and education facilities vary from municipality to municipality, however as a majority of the people lives in rural areas these services are either non-existent or extremely limited in access and resources. With regards to economic development, this region represents 30.9 percent or one third of the economically active population of San Vicente.¹⁴⁰ Some of the communities within this region were more heavily affected by the war. This difference is demonstrated in the destruction of human life, the natural environment and physical infrastructure. Several communities within the region were completely abandoned during the war and in the last few years have been repopulated with the return of refugees from Honduras, Nicaragua, and Costa Rica.¹⁴¹ Some of the communities are located in zones that were under complete control of the FMLN while others, although not many, are situated in what was

¹³⁸ Censos Nacionales V de Población y IV de Vivienda. Tomo X. San Vicente. 1992.

¹³⁹ Censos Nacionales V de Población y IV de Vivienda. Tomo X. San Vicente. 1992.

¹⁴⁰ Censos Nacionales V de Población y IV de Vivienda. Tomo X. San Vicente. 1992.

¹⁴¹ "Planes estrategicos: 7 comunidades norte de San Vicente. Cooperación" UE/ASDI. Octubre 1998. p. 2.

Figure 1
Map of El Salvador
Distribution of Municipalities



referred to as “neutral” zones.¹⁴² It is also important to note that in a majority of the communities within this region, land ownership prior to the war consisted of latifundio (large estate land ownership) and minifundio (small land holding).¹⁴³ For the majority of the population this system meant that land ownership was impossible to obtain. The result was that people were day labourers on the property and rented a small parcel of land, which enabled them to produce basic grains for consumption or subsistence living.¹⁴⁴ Finally, this region has a history of urban migration that was initially caused by the war and which continues today as the region suffers perpetual economic crisis.¹⁴⁵

4.2.1 Apastepeque

The municipality of Apastepeque has a population of 24,066 of which 83.6 percent reside in the rural areas and only 16 percent reside in the urban area.¹⁴⁶ Within the municipality of Apastepeque are 10 cantons, seven of which have a high demand for basic infrastructure (safe water, electricity, and health care).¹⁴⁷ In all ten cantons, there is a high demand for the protection and rehabilitation of the natural environment. With regards to education, Apastepeque has a high level of education in both urban and rural areas as indicated by its literacy rates: 83.55

¹⁴² “Planes estratégicos: 7 comunidades norte de San Vicente. Cooperación” UE/ASDI. Octubre 1998. p. 2.

¹⁴³ “Planes estratégicos: 7 comunidades norte de San Vicente. Cooperación” UE/ASDI. Octubre 1998. p. 2.

¹⁴⁴ “Planes estratégicos: 7 comunidades norte de San Vicente. Cooperación” UE/ASDI. Octubre 1998. p. 5.

¹⁴⁵ “Planes estratégicos: 7 comunidades norte de San Vicente. Cooperación” UE/ASDI. Octubre 1998. p. 3.

¹⁴⁶ Censos Nacionales V de Población y IV de Vivienda. Tomo X. San Vicente. 1992.

percent of the urban population can read and write and 73.24 percent of the rural population is literate.¹⁴⁸

With regards to economic activity, Apastepeque represents 3.4 percent of the economically active population (PEA) of the urban region of the department and 9.4 percent of the PEA of the rural region.¹⁴⁹ The principal economic activities of the municipality are found within the agricultural and service industries, with 68.87 percent of the PEA of Apastepeque involved in agricultural based activities.¹⁵⁰

4.2.2 Santa Clara

The municipality of Santa Clara has a small population of only 4,216.¹⁵¹ The majority of the population of Santa Clara lives in the rural regions therefore has little if any access to social services. This is evident in the municipality's low literacy rates: only 50.9 percent of the rural population are literate.¹⁵² According to Community Development Plans, the majority of the communities do not have schools and in the rare case of a community having a school, the school is equipped with minimal resources. Formal education also stops at the sixth grade. Health services share a similar problem: if there is a health clinic it is either temporary or it is too small, under staffed and under resourced and cannot

¹⁴⁷ Prediagnosticos municipales. Apastepeque. SRN. 1995.

¹⁴⁸ Censos Nacionales V de Población v IV de Vivienda. Tomo X. San Vicente. 1992.

¹⁴⁹ Censos Nacionales V de Población v IV de Vivienda. Tomo X. San Vicente. 1992.

¹⁵⁰ Prediagnosticos municipales. Apastepeque. SRN. 1995.

¹⁵¹ Censos Nacionales V de Población v IV de Vivienda. Tomo X. San Vicente. 1992.

properly and effectively service the communities.

The PEA of Santa Clara represents only 0.7 percent of the total urban PEA of the department and accounts for 2.4 percent of the PEA of the total rural region of San Vicente.¹⁵³ The principal economic activities of Santa Clara are traditional agricultural production (beans, corn and rice) which represents 86.34 percent of the municipality's PEA, and small businesses (local corner store, restaurant and bakery).¹⁵⁴

4.2.3 San Esteban Catarina

The municipality of San Esteban Catarina has approximately 8000 inhabitants of which the majority resides in urban regions.¹⁵⁵ The urban population maintains high literacy rates in comparison to the counter rural population: 76 percent of the urban population is literate however only 53.3 percent of the rural population can read and write. Similar educational services are found in San Esteban Catarina as in Santa Clara; resources are extremely limited and formal education ends at the sixth grade.

The PEA of San Esteban Catarina represent 0.5 percent of the urban region and

¹⁵² Prediagnosticos municipales. Santa Clara. SRN. 1995.

¹⁵³ Censos Nacionales V de Población y IV de Vivienda. Tomo X. San Vicente. 1992.

¹⁵⁴ Prediagnosticos Municipales. Santa Clara. SRN. 1995.

Salmanca L.I. "Diagnostico: Potencial de mujeres productoras: zona norte de San Vicente." ASDI Julio. 1998. p.19.

¹⁵⁵ Censos Nacionales V de Población y IV de Vivienda. Tomo X. San Vicente. 1992.

1.6 percent of the rural region of the department.¹⁵⁶ Principal economic activities are found in the agricultural, industrial and service sectors. This municipality depends on the production of traditional agricultural products including corn, beans and rice. San Esteban Catarina also has a small but growing artisan sector.¹⁵⁷

4.3 Development Priorities

These priorities were identified through a community diagnostic process that was facilitated by ASDI. The methodology used to derive these development priorities is explained in section 4.5 of the Case Study entitled "Popular Participation." It is also important to note that the following are not listed in order of importance rather they are development priorities common to the above mentioned three municipalities.

- access to safe drinking water
- access to credit
- provision of electricity
- building of decent, affordable and appropriate housing
- reconstruction of roads
- the implementation of productive projects (income generating)

The Community Development Plans contained the following information:

¹⁵⁶ Censos Nacionales V de Población y IV de Vivienda. Tomo X. San Vicente. 1992.

identification of resources; identification and prioritisation of development problems; mapping out possible solutions; role of the community in the resolution of problems; identification of long term goals; and, a history of the community prior, during and after the war. It is important to note that these development plans have been accepted by their respective municipal governments and will be integrated into the plans and programs initiated by the municipal governments.

According to the development plans¹⁵⁸ elaborated by the municipal governments the following common development priorities and needs have been identified. The municipal development plans from which these priorities are identified were not created solely by government staff and elected officials. Members of the community were invited to participate in the process.

- diversification in labour formation
- improved quality and access to education
- access to health care services
- improvement in physical infrastructure
- diversification of economic activity

¹⁵⁷ Salmanca L.I. "Diagnostico: Potencial de mujeres productoras: zona norte de San Vicente." ASDI Julio. 1998. p. 25.

4.5 Popular Participation

Civil society in this region is made up of community associations, grassroots organisations and national non-government organisations. The majority of these organisations and associations are actively involved in the social and economic development of the communities within which they are located and working.¹⁵⁹

The range of activities of these organisations is broad and very diverse. Some NGOs, for example, are involved in health care, micro-enterprise, legal work for land ownership, affordable housing, popular education and gender training. Community associations vary from co-operatives and educational associations to water supply and housing committees. If participation were measured in terms of the quantity of organisations that are active in a community then a majority of these communities would be considered strong with regards to popular participation. For example, within a group of seven communities¹⁶⁰ that are located in the municipalities of San Ildelfonso, San Esteban Catarina and Santa Clara there exists 25 community organisations.¹⁶¹ The total population for these seven communities is 2549 people. The communities average three organisations each with an exception made for San Jacinto la Cruz which has seven community organisations. Although organisation is strong in these communities, the ability

¹⁵⁹ Prediagnosticos municipales. Apastepeque. SRN 1995. Prediagnosticos municipales. Santa Clara. SRN 1995. Plan de desarrollo municipal: Municipio de Apastepeque. Departamento de San Vicente. El Salvador. C.A. UNICEF-COMURES. 1997.

¹⁵⁹ Examples of members of civil society include national NGOs such as ASDI, ASDEC, FUNDASAL, grassroots organisation such as, Organización Regional Campesina, and community associations such as, youth committees, women committees, and credit committees.

¹⁶⁰ The seven communities are San Jacinto la Cruz, Amatitan Arriba, Amatitan Abajo, El Tablon, Guyabilla, El Tortuguero, and Guachipilin.

of the community to effectively use this infrastructure to influence larger economic and political institutions, such as municipal governments or national development agencies, remains limited. One of the main reasons for the inability to transfer community information to the government and influence government policy and action is the absence of an effective forum within which the local population and community associations can enter into dialogue with the government.

To strengthen the effectiveness of community participation in development, these communities formulated development plans. With the technical support provided by ASDI, members of these communities participated in diagnostics to identify development problems and elaborate strategies for action. An increase in the ability of the communities to influence larger political and economic development institutions occurred with the presentation of these Community Development Plans to their respective municipal governments. The municipal governments in turn accepted the Plans and integrated them into Municipal Development Plans.¹⁶²

These communities used the community diagnostic methodology as an initial first step in implementing *local development*. The diagnostic mapped out a variety of

¹⁶¹ "Planes estratégicos: 7 comunidades norte de San Vicente. Cooperación" UE/ASDI. Octubre 1998. p.4.

¹⁶² "Propuesta técnica para la realización de planificación estratégica y de acción en las comunidades que integran la ORC hacia una concepción de desarrollo municipal." 1998. p. 2.

social, economic, political, cultural and gender data respective to each community. The findings of the diagnostic were the foundations of community development plans. These plans therefore contained information on the history of the community, the organisation of the community, demographics, current economic activity, communal physical infrastructure, educational levels, health conditions, housing, cultural activities and traditions, and the condition of the natural environment. The establishment of community development plans allows the community to determine its own development goals and enables the community to recognise that it has valuable indigenous development resources.

Once these aspects and characteristics of the community are identified by its members, the community can move to the next step which is the identification of its principal developmental problems and needs. The identification of needs and development problems allows the community to conceptualise itself in relation to other communities, governing bodies, and national and or regional issues. Most importantly this process helps the community to see itself as a community and not simply a collective of people that happen to live in the same geographic setting. This process also ensures that the community is responsible for developing solutions to its problems and establishes a vision for the community or long term development goals.

An important aspect of popular participation is diversifying the composition of the participants to include marginalised sectors of the population. The inclusion

of women in popular participation is a critical component of *local development*. During the war, women living in controlled areas were involved in a wide variety of activities. "from making tortillas, and looking after the kids to political and military work"¹⁶³ As previously discussed the ownership of land is critical to both social and economic development. Although women represented approximately 25 percent of combatants in the guerrilla movement, these women have not received compensation in reconstruction programs. They continue to be excluded from the process of land transfer and are not recognised as landowners even though they may be the sole family survivor. In addition, their participation in the war often meant taking on greater community responsibility and leadership roles, which no longer exist. Consequently women have returned to their "traditional" role which limits their participation in political structures be it in community associations or in municipal governments. Women represent more than half of the population in urban and rural regions of these municipalities however continue to demonstrate lower literacy capabilities, health conditions, formal economic activity and participation in various political institutions.

The following charts demonstrate the gender composition of the economically active population in the rural and urban areas of the Northern Zone of San Vicente. The numbers indicate a significantly lower percentage of women participating in the local economy. In the urban zone of the municipality of

¹⁶³ Thomson M., Women of El Salvador: The Price of Freedom. Institute for the Study of Humanities. Philadelphia. 1986. p. 26.

Table 3**Distribution of Economically Active Population by Gender and Municipality
Urban Area of San Vicente**

Municipality	Total Population	Percentage	Female Population	Percentage	Male Population	Percentage
Apastepeque	1,473	3.4	503	1.2	970	2.2
Santa Clara	298	0.7	31	0.1	267	0.6
San Sebastien	1,864	4.3	613	1.4	1,251	2.9
San Ildelfonso	515	1.2	111	0.3	404	0.9
San Esteban Catarina	718	1.6	122	0.3	596	1.4

Source: Censos Nacionales V de Población y IV de Vivienda. Tomo X San Vicente. El Salvador. 1992.

Table 4**Distribution of Economically Active Population by Gender and Municipality
Rural Area of San Vicente**

Municipality	Total Population	Percentage	Female Population	Percentage	Male Population	Percentage
Apastepeque	4,074	9.4	440	1.0	3,634	8.3
Santa Clara	1,055	2.4	130	0.3	925	2.1
San Sebastien	1,921	4.4	182	0.4	1,739	4.4
San Ildelfonso	2,017	4.6	144	0.3	1,873	4.3
San Esteban Catarina	203	0.5	19	0.0	184	0.4

Source: Censos Nacionales V de Población y IV de Vivienda. Tomo X San Vicente. El Salvador. 1992.

Apastepeque, the female population represents only 1.2 percent of the economic active population (see Table 3). The difference between the urban and rural regions of this city is only 0.2 percent, as women residing in the rural zone of Apastepeque represent 1.0 percent of the economically active population in comparison with the male population which accounts for 8.3 percent (see Table 4). The participation of women and men in the local economy also varies from sector to sector. Women demonstrate lower participation in agriculture, public administration and defence, the manufacturing industry and small and medium businesses (see Table 5 and Table 6). The only sector which demonstrated considerable higher participation of women in comparison to men, is in domestic labour (see Table 5 and Table 6).

The municipal government also plays an important role in promoting and strengthening the effectiveness of the participation of the local population. It is the institution by which participation is constitutionally ensured and protected. In interviews conducted with the Mayors of Santa Clara and Apastepeque, both referred to the importance of supporting and strengthening the Cabildo Abiertos as an institutional mechanism that will guarantee even a minimal amount of popular participation. Both also acknowledged that participation is a basic component of the development of the municipality. Although participation in a democratic context is a relatively new concept in El Salvador, it is an important mechanism which places people at the centre of their own development and encourages them to be responsible for the development of their communities. In

Table 5**Economic Activities by Gender: Urban Area of San Vicente**

Sector	Total Population	Percentage	Female Population	Percentage	Male Population	Percentage
Agriculture	5,878	100	198	3.37	5,680	96.63
Manufacturing	2,553	100	939	36.78	1,614	63.22
Industry						
Small and Medium Enterprises	2,887	100	1,621	54.15	1,266	43.85
Domestic Labour	589	100	577	97.96	12	2.04
Public Administration and Defence	1,840	100	401	21.79	1,439	78.21

Source: Censos Nacionales V de Población y IV de Vivienda. Tomo X San Vicente. El Salvador. 1992.

Table 6**Economic Activities by Gender: Rural Area of San Vicente**

Sector	Total Population	Percentage	Female Population	Percentage	Male Population	Percentage
Agriculture	18,792	100	700	3.72	18,092	96.28
Manufacturing	831	100	399	48.01	432	51.99
Industry						
Small and Medium Enterprises	1007	100	638	65.36	369	36.64
Domestic Labour	398	100	386	96.98	12	3.02
Public Administration and Defence	386	100	25	6.48	361	93.52

Source: Censos Nacionales V de Población y IV de Vivienda. Tomo X San Vicente. El Salvador. 1992.

addition to supporting increased dialogue and collaboration between government and local citizenry, both Mayors acknowledged the importance of diversifying economic activity as a method of strengthening popular participation. Table 3 and Table 4 demonstrate the dependency of this region on the agricultural industry. In Santa Clara, for example, the municipal government supports training programs for the construction industry and for the small business development.¹⁶⁴ The municipal government of Apastepeque support vocational rural education and training programs in natural medicine.

4.4 Decentralisation

Decentralisation in these communities is observed through the changing role of the municipal government in the development process. One of the principal problems facing municipal governments in El Salvador, particularly for those that are located in remote regions of the country, is the lack of financial support from the national government. At present, the municipal governments in El Salvador receive only six percent of the national budget, which is then divided among 262 municipalities.¹⁶⁵ A lack of financial resources limits the ability of the municipal government to initiate development programs. There is a lobby movement lead by COMURES that is trying to change the percentage of funds allocated from the national budget. In addition to the lack of national funding, the municipal governments have a limited tax base from which to generate income.

¹⁶⁴ See Appendix A "Entrevista con el Alcade de Santa Clara."

Constitutionally the municipal government is limited in its ability to generate revenue. The municipal government cannot collect property taxes instead it employs a user fee system. User fees are assessed on the length of frontage of each property and its proximity to public services such as street lighting, sidewalks, etc.

However a problem in the collection of these fees exists, as the current land management systems are incomplete and outdated. Consequently, not all property owners are registered, fees are not assessed equitably and municipal revenue is restricted.

Given their limited financial resources, municipal governments are increasingly aware of the need for collaboration and co-operation with diverse development actors that are operational within their municipalities. In an interview conducted with the Mayor of Santa Clara, the necessity of improving collaboration was emphasised as critical to the process of *local development*. He addressed the need for development organisations and for the municipal government to be clearer in their policies and vision for development. With up to as many as 30 organisations and associations in operation in this municipality, there exists many different development agendas which together may not contribute to *local development*.¹⁶⁵

Increased dialogue among these actors is believed to be a critical first step in the

¹⁶⁵ COMURES. "Síntesis de la agenda gremial de los 262 gobiernos municipales respecto al desarrollo local." San Salvador. Octubre 1998. p. 2.

co-ordination of resources. It is important to note that the Mayor considers the members of the private sector as actors in development that also need to collaborate on resources and development planning. In Santa Clara government concessions have been made for services including garbage collection. Another example of collaboration of development actors is the reconstruction of the local Church in Santa Clara. The municipal government has sourced a local non-government organisation to oversee the rebuilding process. Currently, the primary sources of formal employment in the municipality do not contribute directly to the development of the community. Local physical infrastructure and the provision of services have not improved as most economic activity or the majority of the employment market for Santa Clara is located outside of the municipality.¹⁶⁷ The Mayor of the Municipality of Apastepeque commented on decentralisation as well, indicating the importance of integrating community development plans into the larger municipal government plans. Decentralisation not only means an institutional change in the role and functions of the municipal government. It also requires a change in the responsibilities of the local population in the development of their own communities; that is, becoming more proactive in the economic and social development of their respective community.¹⁶⁸

The municipal governments have extremely limited resources to meet community

¹⁶⁶ See Appendix A "Entrevista con el Alcaldede Santa Clara."

¹⁶⁷ See Appendix A "Entrevista con el Alcaldede Santa Clara."

needs and to promote sustainable development however collaboration among the municipalities on development projects and co-ordination of development resources was initiated. In 1998, Santa Clara and Apastepeque began an inter-municipal development project. Together these two municipalities are rebuilding main roads, which will positively impact the economic activity in Santa Clara and Apastepeque. In addition, these municipal governments are looking into a joint investment in the development of the eco-tourism industry and in strengthening the productivity and competitiveness of a local fishing co-operative.¹⁶⁹

4.6 Concluding Summary

The *local development* approach being used in the social, economic and political development of these communities remains in an early implementation stage. Progress with regards to the communities being able to resolve its development problems and actualise their respective development priorities will be able to be measured more accurately over the next five years. However, indicators, which illustrate the strengthening of participation and the decentralisation process, can be identified. These include the integration of community development plans to the municipal government. A commitment by the municipal government to the strengthen the institutional mechanisms that support participation including the Cabildos Abiertos. The establishment of institutional policy on *local development*

¹⁶⁸ See Appendix B "Entrevista con el Alcade de Apastepeque."

¹⁶⁹ See Appendix B "Entrevista con el Alcade de Apastepeque."

within various development agencies and organisations. Collaborative development efforts being pursued by municipal governments. And finally, a quasi commitment by the national government to concede increased funds to the municipal governments.

Chapter Five Conclusion

Local development in the post war context is understood as a development approach that incorporates economic growth, equality, cultural and social advancement, environmental sustainability and gender equity within a process based on participatory democracy and through the collaboration of resources and skills of a variety of development actors. The objective of *local development* is to contribute to the improvement of the quality of the life and to the resolution of collective social and economic needs of a people. Conditions for *local development* include decentralisation and participation. The decentralisation of responsibilities and resources of the central government to increase the capacity of the municipal or local government to assist in the social and economic development of the communities within its jurisdiction. And secondly, strengthening the participation of the local community in the identification of needs and in the decision-making structures.

The thesis of this study is that equitable economic and social development and the strengthening of the democratisation process in El Salvador can be achieved through *local development* on the condition that popular participation and the decentralisation of the central government towards local government are applied within the framework of Another Development.

The theoretical analysis of Chapter Two, the macro context of *local development* in El Salvador outlined in Chapter Three and the case study presented in Chapter Four together provide findings that support the thesis addressed in this study. From those findings the following observations are made:

I. The theoretical analysis demonstrated that the conditions for *local development*, decentralisation and popular participation can be implemented from above and not necessarily from below. Both of these conditions can be interpreted within the framework of neoliberalism and the context of Another Development. The result being that each perspective has a different emphasis, goal, principal actor and result.

A neoliberal approach to *local development* limits the process of decentralisation to one that is implemented from the central government with the purpose of improving the delivery of services. Participation is instrumental, in terms of being limited to voting rather than improving the dialogue between local population and national policy or strengthening the capacity of the local population to act in and realise its own development. *Local development* in this context is limited to social development: an improvement in the accessibility and distribution of social services, thereby making decentralisation an administrative change and participation a means to a predetermined end.

Within the framework of Another Development, *local development* has a different emphasis and consequently different perspectives on decentralisation and popular participation. The emphasis of *local development* in this context is economic development. This refers to strengthening the economic activity within a community to ensure that the local population can secure sustainability in their lives and in their work. The provision of social services is secondary to employment opportunities and fair working conditions. Economic development can result in strengthening the capacity of the community or local population to resolve the root causes of marginalisation and social exclusion. *Local development* in this context is people centred and may result in new social organisation. Participation is a means and an end in itself as the local population remains at the centre of its own development and engages in activity with other development actors including members of civil society, government agencies and government.

The use or misuse of the 'development' language is not only problematic within a theoretical context, it is equally challenging in practice. As demonstrated, the actors in development use concepts like participation and decentralisation in different ways and consequently obtain varying and often opposing results. As the *local development* approach becomes more readily accepted and used, defining and its conditions will become increasingly important to the ability of this approach to base itself on collaboration, consensus building and to resolve the collective needs of a people.

II. The social, political and economic context of El Salvador as described in Chapter Three determined that decentralisation and popular participation cannot be isolated from each other if the approach to *local development* is based in the context of Another Development. A critical component of decentralisation for democratic development is the participation of the local population in a variety of development-related activity including policy, project implementation, labour and employment formation and in the administration of resources. This necessitates a collaboration between economic and political institutions and the local community. These institutions take many forms including government, non-government organisations, government agencies and members of the private sector. Support from these actors to ensure the participation of the local population in decision-making structures is required for success in *local development*. In El Salvador, a commitment to decentralisation and popular participation must also be demonstrated at a national level. The central government must accompany its administrative decentralisation processes with a decentralisation of economic and technical resources to assist in the institutional strengthening of the municipal government. The March 2000 elections, in El Salvador, demonstrated an increase of power of the FMLN in the National Assembly. The FMLN won 31 of the 84 seats, leaving 29 seats under control of the ARENA and 14 distributed among four smaller political parties.¹⁷⁰ While ARENA remains the governing party, the FMLN continues to gain ground at the

municipal level. The FMLN currently governs 78 municipalities and the ARENA governing 124. Although the election results are positive for the FMLN, deep-rooted political divisions between the two parties may challenge municipal-national government relations, which may in turn hinder any effort to strengthen the economic and political autonomy of the municipal government. The lobby effort of the municipal governments of El Salvador to reform the country's tax laws will also prove to be a critical factor in the move towards greater autonomous political and economic power of the municipal level of government.

III. Finally, the data presented in the case study provided insight into the preliminary stages of *local development*. By observing how popular participation and decentralisation manifest themselves at the local level we have an understanding of the principal challenges facing the local population and the municipal government. These challenges include strengthening the capacity of the local population to organise themselves and influence local government; improving collaborative efforts of development actors to create a consensus on the direction, purpose and result of development efforts; diversifying the economic activity within the communities; and improving the institutional capacity of the municipal government to become a more effective actor in the development of its respective communities.

Although there is an indication of a *local development* approach that is consistent

¹⁷⁹ "Elecciones 2000." El Diario de Hoy. 15 marzo. 2000.

with the framework of Another Development (people-led, empowering, community based and local)¹⁷¹ several critical observations can be made. First, the trend among international aid institutions to remove the NGO as an intermediary actor and to deal directly with community associations has several implications for reconstruction and development. As previously mentioned, a majority of these communities are located in former FMLN controlled zones. The community associations situated within these zones, in most cases, reflect the ideology of this political party. In a country, like El Salvador, that maintains a long and violent history of political division, international aid institutions must exercise some degree of caution and research when selecting the grassroots organisation with which they will enter into partnership. Whether it is a community association that is more reflective of the ARENA or the FMLN is not the issue, rather the issue is the ability of these communities to enter into consensus building and collaborative approaches to development. These communities are still healing from a decade of mass environmental, economic and most importantly human destruction. Aid money that appears to favour one sector of the population over another may undermine reconstruction, reconciliation and development efforts.

Given the history of an organisation and the services it has provided to the community in the past, the NGO remains an important actor in the development of the community. During the war, many NGOs were involved in emergency

¹⁷¹ See Chapter Two: Theoretical and Analytical Framework.

relief efforts, which assisted in the day to day survival of the local population. The relationship that forms between the NGO and the community is often one based on dependency. With the end of the war, the needs of the community and the nature of its development changed. Similarly, the scope of activity of the NGO required change. In a post-war context, it is common for communities to turn to NGOs for a "quick fix." This behaviour can be associated with the disillusionment and frustration felt among the local population towards the lack of change or progress made since the end of the war. The NGO and the local community must work together to change the relationship between one and other in order for the community to begin to take control over its development. This is not to say that NGOs should be removed from the development process. These organisations have valuable skills, resources and experience that should be integrated with the actions of other actors, including the community, to collaboratively facilitate reconstruction and development.

The NGO sector also faces a challenge in defining its role in the democratisation process and in the strengthening of civil society in post-war El Salvador. The political division within the NGO sector may lead to a challenging of the democratisation process as some of these organisations continue to demand control. In addition, the diversity in approaches to development within the NGO community can be problematic when attempting to implement *local development*. Some NGOs continue to foster a paternalistic relationship between themselves and the local community while others conduct activities using participatory and

community-led methodologies.

The integration of women in development remains a complex problem in these communities. There is broad spectrum of social, economic, cultural and political reasons for the continuous under-representation of women in the development process. Although numerous efforts are being attempted, such as credit assistance for women, vocational training, and gender training within the local community and within development organisations, women are still marginalised from the decision-making structures within their communities and within larger economic and political structures. *Local development* is an approach that promotes gender equity, however, changing and deconstructing the social and cultural traditions, which continuously discriminate against women, will require an relentless effort and commitment on the part of all development actors.

These communities exist within the larger society of El Salvador and are part of larger processes of democratisation and social, political and economic reconstruction. It is important to understand the progress and the challenges of these communities within this larger context. Although El Salvador has demonstrated a capacity to overcome civil war, the country's democratisation and reconstruction processes are constantly being challenged by a history of social exclusion, economic instability and political corruption and violence.

To summarise the above findings:

Local *development*, through its conditions of participation and decentralisation, demonstrates that it has the potential ability to foster community-led, people-centred, empowering and democratic development. In the Salvadoran context, these capabilities continue to be challenged by the neoliberal model of development. Although community associations and members of the popular sector of civil society support a development approach that can change and transform political and economic structures of power, their activities for community-led local *development* remain localised. The municipal government has the potential to provide the link between the local and the regional or national. However, in order for this to occur, the municipal government will require greater autonomy and a stronger institutional capacity. As El Salvador approaches a decade of peace, it continues to search for a development that will secure democracy and resolve its social, economic and political inequalities. *Local development* can provide the necessary conditions (participation and decentralisation) which could lead to a broader sense of democracy through the strengthening civil society and increased equitable economic activity and provision of social services through the empowerment of the municipal government.

To return to the central question of the study:

Is *local development* a new approach that will make the community the primary agent of development thereby strengthening the capacity of the community to

define its own development and challenge existing structures of power? or Is *local development* a response from within the neoliberal model of development?

The above findings of this study can be *interpreted* within the framework of Another Development however this study would be incomplete without acknowledging the fact that *local development* and its conditions (participation and decentralisation) are currently being implemented as a response from within neoliberalism. *Local development* in the Salvadoran context maintains existing political, economic and social structures. There exists little evidence indicating or in support of structural transformation. Members of the popular sector (NGOs, community associations) are attempting to implement *local development* as a means to creating a more equitable development path that would include strengthening participation of the local population and improving the institutional capacity of the municipal government. These attempts however do not indicate control over the concept. The decentralisation process continues to be determined by the central government and is increasingly being defined by International Financial Institutions. Both of these actors equate decentralisation with the modernisation of the state and the strengthening of free market-led development. Within this understanding of decentralisation is the perception that equitable economic development will 'trickle down' to all sectors of the population. The fact that this process did not occur as expected within the adjustment and stabilisation has not deterred or weakened the faith of the advocates of neoliberalism. Participation within this framework will also be conducted to

support existing structures of power. The ability of the local population to exercise control over its own development and challenge decision-making structures will prove to be more and more difficult. How and when a community participates appears to be determined by external actors who set the agenda for *local development* and who define its conditions of implementation.

Local development appears to be the latest 'flavour of the month' in development discourse and practice. It is a development concept that can be interpreted within a variety of theoretical frameworks. Its interpretation within Another Development fosters some degree of hope that a concrete structural change can occur. Within neoliberalism it becomes clear that *local development* is yet another concept that can be packaged as equitable, participatory and democratic. However, when put into practice under the direction of neoliberalism, *local development* maintains structures, which continue to marginalise sectors of the population, reinforce inequality and foster only a narrow sense of democracy.

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