



**From civil wars to drug wars: the limits of decentralization policies in Central America**

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**Abstract:** *In recent decades, international donors promoted decentralization policies as vehicles to achieve economic growth, State reform, and human development. While these policies improved national and local governments' responses, it is not sufficiently clear if they actually led to poverty reduction, social cohesion and conflict resolution, especially in countries ongoing peace and reconciliation processes. This article analyzes decentralization policies 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 to regulate and, in some cases, the absence of national governments to supervise policy implementation generated unforeseen consequences. Given the challenges associated with the impacts of globalization, severe weather and increased crime and insecurity, this absence is becoming critical and could lead to further uncertainties and social instability in the region.*

**Key words:** Central America, conflict resolution, decentralization, international donors, municipal strengthening, natural disasters, violence

## **Introduction**

Local development and decentralization in low- and middle-low income countries were originally promoted by international finance agencies like the World Bank and regional multilateral banks in the early 1990s as part of structural adjustment policies that seek economic growth and the modernization of the State (Van Lindert and Verkoren, 2010). For the last decades, they have also been considered effective tools to carry out public

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3 policies and a more efficient allocation of fiscal resources, as well as to improve people's  
4 access to income, employment, public goods and services (Gallicchio, 2010; Lathrop, 1997;  
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6 Rogerson, 1995). Decentralization has also been seen to be a constitutive part of the  
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8 political and administrative transitions in many post-war torn countries (del Castillo, 2004).  
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10 In this sense, it has also been considered a means to promote human development and  
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12 better democratic governance structures (Osmani, 2000; Van Lindert and Verkoren, 2010);  
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14 and a way to improve government's responsiveness and transparency, and to contribute to  
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16 poverty reduction and social cohesion (Manor, 2011). While better responsiveness and  
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18 accountability by central and local governments are considered to be widely achieved (Rao  
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20 and Ibañez, 2003), the literature remains divided on whether decentralization policies have  
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22 actually open new opportunities for conflict resolution, increased security, and crisis  
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24 prevention (Grasa and Gutierrez Camps, 2009).  
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32 The present article tries to shed light on several of these issues by analysing the  
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34 experience of decentralization policies and local development practices that have taken  
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36 place in Central America during the last thirty years. The document starts by recounting the  
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38 1980s, a period of the region's history characterised by deep social and political conflicts,  
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40 and low-intensity civil wars, that had profound governance consequences, especially for  
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42 both the rural and urban poor. It then analyses the 1990s when reconstruction and  
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44 reconciliation processes that followed the signature of the peace agreements opened new  
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46 spaces for the design and implementation of more participatory local development policies  
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48 in the region. The article illustrates how the changing political environment in Guatemala,  
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50 El Salvador, Honduras and Nicaragua modified the agendas and priorities of international  
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52 donors on decentralization and local development. It also explores if decentralization  
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54 policies and municipal strengthening programmes contributed to social cohesion, conflict  
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3 resolution and poverty reduction. Finally, the article shows that the lack of will by the  
4 ruling elites to fully carry out the political, fiscal and administrative reforms established in  
5 the peace agreements, combined with the lack of territorial presence and, in some cases, the  
6 absence of coherent mechanisms by national governments to regulate and supervise policy  
7 implementation, generated unforeseen consequences. Given the challenges associated with  
8 the impacts of globalization, extreme weather, as well as the risks of the increased presence  
9 of organised crime and insecurity, these weaknesses are becoming critical and could lead to  
10 further uncertainties and social instability in the region.  
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### 23 **Civil wars and the emergence of municipal actors (1980-1989)**

24 The incipient democracies that emerged in Guatemala, El Salvador, Honduras and  
25 Nicaragua in the decade of the 1980s were the result of transitions from authoritarian  
26 regimes and military dictatorships. However, these were not homogeneous nor similar  
27 processes as the factors which determined the changes were the outcome of a mixture of  
28 diverse social, political and economic events (Booth, 1991). In some cases, the transitions  
29 turned into bloody armed conflicts which, compounded to a failed development model,  
30 economic recession, and foreign debt crises, weakened the entire set of social and economic  
31 policies used in the previous decade (Ros, 2004).  
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45 In July 1979, Nicaragua started its transition process when the Sandinista led  
46 insurrection toppled the Somoza dynasty that had ruled the country for more than four  
47 decades. This pivotal moment marked the beginning of Nicaragua's democratic  
48 construction as the insurgency leaders that took control of the government radically  
49 transformed the country's social, political and economic structures (Close and Marti i Puig,  
50 2009). That same year in El Salvador, a reformist *coup d'état* exposed the tip of the iceberg  
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3 of what would occur during the following twelve years: a bloody armed conflict that  
4 completely modified the country's political structure, converting it into one of the most  
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6 polarized societies of Latin America (Turcios, 1997). In Guatemala, the arrival to power in  
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8 1982 of General Ríos Montt, signalled the start of a ruthless counterinsurgency strategy that  
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10 left tens of thousands of people dead and displaced. In spite of its subsequent overthrow,  
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12 the military maintained power until the 1985 democratic constitutional reforms (Tomuschat  
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14 et al., 1999). Finally, in Honduras, the transition from military regimes to democratically  
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16 elected governments took place in 1980, with the drafting of a new Constitution, which  
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18 opened the space for four consecutive elections during the decade with the participation of  
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20 the traditional political parties (Salomon, 2004).  
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28 In this volatile context, the intervention of the United States of America (USA) in  
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30 the internal affairs of each country grew (Perla, 2009). While in the 1970s the defence of  
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32 human rights was the basis of the Carter's administration foreign policy (Salomon, 2004),  
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34 in the 1980s, the Reagan administration focused on containing the advance of communism  
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36 in the region, and spearheading the support of the counter-revolutionary processes,  
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38 especially the Nicaraguan Contras, based in Honduras, as well as the Salvadoran army and  
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40 government against the FMLN guerrilla movement (Barrado et al., 2010). A number of  
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42 countries in Europe, especially those led by Social Democratic governments, responded to  
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44 the Reagan's administration intervention as well as to the growing presence of the Eastern  
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46 European socialist bloc in the region, by increasing their humanitarian assistance, and also  
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48 by supporting different initiatives aimed to solve the military conflicts through peaceful  
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50 means (Gunnarsson et al., 2004; Stein 2010).  
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3 The Central American crisis led to massive forced displacement and refugee  
4 movements, and serious human rights violations, which had national and regional  
5 implications. In 1989, there were about 2.5 million displaced persons and about half a  
6 million refugees (Santos, 1992). Political polarization and military conflicts also aggravated  
7 poverty and inequalities. In ten years, the average household income in the region had  
8 decreased substantially: in 1980, the income index in El Salvador was 0.643, and in 1990 it  
9 had decreased to 0.619; for the same years in Honduras it decreased from 0.567 to 0.557; in  
10 Guatemala from 0.620 to 0.595; and, in Nicaragua from 0.561 to 0.498 (PNUD, 2010:170).  
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23 The flow of international cooperation in the form of official development aid also  
24 increased during the 1980s. Although El Salvador and Honduras were the main recipients  
25 given the massive military and economic aid provided by the USA as part of its  
26 counterinsurgency strategy, Guatemala also received substantive resources after the first  
27 democratically elected government in over twenty years took office (see Figure 1). During  
28 this period, international aid was predominantly humanitarian, and responded to these  
29 population displacements (Morales, 2010). Humanitarian aid from European countries was  
30 channelled mostly through NGOs, considered at the time to be the symbolic representatives  
31 of civil society (Olvera, 2004).  
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45 To the extent that political polarization exacerbated and national governments  
46 became less inclusive, municipal actors began having greater visibility (Haggard and  
47 Kaufman, 1995). Gradually, the donor community began recognising local governments as  
48 those actors closest to the aspirations and needs of the citizens. Equally, they were seen as  
49 potential players that could reinforce respect for human rights and promote local interests,  
50 and also to become possible tools for channelling resources for development and  
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3 reconstruction programmes (FUDEMUCA, 2009). Thus with support from international aid  
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5 agencies, the strengthening of municipal governments started to be a priority.  
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9 In Nicaragua, the Sandinistas established the legal basis for municipal autonomy in  
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11 the new constitution of 1987, and the Law of Municipalities approved in 1988 (Morales and  
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13 Stein, 1997). This autonomy was subsequently reinforced in the early 1990s, during the  
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15 government of Barrios de Chamorro (Cardona, 2005). In El Salvador, municipal autonomy  
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17 resulting from the 1983 Constitution, created new decision-making spaces under the  
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19 Municipal Code approved in the following years (COMURES, 2004). Despite that  
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21 municipal autonomy had been recognized in previous decades, in Guatemala, the political  
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23 and social crisis prevented municipal authorities from exercising their decision-making  
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25 power (FUDEMUCA, 2009). By contrast to its neighbouring countries, during the 1980s,  
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27 municipalities in Honduras answered directly to central government and there was no  
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29 administrative separation that granted them any autonomous space for action; mayors were  
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31 chosen by the ruling party and not by the population, and there was little identification  
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33 between communities and their local governments (Godichet *et al.*, 1997).  
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41 Social polarisation and the efforts to reduce the influence of the military in the  
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43 political affairs of the countries in conflict were also the basis for initiating a de-  
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45 concentration process of sector ministries offices from the national capitals to the secondary  
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47 cities in the departments in each country. This also served as a transition to the process of  
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49 administrative decentralization and the transference of fiscal resources to the  
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51 municipalities. According to some researchers, this gradually opened the way for  
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53 strengthening local democracy (Nickson, 2003).  
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3 During this decade, the spaces for community based organizations were extremely  
4 restricted. At the height of the armed conflict in Guatemala and El Salvador, community  
5 participation was considered “subversive” more than not (Santos, 1992). The disconnection  
6 between civil population, local governments, and central governments clearly showed the  
7 need to establish improved mechanisms for citizen participation. The Development  
8 Councils in Guatemala were established in the Constitution of 1985. In Nicaragua the new  
9 municipal legislation approved by the Sandinistas in 1988 opened spaces for cooperation  
10 between municipalities and civil population. In Honduras, the Law of Municipalities was  
11 enacted in 1990 (González, 2007); and, in El Salvador, the Municipalities in Action (MEA)  
12 programme, established in 1986, as part of the counterinsurgency strategy and supported by  
13 USAID, also opened new spaces for participation by holding regular open town hall  
14 meetings (*cabildos abiertos*).

### 31 32 **Peace agreements and local development (1990-1998)**

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34 In the early 1990s, the rise of the new economic and geopolitical world order as a  
35 consequence of the fall of the socialist regimes in Eastern Europe facilitated the peace  
36 processes in Central America. A series of international initiatives supported by the  
37 Organization of American States (OAS) and the United Nations (UN) aimed to end the  
38 armed conflicts led to a transition period of reconciliation and economic cooperation (León,  
39 2005). These initiatives made possible successive peace agreements. In Nicaragua, the  
40 government called for general elections that would be the beginning of the end of the  
41 historic confrontation that had lasted for a decade (Close, 2009). Peace agreements  
42 followed in El Salvador in 1992; and, in Guatemala in 1996 (Acuña, 2000).  
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3 The presence of international cooperation was essential in promoting the dialogue  
4 between the parties; supporting the reconstruction efforts in the areas most affected by the  
5 civil wars; and establishing the guarantees for the verification of the agreements; and the  
6 creation of governmental agencies for the protection of human rights (PNUD, 2002). As a  
7 result, the flow of international aid in this post-war period was significant in Nicaragua and  
8 Honduras while in El Salvador there was a slight reduction, and in Guatemala, the amounts  
9 remained fairly stable (See Figure 1).  
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21 Post-conflict reconciliation coincided with the promotion in the region of the so-  
22 called Washington Consensus (Casilda, 2005) which implied the application of neoliberal  
23 policies aimed to deregulate the economies, in exchange for loans from multilateral  
24 financial institutions to improve the finances of the states (Rosa and Peña, 1995). Structural  
25 reforms led to the liberalisation of capital accounts and exchange rates, foreign trade,  
26 finance, capital flows and direct foreign investment (Ocampo, 2005). Equally, the  
27 modernisation of the State was promoted through the reduction of public bureaucracies  
28 (CEPAL, 2001). However, these adjustment policies had a high social cost. In Nicaragua,  
29 for example, as a consequence of the closings of state industries, and widespread layoffs of  
30 public employees and armed force members, the informal sector of the economy in urban  
31 areas grew from almost 46% in 1985, to about 64% in 1993 (Funkhouser, 1996). Contrary  
32 to other countries where the growth of the informal sector was linked to the expansion of  
33 the formal economy, in Nicaragua the majority of informal workers were displaced  
34 professionals and skilled labour (Pérez Sáinz, 1998).  
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55 With evident country differences, these transformations showed the degree of  
56 difficulties to undertake what del Castillo (2004) calls a 'triple transition': from centralised  
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3 planned economies to market oriented economies; from a ruling one-party system to a  
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5 multiparty political system; and from a centralised national administration; to a more  
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7 decentralized public administration.  
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11 Indeed, in the 1990s, the region's countries experienced profound reforms to the  
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13 municipal codes and laws aimed at strengthening municipal governments and their  
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15 administrative, political and financial autonomy (Cardona, 2005). In El Salvador, the  
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17 separation of municipal elections from the general elections to president led to significant  
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19 gains by the ex-guerrilla opposition party (Gunnarsson et al., 2004). Decentralization also  
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21 garnered technical and financial resources from international cooperation agencies to  
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23 strengthen the management capacity of local governments (Informe Estado de la Región,  
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25 1999). This also encouraged successful experiences in community participation and local  
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27 development (Durán, 1997; Stein, 2007).  
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33 However, the lack of ownership of national governments as well as their weak  
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35 leadership in enacting coherent decentralization policies caused delays in implementing the  
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37 peace agreements. In Guatemala, the resistance of the military intelligence apparatus and  
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39 the traditional 'hidden' powers to deliver the political and economic reforms established in  
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41 the agreements, as well as an increasing sense of insecurity resulting from the power  
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43 rearrangement within the military establishment, demarcated the limits of what the  
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45 democratic governance process could actually lead to (Gutierrez, 1998). In El Salvador,  
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47 evidence of corruption flourished in the creation of the new national police force that would  
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49 replace the old repressive security bodies (Gunnarsson et al., 2004). In Nicaragua,  
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51 decentralization policies did not sufficiently correlate with national development plans, and  
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53 the efforts from international donors concentrated more in strengthening the capacities of  
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3 local governments than in setting a coherent normative body of legislation to push for the  
4 decentralization of fiscal resources (Morales and Stein, 1997), and the rise to power of  
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6 Arnaldo Alemán in 1997 stalled many of the policies of his predecessor. In Honduras, the  
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8 main opposition to decentralization came from the traditional political parties that  
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10 alternated in power, and from line ministries that did not believed in the capacity of local  
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12 governments to manage effectively the public services (Walker and Duran, 1997).  
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### 16 17 18 **Hurricane Mitch, decentralization and accountability (1999-2001)** 19

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21 By the end of the 1990s, some international donors started reassessing their future  
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23 cooperation strategies towards the region (Gunarrson et al., 2004). However, the efforts to  
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25 reconstruct the economic and social fabric after the military conflicts, as well as finding  
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27 new ways to implement the peace agreements, would be seriously affected by Hurricane  
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29 Mitch, which struck the region at the end of 1998.  
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34 While natural disasters were inevitably a part of Central America's history, and had  
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36 always produced costly human and economic losses, none proved to be as destructive as  
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38 Mitch (BID, 1999). Hurricane Fifi in 1974, considered one of the most deadly storms in the  
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40 region killed 7,000 people and affected more than 142,000 people, with economic damage  
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42 estimated in 1.3 billion US\$ of 1998; and, Hurricane Juana in 1988, left 248 people dead,  
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44 320,000 people affected and economic losses totalled 1.16 billion US\$ of 1998 (SICA,  
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46 2001). These figures dwarfed when compared to the sheer destruction caused by Mitch. It is  
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48 estimated that 18,385 people died; 12,842 were injured; 1.2 million were affected and  
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50 infrastructure and economic losses totalled more than 6 billion US\$ of 1998 (SICA, 2001).  
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53 Real GDP growth rates dropped substantially: in Nicaragua it reached -4%, and in  
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55 Honduras -5.7% (Avendaño, 1999) while unemployment grew from 3.2% to 5.1% in  
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3 Honduras (Stein, 2006). As a consequence, in 1998, the flow of migration from Central  
4 America to the USA grew by nearly 90% compared to the previous year (PAHO, 2000). A  
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6 substantial number of Central Americans also migrated to Costa Rica during the emergency  
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8 period (ALFORJA, 1999).  
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14 Mitch's impact made evident the social vulnerability of the region and the abysmal  
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16 disparities in income distribution and access to urban and rural land. Accelerated urban  
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18 population growth during the 1990s, worsen by the internal population displacements  
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20 resulting from the military conflicts, as well as the creation of informal settlements in the  
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22 principal cities, had generated high-risk conditions for low-income households (Informe de  
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24 la Región, 1999). Moreover, the lack of strategies for building adequate economic  
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26 infrastructure, and the absence of institutional frameworks for risk mitigation and land  
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28 management, as well as effective plans for organising the civilian population and  
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30 government entities, influenced the levels of destruction (IDB, 1999). The weak response  
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32 capacity from national governments demonstrated not only the vulnerability of the risk  
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34 prevention management systems, but also placed the onus of responding to the emergency  
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36 on local governments (CEPAL, 2003).  
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43 In the wake of Mitch, bilateral and multilateral international cooperation agencies  
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45 redefined their support to the region. The World Bank and the IMF redirected about 50% of  
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47 their loans to the reconstruction efforts (FLACSO, 1996). Many of these initiatives aimed  
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49 to strengthen governance, transparency, democracy and the respect for human rights.  
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51 Mechanisms were also established to write off external debt, and some sector programmes  
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53 tried to align and harmonise international cooperation with national and local governments'  
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55 plans, and civil society participation (Stein, 2006).  
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3 Supported by international cooperation, reconstruction programmes took democratic  
4 governance to a new stage by seeking mechanisms for greater transparency and  
5 accountability, and requiring stronger citizen participation in the design and  
6 implementation of plans and projects (VOICE, 1999). Decentralization became pivotal in  
7 the negotiations of different aid agencies around concrete strategies to strengthen local  
8 governments and to transfer responsibilities and resources to municipalities (Stein, 2006).  
9 In some cases, negotiations were held so that reconstruction projects would be directly  
10 executed by local governments (USAID, 1999). The decentralization of the management of  
11 the project cycle to the municipalities in the social investment funds in Honduras, El  
12 Salvador and Nicaragua accelerated.

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28 Torres (2004) argues, however, that the dominant political class in Honduras was  
29 unable to fully utilize the potential space of the post Mitch era as they were neither  
30 interested in decentralizing, or in creating a more inclusive and democratic state. And even  
31 when they did promote participatory practices, these resulted from international pressures  
32 by the donor community, and not from a genuine need to democratize the state. To a large  
33 degree, decentralization and participation during this period did not have sufficiently  
34 'transformative powers' to shift power not only from those that had the 'visible power', but  
35 more importantly from those that had the 'hidden' and 'invisible power' (Gaventa, 2004).  
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48 Whatever the results were, without doubt, Mitch became a benchmark that  
49 transformed the region physically and also provoked decisive changes in the strategies and  
50 agendas of international cooperation agencies regarding decentralization, democratic  
51 governance and civil society participation.  
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### **Poverty Reduction Strategies and citizen participation (2002-2004)**

By the end of the 1990s, poverty and economic inequalities also 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% of economic growth during the first half of the 1990s, in the second half GDP growth per capita decreased to 2.3%, partially owed to Mitch (CEPAL, 2004); about 51% of the population lived in poverty while 23% in extreme poverty (FLACSO, 2002). Inequalities persisted: 70% of population earned 40% of total income while 30% of the population appropriated 60% of the total income (Barahona et al., 2004).

In 1996, international financial organisations led by the IMF approved 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 classified according to its national income, and HIPC membership depended on generating its own poverty reduction strategy (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 and transformation plan (Trotsenburg and MacArthur, 1999).

Years later, the PRS processes were subsumed into the United Nations Millennium Development Goals (MDGs). The relevance of the MDGs stemmed from the commitment to link the initiatives of international cooperation for debt relief with a scheme aimed at reducing poverty in every country by 2015 (UN, 2000). Accordingly, the Central American nations had to redirect their development efforts under the guidance of international

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3 commitments in favour of economic development, poverty reduction and sustainable  
4 development. The advances in complying with some of the principal benchmarks of HIPC  
5 and PRS, and subsequently, the MDGs made it possible for countries like Honduras and  
6 Nicaragua to accede to the irrevocable relief of their foreign debt. The HIPC, PRS and  
7 MDG initiatives also allowed international cooperation agencies to work more coordinated  
8 and to provide high volumes of resources especially for budgetary and sector support in  
9 Honduras and Nicaragua (see Figure 1). Equally, the PRS made it possible to achieve more  
10 coordinated actions between central and local governments, and better citizen participation,  
11 and also effective allocation of technical and financial resources.  
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25 Implementation of these pro poor policies however, was neither entirely clear nor  
26 easy. The resources granted by international cooperation did not translate into strategies  
27 capable of responding efficiently to the demands of the less privileged population (Vos and  
28 Cabezas, 2004). In many cases, ownership of these initiatives did not take place, and they  
29 responded more to the needs of aid agencies than to the capacity and interest of the political  
30 forces that controlled the state apparatus. The participation of civil society in these  
31 processes was also weak, and quite often, economic growth was given higher priority than  
32 local development processes. Transparency and accountability in managing the PRS  
33 strategies also had wide gaps (Vos and Cabezas, 2004).  
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#### 47 **Natural disasters and insecurity: the absence of the state? (2005-2010)**

48 In recent years environmental vulnerability and citizen insecurity have surged as key  
49 factors that have jeopardized the possibilities of fulfilling the MDGs. For example, between  
50 May and September 2010, four different tropical storms caused substantial damage in the  
51 region: Agatha in Guatemala left 262 deaths and in Honduras over ten thousand evacuees;  
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3 losses in infrastructure in the wake of tropical storms Alex, Mathew and Nicole included  
4 about 50,000 homes destroyed, and about 17,660 different type of roads affected, especially  
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6 in Honduras and Guatemala (CEPREDENAC, 2010). The constant threat to development  
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8 from extreme weather events has made risk management a crucial element in the support  
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10 provided by international cooperation agencies in Central America (BID, 2010).  
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16 An Index Risk Management for Disasters (IRMD), which evaluates the capacity of  
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18 response, risk reduction and recovery from natural disasters facing several Latin American  
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20 countries, showed that Nicaragua, Guatemala and El Salvador were extremely vulnerable  
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22 and did not have full capacity to successfully overcome and manage these natural disasters  
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24 (BID, 2010). Countries in the region were highly vulnerable before natural disasters, not  
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26 only because of their high population growth and density; unemployment; soil degradation;  
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28 and, social expenditure, but also because governments had a weak financial capacity to  
29  
30 recuperate from economic losses (BID, 2010). It is important also to mention that by the  
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32 year 2005, the proportion of urban population living in slums oscillated between 29% in El  
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34 Salvador, to 45.5% in Nicaragua (United Nations Population Division, 2007).  
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41 In addition to the impacts of extreme weather, the sequels of the global financial  
42  
43 crisis aggravated the economic situation in the region (CEPAL, 2009). The lack of  
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45 economic development and job opportunities contributed to the mass exodus of Central  
46  
47 Americans to different parts of world. It is estimated that in a decade, at least 20% of the  
48  
49 Salvadoran population migrated. The same phenomenon occurred in Honduras, Nicaragua  
50  
51 and Guatemala (PNUD, 2005). Migration and remittances have changed the region's  
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53 economic structure: in Honduras remittances accounted for 25% of the GDP; in Salvador, it  
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3 was 18%, while in Guatemala and Nicaragua they accrued about 11% and 13% of their  
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6 respective GDPs (Morales, 2010).  
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9 In recent years, there has also been an alarming increase in citizen insecurity, caused  
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11 amongst others, by organized crime as well as common delinquency. Central America is  
12  
13 considered today one of the most violent regions in the world with almost 40 homicides per  
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15 day (PNUD, 2009). Congruently, crime and insecurity have become the most pressing  
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17 issues, worse than the economic problems. In 2010, about 44% of people interviewed in El  
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19 Salvador considered crime as its most pressing problem; and 17% thought unemployment  
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21 was the main issue; while 35% of people interviewed in Guatemala thought crime to be the  
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23 most urgent issue and only 7% considered unemployment; and, in Honduras, 25% thought  
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25 crime was the most critical issue and only 19% thought unemployment was  
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30 (Latinobarometro, 2011).  
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33 Given its geographic location, weak government institutions, corruption, and the  
34  
35 lack of effective public policies that coordinate between national and local government  
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37 levels, Central America has become a target for organised crime, especially drug and gun  
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39 trafficking, as well as juvenile gangs that increasingly operate at their service (PNUD,  
40  
41 2009). Victimization in Central American urban areas is among the world's highest (BID,  
42  
43 2011) and citizen insecurity has become a serious obstacle to sustainable economic  
44  
45 development in the region. According to the World Bank, a 10% drop in the homicide rate  
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47 would add one percent to economic growth for the region's economies instead of the  
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49 present loss of about 8% of the GDP, or US\$ 6.5 billion (Banco Mundial, 2011).  
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3 For Calvaruso *et al* (2007), this insecurity situation probably is an unintended result  
4 of the way peace agreements were implemented. The partial dismantling of public security  
5 forces that followed the peace accords, which in the framework of a democratic state  
6 governed by the rule of law, should have allowed the use of controlled force by the State,  
7 has instead restricted this power, and therefore has benefited parallel power structures and  
8 organised crime (Calvaruso *et al.*, 2007). In El Salvador, the extralegal arrangements that  
9 the traditional elites had negotiated with the police to control crime started crumbling with  
10 the reforms introduced after the peace agreements without a strong and effective alternative  
11 to replace it (Bailey and Dammert, 2006). However, the reforms as well as the dismantling  
12 of the security apparatus were not able to anticipate the increase in levels of insecurity and  
13 urban violence that followed. In certain areas of Guatemala, for example, the absence of  
14 public services provided by the State, including the police service, has led the population to  
15 support, and participate in criminal activities, not only from fear, but as a result of a social  
16 practice that has included, and not excluded them (Calvaruso, *et al.*, 2007). The same was  
17 also happening in Honduras, and to a lesser extent Nicaragua.  
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40 The lack of citizen security and the increase presence of organised crime have  
41 gradually modified the agenda of international development cooperation in the region, and  
42 increased the resources allocated to strengthening the legal system and the capacity for  
43 investigation against organised crime. The support that international cooperation has  
44 provided to the International Commission against Impunity in Guatemala (CICIG) is a  
45 proof of this. Moser (2004) however, cautions about using ‘magic bullets’, or ‘one-off’  
46 solutions to reduce violence as there are a different types of violence in the region that  
47 range from household to economic violence, and structural problems that compound with  
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3 an 'almost universal distrust and lack of confidence in the state's capacity to control and  
4 prevent crime and violence' (Moser, 2004).  
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### 8 **From civil wars to drug wars: the limits of decentralized democratic governance**

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10 For the past three decades, Central America was privileged in terms of the flow of  
11 resources from international cooperation. Between 1980 and 2005, El Salvador, Guatemala,  
12 Honduras and Nicaragua received over US\$ 27.8 billion, or about US\$ 1.07 billion in  
13 grants per year (see Figure 1). The justification for this aid varied over time: first, the  
14 struggle against military dictatorships and authoritarian governments, or even as part of  
15 counterinsurgency strategies. Subsequently, this support aimed to strengthen the peace  
16 agreements and afterwards the efforts to reduce poverty, and to confront the socioeconomic  
17 vulnerabilities resulting from the so called 'natural disasters'.  
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31 In spite of this massive aid flow, a number of structural problems persist that have  
32 not been confronted, and in some cases, have aggravated, and constitute serious challenges  
33 for the region's geopolitical stability. The reconciliation processes, with all their positive  
34 political connotations, also generated high levels of 'social frustration and disillusion', as  
35 the majority of the clauses of the peace agreements that promised deep social changes that  
36 would benefit the poor never materialised (Pásara, 2003). These processes proved that it  
37 was a mistake to believe that the agreements constituted the point of departure to solve  
38 social conflicts (Gutierrez, 1998). They should have been the starting point to acknowledge  
39 their existence, but not necessarily the starting point to solve them (Pásara, 2003).  
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53 To the concentration of wealth and social inequalities, the lack of opportunities for  
54 finding jobs as well as the lack of job-creation policies has increased the levels of  
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3 exclusion. Increased inequalities and social exclusion in the Metropolitan Area of San  
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5 Salvador also correlated to the increase in the levels of violence and insecurity (Avalos-  
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7 Trigueros and Trigueros Arguello, 2005). The example of San Salvador confirms Rodgers  
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9 (2010:9) arguments that urban violence is also the result of ‘human practices that make use  
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11 of space in particular ways, especially with regard to accessing, controlling, and  
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13 distributing resources between different groups within cities’.  
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18 In addition, new social vulnerabilities, exacerbated in recent years by extreme  
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20 weather events, as well as by the growing wave of citizen insecurity, and the increased  
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22 presence of organised crime and other forms of social and economic violence, have made  
23  
24 these problems practically intractable. UNDP’s report on intergenerational transmission of  
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26 inequalities in Latin America and the Caribbean stresses that these inequalities are not  
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28 determined only by the type of dominant political regime, but mainly, by the incapacity that  
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30 the majority of their citizens have to access information, and also on the institutional set up  
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32 in which the main decisions taken by the state are hijacked by the privileged minority  
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34 groups (PNUD 2010). For example, in Guatemala, acute problems of land tenure and  
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36 possession have not been addressed because big landowners (in rural and urban areas), and  
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38 more recently, organized crime, opposes these measures (UNDP, 2009).  
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45 For Cruz (2003), one of the most important features of current violence in Central  
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47 America, as opposed to the political violence of the past, is its ‘diffuse, unpredictable and  
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49 unintelligible character’. In this sense, violence has the capacity to erode the confidence in  
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51 public institutions and delegitimize them, as the government, at all levels shows its  
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53 incapacity to overcome these insecurity problems (Cruz 2003).  
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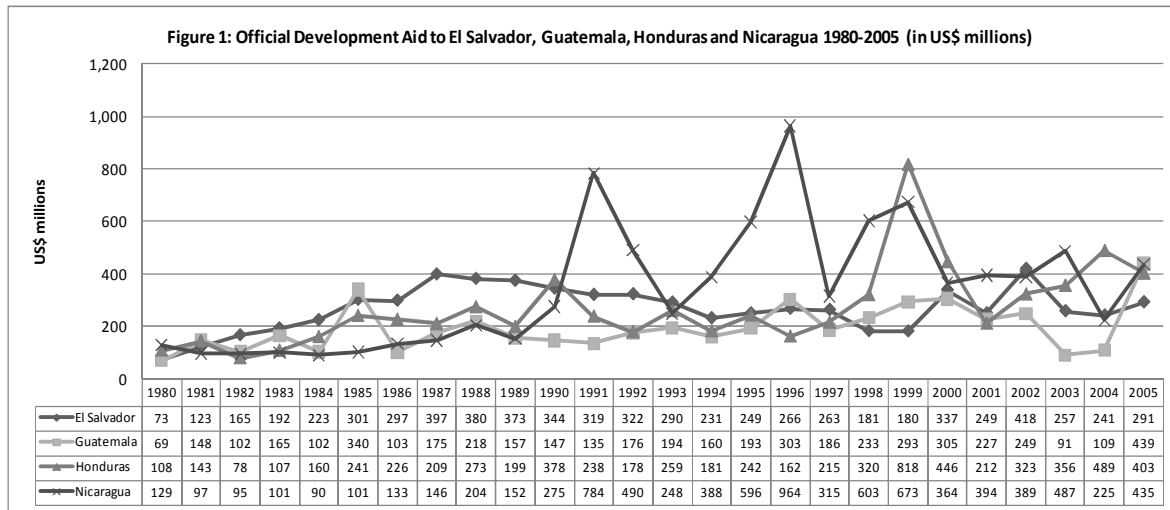
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3 While harmonisation and donor coordination advanced considerably, especially in  
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5 Nicaragua and Honduras during the HIPC and PRS processes, and to a lesser extent in  
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7 Guatemala and El Salvador, in the last five years, a number of European countries have  
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9 drastically reduced their cooperation in the region. Partially, this is the result of new  
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11 priorities in their cooperation agendas, but also, a sort of 'fatigue' with the meagre  
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13 outcomes and effectiveness of their cooperation in the region. For donors it has been  
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15 particularly disturbing the high degrees of impunity, inequalities and more recently, the  
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17 growing influence of organised crime in different power spheres in the region (Stein, 2007).  
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23 The end of authoritarian regimes in other parts of Latin America implied a return to  
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25 traditional democratic institutions. However, in Central America democratic institutions  
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27 that predated the military regimes were practically inexistent, and therefore they had to be  
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29 created without previous experience (Cruz 2003). While municipal strengthening policies,  
30  
31 local participation and social auditing had advance in the four countries most affected by  
32  
33 civil wars and natural disasters, less progress had been made in devolving services to local  
34  
35 governments (see Table 1). International aid was a key factor in promoting and supporting  
36  
37 these processes through technical and financial cooperation, nearly uninterruptedly from  
38  
39 the beginning of the 1980s. However, some issues still need to be strengthened, like  
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41 establishing real local financial independence that would allow municipalities to obtain  
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43 fiscal resources not only from transferences from the national budget but also through  
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45 collecting charges and taxes directly (see Table 1).  
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52 An important constraint has been the weakness of central government in exerting  
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54 territorial governance as part of its regulated decentralization policy in the post-conflict era  
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56 (Calvaruso et al., 2007). The unintentional absence of the State in large portions of the  
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3 Guatemalan territory, has led to a vacuum of power, and a clear incapacity to influence  
4 public policies at the local level (Calvaruso, et al., 2007). The increase in fiscal resources  
5 transferred to the municipalities has not been accompanied by any substantially improved  
6 capacity for strategic planning and local management; and investments have obeyed to the  
7 logic of partisan politics and not to the strategies aimed to generate local sustainable  
8 development. In this context, the atomisation of public investments and the atomised  
9 structure of the executive branch did not contribute to strengthening social public policy  
10 (Calvaruso, et al. 2007). This is also valid for Honduras, Nicaragua and El Salvador.  
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23 As with other concepts reiteratively mainstreamed by the international donor  
24 community, Gaventa (2004) contends on the 'dangers in the use and misuse' of the concept  
25 of 'citizen participation' in development programmes. The same can be applied to the  
26 concept of 'decentralization', as this may not necessarily mean the same to everyone, nor  
27 lead to the expected and desired outcomes everywhere. Decentralization policies in the  
28 region have attempted to address some of the 'accelerators' that gave birth to the pre-war  
29 situations of the 1980s by 'sharing power and dividing responsibilities to improve living  
30 conditions at the local level' (Garsa and Gutierrez Camps 2009). However, they have not  
31 been able to deal sufficiently with the structural causes of the conflicts in the region, nor  
32 confronting the 'hidden' or 'invisible power' structures. At the end of the day, these are at  
33 the core causes of the multiple forms of insecurity and violence that the region is currently  
34 experiencing.  
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Source: Own elaboration based on annual OECD series, accessible at: <http://www.oecd.org>

Table 1 Status of the decentralization and municipal strengthening agenda in El Salvador, Guatemala, Honduras and Nicaragua

Area	Agenda	ES	Ho	Gu	Ni
Policy	Direct election of mayors	●	●	●	●
	Municipal elections separated from national and legislative elections	●	○	○	●
	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	●	●	●	●
	Locally managed financial mechanisms	○	○	○	○
Administrative	Automatic approval of municipal budgets	●	●	●	●
	Devolving services	○	◇	○	○
	Devolving services gradually and selectively	○	◇	○	○
	Offer of services for technical assistance and training	●	●	●	●
Municipal Associations	Encouraging associations at the sub-national level	●	●	●	●
	Horizontal cooperation and mutual aid among associations	◇	◇	◇	◇
	Exchange of experiences in best practices and technologies	◇	◇	◇	◇

Note: Base lines from FEMICA Agenda 1992

Key: ● = Goal accomplished, ○ = No progress, ◇ = Partial progress

Source: González Jacobo (2007).

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