



Development Progress



El Salvador's progress on governance: Negotiation, political inclusion and post-war transition

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Table of contents

	List of abbreviations	2
1.	Introduction	3
2.	Context	4
3.	What has been achieved	7
3.1	Non-violent political negotiation and reassertion of the most basic level of stateness	8
3.2	Demilitarisation of society through the restoration of civilian rule	9
3.3	Improved inclusiveness in the political process	11
3.4	The benefits of peace	12
3.5	Sustainability of progress	14
4.	Drivers of progress	15
4.1	Internal drivers of progress	15
4.1.1	<i>Strategic stalemate</i>	15
4.1.2	<i>Role of the centre</i>	16
4.2	External influences	16
4.2.1	<i>A conducive geopolitical environment</i>	16
4.2.2	<i>Skilful facilitation by the UN</i>	17
4.2.3	<i>External financial assistance</i>	17
4.3	The internal–external interface	20
4.3.1	<i>The role of emigration and remittances</i>	20
4.3.2	<i>Flows of information and ideas</i>	21
5.	Conclusions	22
5.1	Key lessons	22
5.2	Challenges	23
	References	24
	Annex 1: Selected data tables	27

List of abbreviations

ACBF	Africa Capacity Building Foundation
ARENA	Alianza Republicana Nacionalista (Nationalist Republican Alliance)
DAC	Development Assistance Committee (OECD)
DDR	Demobilisation, Disarmament and Reintegration
DFID	Department for International Development
FAES	Armed Forces of El Salvador (Fuerza Armada de El Salvador)
FMLN	Frente Farabundo Martí de Liberación Nacional (Farabundo Martí National Liberation Front)
GDP	Gross Domestic Product
GNI	Gross National Income
IADB	Inter-American Development Bank
ICITAP	International Criminal Investigative Training Assistance Program
IMF	International Monetary Fund
MDG	Millennium Development Goal
NRP	National Reconstruction Plan
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
ONUSAL	UN Observer Mission in El Salvador
PCN	Partido de Conciliación Nacional (Party of National Conciliation)
PDC	Partido Demócrata Cristiano (Christian Democratic Party)
PNC	Policía Nacional Civil (National Civilian Police)
UN	United Nations
UNESCO	UN Educational, Scientific and Cultural Organization
US	United States
USAID	US Agency for International Development
VAT	Value-Added Tax
WDI	World Development Indicator

1. Introduction

'There is no longer a war in El Salvador, and the chance that a civil war will resume is remote, at least in the foreseeable future. In that sense, we can say that the war is over. In El Salvador, there is a consensus that change has to be achieved not by violent means, but by political means' (Zamora, 2003).

From 1980 to 1991, a violent and destructive civil war raged throughout El Salvador, rooted in a history of systemic social, political and economic exclusion of large segments of the population. Yet, from this challenging and complex point of departure, the country has achieved significant progress in terms of developing a system of governance that provides incentives for the state to act in ways that promote the well-being of the population in general, rather than merely that of an exclusive set of elites. Key features of this governance transition include: re-emergence of the state from civil war through non-violent means; the demilitarisation of Salvadoran governance; extensive legal and institutional reforms, resulting in the cessation of human rights violations as a mechanism of political control; and the opening up of political space to previously marginalised and disaffected sectors of the population.

In short, El Salvador has progressed from physical violence as an accepted form of political contestation (including as a means to impact forms of governance and decision making) to the use of non-violent political activity (discourse, political parties, elections). In and of itself, this is an important achievement, particularly in light of suggestions that 'forty per cent of armed conflicts recommence within a decade of hostilities ending' (Collier and Hoeffler, 2004, in DFID, 2010). That this transition includes the development of a more equitable and inclusive political settlement is particularly impressive and contributes to its sustainability. Nevertheless, the story of governance in El Salvador should be considered one of progress rather than one of absolute success.

2. Context

The roots of the conflict, and therefore of the ensuring transition, reach back to the mid-19th century and the consolidation of the economy around the production and export of coffee. In an incomplete process of modernisation, specialisation was accompanied by both the use of an increasing proportion of land for coffee production and the concentration of landholdings in the hands of a limited number of wealthy families (Johnstone, 1995; Torres-Rivas, 1997). To maintain stability in such a highly unequal environment, this strategy was underpinned by an oligarchic alliance between the economic elite dictating economic policy and the military. The end result was a society that systematically generated exclusion in social, political and economic spheres, maintained by a state security force directed against the bulk of the civilian population (Johnstone, 1995; Torres-Rivas, 1997; Wood, 2003).

In the 1930s, discontent generated by this concentration of wealth and power led to a series of peasant and worker uprisings. The most significant of these events was an attempted insurrection led by Augustín Farabundo Martí. In response, 'National Guard members, the army and paramilitary groups, with the collaboration of local landowners, carried out a massacre known as "La Matanza", in which they murdered at least 10,000 peasants in the western part of the country in order to put down a rural insurrection' (Betancur et al., 1993). The uprising did little to change the fundamental balance of power in the short run. However, Farabundo Martí's uprising became a symbolic moment in the history of revolutionary insurgency against systemic exclusion in El Salvador. Throughout the 1960s and 1970s, the growing political disillusionment of large portions of the population on the political left, generated by exclusionary arrangements and particularly egregious abuses of power, such as the electoral frauds of 1972 and 1977,¹ led many to conclude that moderate electoral reform was not a viable strategy. In 1980, the various political-military organisations in favour of armed revolution united under the banner of the Frente Farabundo Martí de Liberación Nacional (FMLN), taking the name of the famed 1930s revolutionary leader whose cause they inherited.

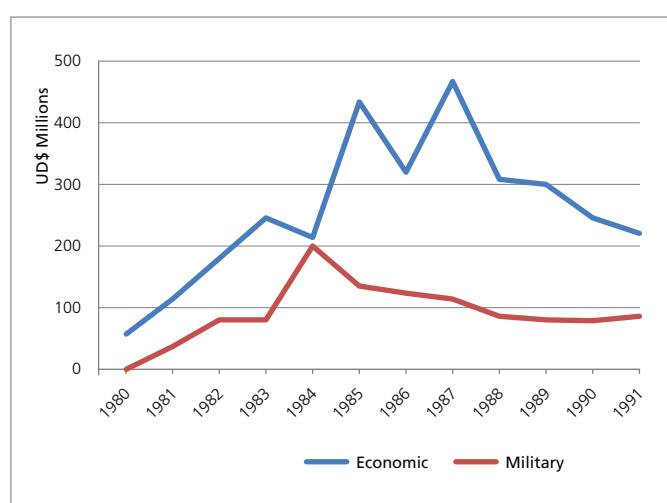
Box 1: Snapshot of El Salvador

Region:	Latin America & Caribbean
Capital:	San Salvador
Income level:	Lower middle income
Population:	6,133,910 (2008)
Gross national income (GNI) per capita, Atlas method (current US\$):	\$3,460 (2008)
Poverty headcount ratio at national poverty line:	30.7% (2006)
Life expectancy at birth (years):	71 (2008)
Literacy rate (people aged 15 and above):	84.0% (2008)
Improved water source, rural (population with access):	68.0% (2006)
School enrolment, primary (% gross):	115% (2008)
Mortality rate, under-5 (per 1,000):	17.9 (2008)
CO2 emissions (metric tons per capita):	1.1 (2006)

¹ The presidential contest between PCN (Partido de Conciliación Nacional/Party of National Conciliation) candidate Colonel Arturo Armando Molina and PDC (Partido Demócrata Cristiano/Christian Democratic Party) candidate José Napoléon Duarte is widely cited as the most overt example of PCN electoral corruption (Ryan, 1997; Johnstone, 1995; Torres-Rivas, 1997). 'When it became apparent that Duarte was headed for victory, buoyed by a 2:1 advantage in the capital, the military stepped in and promptly ceased announcing returns. The next day, to the surprise of few, Molina was declared the victor and Duarte was arrested and exiled' (Ryan, 1997).

In addition to these historical considerations, analysis of progress in governance in El Salvador must include a spatial dimension, as the nature of the civil war and the ensuing peace process and transition was determined by the interaction of internal and external drivers of instability. Specifically, the eruption of civil war in El Salvador in 1980 and the transition that followed were bound up in other conflicts in the region and in the broader geopolitical context of the Cold War (UN, 1995). Faced with the victory of the Marxist Sandinista revolutionary movement in Nicaragua in 1979, key figures in the US administration, including Secretary of State Alexander Haig, began to see El Salvador as the point at which the US might 'draw the line' against communist aggression in the hemisphere (LeoGrande, 1981). The result was a substantial commitment of US aid to the Salvadoran government in its fight to suppress Cuban and Nicaraguan-backed rebels. Between 1980 and 1991, bilateral economic aid totalled \$3.2 billion, with an additional \$1.1 billion in military aid (Call, 2003) (Figure 1).

Figure 1: US aid to El Salvador, 1980-1991



Source: America's Watch (1991).

The war itself was remarkable for both its duration and its intensity, claiming some 75,000² lives from 1980 to 1991 and displacing more than a million others (Brockett, 1994; UN, 1995):

'Violence was a fire which swept over the fields of El Salvador; it burst into villages, cut off roads and destroyed highways and bridges, energy sources and transmission lines; it reached the cities and entered families, sacred areas and educational centres; it struck at justice and filled the public administration with victims; and it singled out as an enemy anyone who was not on the list of friends. Violence turned everything to death and destruction' (Betancur et al., 1993).

Although Truth Commission findings suggest the state and paramilitary organisations (with the support of the state) perpetrated the vast majority of atrocities, in fact both sides committed the acts of violence that defined the conflict. Massacres at Sumpul River, Lempa River and El Mozote; extra-judicial collective executions; murder of political leaders, key human rights figures and religious leaders; and repression of countless others all exemplify the systematic violence that devastated the country, with severe consequences for the effectiveness of state structures of governance.

As the civil war intensified and spread across the country, reaching deep into the civilian community, the weakness of the formal institutions governing the state became increasingly clear. The legislative, executive and judicial branches of government were 'transformed, in practice, into mere façades with marginal governmental authority' (Betancur et al., 1993). In this vacuum, both the armed forces and their revolutionary opponents consolidated their power, effectively operating with immunity from prosecution for blatant violations of human rights.

² Estimates of the number of people killed during the civil war range from 70,000 to 80,000 (Segovia, 2009). The 75,000 figure is that given by the UN in its summary report of its operations in country from 1990 to 1995. For a detailed description of the breakdown of estimates of civilian and military deaths by year 1980-1991, see Seligson and McElhinny (1996).

Yet, even as power came increasingly into the hands of those for whom physical violence was the principle mechanism of confrontation, it was becoming clear that neither side would be able to decisively defeat the other (see Section 4.1). As the 1980s drew to a close, both sides, led by their respective moderates, came to realise a negotiated solution was necessary to avoid the continued high costs of armed conflict.

3. What has been achieved³

As the preceding section shows, the civil war and its roots in systemic political exclusion were truly national in scale. As such, only institutional change accepted and implemented at the national level, subscribed to by all parties in all parts of the country, could help set El Salvador on a new path towards inclusive development. Such a turning point in Salvadoran governance arrived in the form of the Peace Accords (Box 2). Lauded as a ‘negotiated revolution’ (de Soto, in Whitfield, 1999) and a ‘pioneering effort in peacekeeping’ (LeVine, 1997), the Peace Accords ‘sought not only to end a military conflict but to eliminate its root causes’ (UN, 1995).

Box 2: The Peace Accords

The formal signing of the Peace Accords took place at Chapultepec Castle in Mexico City on 16 January 1992. However, events were in motion well beforehand, laying the groundwork for future progress.

- The Geneva Agreement, signed on 4 April 1990, established the four objectives of the peace process: ‘to end the armed conflict by political means; to promote the democratization of the country; to guarantee unrestricted respect for human rights; and to reunify Salvadoran society.’
- The San José Agreement on Human Rights, signed on 26 July 1990, provided the first substantive commitments, confirmed the support of both sides for the third of these objectives and agreed to a strong role for the UN in monitoring compliance.
- The Mexico Agreements, signed on 27 April 1991, addressed key elements of constitutional reform, including subordination of the armed forces to civilian authority, creation of a National Civilian Police at the heart of a civilian-led public security apparatus, numerous judicial reforms and electoral reform.
- New York Act I (the Act of New York), signed on 31 December 1991, addressed a number of outstanding issues including land reform, further defined the role of the armed forces and made provision for an Ad Hoc Commission to carry out purging of the armed forces officer corps.
- New York Act II, signed on 13 January 1992, largely addressed economic and social issues that had not previously been resolved and presented a timetable for the implementation of agreements.

Source: UN (2005).

Progress on governance can be identified in relation to a number of key issues, including:

- The end of the civil war through non-violent political negotiation and the associated reassertion of the most basic level of stateness;
- The demilitarisation of politics and the reform of the security apparatus, leading to the restoration of civilian rule; and
- Improved inclusiveness in the political process.

In addition, despite continued significant disagreement on the precise mix of institutional arrangements required in any given country context, the development community clearly recognises the instrumental role of governance in terms of progress on other dimensions of development. El Salvador’s transition to increasingly rule-governed arrangements is no exception to this.

³. Progress in governance, as defined in the Progress Stories project, is as follows: *Improvements in the sustained functioning of rule-governed arrangements which provide incentives for the state to act in ways that promote the well-being of the population.*

3.1 Non-violent political negotiation and reassertion of the most basic level of stateness

At a basic level, the degree of support and legitimacy afforded the FMLN during the civil war suggests the inability of the Salvadorian state to maintain a monopoly on the legitimate use of physical force.⁴ The end of the civil war then represented the effective re-emergence of the Salvadorian state. However, this consolidation of power in itself cannot necessarily be equated with progress on governance. In other words, a monopoly on the use of coercive force is necessary, but not sufficient, for progress in governance. This is illustrated by the central role that 'death squads' played in counterinsurgency efforts, operating with the tacit, and occasionally explicit, approval of the military leadership:

'Even the death squads that were not organized as part of any State structure were often supported or tolerated by State institutions. Frequently, death squads operated in coordination with the armed forces and acted as a support structure for their activities' (Betancur et al., 1993).

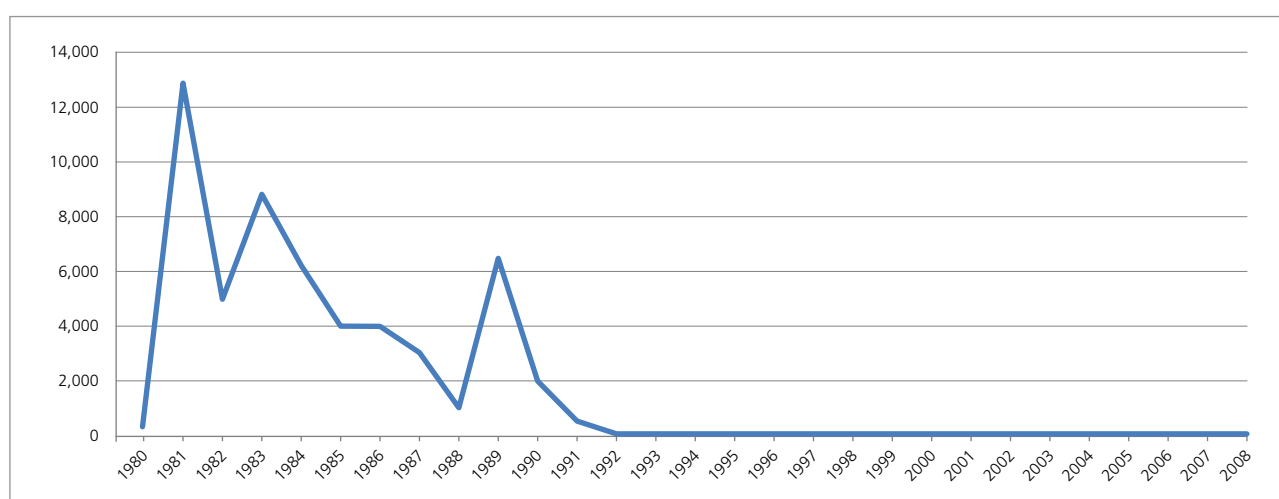
Thus, the operation of death squads as a means of exercising political control precluded any consideration of improved governance, which could occur only after such violence against citizens was brought to an end. Zamora (2003) makes this clear:

'Although the state, by definition, holds a monopoly on the use of coercive violence, an authoritarian regime emerges when this instrument becomes the normal and usual one for maintaining control over society, and citizens' guarantees are drastically curtailed. This problem has been solved in El Salvador. State violence against citizens is no longer accepted as the normal and legitimate instrument for maintaining social control.'

The legitimacy of the state and the quality of its governance are not guaranteed (even where a monopoly on the use of coercive force exists). It was therefore critical that non-violent political means (negotiations) brought the civil war to a conclusion.

Since the ceasefire mandated by the Peace Accords came into effect at the end of January 1991, there has been no relapse into large-scale violence, nor have significant portions of the population sought to promote or inhibit change by violent means, as demonstrated by the sharp decrease in battle-related deaths (Figure 2). Furthermore, since elections resumed in 1994, more than 15 years of presidential and parliamentary elections have now been held, all of which both domestic and international observers have deemed 'free and fair.' Moreover, regardless of the result of the election, the defeated parties have accepted election results without resorting to violence.

Figure 2: Battle-related deaths in El Salvador, 1980-2008



Source: WDI database.

⁴ Max Weber (1919) presents an argument, still widely accepted today, that 'a state is a human community that (successfully) claims the monopoly of the legitimate use of physical force within a given territory.'

3.2 Demilitarisation of society through the restoration of civilian rule

Military control of the political system, both directly, through exercise of power, and indirectly, through linkages with landed elites, was critical to the maintenance of the systemic exclusion that led to conflict and instability in El Salvador. It was therefore crucial that the Peace Accords resulted in the complete subordination of military authorities to civilian authority (Brockett, 1994; Zamora, 2003). Two processes are particularly noteworthy here. The first is the demobilisation, disarmament and reintegration (DDR) of the armed forces – both FMLN and FAES (Fuerza Armada de El Salvador/Armed Forces of El Salvador). The second is the creation of a new civilian-led public security apparatus charged with protecting and serving citizens rather than the state.

Demobilisation and disarmament in El Salvador was remarkably successful (see Segovia, 2009). Despite short delays in implementation, within just over two years from the signing of the Peace accords both sides had completed the agreed demobilisation of their forces. Between 24 September and 15 December 1992, five tranches of 20% of FMLN forces were demobilised, with combatants depositing weapons at places of concentration (Segovia, 2009) (Table 1).

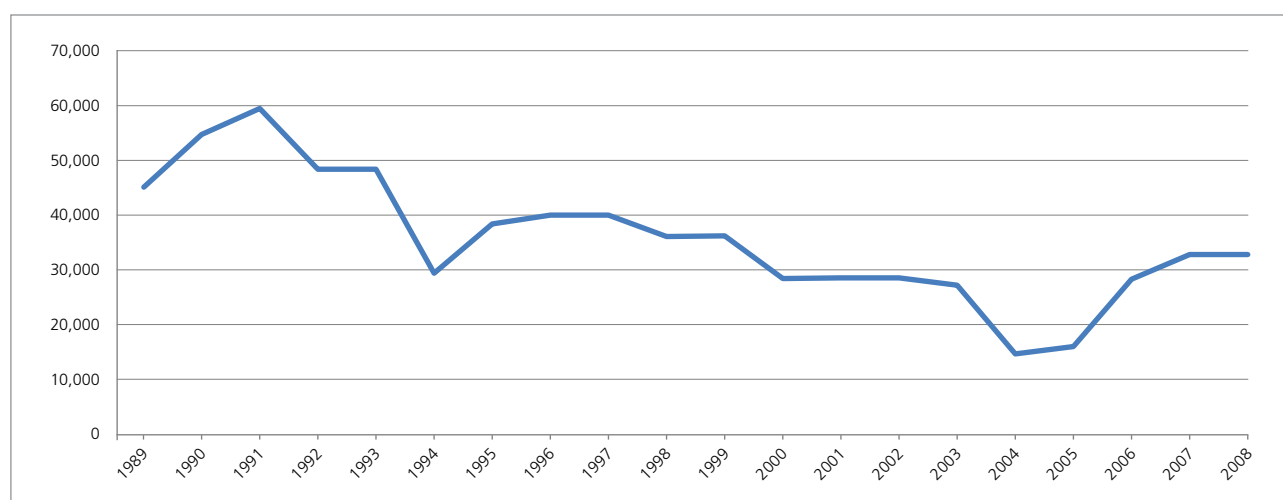
Table 1: FMLN Demobilised forces

Category	Women	%	Men	%	Total	%
Combatants	2,485	29.1	6,067	70.9	8,552	100
Wounded non-combatants	549	22.2	1,925	77.8	2,474	100
Political personnel	1,458	36.6	2,525	63.4	3,983	100
Total	4,492	29.9	10,517	70.1	15,009	100

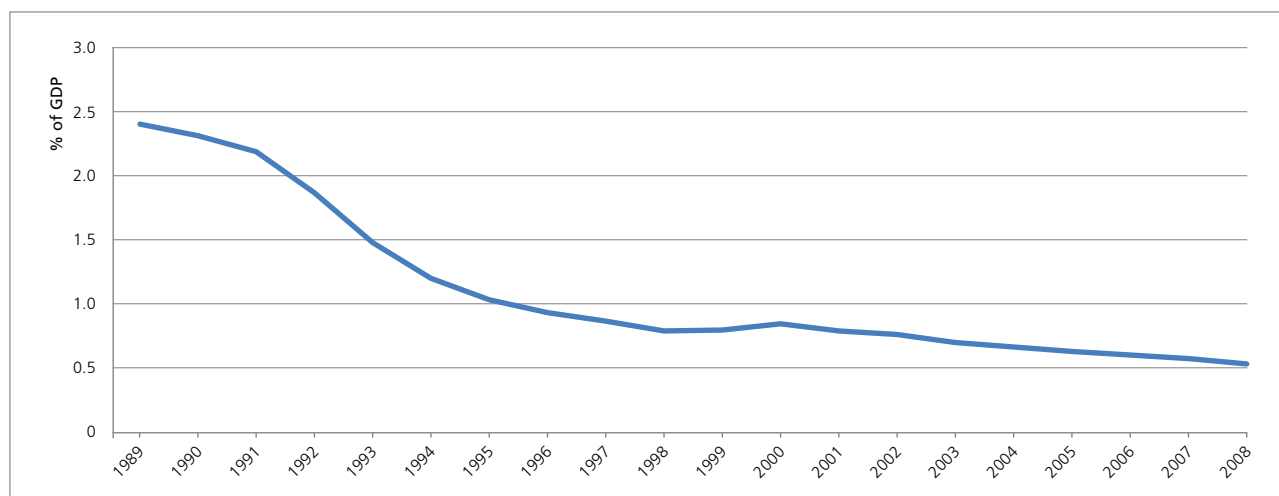
Source: Luciak, in Segovia (2009).

FAES demobilisation began formally on 2 March 1992, and by 31 March 1993 there had been a 50.2% reduction from the recognised figure of 63,175 members of the various security agencies and military troops. As Figure 3 shows, the overall number of armed forces personnel has fluctuated since the initial demobilisation. A slight increase in the mid-1990s was followed by a subsequent decrease from the late 1990s through 2004, and finally an increase back to post-demobilisation levels from 2004 to 2008. However, at no point has the number of personnel approached the levels seen during the war, thus enabling a reduction in military expenditure (Figure 4).

Figure 3: Armed forces personnel, 1989-2008



Source: WDI database.

Figure 4: Military expenditure, 1989-2008

Source: WDI database.

In addition to the general demobilisation, a second key component of the demilitarisation of politics and society was the work of the Ad Hoc Commission, agreed to as a part of the New York Agreement and confirmed in the Peace Accords, in purging the armed forces officer corps. Three Salvadorans, chosen from a group of 15 suggested by the UN Secretary-General, were mutually agreed on as independent adjudicators with the responsibility of evaluating the officer corps.⁵ The commission's report remained confidential and the timeline for implementation flexible, in order to preserve the political viability of carrying out its recommendations, but eventual compliance was non-negotiable. This negotiated balance, in a context in which the military was losing significant amounts of influence, meant the report's recommendations were eventually completed by 1 July 1993, just over nine months after the report was submitted on 22 September 1992 to President Cristiani and Secretary-General Boutros-Ghali.

The demilitarisation of Salvadoran society and politics did not result just from the quantitative reductions in forces, but also from significant structural changes in the way the state was to provide security. Historically, as in a number of Latin American contexts, public security institutions, 'while conforming to certain democratic forms, were oriented toward protecting the interests of an agrarian elite and a military institution which increasingly exercised autonomy as an informal ally and protector of that elite' (Call, 1997). During the civil war, these institutions, including the National Police, Treasury Police and National Guard, played an important role in counterinsurgency efforts and were responsible for numerous atrocities.

The Peace Accords, however, mandated the creation of a new National Civilian Police (Policía Nacional Civil (PNC)), which would exist outside the control of the traditional military establishment in the Defence Ministry and whose head would be responsible to the civilian-elected legislature. Critically, the new force would be composed of at least 60% civilian applicants, who had never served as combatants during the war, no more than 20% ex-members of the National Police and no more than 20% ex-guerrillas. This mix 'inside each territorial delegation helped prevent the force from reproducing partisan divisions while providing sufficient security guarantees to the FMLN and its supporters' (Call, 2003).

Although serious questions about the PNC's capacity to combat a growing epidemic of social violence have arisen since the turn of the century, the very idea of its existence is important evidence of progress in defining a new relationship between politics and physical violence. Under the terms establishing the PNC, police protection was effectively reconceptualised as a responsibility to protect and serve citizens and their rights rather than the interests of the state (Call, 1997).

Overall, the creation of the PNC, along with significant legal reforms and a new National Counsel for the Defence of Human Rights (Procuraduría para la Defensa de los Derechos Humanos), formed a critical part of significant improvements in the country's human rights situation. Although the rising tide of social violence poses some serious

⁵ The original task was the evaluation of all 2,293 active duty officers, but time constraints limited the review to the records of the 232 most senior officers (Johnstone, 1995).

challenges to human security, the once-common practices of torture, disappearance and outright political murder are largely, if not completely, a thing of the past. Restoration of the checks of civilian government on the power of the military through judicial reforms, including the purging of the Supreme Court, has meant leaders are now no longer immune from prosecution (Call, 1997).

3.3 Improved inclusiveness in the political process

Given El Salvador's historical near complete and systematic exclusion of the political left,⁶ improved inclusiveness in the political process was critical to sustainable progress in governance during the post-civil war era. Indeed, redressing this grievance was prominent among the demands of the FMLN during the negotiation of the Peace Accords.⁷

The FMLN's transformation into a viable political party (Box 3) meant for the first time there was a non-violent forum for legitimate politically equitable competitive debate. This is not to claim the FMLN was immediately prepared to face the Nationalist Republican Alliance (Alianza Republicana Nacionalista (ARENA)) and the PCN on an equal footing. Although the former insurgents no longer faced systematic political exclusion, in the early 1990s it was still very much a coalition of revolutionary groups rather than a unified political party, and as a result it still had relative deficits in experience and capacity (Karl, 2003). Increasing effectiveness, demonstrated in the FMLN's improved performance in elections, may have been as much a result of increased party capacity as of shifts in voting opinion, with the selection of a popular former journalist as a presidential candidate in 2009 demonstrating a new level of political intelligence.

Box 3: The FMLN and the 2009 elections

Following its initial participation in the electoral process, the viability of the FMLN was demonstrated to a certain degree by its role as the dominant opposition party. A critical turning point in Salvadoran politics came in 2009, when the FMLN took power following wins in widely endorsed presidential and parliamentary elections. The FMLN candidate (now current President of El Salvador), Mauricio Funes, won the run-off election against his ARENA opponent Rodrigo Avila with 51.3% of the vote. Despite the small margin of victory, all parties accepted the result and the handover of power took place peacefully. As the first FMLN candidate not to have been a combatant in the civil war, President Funes, who models himself on Brazilian President Luiz Inácio Lula da Silva, is viewed as a new type of FMLN politician. Whether this provides a durable model for democratic contestation remains to be seen.

Source: Colburn (2009); Marshall and Jagers (2008).

The transformation of the FMLN into an effective political party is perhaps the most readily apparent evidence of change in the degree of political inclusivity, but it should be viewed as only one part of a broader improvement in the political discourse. The scope for political participation and freedom of speech has also increased substantially:

'Across the political spectrum we can debate freely and openly issues and problems on the national agenda. This freedom is taken for granted in societies in which it was achieved a long time ago. But for Salvadorans to have and to exercise freedom of speech is extremely important' (Guillermo Castaneda, 2003).

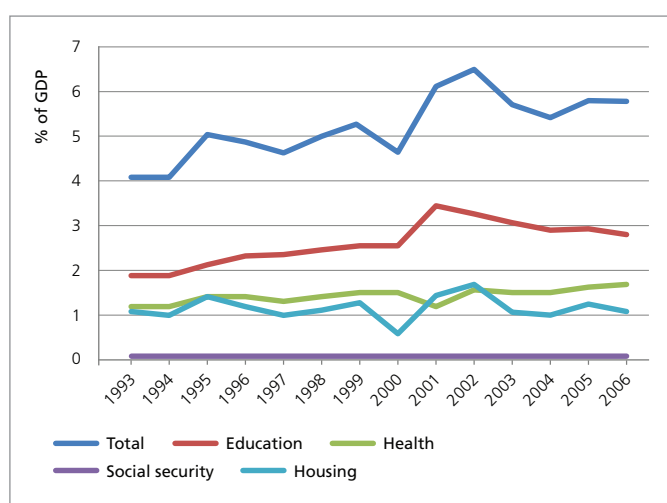
⁶ Although it is perhaps unwise to create a stereotype of the previously excluded political left, support for the FMLN has been described as follows: 'Very few of those who owned coffee estates, agro-export firms, or other elite enterprises supported the insurgency. Few urban professionals did so; the dozen urban intellectuals who led the FMLN were the rare exceptions. Support for the FMLN was much more likely on the part of poor Salvadorans than middle- and upper-class people. The vast majority of insurgent combatants were from poor rural back-grounds' (McClintock, 1998, in Wood 2003).

⁷ Some commentators have argued that the focus on political and military exclusion came at the expense of a reduced emphasis on the economic exclusion that had also underpinned social instability (e.g. Wood and Segovia, 1995).

3.4 The benefits of peace

As Figure 4 demonstrated, the end of the civil war and associated improvements in governance enabled a significant reduction in military expenditure. The 'peace dividend' emerged, albeit more slowly than many had anticipated, including the authorities, which were hoping to fund an increase in social expenditure (del Castillo, 2001) (Figure 5). Despite changes in the structure of the political system and the steadily decreasing influence of the armed forces, managing expenditure switching required the negotiation of entrenched political interests. The International Monetary Fund (IMF), the Inter-American Development Bank (IADB) and the World Bank were reluctant to engage the government on this issue for fear of meddling in domestic political processes (Boyce, 1995). A gradual approach was necessary, meaning that, in the short term, funding of the National Reconstruction Plan (NRP) and other reconstruction efforts required external assistance (Section 4).

Figure 5: Social spending in El Salvador, 1993-2006



Source: CEPALSTAT dataset.

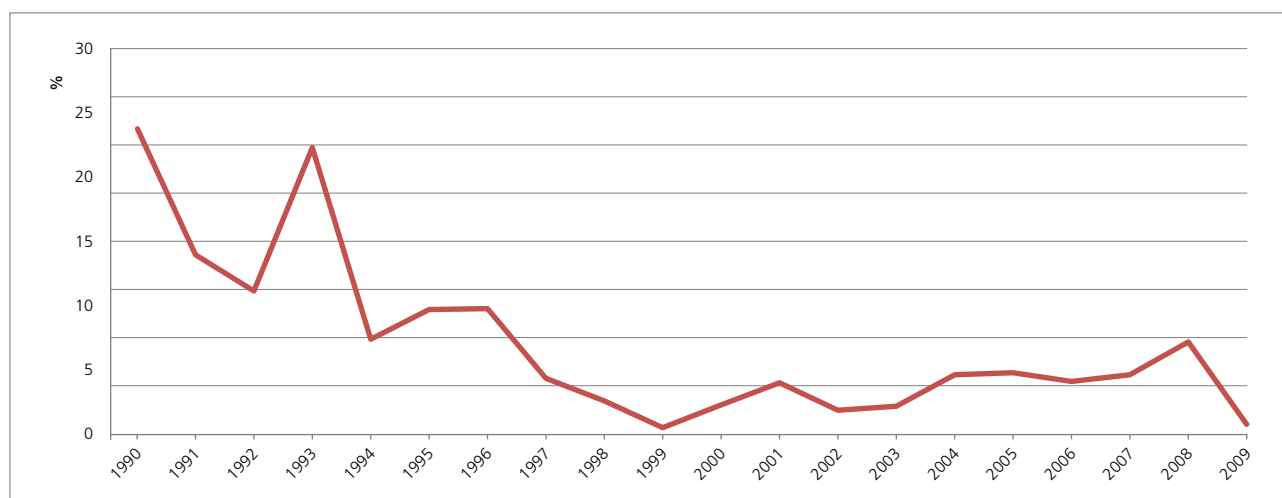
Reflecting a shift in the incentives driving Salvadoran governance, socioeconomic improvements have been significant. The post-civil war era has witnessed significant reductions in under-five mortality, as well as the resumption of improvements in life expectancy, which the war had harmed significantly. In education, El Salvador has achieved significant monotonic increases in both primary and secondary gross enrolment rates. Investment has also returned to infrastructure, resulting in noteworthy increases in the proportions of the population using improved drinking water sources and improved sanitation facilities (Annex 1).

Meanwhile, throughout the peace process there was a sense that the pursuit of political stability was intertwined with the economic objective of growth and poverty reduction and that, although conflicts between political and economic goals may arise in the short run, they are in fact complementary in the long run (Boyce, 1995). In short, 'stability and economic growth could not be sustainable without a lasting peace and [...] peace would not be durable without high-quality growth' (del Castillo, 2001).

Since the successful negotiated conclusion to the civil war, macroeconomic conditions have improved dramatically. El Salvador's balance of payments, which had run at a deficit of 0.4% of gross domestic product (GDP) in 1989-1992, strengthened to show a surplus of over 2% in 1993-1997 (del Castillo, 2001). Inflation, which had risen to 24% during the latter years of the war (1986-1991), has been brought under control (Figure 6).⁸ Impressive figures for economic growth in the early 1990s were likely driven by the initial release of pent-up economic demand following the war. However, there is some evidence that economic conditions have continued to improve. For example, growth in household consumption has been sustained over time (Figure 7).

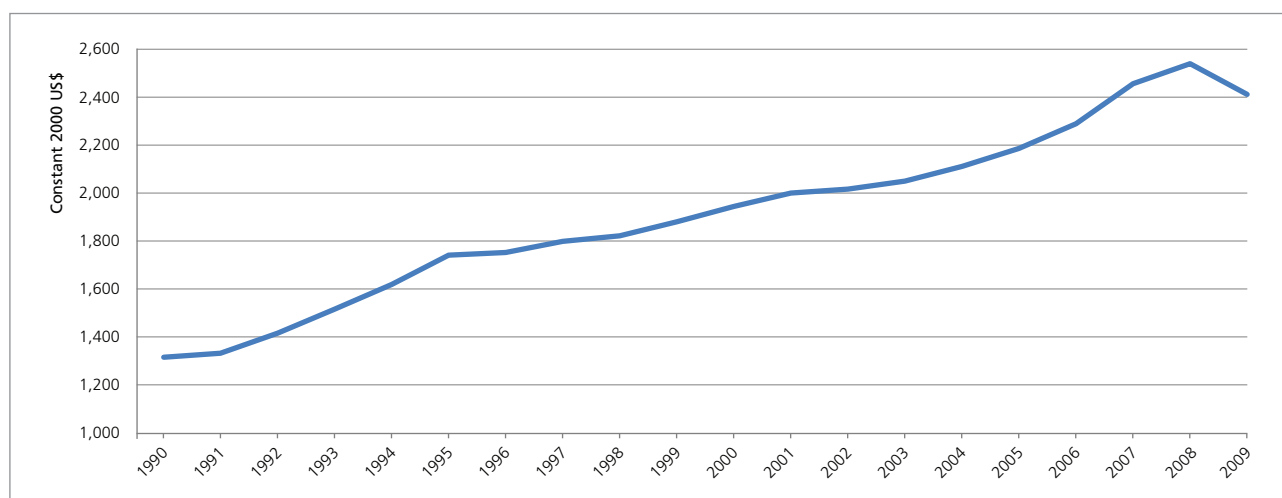
⁸ Wood and Segovia (1995) question whether this success in controlling inflation was 'purchased' at the price of an overvalued colón resulting from inflows of remittances and foreign aid.

Figure 6: Consumer price index average annual inflation, 1990-2009



Source: CEPALSTAT dataset.

Figure 7: Household final consumption expenditure per capita, 1990-2009 (constant 2000 US\$)



Source: WDI database.

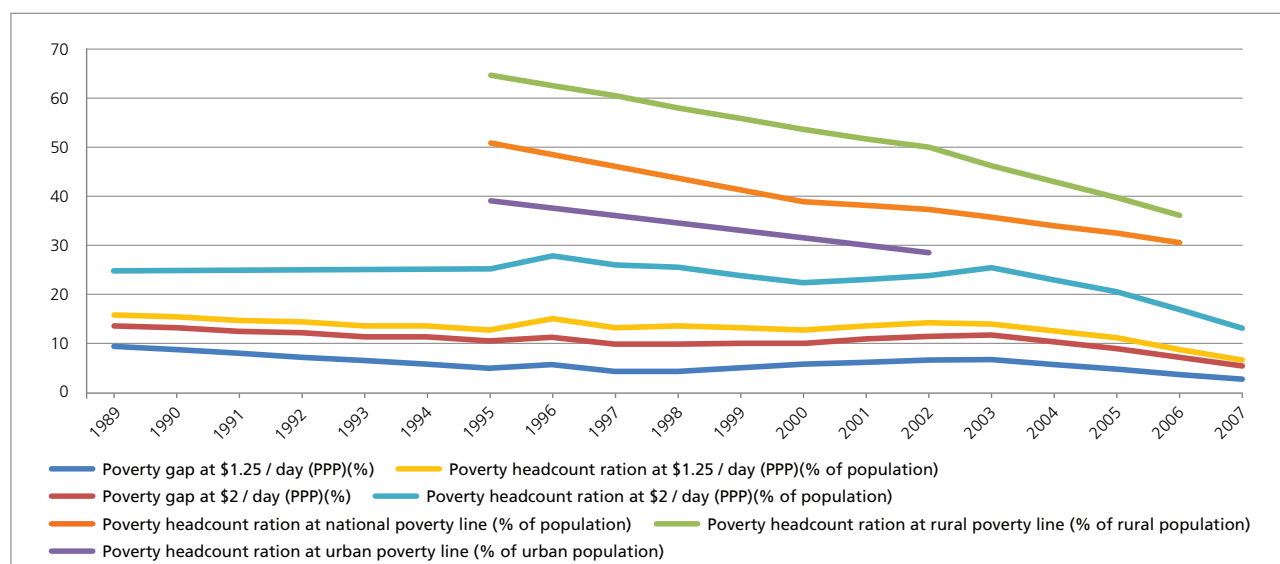
What was particularly remarkable about the nature of growth during El Salvador's governance transition was the degree to which it disproportionately affected the poor. Donaldson (2008) examines two types of exceptions to the oft-cited and -criticised one-to-one relationship between economic growth and poverty reduction suggested by Dollar and Kraay in 2000:

'The first, "positive exceptions," are cases during specific time periods in which the poor did much better than the model's prediction based on economic growth rates. The second type, "negative exceptions," includes cases in which the income of the poor increased significantly less than was expected.'

Both types of exception are relevant to the story of Salvadoran progress. 'Negative exceptionalism' was experienced in 1977-1989, a period largely defined by the ongoing civil war, when the income of the poor shrank 9.3% per year, compared with an annual decline in per capita GDP of 1.7%. 'Positive exceptionalism' occurred in 1989-1995, when the end of violent conflict and the institution of progressive redistribution programmes facilitated increases

in the incomes of the poorest quintile of, on average, 9.5%, compared with average annual economic growth of almost 2.6%.⁹ Unsurprisingly, poverty reduction figures for this period are also largely encouraging (Figure 8).

Figure 8: Poverty measurements (various), 1989-2007



Source: WDI database.

3.5 Sustainability of progress

Since the signing of the Peace Accords, El Salvador has achieved a period of sustained progress in governance of nearly 20 years, with no relapse into political violence. The most recent round of elections gives good reason to maintain a degree of optimism about the prospects for continued sustainability of this progress. The peaceful handover of power to an opposition candidate represented an increasingly robust adherence to the norms of peaceful political processes, including electoral competition. This in part reflects the development of more mature political parties, particularly the FMLN, and the acceptance by political elites of the need to work 'within the rules.'

Much will depend, however, on the ability of the current administration to address the myriad challenges facing the country. As a threat to sustainability, the greatest of these challenges may be the epidemic of social violence that now plagues El Salvador, despite the clear progress inherent in the cessation of state violence. The problem of maintaining public order through war transitions is hardly unique to El Salvador, arising in part from the sequencing of reforms:

'Because the resolution of the civil war required the reduction of the armed forces, the transformation of the police, etc., and because this occurred in the context of a ruined economy, easy access to arms, and a habit of violence, the ability of the new regime to sustain order was compromised. It was unable to successfully incorporate the numbers of people who had no other skills except those related to being armed' (Karl, 2003).

The Funes administration cannot rid itself of this historical legacy, but it can seek to address this problem through an expansion of ongoing police reforms and possibly more comprehensive institutional reforms in the justice sector.

⁹ Out of the 14 negative and 13 positive exceptions examined by Donaldson (2008), the cases of negative and positive exceptionalism in El Salvador were the second and third most extreme deviations respectively from the expected one-to-one ratio, suggesting the case is a particularly strong demonstration of the potentially anti-poor and pro-poor nature of particular episodes of growth.

4. Drivers of progress

What explains the progress of El Salvador in transitioning from physical violence as an accepted form of political contestation (including as a means to impact the form of governance and the decisions taken to rule), to non-violent political activity (political discourse, evolution of political parties, elections) as the norm? Both internal and external factors were critical in bringing about a sustainable improvement in Salvadoran governance.

4.1 Internal drivers of progress

4.1.1 Strategic stalemate

The reality of a strategic stalemate,¹⁰ that is, of the unlikelihood of a decisive military victory for either side, was brought home with the 1989 offensive launched by the FMLN. Deemed a military failure, as it failed to bring outright victory, the outcomes of the offensive provided more moderate elements within the FMLN with the evidence they needed to convince hardliners that a negotiated solution was the best remaining option. This created a degree of internal cohesion that had previously been lacking. Although the FAES had been unable to defeat the revolutionaries, with US support the government had maintained a degree of stability that suggested armed insurrection would not lead to a victorious end to the conflict. Equally important was the realisation that continued warfare in the context of such a stalemate was likely to entail significant costs to both sides for some time to come (Arnson, 1999). The costs to the FMLN, both directly as a result of losses suffered by its own forces, and indirectly, through the impact of the war on the rural poor (the FMLN's traditional base), were clear enough. Meanwhile, the 1989 offensive demonstrated the power of the FMLN to make significant incursions into San Salvador, thus disrupting the core of the country's economic and social activity and presenting real costs to the government.

This stalemate had two important consequences. First, it provided the FMLN with significant leverage in the negotiation process:

'Without a strategic stalemate and the very real power of the FMLN to disrupt the economy, to control territory, and to hold the armed forces in check (especially with late-coming air defense capabilities), the peace accord would never have been so detailed. Nor would the FMLN have achieved so influential a role for itself and for the United Nations in the implementation process' (Call, 2002a).

Second, that the peace process and the commitment to negotiation arose from this strategic stalemate suggests a high degree of national ownership, with mutual agreement to the negotiated solution rather than an outcome that was imposed (either externally or by one portion of society upon another). This was particularly important in terms of the high level of elite buy-in that would be indispensable in the transformation to a negotiated peace.

The consensus in favour of a negotiated solution developing within the FMLN was matched by strong leadership in ARENA, especially by President Alfredo Cristiani, elected in 1989. President Cristiani had a strongly pro-business orientation and was acutely aware of the economic costs of a conflict with no end in sight (Arnson, 1999). While he clearly faced some pressure from within his party (e.g. around the declaration of a general amnesty for transgressions during the civil war), he also led the transformation of ARENA.

'from a parochial, ideologically driven (even emotionally driven) political party into a more moderate and institutionalized party. From his perch, Cristiani reached out to the leadership of the FMLN, initiating conversations that were long deemed impossible and grudgingly winning the respect of the FMLN leadership' (Colburn, 2009).

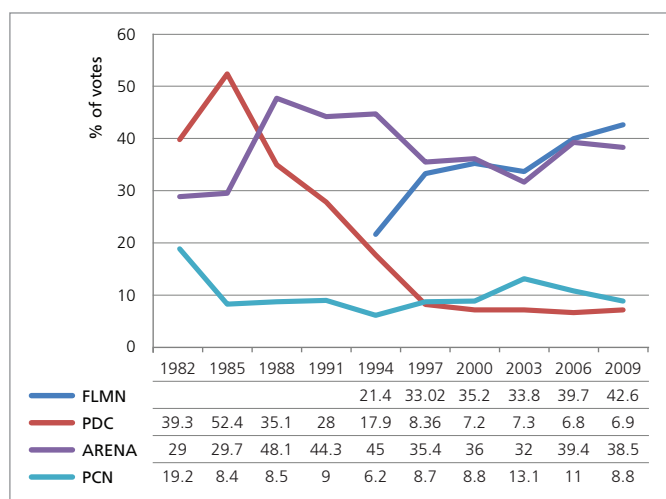
¹⁰ Term taken from Karl, in Call (2002a).

4.1.2 Role of the centre

This story thus presents an important picture of the groundwork for the peace negotiations of the early 1990s. At the beginning of the civil war, the prospects for a transition to a non-violent democratic regime were incredibly dim. Support for Duarte's relatively centrist PDC regime in the early to mid-1980s was predicated on the belief that strong leadership from a widely supported centrist party was necessary to defeat the left-wing extremist revolutionary challenge of the FMLN and, at the same time, to moderate the influence of right-wing extremist elements responsible for the worst human rights abuses.

In fact, this belief turned out to be incorrect. By the end of the 1980s, the consolidation of a strongly right-wing ARENA party and a strongly left-wing FMLN suggested the erosion of a cohesive political centre (Figure 9). Nevertheless, the hollowing out of the centre has not led to instability: on the contrary, the critical dynamic underpinning the rapid decline of the PDC was the migration of centrist supporters to parties on the political left and right, resulting in significant moderation in the policies on each wing (Ryan, 1997). As such, the apparent growth of 'extremist' parties has, to date, not impinged on overall stability, development and growth.

Figure 9: Hollowing out the centre – Legislative Assembly election results, 1982-2009



Source: Nohlen (2005); Ryan (1997); Tribunal Supremo Electoral website (<http://www.tse.gob.sv/>).

4.2 External influences

While domestic conditions and actors were the primary drivers of the development of an improved system of governance in El Salvador, these internal elements were conditioned by, and took place within, a dynamic and influential international context. Here, we highlight three key elements of this context that contributed to sustainable progress in Salvadoran governance.

4.2.1 A conducive geopolitical environment

Changes in the geopolitical context, and thus the changed incentives of major international actors, were important for the prospects of a sustainable transition. Chief among these was the end of the Cold War, which entailed the breakdown of external support to and ideological consensus behind both the insurgents and the government. For the FMLN, this forced a reassessment of the value and stability of linkages with traditional allies such as Nicaragua and Cuba, and of the political ideology that had driven its part in the civil war (Call, 2002a).

The end of the Cold War also affected the military, whose traditional source of support was the US. Driven in part by the collapse of the Soviet Union, the domestic consensus in US thinking on El Salvador and on engagement in Latin America more broadly, which had helped define the hard-line Reagan administration, finally cracked, just as the presidency passed to George H.W. Bush. Gone was the imperative of Alexander Haig's line against communist

insurgency in the Western hemisphere, and with it any tolerance of repressive right-wing regimes and human rights abuses.¹¹ This change in context in turn facilitated a shift in US policy towards insurgents, and increased support for, or at least acceptance of, a negotiated settlement (Arnson, 1999; Call, 2003; UN, 1995).

The transformation of US assistance was crucial, both in the initial transition period and in support to the post-civil war institutional arrangements. With the transition of the FMLN from guerrilla force to viable political party over the course of the past two decades, the US has emerged as an important supporter of domestically determined political outcomes. This has been seen most recently in the closely contested 2009 presidential elections: 'a clear signal from the new US administration that it would magnanimously accept the election results regardless of the winner [...] contributed to the smooth transition' (Holiday, 2010).

4.2.2 Skilful facilitation by the UN

In December 1989 and January 1990, the FMLN and the government separately requested the help of the UN in bringing the conflict to a close and eliminating the root causes of the conflict through a process of negotiation. While previous efforts to achieve peace had stalled, war fatigue and the recognition of a strategic stalemate brought both sides to the table willingly. However, the success of the negotiations and the eventual implementation of the Peace Accords would likely have been impossible without the skilful facilitation of the UN. Under the leadership of Secretary-General Javier Pérez de Cuéllar and his personal representative Alvaro de Soto, and eventually Pérez de Cuéllar's successor Secretary-General Boutros Boutros Ghali, the UN repeatedly broke deadlocks in the negotiation process (Arnson, 1999; Call, 2002a; UN, 1995).

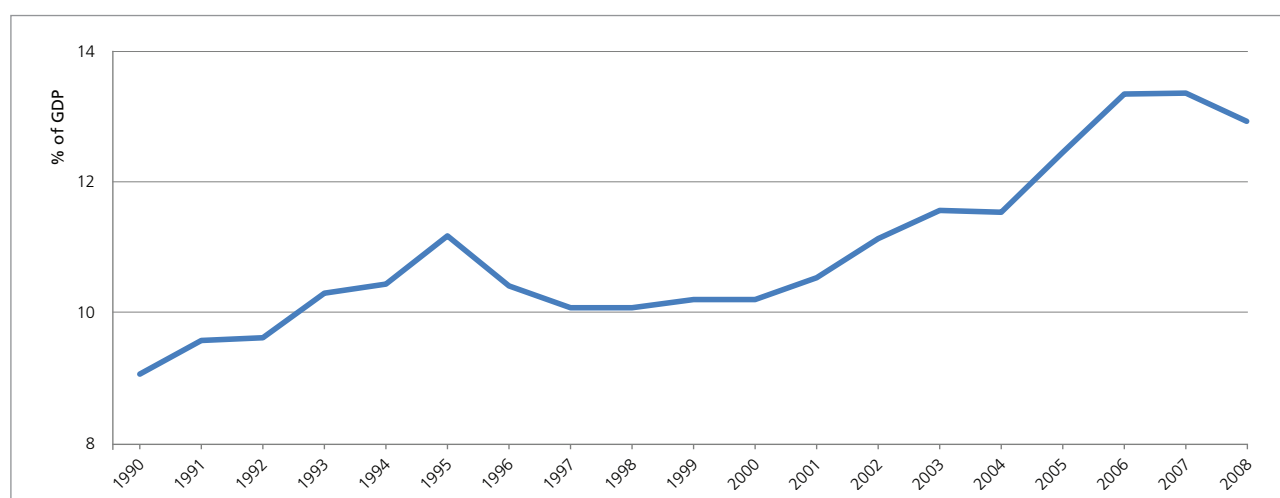
In addition, during the implementation period by the UN Observer Mission in El Salvador (ONUSAL), Secretary-General Boutros Boutros Ghali and de Soto (now Senior Political Advisor to the Secretary-General) monitored compliance with the Peace Accords. On numerous occasions, they shepherded the insurgents and the government through moments of crisis, arising as a result of the actions by both sides. For example, when President Cristiani and the government showed signs of failing to act in accordance with the recommendations of the Ad Hoc Commission, pressure from the UN was critical in ensuring compliance (Whitfield, 1999). Similarly, when, in the course of FMLN disarmament, a secret cache of FMLN weapons was discovered in an automobile repair shop in Managua, Nicaragua, UN negotiators led by the Secretary-General were able to negotiate a new timetable, without losing the support of the government (UN, 1995). At moments such as these, the role of a third party, viewed with legitimacy by both sides, was indispensable.

4.2.3 External financial assistance

One of the biggest challenges facing the government following the signing of the Peace Accords lay in financing the programmes outlined in the negotiations within the framework of the NRP. The size of the fiscal outlays required almost immediately posed a serious challenge to President Cristiani's IMF-sponsored economic adjustment package, adopted in 1990. A lack of coordination between UN-led peace negotiations and the IMF-led stabilisation programme resulted in confrontations over the prioritisation of post-war objectives (de Soto and del Castillo, in del Castillo 2001). In particular, the IMF insisted on securing external financing to fund the Peace Accords, whereas Secretary-General Boutros Ghali argued the fiscal responsibility should fall to the government as a signatory.

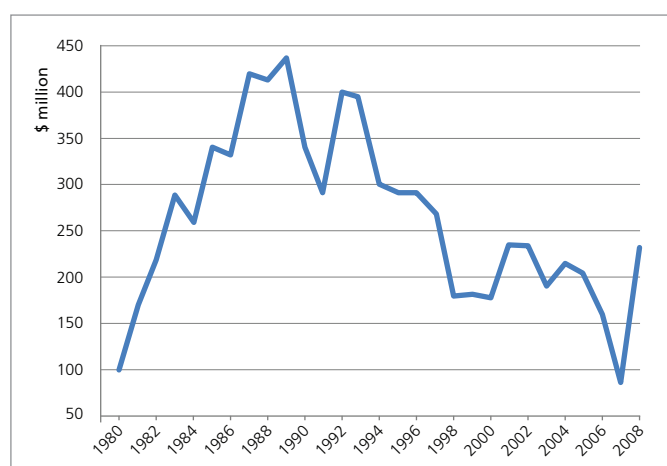
However, from 1993 onwards, increasingly regular communication between the IMF, the UN and the government resulted in an increasingly integrated approach, in which the IMF accepted the need for more flexibility on the issue of increased domestic financing, despite the potentially inflationary impact. A combination of timing issues and poor communication during the negotiation phase of the Peace Accords meant the expenditure requirements of the NRP were not included in the 1992 budget, thus resulting in a significant deficit in the non-financial public sector. However, the 1993 and 1994 programmes included an additional NRP expenditure of \$250 million (roughly 3% of GDP).

¹¹ Particularly important in drawing international attention to rights abuses was the 16 November 1989 murder of six Jesuit priests, their housekeeper and her daughter. US reductions in military aid soon followed, providing the FMLN with further leverage in the peace negotiations and in the eventual reforms of the armed forces and public security institutions (Arnson, 1999).

Figure 10: Tax revenue, 1990-2008

Source: CEPALSTAT dataset.

Regardless of the IMF's flexibility on the capital account and improvements in domestic revenue generation, albeit from a very low base (Figure 10),¹² it was evident the government would not be able to finance reconstruction spending (at an estimated cost of \$2 billion) on its own. Responding to clear signals from the government at a series of Consultative Group meetings (in May 1991, March 1992, April 1994 and June 1995), donors, led initially by the US and the IADB, responded with a package of grants and long-term concessional loans. They provided roughly \$400 million in official development assistance (ODA) in 1992 and 1993, which had declined to \$272.9 million by 1997 (Figure 11).

Figure 11: Total ODA disbursement, 1980-2008

Source: OECD-DAC Query Wizard for International Development Statistics.

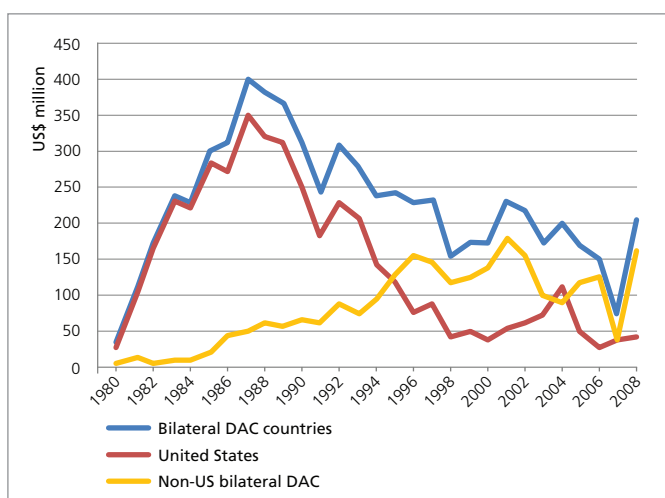
¹² The degree to which fiscal reforms have been pro-poor can be questioned, given a potentially regressive shift from direct to indirect taxes, increased reliance on a VAT and problems with tax evasion. However, the upward trend in domestic resource mobilisation arguably demonstrates an increased degree of internal state capacity (Harris et al., 2009; Tilly, in Moore, 2007).

Analysis of the composition of ODA during the reconstruction period reveals two key points. The first is the partial disconnect between the priorities of the Salvadoran government and those of donors. With a few exceptions, donor funding was concentrated in infrastructure and social sector programmes, with a clear preference for funding specific projects likely to provide measurable outputs in the short term (Boyce, 1995; del Castillo, 2001). As a result, key peace-related expenditure, including support to institutional reforms, the creation and training of the PNC and reintegration of demobilised personnel, faced significant financing gaps.

One notable exception was the US, which provided support to the critical transition from a military-led to a civilian-led public security apparatus. As Samuels (2006) describes, the International Criminal Investigative Training Assistance Program (ICITAP), housed within the US Department of Justice, ‘helped establish a new police academy, trained academy officials in administration and management, provided specialized training in 36 areas, and developed an instruction manual on the new criminal procedures.’ The programme has also provided capacity building for police investigative units and associated hardware, including a forensics laboratory.

The second key point emerging from an analysis of the composition of ODA is significant diversity of donors, reflecting the erosion of US dominance in terms of foreign presence in Latin America. Although strong linkages continue to exist between the US and El Salvador (see below), strengthening trade relationships in the region fuelled the entrance of new actors, particularly from Europe. With the exception of a brief resurgence in 2004, non-US bilateral assistance has now exceeded US assistance in each year since 1995.¹³ In the immediate post-war period, some donors may have felt that, as a key contributor to the civil war, the US was responsible for the costs of the transition to peace. Nevertheless, some other donors have provided support on the issue of policing and public security, including Spain, Sweden, Norway and, more recently, Germany.

Figure 12: Bilateral ODA disbursement, 1980-2008



Source: OECD-DAC Query Wizard for International Development Statistics.

¹¹. Figures reflect available data through 2008.

4.3 The internal–external interface

4.3.1 The role of emigration and remittances

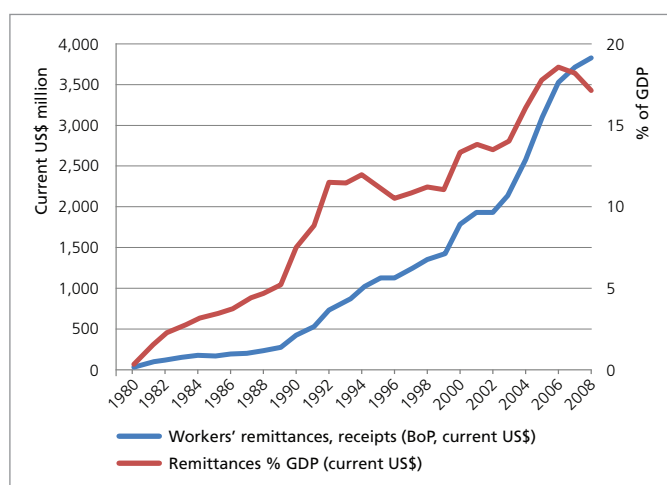
While acknowledging the important role played by both bilateral and multilateral donor institutions, and by international organisations more broadly, it is important to place formal development assistance in a broader context. This point is particularly salient in the Salvadoran context, where ODA comprises a small percentage of external financial inflows compared with remittances.

These two sources of external financing clearly play different and often complementary roles. ODA provides support to the provision of key public goods, such as further training for the PCN and investments in infrastructure, which the transfer of individual private remittances would not fund. Nevertheless, it is important not to ignore the important role played by emigration and remittances: in a country where unemployment and underemployment remain key public concerns, the emigration of 25-30% of the Salvadoran population represents an important pressure release valve.

Remittances have now reached almost 20% of GDP (Figure 13), and have played a critical role in poverty reduction, supporting domestic consumption, funding imports and contributing to increased political stability (Marques, 2004; Wood and Segovia, 1995).¹⁴

Furthermore, the trend and absolute scale of remittance flows relative to ODA flows demonstrate their important and increasing influence.¹⁵ Since 1990, the volume of remittances has exceeded that of ODA by a growing margin (Figure 14).

Figure 13: Workers' remittances, 1980-2008

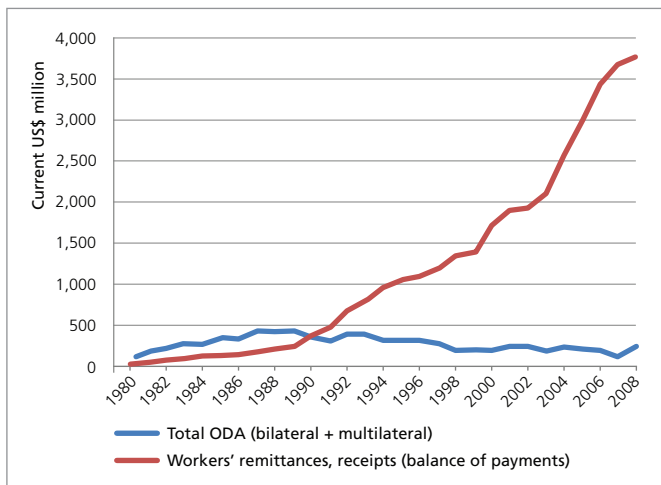


Source: WDI database.

¹⁴ Wood and Segovia (1995) note the vulnerability of foreign exchange earnings in the form of remittance flows to changes in US immigration policy. Reductions in remittance flows associated with the financial crisis of 2008/09 also highlight the vulnerability inherent in a high degree of dependence on external flows.

¹⁵ The large jump around 1991 in part reflects an increase in the extent to which remittances were recorded, as a result of the legalisation of the parallel foreign exchange market in that year (World Bank, 1995).

Figure 14: External flows to El Salvador, 1980-2008



Source: WDI database.

4.3.2 Flows of information and ideas

In addition to the role remittances play in supporting consumption and reducing poverty in El Salvador, it is worth mentioning the importance of flows of information and ideas into the country. While it is more difficult to quantify the impact of these more abstract flows than that of their financial counterparts, their influence has historically been quite visible, both in the international Cold War discourse and in regional revolutionary politics. The changing content of these flows and the evolving role of the Salvadoran elite as conduits, particularly those who had left the country, have likely contributed to changing ideas about politics, governance and the role of the state, shifting away from violent revolutionary and autocratic rhetoric towards competitive, peaceful political contestation.

5. Conclusions

5.1 Key lessons

'A body such as the UN can facilitate agreement, and the skills of an individual mediator can play a definitive role. External actors, however, cannot substitute for the will of the parties' (Arnson, 1999).

- In the case of El Salvador, the UN played an especially critical role as negotiator and broker during the peace agreements and their implementation. However, **commitment at the highest levels from both parties** was indispensable in producing a nationally owned peace process to which all parties could commit sustainably.
- In this regard, the presence of a **strategic stalemate**, defined as the unlikelihood of a decisive military victory for either side in the short or medium term and mutual recognition of the costs of continuing the conflict, can be a powerful driver of negotiated solutions.
- El Salvador's progress in governance also implies an important lesson regarding the importance of **grounding state and peace building in inclusive and non-ideological political settlements**, defined as 'the balance of power between elites and the wider society that underpins the state' (Elhawary et al., 2010). The successful transition of the FLMN from a coalition of armed insurgents to a credible political party capable of winning both legislative and presidential elections is demonstrative of this.
- When considering developmental goals, there is a need to **better understand the totality of external impacts**. This means looking more seriously at policy coherence, not just at what can be achieved by ODA alone. The important role played by emigration and remittance flows in maintaining social stability during the transition in El Salvador is demonstrative of the importance of non-aid impacts on political transitions.
- Achieving progress in development is often facilitated by **explicit recognition of the interplay between aid, security and diplomacy**. Building better linkages and better working relationships between foreign policy, security and development can help deliver more sustainable transformation in governance. Recognising that development partners are in fact sovereign actors with economic and political interests that will affect policy priorities is the first step towards such cooperation.
- Although the transformation of violence in 'war transitions' remains an unresolved challenge, the El Salvador case does suggest some key requirements. Donors clearly need to approach governance transitions with **realistic timeframes and a willingness to go beyond quick wins and easily measurable investments** (i.e. infrastructure). Additionally, merely focusing on ending the war is not sufficient, as this does not necessarily equal an end to the violence. Moreover, the presence of a monopoly of use of coercive force is not enough to guarantee the legitimacy of state and hence governance.
- The experience of the PNC suggests it is critical to **invest in capacity and personnel** of both national emerging governments and international agencies supporting the process on the ground. Investments such as ICITAP are demonstrative of the need to respond flexibly, and in accordance with capacity constraints, to opportunities arising as a result of shifting incentives on the ground or the emergence of new actors.

5.2 Challenges

- While recognising the progress made in the reform of the public security apparatus, it is clear that **insecurity remains a significant problem** for citizens throughout El Salvador. Although ideology is no longer its driving force, the multifarious sources of violence, including youth gangs, narcotics trafficking, organised crime syndicates and opportunistic violence, suggests addressing this challenge will not be easy (Arnson, 1999). The PNC remains significantly underfunded and, in part as a result of increasing politicisation within its ranks, suffers from insufficient capacity and training (Call, 1997; Cañas and Dada, 1999). Recent reports suggest social violence has increased since the FMLN took power in 2009, with homicide rates rising from 11 per day in 2009 to almost 14 at the time of writing.
- **Marginalisation of economic and social issues** during the negotiation of the Peace Accords has meant that dimensions of exclusion other than political participation have continued to trouble El Salvador (Arnson, 2003; Wood and Segovia, 1995). Interviews suggested the lack of access to employment opportunities remains a key challenge for El Salvador, and a significant source of public discontent, despite the pressure release effect of emigration. The long-term viability of the Salvadoran transition will likely depend on how the state manages these issues.
- Policies enacted as a part of the Peace Accords are rightly recognised for their contribution to El Salvador's progress in governance. However, almost 20 years later, some stakeholders are starting to acknowledge that a changing environment requires **further reforms** to some of the policies that have been operating as best practice. For a variety of reasons, capacity to identify and carry out such reforms likely varies from department to department within the government. This suggests that understanding the political dimensions of reform processes will be critical in supporting those who lag behind.

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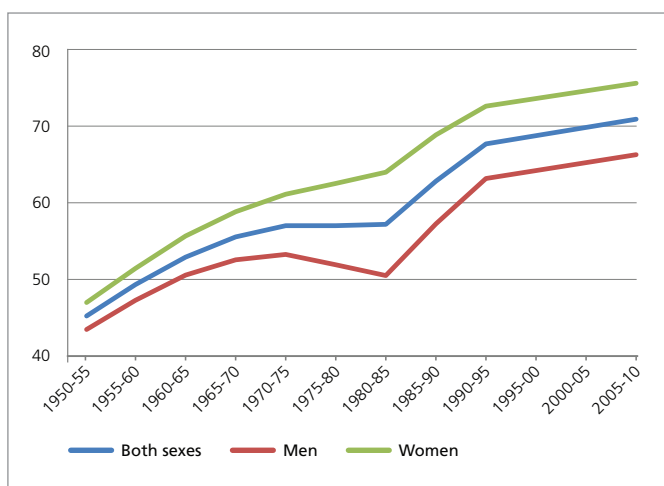
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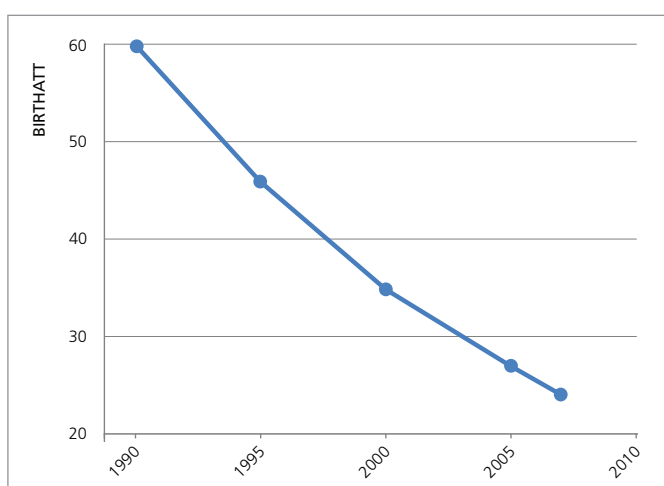
Annex 1: Selected data tables

Life expectancy, by sex, 1950-2010



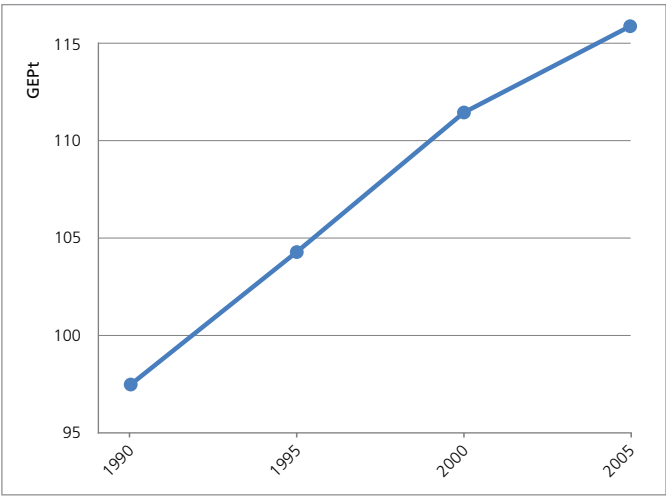
Source: CEPALSTAT dataset.

Under-five mortality, 1990-2007



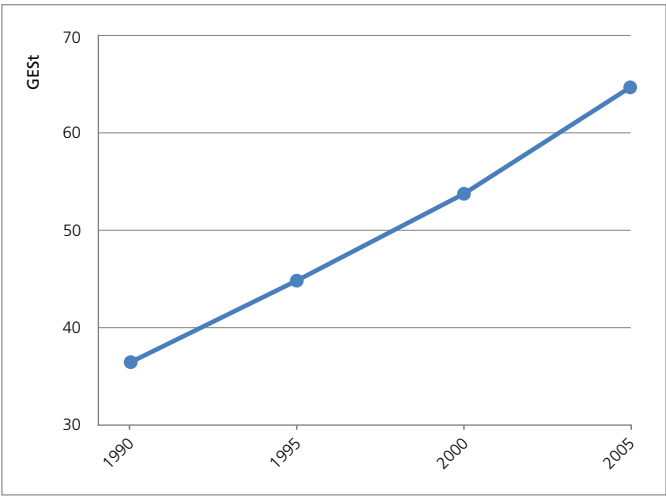
Source: MDG database.

Gross enrolment primary total, 1990-2005



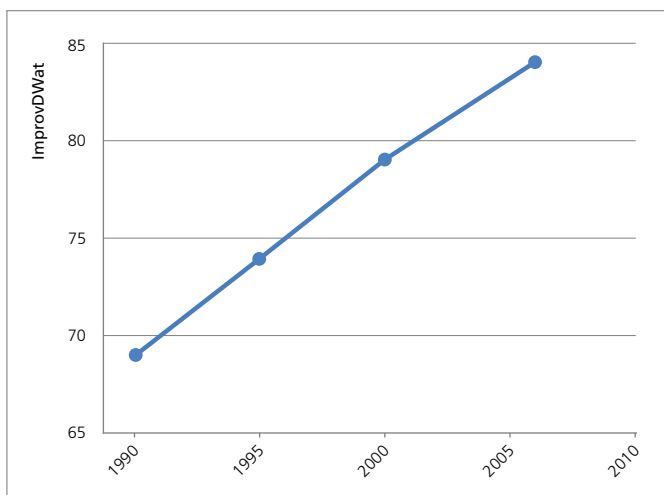
Source: UNESCO data.

Gross enrolment secondary total, 1990-2005



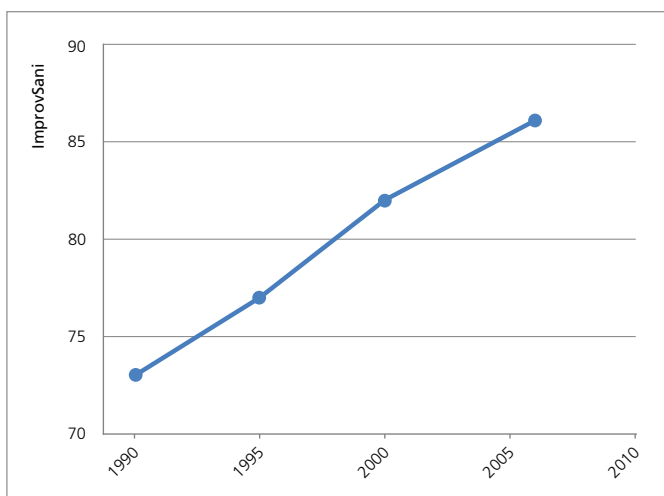
Source: UNESCO data.

Proportion of the population using an improved drinking water source, 1990-2007



Source: MDG database.

Proportion of the population using an improved sanitation facility, 1990-2007



Source: MDG database.