Original Article

From Civil Wars to Drug Wars: The Limits of Decentralization Policies in Central America

Alfredo Stein

University of Manchester, Manchester, UK.

Abstract In recent decades, international donors promoted decentralization policies as vehicles to achieve economic growth, state reform and human development. Although these policies improved national and local governments' responsiveness, it is not sufficiently clear whether they actually led to poverty reduction, social cohesion and conflict resolution, especially in countries' ongoing peace and reconciliation processes. This article analyses decentralization in the context of post-conflict reconstruction in Central America. It argues that the mechanisms that transferred responsibilities and resources to local governments to ensure accountability and transparency generally led to increased local participation in social programmes. However, the weak capacity of the state to reduce social inequalities, as well as the absence of national governments to supervise policy implementation, generated unforeseen consequences. Given the challenges associated with the impacts of severe weather and increased violence, this absence is becoming critical and could lead to further insecurity in the region.

Depuis plusieurs décennies, les pays donateurs favorisent les politiques de décentralisation comme véhicules de croissance économique, la réforme d′État et le développement humain. Bien que ces politiques aient amélioré la réactivité des gouvernements locaux et nationaux, on ne sait pas encore clairement si elles ont réellement contribué à réduire la pauvreté, améliorer la cohésion sociale et favoriser la résolution des conflits, particulièrement dans les pays engagés dans des processus de réconciliation et de paix. Cet article analyse la décentralisation dans le contexte de reconstruction post-conflit en Amérique centrale. Nous soutenons que les mécanismes grâce auxquels les responsabilités et ressources ont été transférées aux gouvernements locaux pour assurer le renforcement de la responsabilité et de la transparence ont donné lieu à une participation accrue des acteurs locaux dans les programmes sociaux. Cependant, la faible capacité de l′État à réduire les inégalités sociales, ainsi que le manque de surveillance, par les gouvernements nationaux, de la mise en œuvre de ces politiques, ont entraîné des conséquences imprévues. Étant donné les difficultés liées à l′impact de conditions météorologiques extrêmes et de la recrudescence de la violence, cette absence devient grave et pourrait conduire à davantage d′insécurité dans la région.

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Introduction

Local development and decentralization in low- and middle–low-income countries were widely promoted by international finance agencies such as the World Bank and regional multilateral banks in the early 1990s as part of structural adjustment policies that seek economic growth and modernization of the State (van Lindert and Verkoren, 2010). For the past few decades, they were also seen as effective tools to carry out a more efficient allocation of fiscal resources, as well as to improve people's access to income, employment, public goods and services (Lathrop, 1997; Gallicchio, 2010). In this sense, they were considered a means to

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promote human development and better democratic governance structures, and a way to improve government's responsiveness and transparency for poverty reduction and social cohesion (Osmani, 2000; Manor, 2011). While better responsiveness and accountability by central and local governments seem to be more achievable (Rao and Ibañez, 2003), it is important to understand how decentralization policies have indeed contributed to a redistribution of power 'within the state' and 'between the state and citizens' (Selee, 2004). Moreover, it is also critical to elucidate if these policies are used by national level elites to maintain regional and local level power; or in cases where the state has failed to fulfil its basic functions, if they contribute to democratization processes (Devas and Delay, 2007). Finally, decentralization policies are considered a constitutive part of the political and administrative transitions in many post-war-torn countries (Del Castillo, 2001). However, the literature remains divided on whether they have actually opened new opportunities for conflict resolution, increased security and crisis prevention (Grasa and Gutierrez Camps, 2009).

This article tries to shed light on several of these issues by analysing the experiences of decentralization and municipal strengthening policies implemented in Central America during the last 30 years. The document starts by recounting the 1980s, a period of the region's history characterized by deep social and political conflicts, and low-intensity civil wars, which had profound consequences for the rural and urban poor. It then analyses the 1990s when reconciliation processes that followed the signature of the peace agreements opened new spaces for participatory local development. The article illustrates how the changing political environment in Guatemala, El Salvador, Honduras and Nicaragua modified the priorities of international donors on decentralization and local development. It then explores whether decentralization policies contributed to social cohesion, conflict resolution and poverty reduction. Finally, the article shows how the lack of political will by the ruling elites to carry out the socio-economic reforms established in the peace agreements, the lack of territorial presence and, in some cases, the absence of coherent mechanisms by national governments to regulate and supervise policy implementation generated unforeseen governance consequences. Given the challenges associated with the impacts of globalization and severe weather, as well as the risks of increased presence of organized crime and insecurity, these weaknesses are becoming critical and could lead to further social instability in the region.

Civil Wars and the Emergence of Municipal Actors (1980–1989)

The incipient and fragile democracies that emerged in Guatemala, El Salvador, Honduras and Nicaragua in the 1980s were the result of transitions from authoritarian regimes and military dictatorships. However, these were not homogeneous nor similar processes, as the factors that determined them were the outcome of a mixture of social and economic events, and the influence of broader geopolitical forces (Booth, 1991; Pearce, 1998). In some countries, these transitions turned into bloody armed conflicts, which, compounded to a failed development model, economic recession and foreign debt crises, weakened the set of social and economic policies used in previous decades (Ros, 2004). In others, social organizations and democratic elements within the emerging political system were forced to coexist with the influence, power and dominance of previous authoritarian forces and ruling economic elites that made these transitions not only unstable but also incomplete (Torres-Rivas, 1994). In this sense, they were a variation of what O'Donnell (1994) coined 'delegative democracies', in which a representative democracy never fully consolidated and institutionalized, but it did not regress into an open authoritarian regime.

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In July 1979, Nicaragua started its transition process when the Sandinista-led insurrection toppled the Somoza dynasty that had ruled the country for more than four decades. This pivotal moment marked the beginning of Nicaragua's democratic construction, as the insurgency leaders that took control of the government radically transformed the country's social, political and economic structures (Martí i Puig and Close, 2009). That same year in El Salvador, a reformist *coup détat* exposed the tip of the iceberg of what would occur during the following 12 years: a bloody armed conflict that completely modified the country's political structure, converting it into one of the most polarized societies of Latin America (Turcios, 1997). In Guatemala, the arrival to power in 1982 of General Ríos Montt signalled the expansion of a ruthless counterinsurgency strategy that left tens of thousands of people dead and displaced. In spite of its subsequent overthrow, the military maintained power until the 1985 democratic constitutional reforms (Tomuschat *et al*, 1999). As in El Salvador, the Guatemalan army and the economic elites had enough veto power to set the limits of the incipient democracy (Torres-Rivas, 1994). Finally, in Honduras, the transition from military regimes to democratically elected governments took place in 1980, with the drafting of a new Constitution, which opened the space for four consecutive elections during the decade with the participation of the traditional political parties, which represented the ruling elites (Salomón, 2004).

In this volatile context, the intervention of the United States of America in the internal affairs of each country grew (Perla, 2009). Whereas in the 1970s the defence of human rights was the basis of the Carter administration foreign policy, in the 1980s the Reagan administration focused on containing communism in the region and spearheading the support to the counter-revolutionary forces, especially the Nicaraguan Contras, based in Honduras, as well as the Salvadoran army and government against the FMLN guerrilla movement (Barrado *et al*, 2010). From 1980 to 1984, US military aid to the region increased 28 times while the number of army troops grew from 48 000 in the late 1970s to more than 200 000 in 1985 (Pearce, 1998).

A number of countries in Europe, especially those led by Social Democratic governments, responded to Reagan's administration intervention and the growing presence of the Eastern European socialist bloc in the region, by increasing their humanitarian assistance, and also by supporting different initiatives aimed to solve the military conflicts through peaceful means (Gunnarsson *et al*, 2004).

The Central American crisis led to massive forced population displacement and refugee movements, and serious human rights violations, which had national and regional implications. In 1989, there were about 2.5 million displaced persons and about half a million refugees (Santos, 1992). Political polarization and military conflicts aggravated poverty and inequalities. In 10 years, the average household income index decreased substantially in the region, whereas the Gini coefficient, which measures inequality over the distribution of income or consumption, remained among the highest in the world (Torres-Rivas, 2010).

The flow of international cooperation in the form of official development aid increased during the 1980s. El Salvador and Honduras became the main recipients given the massive military and economic aid provided by the United States as part of its counterinsurgency strategy; however, Guatemala also received substantive resources after the first democratically elected government in over 20 years took office (see Figure 1). European aid, predominantly humanitarian, was channelled mostly through NGOs, considered at the time to be the symbolic representatives of civil society (Olvera, 2004).

To the extent that political polarization exacerbated, and national governments became less inclusive, local actors began having more visibility (Haggard and Kaufman, 1995).

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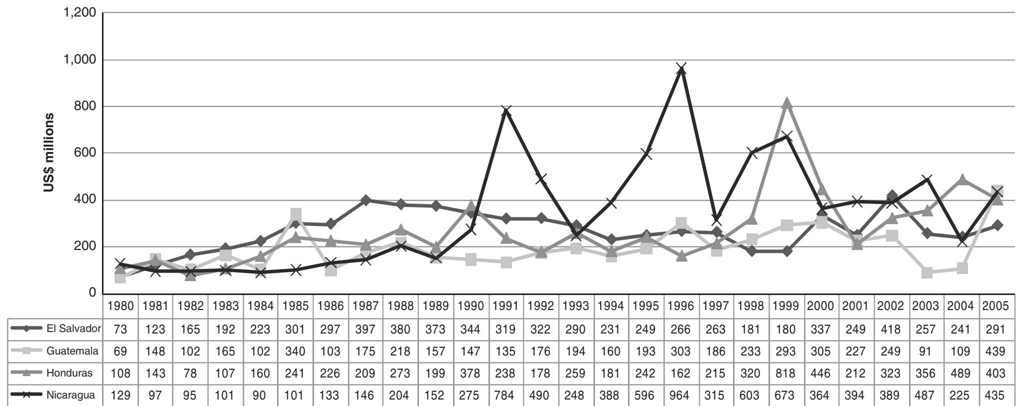

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
El Salvador	73	123	165	192	223	301	297	397	380	373	344	319	322	290	231	249	266	263	181	180	337	249	418	257	241	291
Guatemala	69	148	102	165	102	340	103	175	218	157	147	135	176	194	160	193	303	186	233	293	305	227	249	91	109	439
Honduras	108	143	78	107	160	241	226	209	273	199	378	238	178	259	181	242	162	215	320	818	446	212	323	356	489	403
Nicaragua	129	97	95	101	90	101	133	146	204	152	275	784	490	248	388	596	964	315	603	673	364	394	389	487	225	435

Figure 1: Official development aid to El Salvador, Guatemala, Honduras and Nicaragua 1980–2005 (in $ millions).
Source: Own elaboration based on annual OECD series, accessible at: www.oecd.org.

Gradually, the donor community started recognizing local governments as those actors closer to the aspirations and needs of the citizens. Equally, they were seen as potential players that could reinforce respect for human rights and promote local interests, and also to become possible tools for channelling resources for development and reconstruction programmes (FUDEMUCA, 2009). As in other Latin American countries, the decentralization reforms in Central America implemented from 1980s onwards were considered part of the transition to democratic governance, with the intention of improving the efficiency of central governments by strengthening local and regional governments as a way to reverse authoritarian tendencies that in the past had marginalized important ethnic groups from decision-making processes (Selee, 2004). Thus, the strengthening of municipal governments started to be important within the agendas of international aid agencies.

In Nicaragua, the Sandinistas established in the Constitution of 1987, and afterwards in the Law of Municipalities in 1988, municipal autonomy and the legal basis for the autonomy of the Atlantic Coast, recognizing for the first time the historical rights of indigenous populations living in this region neglected during the Somoza regime (Morales and Stein, 1997). This autonomy was subsequently reinforced in the early 1990s, during the government of Barrios de Chamorro (Cardona, 2005). In El Salvador, municipal autonomy resulting from the 1983 Constitution, created new decision-making spaces under the Municipal Code approved in the following years (COMURES, 2004). In Guatemala, the political and social crisis prevented municipal authorities from exercising their decision-making power (FUDEMUCA, 2009). However, in 1987 National Congress passed a law that called for the organization and participation of the population in a national system of urban and rural development councils (Puente Alcaraz and Linares López, 2004). By contrast to its neighbouring countries, municipalities in Honduras answered directly to central government and there was no administrative separation that granted them any autonomous space for action; mayors were chosen by the ruling party and not by the population, and there was little identification between communities and their local governments (Godichet *et al*, 1997). In Honduras, El Salvador and Guatemala, the first municipal democratic elections after authoritarian regimes took place during the 1980s, whereas in Nicaragua only in 1990 (see Table 1).

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Table 1: Status of the decentralization and municipal strengthening agenda, and selected social indicators for El Salvador, Guatemala, Honduras and Nicaragua

Area	*Agenda and indicators*	*El Salvador*	*Honduras*	*Guatemala*	*Nicaragua*
Policy	Direct election of mayors	●	●	●	●
	Municipal elections separated from national and legislative elections	●	○	○	●
	Year of first municipal elections after authoritarian regimes	1984	1982	1986	1990
	Involvement of civil society in selecting candidates	◇	◇	◇	◇
	Participation of political parties different from national parties	○	○	●	○
	Mechanisms for citizen participation and citizen control	◇	●	◇	●
Financial	Automatic approval of rates and tariffs	○	●	●	●
	Own fiscal resources	◇	◇	◇	◇
	Financial resources shared with national government	●	●	●	●
	Municipal revenues as percentage of GDP in 1995 and 2005 (in brackets)	0.7% (NA)	1.3% (2.6%)	NA (1.2%)	3.0% (4.0%)
	National transfers to municipalities as percentage of GDP in 1995 and 2005 (in brackets)	0.3% (0.6%)	0.2% (0.6%)	NA (1.2%)	0.2% (1.7%)
	Control over local governments budgets by Central Government	No	No	No	Yes
	Volume of international resources for decentralization and municipal strengthening programmes 2005–2010 (in $ millions)[a]	43.1	54.1	178.8	45.0

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Table 1 *continued*

Area	*Agenda and indicators*	*El Salvador*	*Honduras*	*Guatemala*	*Nicaragua*
Administrative	Automatic approval of municipal budgets	●	●	●	●
	Devolving services gradually and selectively	○	◇	○	○
	Offer of services for technical assistance and training	●	●	●	●
Municipal associations	Municipal associations at sub-national level	●	●	●	●
	Horizontal cooperation among associations	◇	◇	◇	◇
Social indicators	Number of homicides per 100 000 inhabitant in 2000 and 2008 (in brackets)	45 (52)	NA (58)	28 (48)	9 (13)
	Demobilized members of regular and irregular armies 1990–1997	66 882	NA	293 921	91 726
	Number of gang members in 2006	10 500	36 000	14 000	4500
	Income index 1980[b] and 1990 (in brackets)	0.643 (0.619)	0.567 (0.557)	0.62 (0.595)	0.561 (0.498)
	Gini coefficient in 1990 and 2005 (in brackets)	0.51 (0.493)	0.574 (0.605)	0.596 (0.585)	0.564 (0.532)

[a]Information gathered for AECID; CIDA; EU; GTZ; IADB; UNCDF; UNDP; Sida; World Bank.
[b]The income index represents the total annual income per capita of households adjusted to national accounts and converted to international dollars according to purchasing power parity (PPP).
Key: ● = Goal accomplished; ○ = No progress; ◇ = Partial progress.
Note: Baseline from FEMICA Agenda 1992.
Source: Own elaboration based in González Jacobo (2007); IMF (2010); World Bank and UCLG (2008); PNUD (2009); Torres-Rivas (2010); UNDP (2010).

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Social polarization and the efforts to reduce the influence of the military in the political affairs of the countries in conflict were also the basis for initiating a de-concentration process of sector ministries from the national capitals to the secondary cities in each country. This served as a transition to administrative decentralization and the transference of fiscal resources to the municipalities.

According to some researchers, these efforts gradually allowed opening some spaces for participation at the local level, although the spaces for community-based organizations were extremely restricted (Nickson, 2003). At the height of the armed conflict in Guatemala and El Salvador, community participation was considered 'subversive' more than not (Santos, 1992). The disconnection between civil population, local governments and central governments clearly required improved mechanisms for citizen participation. The system of development councils at national, regional, departmental and municipal level in Guatemala established in 1987 helped to open new spaces for the participation of Mayan communities, especially after the signing of the peace agreements a decade later (Puente Alcaraz and Linares López, 2004). In Nicaragua, the new municipal legislation approved in 1988 opened spaces for cooperation between municipalities and civil population. In Honduras, the Law of Municipalities was enacted in 1990 (González Jacobo, 2007); and, in El Salvador, the Municipalities in Action (MEA) programme, established in 1986, as part of the counterinsurgency strategy supported by USAID, also opened spaces for participation by holding regular open town hall meetings (*cabildos abiertos*) (Pearce, 1998).

Peace Agreements, War Legacy and Local Development (1990–1998)

In the 1990s, the new geopolitical order emerging as a consequence of the fall of the socialist regimes in Eastern Europe facilitated the peace processes in Central America. Different international initiatives led to an end of the armed conflicts and to a period of reconciliation and economic cooperation. In Nicaragua, the government called for general elections that were the beginning of the end of the historic confrontation that had lasted for a decade; peace agreements followed in El Salvador in 1992, and in Guatemala in 1996 (Martí i Puig and Close, 2009).

The presence of international cooperation was essential in promoting the dialogue between conflictive parties, supporting the reconstruction efforts in the areas most affected by the civil wars, establishing the guarantees for the verification of the agreements and the creation of governmental agencies for the protection of human rights (PNUD, 2002). As a result, the flow of international aid in this post-war period was significant in Nicaragua and Honduras, whereas in El Salvador there was a slight reduction, and in Guatemala the amounts remained fairly stable (see Figure 1).

Post-conflict reconciliation coincided with the promotion in the region of the so-called Washington Consensus, which implied the application of neoliberal policies aimed to deregulate the economies, in exchange for loans from multilateral financial institutions to improve the finances of the states (Rosa and Peña, 1995). Structural reforms led to the liberalization of capital accounts and exchange rates, foreign trade, finance, capital flows and direct foreign investment (Ocampo, 2005). Equally, the modernization of the State was promoted through the reduction of public bureaucracies (CEPAL, 2001). However, these adjustment policies had a high social cost. In Nicaragua, for example, as a consequence of the closings of state industries, and widespread layoffs of public employees and

armed force members, the informal sector of the economy in urban areas grew from almost 46 per cent in 1985 to about 64 per cent in 1993 (Funkhouser, 1996). Contrary to other countries where the growth of the informal sector was linked to the expansion of the formal economy, in Nicaragua the majority of informal workers were displaced professionals and skilled labour (Pérez Sáinz, 1998).

With country differences, these transformations showed the complexity of implementing a 'triple transition': from centralized planned economies to market-oriented economies; from a ruling one-party system to a multi-party political system; and from a centralized national administration to a more decentralized public administration (Del Castillo, 2001). Indeed, in the 1990s, countries experienced profound reforms to their municipal codes and laws aimed at strengthening municipal governments and their administrative, political and financial autonomy (Cardona, 2005). In El Salvador, the separation of municipal elections from the general elections to president led to significant gains by the ex-guerrilla opposition party (Gunnarsson *et al*, 2004). Decentralization also garnered technical and financial resources from international cooperation agencies to strengthen the management capacity of local governments (Informe Estado de la Región, 1999). This also encouraged successful experiences in community participation and local development (Durán, 1997; Stein, 2007).

However, the lack of ownership of national governments, as well as their weak leadership in enacting coherent decentralization policies, caused delays in implementing the peace agreements. In Guatemala, the resistance of the military intelligence apparatus and the traditional 'hidden' powers to deliver the political and economic reforms established in the agreements, as well as an increasing sense of insecurity resulting from the power rearrangement within the military establishment, demarcated the limits of what the democratic governance process could actually lead to (Gutierrez, 1998). In El Salvador, evidence of corruption flourished in the creation of the new national police force that would replace the old repressive security bodies (Gunnarsson *et al*, 2004). In Nicaragua, decentralization policies did not sufficiently correlate with national development plans, and the efforts from international donors concentrated more in strengthening the capacities of local governments than in setting a coherent normative body of legislation to push for the decentralization of fiscal resources (Morales and Stein, 1997); and the rise to power of President Alemán in 1997 stalled many of the decentralization policies of his predecessors. In Honduras, the main opposition to decentralization came from the traditional political parties that alternated in power, and from line ministries that did not believed in the capacity of local governments to manage effectively the public services (Walker and Durán, 1997).

Furthermore, the legacy of the civil wars and conflict had enormous political, social and economic repercussions during the reconstruction processes, as violence and impunity proved to be deeply rooted in these societies (Moser and Winton, 2002). The democratic regimes emerging were characterized by high levels of poverty, corruption and state absence, as well as low levels of citizens' trust in their national and political institutions (O'Donnell, 2007). The 'top down' democratization processes generated weak states in which absolute informality and relative social inequalities increased, and in spite of their continuity in time the electoral processes started to be discredited (Torres-Rivas, 2010). Demilitarization in Nicaragua, El Salvador and Guatemala became extremely complex, affecting citizen security, which led to repeated crises of national and public security (Kincaid, 2000). From 1990 to 1997, more than 452 500 members from regular and irregular armed forces were demobilized, disbanded, reduced or dismantled in El Salvador, Guatemala and Nicaragua (Kincaid, 2000; PNUD, 2009). However, the lack of employment opportunities for demobilized forces, an increase in

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poverty levels and inequality, the legal and illegal circulations of large quantities of small arms, an increase in the growth of membership in criminal youngster gangs and the geopolitical place Central America played for drug trafficking and other illegal smuggling processes had enormous impacts in each country (Kincaid, 2000).

Hurricane Mitch and Its Impacts (1999–2001)

By the end of the 1990s, some international donors started reassessing their future cooperation strategies towards the region, as the expected outcomes from the peace processes were not materializing. However, the efforts to reconstruct the economic and social fabric after the military conflicts, as well as finding new ways to implement the peace agreements, would be seriously affected by Hurricane Mitch, which struck the region at the end of 1998.

Although natural disasters were inevitably a part of Central America's history, and had always produced costly losses, none proved to be as destructive as Mitch (BID, 1999). In 1974, Hurricane Fifí, one of the deadliest storms in the region killed 7000 people and affected more than 142 000 people, with economic losses estimated in US$1.3 billion of 1998; and, in 1988, Hurricane Juana left 248 people dead, 320 000 people affected and economic losses of $1.16 billion of 1998; however, it is estimated that 18 385 people died; 12 842 were injured; 1.2 million were affected; and infrastructure and economic losses totalled more than $6 billion of 1998 as a consequence of Mitch (SICA, 2001). Real GDP growth rates dropped substantially: in Nicaragua, it reached −4 per cent, and in Honduras −5.7 per cent (Avendaño, 1999), whereas unemployment in Honduras grew from 3.2 to 5.1 per cent (Stein, 2006). As a consequence, the flow of migration in 1998 from Central America to the United States grew by nearly 90 per cent compared with the previous year and a substantial number of Central Americans also migrated to Costa Rica during the emergency period (OPS, 2000).

Mitch made evident the social vulnerability of the region and the abysmal disparities in income distribution and access to urban and rural land. Accelerated urban population growth during the 1990s, worsened by the internal population displacements resulting from the military conflicts, as well as the creation of informal settlements in the principal cities, had generated high-risk conditions for low-income households (Informe Estado de la Región, 1999). Moreover, the lack of strategies for building adequate economic infrastructure; the absence of institutional frameworks for risk management; and the lack of effective plans for organizing the civilian population and government entities influenced the levels of destruction (BID, 1999). The weak response capacity from national governments demonstrated not only the vulnerability of the risk prevention management systems, but also placed the onus of responding to the emergency on local governments (CEPAL, 2003).

In the wake of Mitch, bilateral and multilateral international cooperation agencies redefined their support to the region. The World Bank and the IMF redirected about 50 per cent of their loans to the reconstruction efforts (FLACSO, 1996). Many of these initiatives aimed to strengthen governance, transparency, democracy and the respect for human rights. Mechanisms were also established to write off external debt, and some sector programmes tried to align and harmonize international cooperation with national and local governments' plans, and civil society participation (Stein, 2006).

Supported by international cooperation, reconstruction programmes sought greater transparency and accountability mechanisms by requiring stronger citizen involvement in

the design and implementation of plans and projects (VOICE, 1999). Decentralization became pivotal in the negotiations of different aid agencies around concrete strategies to strengthen local governments and to transfer responsibilities and resources to municipalities (Stein, 2006). In some cases, negotiations were held so that reconstruction projects would be directly executed by local governments (USAID, 1999). The decentralization of the management of the project cycle to the municipalities in the social investment funds in Honduras, El Salvador and Nicaragua accelerated.

Without doubt, Mitch was a benchmark that transformed the region physically and provoked decisive changes in the strategies and agendas of international cooperation agencies regarding decentralization, democratic governance and civil society participation. But how deep and transformative were these initiatives?

Torres (2004) argues that the dominant political class in Honduras was unable to fully utilize the potential space of the post-Mitch era as they were neither interested in decentralizing, nor in creating a more inclusive and redistributive state. And even when they did promote participatory practices, these resulted from international pressures by the donor community, and not from a genuine need to democratize the state and to transfer power from the state to its citizens (Selee, 2004). In other words, decentralization and participation did not have sufficiently 'transformative powers' not only to shift power from those that had the 'visible power', but more importantly from those forces that had the 'hidden' and 'invisible power' (Gaventa, 2004; Torres-Rivas, 2010).

Poverty Reduction Strategies (PRS) (2002–2004)

By the end of the 1990s, poverty and economic inequalities became central themes in the agenda of international aid agencies, especially given the precarious results achieved with the external resources granted to the region for decades (Morales, 2010). After an average 5 per cent of economic growth during the first half of the 1990s, in the second half GDP growth per capita decreased to 2.3 per cent, partially owed to Mitch (CEPAL, 2004); about 51 per cent of the population lived in poverty, and 23 per cent in extreme poverty (FLACSO, 2002). During the first few years of the new millennium, the Gini coefficient diminished slightly in Nicaragua and El Salvador; in Guatemala, it continued being stable as in previous decades (Sánchez-Ancochea, 2011), and in Honduras it increased (see Table 1).

In 1996, international financial organizations led by the IMF launched the heavily indebted poor countries initiative (HIPC), which allowed governments of certain countries to allocate funds to social investment and poverty reduction programmes in exchange for their foreign debt relief. Each country was classified according to its national income, and HIPC membership depended on generating its own PRS, as well as implementing a set of economic policies aimed to fund social programmes and achieve fiscal reforms (World Bank, 2002). In the region, Nicaragua was the first country to participate in the HIPC initiative, and after Mitch, Honduras was accepted as part of its reconstruction plans (Trotsenburg and MacArthur, 1999).

Years later, the PRS processes were subsumed into the UN Millennium Development Goals (MDGs) initiative (ONU, 2000). Accordingly, the Central American nations redirected their development efforts under the guidance of international commitments in favour of economic development, poverty reduction and sustainable development. The advances in complying with some of the benchmarks of HIPC and PRS made it possible for

Honduras and Nicaragua to accede to the irrevocable relief of their foreign debt. The HIPC, PRS and MDG initiatives also allowed international cooperation agencies to work more collaboratively and to provide high volumes of resources especially for budgetary and sector support in Honduras and Nicaragua (see Figure 1). Equally, they allowed a certain level of coordinated actions between central and local governments, improved citizen participation and allocation of technical and financial resources for local development.

Implementation of these pro-poor policies, however, was not entirely effective, and the resources granted by international cooperation did not translate into strategies capable of responding efficiently to the demands of the less-privileged population (Vos and Cabezas, 2005). National ownership did not take place, and the initiatives responded more to the needs of aid agencies than to the capacity and interest of the elites and political forces that controlled the state apparatus. The participation of civil society in these processes was also weak, and quite often economic growth was given higher priority than local development processes. Transparency and accountability in managing the PRS also had wide gaps (Vos and Cabezas, 2005).

Although municipal strengthening policies, local participation and social auditing advanced in the four countries most affected by civil wars and Mitch, less progress was made in devolving services to local governments (see Table 1). International aid was a key factor in promoting and supporting these processes through technical and financial cooperation. However, some issues still need to be strengthened, like establishing real local financial independence that would allow municipalities to obtain fiscal resources not only from transferences from the national budget, but also through collecting charges and taxes directly (see Table 1).

Natural Disasters, Violence and Insecurity (2005–2010)

In recent years, environmental vulnerability and citizen insecurity surged as key factors that jeopardized the possibilities of fulfilling the MDGs. Between May and September 2010, four different tropical storms caused substantial damage in the region: Agatha in Guatemala left 262 deaths and in Honduras over 10 000 evacuees; losses in infrastructure in the wake of tropical storms Alex, Mathew and Nicole included about 50 000 homes destroyed, and about 17 660 different types of roads affected (CEPREDENAC, 2010). The constant threat to development from extreme weather events made disaster risk management a crucial element in the support provided by international cooperation agencies in Central America (BID, 2010).

An Index Risk Management for Disasters, which evaluates the capacity of response, risk reduction and recovery from natural disasters facing several Latin American countries, showed that Nicaragua, Guatemala, Honduras and El Salvador were extremely vulnerable and did not have full capacity to successfully overcome and manage these natural disasters (BID, 2010). Countries in the region were highly vulnerable before natural disasters, not only because of their high population urban growth, unemployment, soil degradation and social expenditure, but also because governments had a weak financial capacity to recuperate from economic losses (BID, 2010).

In addition to the impacts of extreme weather, the sequels of the global financial crisis aggravated the economic situation in the region. The lack of job opportunities contributed to the mass exodus of Central Americans to different parts of world. In a decade, at least

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20 per cent of the Salvadoran population migrated, and the same phenomenon occurred in Honduras, Nicaragua and Guatemala (PNUD, 2005). Migration and remittances have changed the region's economic structure: in Honduras, remittances accounted for 25 per cent of the GDP; in Salvador, it was 18 per cent, whereas in Guatemala and Nicaragua they accrued about 11 and 13 per cent of their respective GDPs (Morales, 2010).

In recent years, there has also been an alarming increase in citizen insecurity, and Central America is considered today one of the most violent regions in the world (PNUD, 2009). Congruently, crime and insecurity have become the most pressing issues, worse than the economic problems to the majority of the population (see Table 1). An opinion survey in 2010 showed that about 44 per cent of the people interviewed in El Salvador considered crime as its most pressing problem, whereas only 17 per cent thought unemployment was. In Guatemala, 35 per cent thought crime to be the most urgent issue and only 7 per cent considered unemployment; in Honduras, 25 per cent considered crime to be the most critical issue and only 19 per cent thought unemployment was (Latinobarometro, 2011).

Given its geographic location, weak government institutions, corruption and the lack of effective public policies that coordinate between national and local government levels, Central America has become a target for organized crime, especially drug and gun trafficking, as well as juvenile gangs that increasingly operate at their service (PNUD, 2009). Victimization in Central American urban areas is among the world's highest (BID, 2011) and citizen insecurity has become a serious obstacle to sustainable economic development in the region. According to the World Bank, a 10 per cent drop in the homicide rate would add 1 per cent to economic growth for the region's economies instead of the present loss of about 8 per cent of the GDP, or $6.5 billion (Banco Mundial, 2011).

This insecurity situation probably is an unintended result of the way peace agreements were implemented. The partial dismantling of public security forces that followed the peace accords, which, in the framework of a democratic state governed by the rule of law, should have allowed the use of controlled force by the State, has instead restricted this power, and therefore benefited parallel power structures and organized crime (Calvaruso *et al*, 2007). In El Salvador, the extralegal arrangements that the traditional elites had negotiated with the police to control crime started crumbling with the reforms introduced after the peace agreements without a strong and effective alternative to replace it (Bailey and Dammert, 2006). However, the reforms, as well as the dismantling of the security apparatus, were not able to anticipate the increase in levels of insecurity and urban violence that followed. In certain areas of Guatemala, for example, the absence of public services provided by the State, including the police service, has led the population to support and participate in criminal activities, not only from fear, but as a result of a social practice that has included, and not excluded them (Calvaruso *et al*, 2007). The same was also happening in Honduras, and to a lesser extent in Nicaragua.

The lack of citizen security and increased presence of organized crime gradually modified the agenda of international development cooperation in the region, and increased the resources allocated to strengthening the legal system and the capacity for investigation against organized crime. The support provided to the International Commission against Impunity in Guatemala (CICIG) is a proof of this. Moser (2004), however, cautions about using 'magic bullets' to reduce violence as there are different types of violence in the region, which range from household to economic violence, and structural problems that compound with a distrust and lack of confidence in the state's capacity to control and prevent crime and violence.

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From Civil Wars to Drug Wars: The Limits of Decentralized Democratic Governance

For three decades, Central America was privileged in terms of the flow of resources from international cooperation. Between 1980 and 2005, El Salvador, Guatemala, Honduras and Nicaragua received over $27.8 billion, or about $1.07 billion per year (see Figure 1). The justification for this aid varied over time: first, the struggle against military dictatorships and authoritarian governments, or even as part of counterinsurgency strategies. Subsequently, this support aimed to strengthen the peace agreements and afterwards the efforts to reduce poverty, and to confront the socio-economic vulnerabilities resulting from 'natural disasters'. Between 2005 and 2010, international aid for decentralization and municipal strengthening programmes totalled $321 million of which 13 per cent went to El Salvador, 56 per cent to Guatemala, 17 per cent to Honduras and 14 per cent to Nicaragua (see Table 1). Resources went to strengthening the planning capacities of local governments; the promotion of decentralization policies and regulatory frameworks; increased transparency, participation and accountability; and for municipal association.

In spite of this massive aid, a number of structural problems persist, which have not been confronted, and in some cases have aggravated, and constitute serious challenges for the region's geopolitical stability. The reconciliation processes generated high levels of 'social frustration and disillusion', as the majority of the clauses of the peace agreements that promised deep changes that would benefit the bottom of the social pyramid never materialized. Regardless of the successive elections in the region for the past 30 years, the political systems especially in Nicaragua, Honduras and Guatemala, and to a lesser extent in El Salvador, are discredited. The weakness of the state, the conflicts of interests between antagonist ruling elite groups for the appropriation, control and management of scant fiscal resources, and the increase in violence and insecurity, has opened the door to those that think that a return to re-centralized and authoritarian practices might be the solution to the problems of Central America (Torres-Rivas, 2010).

These processes proved that it was a mistake to believe that the agreements constituted the point of departure to solve social conflicts (Gutierrez, 1998). They should have been the formal starting point to acknowledge their existence, but not necessarily the starting point to solve them (Pásara, 2003). Today, poverty and the diversity of types of violence experienced by millions seem to be worse that in the times of war (Pearce, 1998).

The concentration of wealth and social inequalities, the lack of opportunities for finding jobs and the lack of job-creation policies has increased the levels of exclusion. Studies have been able to correlate increased inequalities and social exclusion in the Metropolitan Area of San Salvador to the increase in the levels of violence and insecurity (Avalos-Trigueros and Trigueros Arguello, 2005). This confirms Rodgers' (2010, p. 246) arguments that urban violence is also the result of how different groups within cities access, control and distribute resources.

The new social vulnerabilities, exacerbated in recent years by extreme weather events, as well as by the growing wave of citizen insecurity and the increased presence of organized crime and other forms of social and economic violence, have made these problems practically intractable. A report on intergenerational transmission of inequalities in the region stressed that these inequalities are not determined only by the type of dominant political regime, but mainly by the incapacity that the majority of their citizens have to access information, and also on the institutional set-up in which the main decisions taken by the state are hijacked by privileged minority groups (PNUD, 2010). For example, in Guatemala, acute problems of

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land tenure and possession have not been addressed because big landowners (in rural and urban areas), and more recently, organized crime, oppose these measures (UNDP, 2009).

Pearce (1998) sustains that there is a culture of violence in post-war Central America that affects the private and public arena today. However, one of the most important features of current violence in Central America, as opposed to the political violence of the past, is its 'diffuse, unpredictable and unintelligible character' (Cruz, 2003). In this sense, violence has eroded the confidence in public institutions and delegitimized them, as the government at all levels shows its incapacity to overcome these insecurity problems (Cruz, 2003).

In the last 5 years, a number of European countries have drastically reduced their cooperation in the region. Partially, this is the result of new priorities in their cooperation agendas, but also a sort of 'fatigue' with the meagre outcomes and effectiveness of their cooperation in the region. For international donors, it has been particularly disturbing the high degrees of impunity, inequalities and, more recently, the growing influence of organized crime in different power spheres in the region (Stein, 2007).

The end of authoritarian regimes in other parts of Latin America implied a return to traditional democratic institutions. However, in Central America democratic institutions that predated the military regimes were practically inexistent, and therefore they had to be created without previous experience (Cruz, 2003).

An important constraint in this process has been the weakness of central government in exerting territorial governance as part of its regulated decentralization policy in the post-conflict era. The unintentional absence of the State in large portions of the Guatemalan territory has led to a vacuum of power, and a clear incapacity to influence public policies at the local level (Calvaruso *et al*, 2007). The increase in fiscal resources transferred to the municipalities has not been accompanied by any substantially improved capacity for strategic planning and local management; and investments have obeyed to the logic of partisan politics and not to the strategies aimed to generate local sustainable development. In this context, the atomization of public investments and the atomized structure of the executive branch did not contribute to strengthening social public policy (Calvaruso *et al*, 2007). This is also valid for Honduras, Nicaragua and El Salvador.

As with other concepts reiteratively mainstreamed by the international donor community, Gaventa (2004) contends on the 'dangers in the use and misuse' of the concept of 'citizen participation' in development programmes. The same can be applied to the concept of 'decentralization', as this may not necessarily mean the same to everyone, nor lead to the expected and desired outcomes everywhere. Decentralization policies in the region have attempted to address some of the 'accelerators' that gave birth to the pre-war situations of the 1980s by 'sharing power and dividing responsibilities to improve living conditions at the local level' (Grasa and Gutierrez Camps, 2009). However, they have not been able to deal with the structural causes of the conflicts in the region, nor confronting the 'hidden' or 'invisible power' structures. As O'Donnell (2007) asserts, democracy is not only about voting but building and strengthening the different rights and dimensions of citizenship, and the absence of these dimensions contributes to consolidate weak democracies, increasing therefore the forms of insecurity and violence that the region is now experiencing.

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