LOCAL GOVERNMENT STRENGTHENING AND DEMOCRATIC DECENTRALIZATION ASSESSMENT

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EXECUTIVE SUMMARY

The purpose of this assessment is to review the status of local government development and the process of decentralization in El Salvador. The report consists of five sections, examining obstacles and constraints, the current status of decentralization, the major institutions involved in the process, citizen participation and, finally, recommendations for a new approach to support democratic, participatory local governance.

Constraints to sustainable democratic local government

Since the promulgation of a new Municipal Code in 1986, the signing of the Peace Accords in 1992, the efforts of the Fondo de Inversion Social (now FISDL), the 1997 law authorizing transfer of 6% of the national budget to municipalities, and the availability of generous external resources, there has been renewed interest in decentralization and/or democratic local governance. Nonetheless, significant obstacles exist which impede devolution of authority, accountability and accessibility, including political resistance which impedes transfer of real authority to the local governments and sets boundaries on accountability, legal obstacles which restrain the development of full autonomy and limit the range of action of the municipalities, and economic constraints that limit resources for development. There is as yet no powerful, decisive constituency for local governance, and the current leadership is new and unproven. There are relatively few resources for implementation, and it will be difficult to overcome lack of support from either the political parties or legislature. These daunting challenges notwithstanding, there are ongoing efforts toward decentralization being piloted and tested.

Current decentralization efforts

The existence of a government plan which proposes decentralization of basic services is a positive development, although it does not contemplate a broad process of decentralization or reform of the state. Basic public services which may be decentralized to varying extents, or privatized, are identified. In the potable water sector there is institutional support and pilot projects are underway which are testing several different modalities for decentralizing management of water systems, since under current law infrastructure cannot be transferred. The most sensitive issue is reform of the legal and institutional framework for the water sector.

Possibilities for USAID technical assistance include working with the Legislative Assembly to develop a new legal and institutional framework for the provision of decentralized basic services; and supporting the process of transferring water systems to the municipalities.

Institutions involved in local development

A wide variety of institutions are involved in issues of decentralization and democratic local governance. The most prominent of these are FISDL, ISDEM and COMURES. Other institutions involved include the Comisionado Presidencial para el Seguimiento a la Inversion Publica, the Consejo Nacional de Seguridad Publica, the Secretaria Tecnica de la Presidencia, and the Comision de Asuntos Municipales of the Legislative Assembly.

FISDL has traditionally implemented social infrastructure projects in the municipalities. The Flores administration, however, has refocused FISDL's role to make it a normative agency, and instructed it to develop a national local development strategy. An initial strategy proposal has been developed and approved by the government. The Flores administration has not yet clarified the extent to which ISDEM's role (currently technical assistance, credit or credit guarantees, and transfer of the 6% funds to municipalities) may be changed. COMURES is a non-governmental body representing the municipalities through the mayors. Its objectives are to support and strengthen local governance, promote reforms leading to greater decentralization of government, and reform the legal/judicial framework for local governance.

In spite of the number of institutions and resources involved in decentralization and local governance, there is still no overall strategic focus—actions tend to be scattered and uncoordinated. There is no defined leadership. While ISDEM has been the major local development institution, its role is undergoing change. At the same time, it is unclear whether FISDL, the institution newly charged with leadership, will be able to fill the vacuum.

Citizen participation in local development

USAID Municipal Development and Citizen Participation Project (MDCP). The MDCP as amended in 1996 revised its policy reform objectives in recognition of the lack of progress made. None of the reforms relevant to strengthened democratic participation, such as independent mayoral candidacies and opposition participation on municipal councils, has been achieved. Success in achieving open council meetings, a key objective of the original project, has been very limited. However, the project has significantly advanced citizen participation through support for participatory planning, through the creation of local development committees (LDCs) to involve citizens in planning municipal projects and investments in 28 municipalities. Considerable enthusiasm for such participation is evident in some project municipalities, both on the part of LDC members and municipalities, although the degree of success has varied. Issues affecting impact and sustainability include the generally top-down nature of the process; its focus on developing a product (the investment plan), leaves the further role of LDCs unclear, and tight deadlines for producing the plan limit development and consolidation of participatory processes. Costs are high because of the need for external facilitators. Many LDCs are also overly dependent on municipal governments, thus limiting their independence and also their sustainability when governments change.

Other experiences with citizen participation in local development. A number of programs and institutions have supported similar participatory planning efforts. As of August 1999 at least 157 of El Salvador's 262 municipalities were engaged in participatory planning, mainly through mechanisms similar to the LDCs. While success has varied, issues similar to those noted for the MDCP have arisen. A consortium of NGOs has supported a different type of citizen mechanism, called Mesas Ciudadanas, in 44 municipalities. These groups, unlike many LDCs, which may include mayors or other municipal officials as well as citizens, are comprised exclusively of private citizens and may be more independent of the municipalities, thus avoiding some of the problems faced by many LDCs. The Mesas may offer an alternative model but, since they are still very new, a more thorough look at how they function and evolve will be necessary.

Several national initiatives also promote citizen participation in local development, including the Plan de Nacion, the Nueva Alianza plan of the Flores administration and the national local development strategy. While these initiatives are a positive step, they have not yet been operationalized.

Conclusions and recommendations

Given the limited prospects for achieving decentralization beyond current initiatives in provision of basic services such as water and road maintenance, a more realistic approach is to focus on democratic local governance and improved accountability and accessibility to citizens. The three pillars of this approach are policy reform, democratization and citizen participation, and improved local governance capabilities.

Policy reform. This approach supports modest reforms to provide greater autonomy for local governments, through both short- and medium-term activities.

- **Development of a uniform or single framework clearly outlining the authority of local government to modify local taxes.** Assistance will be required to build and mobilize constituencies. In the short term, assistance could be provided to municipalities in preparing legislative proposals for modifying local taxing power.
- **Clarification and harmonization of municipal competencies in the Municipal Code.** USAID should support mobilization of a task force of key stakeholders to act as chief advocate and lobbyist for clarification, including necessary support mechanisms, assessments and studies. USAID should also build on and leverage existing efforts, such as those of COMURES, in support of clarification.

Democratization and citizen participation. This component seeks to improve the enabling environment for improved accountability and accessibility, and to consolidate, enhance and broaden citizen participation.

- **Increase practice of open council meetings.** USAID might assist in bringing together those who have begun holding open meetings with others who have yet to adopt the practice. Efforts by citizen groups to open council meetings should also be encouraged and supported.
- **Development of mechanisms for opposition participation in municipal councils.** Participation (as opposed to representation) could be encouraged by supporting dialogue, training and technical assistance to bring together political party leaders with municipal officials, civil society organizations and citizen groups to promote opposition party participation.
- **Assessment of the impact of political change on participation.** In order to focus future efforts in support of citizen participation, USAID should support an assessment of the effects of the upcoming elections on LDCs and other mechanisms for citizen participation, particularly when the principal officials and/or parties have changed.
- **Support for strengthening LDCs to increase their independence.** Short-term actions include strengthening relationships with institutions which might provide technical support when USAID project assistance ends; supporting LDC skills in proposal development and

local fundraising to cover operating costs; and strengthening LDC internal management, facilitation and conflict resolution skills.

- **Assessment of progress in gender sensitization.** An assessment of the impact of efforts to reduce gender barriers would help guide future interventions to facilitate equal participation by men and women in LDCs and similar citizen groups.
- **Support demand-focused assistance in participatory local development.** USAID could support a fund or mechanism to provide technical assistance, training, or seed funding to cover design and preparation of participatory projects (possibly through the Bolsa de Asistencia Tecnica outlined below). This mechanism would support competitive proposals from municipalities, NGOs and citizen groups.

Capacity building. This third pillar provides support to better equip citizens and government to effectively carry out their roles.

- **Support for smaller and weaker municipalities.** USAID might support mechanisms to bring together officials from smaller or weaker municipalities to work together on common problems, with either a micro-regional or departmental focus.
- **Support technical assistance.** USAID should support creation of a "Bolsa de Asistencia Tecnica", a clearinghouse or data bank of consultants who can provide technical assistance to municipalities on demand.
- **Support for human resource development.** In the medium term, USAID could support the creation of a center for training for local government officials and others involved in local development, possibly under a university.
- **Support for citizen advocacy capacity.** USAID could support the development and functioning of a coordinated citizen lobby at the local, regional and national levels to press for necessary changes to ensure democratic local governance.

I. INTRODUCTION

With the entrance of the Flores administration and subsequent presentation of a new national plan "La Nueva Alianza", decentralization and improved local governance have reacquired prominence in the agenda of public discussion. La Nueva Alianza and its direct references to decentralization comes on the heels of significant events of the last three years also contributing to greater awareness and interest in decentralization: presentation of the Plan de Nación with strong recommendations for decentralization and territorial re-ordering, the tasking of FISDL with leadership in developing a new local development strategy, the passage of a legislative decree assigning 6% of the national budget to the municipalities, and the prospect of a $60m loan from the Interamerican Development Bank for the decentralization of water services. At the same time past and ongoing donor funded projects have now produced a growing capacity on the part of citizens to participate more fully in planning of municipal investments.

The term decentralization sets a high and rather rigid bar. Measured by actual devolution (rather than simple de-concentration) of authority for specific tasks and functions to local bodies, genuine decentralization has proven difficult and elusive in Latin America in general and Central America in particular. Given history and the existence of myriad obstacles, the intentions and rhetoric of recently elected governments regarding decentralization must be measured against the reality of existing resources and political receptivity. The increased attention of the Flores government and support from donors are both positive signs and indications of progress in the development of more appropriate enabling conditions and enhanced capacity for democratic local governance and the decentralization of certain responsibilities. Full and genuine decentralization nevertheless remains a very long-term objective. But with appropriate assistance, as this assessment argues in the recommendations, significant progress toward the more modest but absolutely necessary objectives of democratic local governance and accountability is both possible and feasible in the more near and medium term.

Purpose of the assessment: The general purpose of this assessment is to provide USAID/San Salvador with a review of the status of local government development and the process of decentralization in El Salvador. The impetus for the study appears to be twofold: the end of project of the Mission's main decentralization and local government initiative through the RTI implemented Municipal Development and Citizen Participation Project (519-0388), and the heightened discussion taking place at the highest levels of the GOES regarding new efforts and commitment to decentralization and improved local governance. This study is to provide input regarding possible programming strategies to provide assistance to this renewed and heightened interest.

Scope of work: The task order provides rather broad terms of reference for the assessment – general themes to be examined are identified, but it was left up to the team to decide how to approach each of these themes and what sorts of questions to ask. Each team member was assigned responsibility for covering each of the key areas mentioned in the scope of work. The areas covered in the assessment include:

- Identification of the principal constraints to the establishment of a sustainable democratic local government at the municipal level.

- Presentation of a strategic view of the decentralization process and the momentum for local government development in El Salvador.
- A review of the relationships between GOES institutions, USAID and other agencies involved in local government strengthening.
- A review and evaluation [1]of the Municipal Development and Citizen Participation project and an assessment of its strengths and weaknesses.
- A determination of the feasibility of Flores' government plan's decentralization and citizen participation goals.
- Suggestions and recommendations for programming strategies and a vision for sustainable democratic local governance in El Salvador.

While the scope of work clearly allowed for considerable flexibility and freedom for the team, it did create some problems with respect to containment of certain areas and the setting of boundaries for the effort. When one begins to dig into the area of decentralization and local governance, it rapidly becomes apparent that it is indeed a rich area and that the present study only begins to tap the surface.

Methodology: The team followed a relatively open methodological format. Review of documents proved to be an ongoing process – experience in the area of democratic local governance and citizen participation seems quite well documented (See Bibliography, Annex 6). Early on it was decided that since most interview subjects would be knowledgeable about several of the issue areas to be covered, the team would attend most of the interviews as a group. Partly as a consequence, an open interview format was used. Since this was not a survey, the open format was designed to stimulate analytic response rather than specific answers. While this allowed for more complete interviews with subjects (most interviews were on the order of 1.5 – 2 hours in duration), fewer individuals were actually interviewed than might have been the case had the group divided. Due to the limited time, the team was only able to go to a limited number of municipalities.

Analysis of the data was carried out through both formal and informal team meetings as well as through three team workshops – one at midpoint, another at the beginning of the writing process, and another to prepare for the team's de-briefing with the Mission. Weekly progress meetings were held with the CTO, and two de-briefings were held: one with Mission management and the principal DG officers, and another for a general briefing of the Mission's extended SO team.

Organization of the report: The remainder of this report is divided into five sections: in the first, we examine some of the obstacles and constraints to decentralization and to democratic local governance; in the second section through a "strategic view" we review the current status of decentralization in El Salvador, including recent experiences and pilot projects. We then discuss the possibility for replication of those efforts and suggest an intermediate approach to

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[1] The term evaluation was not intended to mean a formal EOP evaluation. The evaluation was mostly intended to provide some perspective on strengths, weaknesses and lessons learned.

further decentralization efforts. In the third section, the roles and activities of Salvadoran public institutions in decentralization and democratic local governance are discussed. We also review the relationships of those institutions with USAID, other donors, and NGOs involved in local government strengthening. In the fourth section we undertake a review of strengths and weaknesses of the Municipal Development and Citizen Participation project. In addition to the MDCP, other models and efforts in citizen participation developed by NGOs and other donors are also examined. In the last section, general conclusions and recommendations for a new approach to support democratic local governance and citizen participation are suggested. In this section we present an integrated, medium term approach for the development of more sustainable local democratic governance, together with some possible shorter term actions.

Comments regarding the feasibility of the Flores government plan' goals with respect to decentralization and citizen participation are integrated into various sections of the report. Annexes on criteria for decentralization, donor activities, and a brief discussion of concepts of citizen participation can be found at the end of the report.

Composition of the team: The team included four members: Dr. Ricardo Cordova, social scientist and expert on decentralization and citizen participation in El Salvador; Dr. Benjamin L. Crosby, political scientist and team leader; Dr. Victor-Jacinto Flecha, political scientist and decentralization expert; and Patricia Martin, social scientist and expert on citizen participation.

The team would like to thank several people and acknowledge the generous assistance provided. We are very grateful to those who were kind enough to allow interviews and who were universally generous with their time. The Mission's DG team (Todd Sorenson, Ana Luz de Mena, and Ana Klenicki) were instrumental in securing several very important interviews. The staff of RTI and FundaUngo both provided logistic assistance and were extremely helpful in lining up field visits and interviews with municipal officials, local development committees, and others concerned with democratic local governance issues. Many thanks to all.

II. CONSTRAINTS TO THE ESTABLISHMENT OF A SUSTAINABLE DEMOCRATIC LOCAL GOVERNMENT AT THE MUNICIPAL LEVEL IN EL SALVADOR

Since the promulgation of a new Codigo Municipal in 1986, and with the added impulse of the signing of the Peace Accords in 1992, the efforts of the Fondo de Inversion Social (now FISDL), the 1997 law authorizing transfer of 6% of national budget to municipalities, and the availability of generous external resources, there has been a significant amount of attention paid to local government. With these reforms and resources, considerable progress has been made in the physical reconstruction of municipal services and replacement of local capacity in municipal governments. Nearly parallel with this flurry of activity, there has been a renewed interest in decentralization and/or democratic local governance particularly on the part of donors and NGOs. One possible reason is that it is increasingly widely perceived that there is a receptive environment for serious efforts toward decentralization and/or democratic local governance. It should be noted however, that both present relatively high bars to surmount – as Harry Blair points out, successes in decentralization and democratic local governance efforts are relatively

scarce and confronted with numerous and difficult obstacles.[2] This section examines some of those obstacles.

Decentralization is defined as the devolution of statutory authority and responsibility for specific sectors to local bodies.[3] Decentralization is not a new theme in El Salvador but it has generally encountered stiff resistance – indeed, Alberto Enriquez of FUNDE argues that since the late 19th century, until quite recently, the pattern has actually been toward more, rather than less, centralization.[4] Even if one changes terminology and applies the somewhat more modest criteria of sustainable democratic local government, ("where meaningful authority is devolved to local bodies that are accountable and accessible to local citizens, who in turn enjoy full human and legal rights and political liberty"[5]), there nevetheless remain numerous obstacles and constraints. While the concept of democratic local development is one which appears to have been adopted at least in some measure by the Government of El Salvador (see La Nueva Alianza, pp. 3, 6, 31, and Estrategia Nacional para el Desarrollo Local, passim.), it does not appear to go as far as even this last definition. But even with its relatively more modest approach, it remains to be seen whether the government has both the resources and necessary political will to make substantial progress toward the goals it has set for itself.

Whatever efforts the government (or other political actor) undertakes will encounter resistance. There are a variety of obstacles which impede devolution of authority, accountability, and accessibility. These include: political resistance which impedes transfer of real authority to the local governments and sets boundaries on accountability, legal obstacles which restrain the development of full autonomy and limit the range of action of the municipalities, economic constraints that limit resources for development and the provision of local services, administrative obstacles such as low levels of capacity which impedes the effective and efficient use of resources at the local level.

Aside from these obstacles, it is important to remember that democratic local governance may not be as high a priority for the Government of El Salvador as it is for other actors. In the final analysis the GOES must decide how it will spend relatively scarce and precious political and economic resources. El Salvador has yet to fully recover from the economic and social consequences of the long civil war, and at the same time it is still learning how to deal with a new mix of political actors and decision makers. With respect to democratic local governance, priorities may be shaped by a need to reconstruct and replace what basic services and infrastructure existed before the civil war rather than tending to the development of democratic local governance as defined above. In many of the most conflictive municipalities of El Salvador's long civil war significant proportions of the existing physical infrastructure were destroyed and basic services eliminated or seriously reduced. Thus, much of the effort of the past eight to ten years has been concentrated in simply restoring local government capability and reconstructing or replacing infrastructure and services to where they were in the 1970's.

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[2] Harry Blair, "Spreading Power to the Periphery: An Assessment of Democratic Local Governance", USAID Program and Operations Assessment Report No. 21. September, 1998, p. 4.

[3] Blair, ibid., p. 2.

[4] See Alberto Enriquez Villacorta, "Propuesta para el Impulso de un Proceso de Descentralizacion en El Salvador", FUNDE, 1998, pp. 19-23, passim.

[5] Blair, ibid., p. 3.

Nevertheless, and despite conscientious effort, the likelihood of full restoration in many cases has been reduced because of dramatic changes in both demographic composition and economic activity of the municipalities. For instance, according to the Mayor of Suchitoto, the municipality's population is 25% less than in the 1970's but more importantly, a significant percentage of the former inhabitants no longer live there. Agriculture, the mainstay of the economy, has yet to recover to the levels of the 1970's, and commerce remains sharply reduced because local storeowners left during the war and have not returned. Significant services, especially in education and health, remain in very short supply.

GOES priorities aside and on the assumption that there is serious and sustainable political interest in democratic local government, efforts made in that direction will surely encounter stiff and possibly insurmountable resistance and opposition.

1. **Political obstacles:** Implementation of democratic local governance requires a shift in political power, which creates political resistance and opposition from officials and political leaders who benefit from the centralized relationship. El Salvador's political system is highly centralized with traditionally little power accorded to local government. This system is reinforced by political party system which is both highly centralized and which accords little real participation in decision making to local party membership. Selection of candidates for election of municipal officials as well as representatives in the National Legislative Assembly is carried out by the national committees of the political parties.[6] Under this system, it is not unusual that voters at the local level will be unaware of exactly who the candidates for the council are since an at-large slate is proposed and on the ballot is identified only by the political party's flag. While the electorate "votes" for municipal council candidates, they do not participate in the selection of those candidates.

While there has been consistent mention of the need and/or desirability for electoral reform to democratize the party system, there has be notably little movement in that regard over the past several years. Some have argued that part of the reason for the lack of change is that local party leaders are seen as "hacks" who are there only to deliver votes for the national party. However, their selection by national leaders can also be viewed as a means of impeding the development of any independent power base on the part of local officials. To change the current structure will require the consent of political party leadership – and to date there seems to be little interest in giving that consent. It is not entirely clear whether the example being set by the FMLN will be copied by other parties.

The current legal structure and regulations for municipal councils excludes opposition representation, and thereby strongly restricts the possibility for expressing opposing points of view and demand in the councils. And since municipal councils meetings are closed,[7] the ruling party is under no legal obligation even to listen to opposition. It should be noted that even if

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[6] There is some emerging exception to this, particularly in the FMLN, which has begun to allow a greater voice for local party members in the selection of municipal council candidates. For the 2000 election, internal elections were held to select local candidates in those municipalities where the FMLN is organized.

[7] The Municipal Code allows the Municipal Council the option of opening council meetings as it wishes, and at its own discretion. Open council meetings, nevertheless, are a relatively rare occurrence – the only regular exception being the 1997-2000 FMLM-USC Municipal Council of San Salvador.

Consejo meetings were opened, and if measures were passed to allow pluralistic representation on the councils, political party reform to democratize the candidate selection process would still be necessary to fully assure accountability. While donors, NGOs, and interest groups such as COMURES, have argued for the implementation of council pluralism and political party reform with some frequency, there has been little visible demand, let alone movement toward such reform among key actors such as the political parties, the Legislative Assembly, or the Executive.

The entrenched interests of cabinet Ministers, heads of "autonomous" agencies, of bureaucracy and staff government agencies also constitute another political constraint to increased democratic local governance. To the extent that their authority, prerogatives, and resources are transferred to local authorities, their own power will diminish. Given that most of these operate with only very scarce resources, they will certainly fight to hold on to what they have. And they are certainly better equipped to compete than local officials.

2. **Economic and resource obstacles:** Implementation of a framework of decentralization and democratic local governance will require that scarce resources be redistributed and that decision-making power about how those resources are to be used be shifted to the local level. At present, economic resource constraints for financing local government activity are at least as important as the political constraints described above. At the national level, the government has recently faced a rising fiscal deficit[8] and public investment has declined. Economic growth rates are positive but remain relatively low. Of more direct concern to public administration and municipal governments is that recent administrations have pursued policies of budget austerity and have relied heavily on external funds to finance reconstruction. Current expenditure budgets have risen very slowly (some Ministries have actually seen no growth in their budgets for 2-3 year periods), but even with relatively low growth rates problems of fiscal deficit remain. Unless the government decides to increase revenue generation efficiency it is likely that resources will remain scarce and competition for those resources will be intense. Without a strong advocate for resources, municipalities may actually see their share decline.

Although a legislative decree in 1997 authorized transfers of revenue of up to 6% of the national budget to the municipalities through ISDEM, that amount has yet to be met through national budget resources. Current budget resources account for two-thirds of the transfers while external funds allocated through FISDL account for the remaining third. Although transfers from the national budget are not substantial in either comparative or absolute terms,[9] they nevertheless

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[8] According to the most recent figures of FUSADES, the fiscal deficit for 1999 was on the order of 3%. See FUSADES, "Informe Trimestral de Coyuntura, Cuarto Trimestre de 1999." Fundación Salvadoreña para el Desarollo Economico y Social, 1999.

[9] It might be noted by comparison that Costa Rica and Guatemala both allocate roughly 10% of the national budget to local governments, while Honduras only allocates around 3%. Transfers for 1999 amounted to less than US$100 million for 262 municipalities. By almost any standard, such transfers do not amount to a lot of money. With a population of roughly 5.5 million, inhabitants, transfers amount to less than US$20 per capita.

account for a significant part of the smaller municipalities' budgets. Larger municipalities are able to finance a significant proportion of their needs through their own efforts.[10]

While the transfers are a step toward greater solvency, they do not address the problem of financial autonomy for municipalities. With transfers, the local governments still remain dependent on the national government. Although local governments generate revenues through local taxing authority (mostly for user fees, licenses and the like), they are impeded from expediently increasing revenues through the rate increases because of the requirement to secure approval from the Legislative Assembly to modify those rates.[11] The Legislative Assembly has shown little interest and even resistance to assisting municipalities in improving their taxing power. One deputy pointed out that most initiatives presented by the Municipalities to modify their tax rates do not prosper.[12] A legislative proposal presented two years ago by the Municipality of San Salvador has yet to be approved.

The application of political criteria to the distribution of transfers to the municipalities may also represent another impediment to democratic local governance. Although based on preliminary data, according to a recent study by FUNDE, eight of the ten municipalities with the least amount of transfers per capita received were those governed by opposition parties.[13] The study points out that actual transfers do not appear to correlate with either population, actual income generation capacity of municipalities, or relative poverty. Though the study argues that the criteria applied to the transfers are not transparent and "mostly inspired by political party interests" it also notes that would it not necessarily be any different were the opposition in power.[14]

Most interview subjects pointed out that even if transfers were raised and delivered in a timely manner, it would not be sufficient to meet resource needs of municipalities. However, the most commonly suggested solution, the imposition of some sort of a property tax (El Salvador is the only Central American country that does not have one) appears to be out of the question. There do not appear to any active advocates for the property tax – indeed, municipal mayors through COMURES, who would benefit most by the income generated by the tax, do not directly

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[10] According to a study by Cordova and Lara, those cities with more than 80,000 inhabitants finance nearly 80% of their needs, while San Salvador finances over 98% of its needs. See Ricardo Cordova Macias and Carlos Benjamin Lara, **Centroamerica: Gobierno Local y Participacion Ciudadana.** San Salvador, FLACSO y FundaUngo, 1996, p. 86.

[11] COMURES has proposed creation of a regulatory framework for municipal taxing authority. Such a framework would eliminate the need to present a proposal to the Legislative Assembly each time the Municipality needs to modify the local tax scheme. See COMURES, "Acuerdos y Propuestas de los 262 Gobiernos Municipales en el XV Congreso Nacional de Alcaldes" (Septiembre, 1999).

[12] According to one member of the Comision de Asuntos Municipalidades of the Legislative Assembly, the main reason for the failure of such initiatives is that they are poorly prepared and do not meet the legal/procedural requirements for presentation of bills before the legislature. A relatively modest initiative aimed at improving skills in preparation of tax bills for municipalities would be rather useful.

[13] See Marcos Rodriguez, "A Proposito de la Transferencia del 6% a las Municipalidades" in **Alternativas para el Desarrollo,** No. 60, (Septiembre – Octubre, 1999). Rodriguez reports that in these municipalities transfers amounted to less than US$5 per inhabitant.

[14] Ibid., p. 16.

advocate for its promulgation in the proposals made at their most recent Congress (September, 1999).[15]

3. **Local Administrative Capacity Obstacles:** One of the more common arguments used against decentralization and democratic local governance has been the relatively low administrative capability at the local level. Most municipalities in El Salvador are fairly small and have few employees. According to Cordova and Lara, Approximately 45% have five or less employees.[16] Salaries tend to be very low. Similarly, education levels also tend to be low with slightly over one-half of all mayors with a primary school education or less. Similar education levels are also reported for municipal employees. Although the problem seems to be diminishing, there reportedly remains relatively high turnover of municipal employees. The absence of a "civil-service" protection makes them vulnerable to the whims and patronage interest of a new mayor. There is also significant turnover among municipal secretaries (often the municipality's chief administrative officer) but the impact of this turnover is somewhat mitigated at least in the larger municipalities by the fact that if a secretary is fired (or is not hired by an incoming government), it is usually possible to find employment in another municipality – so that skills are not entirely lost.

Another significant problem is the lack of sound administrative systems for municipal government. There are no standardized information systems in place. COMURES has argued for the creation of a modern information system and data bank on municipal laws in its recent XV Congress. Municipal financial systems and accounting follow no particular standard, and according to some observers, are not even auditable because of the absence of general accounting systems. An integrated financial administrative system for municipalities (SAFIMU) has been under development for several years but is still some distance from full implementation. For SAFIMU to be implemented, local records and information systems will need to be improved. However, record keeping is frequently very haphazard, as evidenced by the fact that in several of those municipalities which received assistance from the RTI project, tax collections improved dramatically simply as a result of TA efforts to bring records (particularly the catastros) up to date.

Noting the widespread deficiencies in local administrative capacity, the Red de ONGs para el Desarrollo Local has suggested the creation of "Centro de Formacion de Recursos Humanos para el Desarrollo Local. The Centro would involve the collaborative effort of COMURES, the executive branch, universities, NGOs, and educational service organizations, and would be partly financed by a percentage contribution from each municipality's budget. [17] While certainly an interesting idea, the Centro does not seem to have yet incited sufficient interest to convert it into reality.

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[15] There is currently some effort underway to expand tax options for municipalities, including that of the "impuesto cucucho" akin to a surtax on income tax to be distributed to municipalities. USAID has assisted in some initial dialogue on these options.

[16] See Cordova and Lara, op. Cit., pp. 75-78.

[17] Red de Desarrollo Local, "Avances en la Construccion de Propuesta para Impulsar el Desarrollo Local y la Descentralizacion del Estado en El Salvador", San Salvador, August, 1999, p. 8-9.

It should be noted that the inadequacy of administrative skills at the local level is both an obstacle and an excuse. It is an obstacle because it will be impossible to devolve authority without due capacity to actually take on increased responsibility. It is also an excuse to not directly address the issues of decentralization – the argument being that while there is a lack of capacity, there is little point in trying to devolve authority.

4. Legal Constraints: At first glance, the Codigo Municipal appears to provide ample and flexible powers to the municipality. However, those powers are sharply limited by a) the problem of super-position of national authority or prerogative in many of the municipality's defined functions, and b) the absence of adequate mechanisms for generation of resources and the consequent need to recur to the assistance of the national government.

Under Article 4 of the Municipal Code of 1986, twenty-eight functions or "competencies" are established for municipal governments. These functions are broad ranging and, at least appear to be sufficiently general to include most activities that might be demanded of and carried out by a municipality. A study by FundaUngo nevertheless, points out that a series of laws and reforms enacted since 1986 have created confusion, conflicts in functions, and in some cases duplication of functions between the municipalities and the central government of El Salvador.[18] For instance, while the municipality is given the function of "elaboration, approval, and implementation of urban and rural development plans", the same function has been conferred on the Vice Ministerio de Vivienda y Desarrollo. Similarly, the municipality is responsible for establishment and maintenance of the civil registry, but a law promulgated in 1995 (but not yet implemented) confers that function and authority on the Registro Nacional de Personas Naturales.[19]

Although there is clearly some degree of confusion with regard to who has direct authority in what area, it can also be asked if this is really as serious a barrier as is argued by some. It should be noted that this is one of the primary arguments used to support initiatives to develop a new "marco legal" to clear up perceived inconsistencies and duplication. But it should also be noted that the current Codigo does allow the municipalities a broad range of functions, many of which aren't actually carried out by anybody. Rather than spending significant time and energy in developing a new and presumably clear "marco legal", negotiated solutions to those duplications that actually occur might well be considerably more efficient and less costly – especially given the difficulty of getting new legislation passed. More specific reforms, such as equipping the municipality with the authority (through a specific law) to modify local tax rates as needed would significantly improve municipalities resource capacities and allow them to actually take on the functions provided to them in the Codigo.

Laws and constitutional authority regulating political/administrative divisions of El Salvador represent another obstacle to more effective decentralization and democratic local governance. While divided into 262 municipalities and 14 departments, the latter have virtually no legal or administrative authority. In practical terms, the national government deals directly and almost

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[18] Ibid., pp. 65-74 passim.

[19] FundaUngo and Friedrich Ebert Stiftung, "Codigo Municipal Explicado", San Salvador, 1998, pp. 6-8. An extensive table in Cordova and Lara, op. Cit., illustrates myriad potential overlaps or duplications of authority between the municipalities and the central government.

exclusively with the municipalities. However, nearly one-half of those municipalities have less than 10,000 inhabitants (often too small and too poor to be able to effectively meet inhabitants' needs – there are actually several municipalities with a population of less than 1000!). Although the problem of inefficiencies of 262 municipalities has long been recognized and though there is and has been political rhetoric promoting political- administrative reorganization,[20] there has been scant movement or political will in that direction. In the meantime, ad-hoc initiatives such as the Consejos Departamentales de Alcaldes (CDAs), which attempt to combine forces of several municipalities within a department to solve problems, are hampered from acquiring greater effectiveness and from fulfilling their promise,[21] (for instance, funds can only be transferred to the municipality and not through the CDA, and decisions made by the CDAs are not legally binding on the participating municipality.) Similarly, while there has also been progress in the formation of "micro-regiones," these initiatives (like those of the CDAs) rely entirely on the good-will of the alcaldes and municipalities involved.

5. **Lack of Constituency for democratic local governance:** At this point there does not appear to be an organized and capable constituency for democratic local governance. Efforts have been made in the past to develop and mobilize efforts in decentralization. Beginning in 1991, a series of meetings, dialogues and workshops were held in order to generate support for decentralization and municipal development. This culminated in April, 1993 when President Cristiani authorized the creation of the Consejo Tecnico de Descentralizacion y Desarrollo Municipal (CDM), composed senior policy makers, to manage the descentralization process. A draft action plan for implementing descentralization was prepared, but after the Calderon Government took over in 1994, the initiative began to lose momentum. The CDM was disbanded and the government's effort at decentralization was abandoned.

With the emission of the Flores' government plan and declaration of "La Nueva Alianza", there is some optimism that a new high level constituency for decentralization and municipal development is being created. However, it is much too early to tell whether in fact this new effort will gel. Though the FISDL has been designated the rector for local development, and a preliminary strategy (the Estrategia Nacional para el Desarrollo Local) which includes decentralization has been proposed, activities need to be operationalized, and sources of funding need to be specified. Similarly, it is not entirely clear how broad or deep the support for local development and decentralization is among key political actors and decision-makers. At this point, much of the discussion appears to be confined to donors, a narrow segment of government (FISDL and the Secretaria Tecnica de la Presidencia), COMURES, and NGOs with interests in issues of local development and decentralization. Notably absent are the party leaders and/or key elements of the legislative assembly who will be key to passage of necessary legal and resource enabling legislation. It would appear that expansion of the constituency for reform is vital.

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[20] Recognition of the need for reorganization can be found in the resolutions of the 15th COMURES' congress (COMURES, op.cit.); in the Flores government's "La Nueva Alianza"; the Estrategia Nacional de Desarrollo Local, the Plan de la Nacion; and in the Red de ONGs para el Desarrollo Local's "Avances en la Construccion de Propuesta para Impulsar el Desarrollo Local y la Descentralizacion del Estado en El Salvador", op.cit.

[21] The CDA initiative has been heartily endorsed by COMURES, and there are apparently an increasing number of successful cases. There is some optimism that these initiatives will be able to provide some greater momentum for administrative territory reform.

While the current initiatives may have deficiencies, it is important to note that there is, in fact, a renewed interest in decentralization and local development at the highest level of the government. However, if this interest is to prosper, then measures should be taken to strengthen and capitalize the existing support and to seek means for amplifying the constituency. If the existing base of support is not expanded and if key political actors and decision-makers are not recruited to the cause, then these new initiatives may well suffer the fate of those in 1993.

6. **The centralized nature of the decentralization efforts:** Interestingly, most of the recent efforts in the area of local government decentralization have been organized from and directed by institutions or organizations at the center. If there has been any serious effort from below it has been largely, if not entirely, unapparent. While only intended as an observation, the lack of bottom up initiative for decentralization is striking. Some municipal government's in El Salvador have sought greater freedom or autonomy (especially with regard to levying local taxes and modification of user rates for services) but it has usually been on an individual basis with no intention of changing the centralized nature of the local – national framework.

The most recent efforts at decentralization are or have been driven from the center. The current designated rector for decentralization, FISDL, is attached to the Presidency. Its primary relationship to the local level has been as a source and channel of (external) funds for the execution of projects (mostly infrastructure). To what extent it is equipped to actually operationalize and implement the decentralization mandate of the La Nueva Alianza remains to be seen. It does not appear to have been provided additional resources commensurate with the scale of leading a serious decentralization effort, nor does its organizational culture necessarily speak directly to the needs and problems of decentralization or democratic local governance.

It is expected that the Secretaria Técnica de la Presidencia will also play a role in the Flores government effort in decentralization through its more general role of "coordinator"of the implementation of the government's plan. However, since the Secretaria's general role is one of coordination and policy assistance rather than one of execution or policy implementation, it is unclear just how effective it might be in implementing a decentralization effort. Earlier efforts, such as that of the Cristiani government's CDM were also highly centralized – the CDM was attached to the President's office. But as noted before, this effort was unable to widen its constituency and ultimately failed.

A variety of NGOs and think-tanks have also become closely involved and engaged in advocating a decentralization/democratic local governance agenda. Perhaps most notable among these are the six members of the Red de ONGs para el Desarrollo Local, including FUNDE, FUNDAMUNI, FUSAI, FundaUngo, FLACSO, and SACDEL. However, it is unclear that these NGOs or think-tanks actually represent any interests at the local level. They have clearly played an important role in organizing the debate and in maintaining the visibility of the decentralization issue but again, they do not represent municipalities or other local interests. They provide significant intellectual capital, but they do not appear to have significant political influence – at least with respect to critical decision authority.

Finally, the other, and perhaps most important set of players in the decentralization debate are international donors and financial institutions. As the democracy and modernization agendas have achieved greater currency among these institutions, increasing numbers of projects have

been developed which either seek to increase the capacity and capabilities of local governments or which seek to increase momentum toward decentralization. For instance, most, if not all of the impetus for decentralization of water services which is frequently cited as one of the most promising areas for decentralization, has come fromUSAID and from the Inter American Development Bank. Much of the interest in and funding for improving local government capabilities has come from USAID, GTZ, and the UNDP. It should also be pointed out that much of the work of NGOs cited above is also funded by the donors.

7. **Cultural Constraints:** It is important to remember that decentralization or democratic local governance has never really existed in El Salvador. El Salvador always has been and continues to be highly centralized in virtually all facets of society. Attempts at growing vibrant civil society organizations, or alternative channels of demand aggregation have met with lamentably little success. The burst of opposition demand through labor unions, cooperative associations, and peasant organizations in the late 1970s and early 1980s was met with brutal repression followed by a war that effectively stamped out most, if not all progress made. Expression of opposition or dissent has rarely been encouraged in El Salvador. That can be clearly seen in the lack of plural representation on the municipal councils as well as in the emphasis on unity represented by such phrases as "concertacion"[22], and "responsible opposition". Tolerance of other points of view is only just beginning to be felt as a guiding social behavior. Negotiation too, is a relatively new concept. But even here the winner-take-all is often preferred to more satisfying solutions in which each party must concede something. Some of the lessons from the successes of the Peace Accords have yet to become fully entrenched.

Perhaps more importantly, it is useful to look at the construction of organization's in general and the role of the organization's leader to better understand part of the barrier to decentralization. Private firms are almost never opened to the public – they generally remain staunchly in the hands of the family that founded the firm (this can easily be noted in the failure of most Latin American stock markets to attract public stock offerings). But the private sector is not alone, even in non-governmental organizations founded to deliver social services, leadership frequently tends to be elitist, and decision-making top down. There are, of course, many exceptions to the pattern of highly centralized organizations, but they do not appear to have generated a sufficient critical mass to provoke major changes in the overall pattern.

While there is clearly a renewed interest in decentralization and democratic local governance, serious and numerous obstacles remain. The issue has yet to achieve a powerful, decisive constituency, and the current leadership is new and unproven. There are relatively few resources that can be applied to implementation, and political barriers of lack of support from either the political parties or legislature will require clever strategies to surmount. These daunting challenges notwithstanding, there are ongoing efforts toward decentralization being piloted and tested. Some of these experiences may well hold promise for efforts that the current government appears committed to undertake. We will now turn to a more extended review of recent experiments in decentralization. The section will conclude with some ideas on how to sustain and expand on some of these experiences.

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[22] While "concertación" is generally meant as consensus, the term has come to mean different things to different people and not infrequently it is used in the sense of unanimity

III. PERSPECTIVES FOR A PROCESS OF DECENTRALIZATION IN EL SALVADOR

In a recent study on decentralization policies and proposals in El Salvador, it has been indicated that despite the ample rhetoric on the subject, little advance has been made: (a) formulation of several proposals both by government as well as non-government organizations, that to date have remained only on paper; and (b) rather, there are few pilot experiences of a sectorial nature with interesting results[23]

From the start of the Flores administration, decentralization has become a strategic subject in the national agenda. The majority of the people interviewed, as well as the government sector - central and municipal-, as well as members of civil society (NGOs and community organizations) have defined the present opportunity of no elections during the next three years as positive for the reforms needed for an effective decentralization.

The opportunities for decentralization under present conditions, according to the people interviewed, are based on the following aspects:

- The execution of the citizens consultation in 1998 within the framework of the Plan de Nación, where the principles in favor of decentralization were discussed and supported.
- The proliferation of embryos of citizen participation. The constitution of mechanisms for citizen participation in more than half of the municipalities are some of the positive actions toward change, taking into consideration the lack of a tradition of citizen participation in local governance.
- Organizations of civil society that have been proposing the reform of the State and, more specifically, lobby in favor of a process of decentralization and strengthening of citizen participation; for which they contribute with studies and proposals for general discussion.
- During the same speech of inauguration on June 1, 1999, President Francisco Flores stated: "I pledge to begin a rational and gradual decentralization of the potable water systems, according to the local installed capacity".[24]
- The conformation within the national government of a sector that lobbies for the Reform of the State through the Government Program (1999-2004) *"La Nueva Alianza"*. This proposal contemplates decentralization as the core of its actions.
- The position adopted by the XV National Congress of Mayors, 27-28 of September, 1999.
- The preparation of the National Strategy for Local Development (ENDL) on the part of FISDL and the Consulting Group, and its approval by the Government, that proposes the launching of a process of decentralization and de-concentration.

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[23] Lic. Victor Antonio Orellana. *Las Políticas y Propuestas de Descentralizacin en El Salvador.* FUNDAUNGO, FLACSO-El Salvador Program and CASC-UCA, San Salvador, June 1997.

[24] La Prensa Gráfica, June 2, 1999.

- At the beginning of this year, the Technical Secretariat of the Presidency of the Republic of the Government of El Salvador, started circulating a document titled: "Policy of Decentralization", which has three components: (a) the conceptual framework; (b) the principles that must rule the process of decentralization; and (c) the general guidelines for the policy of decentralization.

An intermediate approach to decentralization:

The existence of a government program that favors decentralization of basic services is a positive fact, although by itself it is not sufficient to drive this type of deep process of reform of the state that contemplates decentralization. In the above section we have identified the main obstacles to give impulse to this type of process, and it is necessary to insist that the principal political forces are reluctant to decentralization.

For this reason, an intermediate approach is aimed at identifying the basic public services where it is possible to pin point the changes in the modes of administration that will allow levels of decentralization or privatization. In the potable water sector, an institutional interest of the sector is perceived and ongoing pilot projects that could achieve a more profound decentralization of the services.

Decentralization of the potable water services

Since a few years ago, the National Administration of Aqueducts and Sewers (ANDA) started a process of institutional reform, that has moved the Salvadoran Government to negotiate a loan with the Interamerican Development Bank (BID) for the modernization of the sector of hydric resources.

The loan, in the amount of $60 million dollars, to be executed in a period of 5-6 years, has three components: (a) to support the process of reform at the level of the sector of hydric resources, basically within the legal and institutional framework; (b) the sub-sector of potable water and sanitation; and (c) the institutional reform of ANDA.

Under the Flores administration, pilot processes have been started for transference of the administration of the water services under different modalities: (a) the case of tetralogy represents an experience of associated municipalities; (b) the case of the municipality of San José Villanueva; and (c) private actors in the case of Plan de la Laguna, where no municipal government participates. In all these cases an agreement was signed between ANDA and the counterpart responsible for providing the service.

In the opinion of ANDA's authorities, these processes of decentralization must be made gradually, so they can be corrected as they develop. In the first stage the object is to transfer less complex systems (in terms of size and technology). The object is to decentralize the management capacity of the water system, since due to the limitations of the existing law the infrastructure cannot be transferred.

Recently, the Legislative Assembly ratified the BID loan, and it is expected that its execution will begin shortly. The most sensitive theme is the reform of the legal and institutional framework of the hydric sector. Nevertheless, starting the process of reform will generate

conditions that will allow ANDA to continue with the process of decentralization of the water systems.

Some possible approaches for assistance:

The ratification of the loan and having left the elections behind, make it possible to anticipate that the subject of reform of the hydric sector will enter the legislative agenda soon. This will generate a scenario where two possibilities could open for USAID technical assistance, that could complement the main effort of BID in support of the reform of the hydric sector; (a) the work with the different factions in the Legislative Assembly for discussion and approval of the new legal and institutional framework; and (b) the support to the process of transference of ANDA's water systems to the municipalities, for which two kinds of activities may be contemplated: (1) to accompany the preparation and delivery of the water systems that are to be decentralized, and (2) to accompany the municipalities that will receive them.

In addition, it is advisable to continue supporting the strengthening of COMURES as an association of mayors, so that it will become a pivotal point for the decentralization and a valid speaker at a national level.

IV. GOVERNMENT INSTITUTIONS THAT INTERVENE IN THE SECTOR OF LOCAL DEVELOPMENT

1. **Social Investment Fund for Local Development (FISDL).** At present the FISDL executes projects of basic social and economic infrastructure in the 262 municipalities across the country, through different programs, specially with the Economic and Social Development Fund of the Municipalities (FODES); in addition it is at present executing training projects at a community level (use and maintenance of the projects) and at a municipal level (specially with the objective of transferring responsibilities in the cycle of the projects). These projects are being developed mainly in the rural areas of the municipalities of the country (about 65% of them in the rural areas).

With the change of government on June 1, 1999, a process of transformation of the FISDL has been initiated. During the XV National Congress of Mayors, in September 1999, President Flores outlined his vision of a new role for FISDL in which it coverts from an entity that executes projects into a normative entity and with a direct link between FISDL and the Presidency. Likewise, the President gave instructions for the preparation of a National Strategy for Municipal Development. A month later, FISDL and the "Consulting Group" presented a proposal for a strategy that was later approved by the President. At present, FISDL is in a process of reorganization, in a negotiation for new financing from international banking, and the practical application of the "National Strategy for Local Development".

The operational costs of FISDL are covered by the general budget of the nation; while the funds for investment come from loans from international financial institutions (BID and KFW, mainly). Using the ENDL as a basis, FISDL is seeking to negotiate with the cooperators a "package" of aid for a large amount and for a period of five years.

Due to the rigid nature of the General Budget of the Nation, despite the fact that the Law of FODES establishes that 6% of the budget must be transferred to the municipalities, during 1998 almost one third was provided by FISDL using funds from the loans signed with international financial organizations. At the end of the fiscal year 2000, 739 million for FODES will come directly from the current income of the budget and 140 million through FISDL. That is, about 85% of FODES is being financed with current income from the budget. The projection and commitment of the central government is that by the year 2001 100% of FODES will be budgeted directly from current income in the general budget of the nation.

2. **Presidential Commissioner for follow-up on Public Investment.** The new Flores administration created the figure of Presidential Commissioner for Public Investment, to "coordinate the principal activities of government institutions that handle social works, with the municipalities and others that require it".[25] The Commissioner is the representative of the President to assist the municipalities with regard to the public investment projects. His function is not more than that of intermediary, to present to the mayors the projects that the government has programmed for their municipalities, and listen to the concerns and questions of the mayors and present them to the institutions of the central government and then respond to them. He has no capacity for decision on the resources of the budget or to approve projects. The Commissioner also participates in the Integration Committee for Progress and the National Committee for Public Investment.

3. **National Public Safety Council.** The National Public Safety Council was created during the past Calderón administration, and in the new Flores administration it has been reorganized as an advisory instance to the President in matters of public safety. The Council does not receive outside financing, and has very few resources of its own provided by the central government. Its purpose is rather that of depending on the different government offices that intervene in the public safety sector, o that can cooperate with it.

One of the priorities of the Council has been to prepare and implement a strategy of public safety, with greater emphasis on social prevention of delinquency. In this framework, some pilot projects have been proposed that seek to mobilize the citizens at a local level and in coordination with some municipalities, to solve some of the local safety problems.

4. **Salvadoran Institute of Municipal Development (ISDEM).** According to the law, ISDEM is the only government institution responsible for providing technical assistance to the municipalities. ISDEM performs three basic functions: (a) provides technical assistance to the municipalities; (b) channels transfer from FODES to the municipalities; and (c) gives credits or serves as reference (guarantor) for credits requested by the municipalities.

During 1999, the two principal external cooperators that ISDEM had are GTZ and USAID. German cooperation through the PROMUDE/GTZ Program has included activities such as (a) development of a method for Participatory Municipal Planning; (b) formulation of the Guide for Participatory Municipal Planning; (c) design and application in pilot form of the System of Integrated Financial Municipal Administration (SAFIMU); (d) development of a system of

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[25] See text of the intervention of Lic. Ricardo Orlando Valdivieso, Presidential Commissioner for Follow-up to Public Investment, in XV National Congress of Mayors.

municipal indicators and (e) technical assistance in the improvement in rendering basic services. The United States Agency for International Development, through the "Project of Municipal Development and Citizen Participation" (PDMPC) has provided assistance to ISDEM.

The principal projects executed by ISDEM with PROMUDE/GTZ and USAID resources are: 1) the pilot project for implementation of SAFIMU in Juayua (5.9 million colones), 2) the project of promotion and replication of SAFIMU (5.3 million colones), 3) Integration of the System of Municipal Indicators (383 thousand colones), and 4) the counterpart project USAID No. 519-0388 "Municipal Development".

During the last few years, some sectors have questioned the role of ISDEM as mediator for the transfer of the 6% to the municipalities. In the XV National Congress of Mayors there was a debate on should the delivery of the transfer be the competence of ISDEM or of the Ministry of Finance. More important than the institution that effects the transfer, "is that the one designated performs the transfer immediately and automatically when the funds are received from the national treasury". The key point is that it is requested that 100% of the transfers come from the current income of the General Budget of the Nation, so that FISDL would no longer intervene in this process and, therefore, its capacity as regulatory entity will be diluted.

In the view of the new Flores administration, it is not yet clear what type of transformation or redefinition is proposed for ISDEM. So, in his speech before the XV National Congress of Mayors, President Flores stated: "We want to return ISDEM to what are its roots and its main function; we want to make ISDEM the entity that technically supports in a voluntary relationship between you and that institution for municipal strengthening".

5. **Technical Secretariat of the Presidency.** The Technical Secretariat of the Presidency was created by President Flores with the object of providing follow-up to the execution of the Government Program, for which it has as responsibility the articulation of the work of the different Committees in which the Ministries participate.

At the beginning of this year, the Technical Secretariat of the Presidency of the Republic gave a positive sign of interest on the subject of decentralization when it issued its "Policy of Decentralization", which "provides basic guidance to the institutions that must initiate or continue with this process, which is a commitment of the present Government, according to strategic guidelines set forth in the 1999-2004 Plan. This "Policy of Decentralization" defines the conceptual framework and the general guidelines.

6. **Corporation of Municipalities of the Republic of El Salvador (COMURES).** The Corporation of Municipalities of the Republic of El Salvador (COMURES) is not a government body, but it is the association of municipalities of El Salvador. Nevertheless, because of its importance, it has been decided to include it in this brief diagnosis of the institutional framework for local development.

In the bylaws of 1996 three objectives are defined for the Corporation: (1) To contribute in an active manner to the defense and strengthening of the municipal autonomy and competence and help constitute in El Salvador a democratic and participatory society; (2) To promote and consolidate the process of reforms that lead to financial, economic, political, functional and

administrative decentralization of the State; and (3) To propitiate for the municipalities of the country, an updated juridical legal framework.

Starting with the work done since 1991, "COMURES" has manage to stand out as the pluralistic association of municipalities, with an important level of legitimacy among its members and before the principal actors of the political system".[26] The participatory manner in which the National Congresses of Mayors, which is the highest body and the maximum authority of the Corporation, are prepared and carried out contributes to the pluralistic representation of Mayors.

The principal programs/projects in execution by COMURES, are the following: The PROMUDE/GTZ program by which the strengthening of the COMURES association is supported; USAID through the "Project for Municipal Development and Citizen Participation"; the UNICEF program for Basic Integrated Services (PSBI) aims at strengthening the local administration capacity in 27 municipalities of Usulután, San Vicente and Cabañas in the formulation of participatory plans for development; the Program of the United Nations for Development (PNUD) to train municipalities in the planning process, administrative functions and service functions, and train the CDAs of San Salvador, San Miguel, La Libertad and Santa Ana in lobbying; cooperation Programs of the Swedish Ecumenical Action (DIAKONIA), the Foundation for Local Development and Municipal Strengthening of Central America (FUNDEMUCA), and the Spanish Agency for International Cooperation (AECI) –in the areas of financial assistance and technical capacity to the municipalities.

7. **Commission for Municipal Affairs in the Legislative Assembly.** During the present legislature the Commission for Municipal Affairs was created as a permanent commission within the Legislative Assembly, having played a role as a channel for dialogue with the mayors on municipal subjects. In particular, this Commission has played a role of prime importance on the occasion of the approval to the reforms to the FODES Law, to increase the transference to the municipalities to 6% of the budget. One of its limitations has to do with the newness of the Commission and its limited technical support.

Assessment of the whole

Despite the presence of important actors and considerable resources involved in the subject of decentralization and local governance, there is still a strategic approach to the whole. The actions in this area tend to be disperse and carried out without great coordination. Part, if not in great measure, of the problem lays in the lack of a defined leadership. If ISDEM was the institution with the greatest influence with regard to local development, this role is already being revised. At the same time, it cannot be affirmed with absolute clarity that the new designee, FISDL, can fill the void.

[26] For an analysis of the strengths and weaknesses perceived in COMURES, see Ricardo Cordova Macias and Leslie Quiñonez Basagoitia, "The actual Situation of local associationism: the case of COMURES". San Salvador, FundaUngo, Working Document, February, 1998.

Valoración de conjunto

A pesar de la presencia de actores importantes y recursos apreciables involucrado en el tema de descentralización y gobierno local, aun no existe un enfoque estratégico del conjunto. Las acciones en esta área tienden a ser dispersas y llevados a cabo sin mayor coordinación. Parte, si no en gran medida, del problema se estriba de la falta de un liderazgo definido. Si ISDEM fue la institución con mayor peso en cuanto al desarrollo local, este papel ya esta siendo revisado. Al mismo tiempo, no se puede afirmar con claridad absoluta que el nuevo designado, FISDL, podría llenar el vacío.

En el momento en que se ha realizado este trabajo de consultoría, se concluye que hay una relativa indefinición sobre el marco institucional para el sector municipal/desarrollo local, por dos motivos: (a) próximamente habrá elecciones que van a cambiar la composición de la Asamblea Legislativa y por lo tanto la integración de la Comisión de Asuntos Municipales; y también hay elecciones para Alcaldes y Consejos Municipales, por lo que habrá cambios en los Gobiernos Locales y en la integración de COMURES a partir del 1°. de mayo próximo. (b) La instalación del nuevo gobierno (1°. de junio 99) esta implicando una redefinición /reorganización del marco institucional gubernamental, sin que este proceso este claramente definido ni completado.

V. STATUS OF CITIZEN PARTICIPATION IN LOCAL DEVELOPMENT [27]

This section provides an overview of the types of activities in support of greater local-level participation currently being undertaken by government agencies, NGOs and municipalities, and the issues identified with respect to these activities.[28] The first sub-section reviews citizen participation in the USAID-supported Municipal Development and Citizen Participation project, followed by a sub-section on similar activities supported by other agencies. The final sub-section reviews the various strategies and frameworks for participatory local development which are being discussed or developed in El Salvador.

1. The Municipal Development and Citizen Participation Project[29]

The Municipal Development Project (519-0388) was amended and extended in 1996 to become the Municipal Development and Citizen Participation Project. The original design incorporated a policy reform component, which included support for reforms to broaden citizen participation, including pluralistic representation on municipal councils and other electoral reforms, as well as measures to strengthen the fiscal autonomy of municipalities. The component on local

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[27] The scope of this assessment does not allow for setting the historical context of participation. Annex 3 includes a very brief synopsis of the context as well as some definition of the range of participation. For more information on context, please refer to Crosby, et al, op. Cit., and to citations on participation therein.

[28] Annex 3 briefly discusses the historical context of participation in El Salvador and provides some broad definitions of participation.

[29] Because of the Mission's stated interest in "demand" issues and the citizen participation/democracy component of the Municipal Development and Citizen Participation project, no direct assessment of the technical assistance component is undertaken in the body of this report. A brief assessment of the component is found in Annex 5.

democratic development sought to build on the experience of the Municipalities in Action program with *cabildos abiertos,* and particularly stressed the importance of open municipal council meetings. The project paper stated that all municipalities selected for assistance would be required to open to the public all council meetings that deal with budget issues and project prioritization and selection.[30]

The 1996 amendment essentially retained the goal, purpose, and the three components of the original project, but revised the End of Project Status (EOPS). The revised EOPS substituted more limited objectives than those envisioned in the original project paper, which presupposed attainment of policy reforms in support of greater local democracy and financial autonomy.[31]

Policy Reform and Formulation. While dialogue on policy reform has continued over the life of the project and various proposals have been made, the reforms particularly relevant to strengthened citizen participation have yet to be accomplished. Reforms to provide for independent mayoral candidates and opposition participation on municipal councils have not been achieved. Though council meetings were to be opened by the end of the project, RTI has reported virtually no success on this objective. However, two of the four project-assisted municipalities visited (San Antonio del Monte and Puerto El Triunfo) did report that some council meetings are open.[32]

The limited progress in achieving policy reform is a severe constraint to increased citizen participation and citizen ability to demand government accountability. Reforms are needed to enhance motivation to participate, broaden the scope for local decision-making, and increase the extent to which all citizens and points of views are represented at the local level.

Local Democratic Development. The pilot phase of the MDCP project focused on participation to promote financial transparency, willingness to pay taxes and fees, and improve customer service by municipalities, rather than on increasing a citizen sense of being stakeholders in local government and influencing local decisions, according to the 1996 interim evaluation.[33] Subsequently, the project has significantly advanced citizen participation through support for participatory planning mechanisms, in the form of local development committees (LDCs)[34], created to involve citizens in planning municipal projects and investments. Participatory planning has taken participation beyond the *cabildo abierto*, which only provided a periodic forum for expressing needs and wishes. While municipal councils retain final decision authority, the participatory planning process provides a mechanism for citizen discussion and prioritization of needs, and for discussion and negotiation with mayors and municipal councils to facilitate adoption by the councils of these participatory plans. The project has supported participatory planning processes in 28 municipalities.

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[30] Municipal Development Project Paper (519-0388), 1993, pp. 34, 41-42

[31] Municipal Development and Citizen Participation Project (519-0388) Amendment, 1996, pp. 3-4

[32] Interview data

[33] Cambridge Consulting Corporation, Interim Evaluation, Municipal Development and Citizen Participation Project, August 1996, pp. vii-viii

[34] For convenience, the term LDC is used to refer to the local participatory planning process, be it called the Consejo para Desarrollo Local, Comite para Desarrollo Local, etc. It should also be noted that since 1996-97, installation of participatory planning processes has been a requisite part of RTI's assistance package.

The participatory planning process is convened by the Mayor, who invites members of the community to form the LDC. LDCs are usually made up of representatives chosen by the various communities in the municipality or, in the case of large municipalities, representatives by districts or zones. Not infrequently, the representative is also president of one of the cantonal or district community associations (*Asociacion para el Desarrollo Comunal*, ADESCO[35]). Some LDCs have scattered representation of sectoral groups, including cooperatives, youth, women, etc. Participation appears reasonably representative geographically and a few LDCs provide for specific representation for youth and women. Women are involved in the leadership of some LDCs, but are still at a substantial disadvantage compared with men. A number of LDCs have had gender training, and interest in creating appropriate conditions and promoting women's equal participation was spontaneously mentioned by a number of those interviewed. Results of such efforts, however, have not yet been assessed. Participation by *gremios*, cooperatives and private sector interests was also mentioned during field visits, though to a lesser extent. Finally, one or more members of the Consejo Municipal may participate in the LDC, although this is not always the case. Members of the LDC usually, though not always, elect a board of directors. Municipal officials may also be members of the board.

Considerable enthusiasm for citizen participation and participatory planning of municipal projects and investments is evident in some project municipalities, both on the part of LDC members and mayors and other municipal officials, although the degree of success has varied substantially among municipalities. In certain cases, enthusiasm has generated other collaboration. In Puerto El Triunfo, The LDC and municipal government identified unemployment and the need for additional income sources as key issues, and developed a project to attract and facilitate local tourism.

Issues. Local participatory planning mechanisms are generally top-down. The scope of participation is limited and product driven (development of the investment plan) leaving the role of the LDC somewhat unclear once the plan is completed. There has been little emphasis on participation in implementation and oversight. Tight deadlines for producing the plan limit development and consolidation of participatory processes. Local participatory processes have been labor-intensive and due to lack of local expertise in process facilitation require extensive use of external facilitators. Many LDCs are dependent on municipal governments to cover operating costs, provide meeting space, issue meeting notices, etc. Some risk becoming instruments of the municipality rather than independent voices. This dependence increases the potential for politicization, may limit minority participation, and poses a survival risk if the party in power changes. While progress has clearly been made in developing participatory planning processes, measures must be taken to consolidate these gains.

Lack of realism regarding municipal resources presents a serious problem for developing feasible plans.[36] If the time-consuming process of identifying needs and determining priorities for municipal activities does not result in actual improvements being made on a sufficient scale to make a difference to the communities involved, there is little incentive for continued participation.

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[35] ADESCOs are general legally constituted bodies while LDCs are not.

[36] In Suchitoto, the investment plan called for the development of projects totaling some 100 million colones over ten years while actual municipal resources for 2000 are on the order of 2.8 million colones.

Nonetheless, important groundwork has been laid by the MDCP project to increase citizen participation in local development. In addition, the project has undertaken some innovative actions, which can be built on through future USAID assistance. The shift to a more demand-driven focus (i.e., one based on work with municipalities in which conditions for effective participation are more favorable, including interest by the municipality) for the last ten municipalities assisted during the past year, resulted in greater success in promoting effective participation than in the original 18 municipalities, although they received assistance over a much longer period of time.

2. Other Experiences with Citizen Participation in Local Development

A number of other programs and institutions have supported the development of participatory planning at the local level. These include ISDEM, FISDL, COMURES, PROMUDE-GTZ, UNDP, UNICEF, and a number of local and international NGOs, either individually or in various institutional combinations. An incomplete tally as of August 1999 showed that 157 of El Salvador's 262 municipalities had either completed a participatory plan or were in the process of doing so. Most of these participatory planning processes have entailed the creation of a mechanism for citizen participation in developing municipal investment plans, usually similar to the LDCs instituted under the MDCP Project, although names and conformation of such groups vary. In the case of FISDL, the municipality is required to carry out a participatory planning process to obtain funds. It should be pointed out that many of these processes were stimulated by and/or reinforce MDCP initiatives in participatory planning.

A group of five local NGOs (*Consorcio de ONGs de Educacion Civica*) has supported a different type of citizen mechanism, called *Mesas Ciudadanas*, in 44 municipalities. These organizations grew out of groups formed to observe elections, and are comprised exclusively of private citizens. The groups are usually formed as a result of convocations by NGO promoters, who invite community leaders and representatives of local organizations, market people, businesses, productive sectors, students, professionals, etc. Although sector interests are represented indirectly, members of the mesa are there on an individual basis. The role of the mesa has expanded beyond electoral concerns to providing a channel for expressing demands, influencing council decisions and as a mechanism for municipal council accountability. Accountability is measured through the mesa's "citizen platform". Through a participatory process not dissimilar to MDCP, each mesa determines local needs and develops a platform prioritizing actions. Each group presents its platform to candidates for municipal office and asks each to sign indicating agreement with the platform and committing itself to implementation. The platform is then used as the basis for monitoring consejo actions. How these efforts are coordinated, if at all, with those of the LDCs (which exist in many of the same communities) is not clear. It would appear that clearer definition of roles and coordination to avoid duplication of effort or conflicts between such groups is needed. Development of the mesas is still in the early stages, with most still in the process of formation and platform development. How successful the mechanism will be is unclear.

Issues. Other donor assisted participatory processes have been limited largely to developing municipal investment plans, are highly product focused, and driven by external requirements. Except for the *Mesas Ciudadanas*, citizen participation processes and mechanisms have tended to become overly dependent and identified with the municipal government. While collaboration

between citizen groups and municipal officials should be encouraged, it is important that citizen groups not be co-opted or so identified with the municipal government that they cannot provide independent view of citizen demands and perspectives on local issues. Excessive dependence on municipal governments poses a sustainability risk those in power change. The *Mesa Ciudadana* model may offer a way to avoid this problem, but a more thorough look at how these groups function and evolve in practice is necessary.

3. Frameworks for Participatory Local Development

Several national initiatives which incorporate citizen participation in local development are currently underway. While it is not yet clear how (or whether) they will be implemented and coordinated, they do represent a growing dialogue on issues of national and local development and greater concern for citizen involvement.

***Plan de Nacion* (National Plan).** The *Plan de Nacion* was begun under the Calderon Sol government, and has continued under the Flores administration. In early 1997, a six-person commission was created to develop a proposal and coordinate a wide-ranging consultation with citizens and groups representing different political, social and economic sectors and interests in all 14 departments of El Salvador. The purpose of this consultation process was to identify and prioritize problems and needs and develop a shared vision and a base of support for the structural changes necessary in order to achieve national development.

The first stage identified a number of reforms needed to consolidate the transition process undertaken under the Peace Accords. Needed reforms to enhance democratic local development include pluralistic representation on municipal councils, transfer of decision authority, functions, and resources to local government, political reforms to engender accountability such as single-member districts for deputies, independent candidacies, and greater internal democracy and financial transparency within political parties. The plan states that a legal framework is needed to promote and support citizen participation in decisions and resolution of problems at all levels, as well as citizen responsibility.

***La Nueva Alianza* (The New Alliance), 1999-2004 Government Program.** One of the major components of the plan, the "Solidarity Alliance" (Alianza Solidaria) specifically mentions transfer of functions and resources to local governments; strengthening local capacity by promoting participation by communities, business enterprises, local governments and service organizations in the provision and maintenance of local services; and institutionalizing mechanisms for citizen oversight and social control of public services and local development activities. The Nueva Alianza stipulates broad guidelines – recent attempts to operationalize those guidelines are found in the:

***Estrategia Nacional de Desarrollo Local* (National Local Development Strategy), ENDL.** The ENDL is the most specific of these initiatives with respect to participatory local development. Development of the ENDL began with a framework or concept paper developed jointly by the Social Investment Fund for Local Development (FISDL), and a Consultative Group representing organizations and institutions concerned with local development. With the framework's recent approval by the government, proposals are being developed to flesh out and operationalize the strategy. Actions to be undertaken include developing municipal capacity to

promote citizen participation; civic education to develop a participatory culture emphasizing responsibility as well as rights; promotion of community organization and participatory planning at the municipal level; and development of a system for public oversight of municipal management and projects. The ENDL also emphasizes reforms necessary for effective local control over decisions and resources, including decentralization and financial autonomy.

Issues. Though these initiatives are a positive step toward developing a consensus for change, at the time of this report much remained to be done. While all argue the need for greater citizen participation and decentralization of authority and resources to the local level, only the *Plan de Nacion* mentions the political reforms essential to developing a more robust participatory democracy. The *Plan's* basis document (*Bases para el Plan de Nacion*) was intended to stimulate broad public discussion, but it was not possible to assess the extent to which this may have happened.

The *Nueva Alianza* government program and the ENDL, which is based on the government strategy, take a more limited approach, focusing on citizen participation as a means of strengthening local development, principally through participatory planning of municipal investments and services and oversight of performance. Exactly how citizen participation is to be promoted and strengthened has not been specified. With respect to the ENDL, the fact that it has been developed in close consultation with a network of six local development NGOs (*Red para el Desarrollo Local*) working on both the policy and project levels facilitates linkage of project experience with needed policy changes. The opportunity exists to develop a more comprehensive strategy, which can build on heretofore largely isolated experiences.

VI. CONCLUSIONS AND RECOMMENDATIONS

If one important lesson is to be gathered from this assessment it is the following: programs with decentralization or democratic local governance policy reform goals in El Salvador must be tempered by modest expectations and a long-term outlook. Positive advances in decentralization and democratic local governance have been dispersed, limited in overall impact, and costly to achieve. A review of the Mission's expectations for policy reforms in both decentralization and democratic local governance outlined in the original project paper is sobering. [37] None of the policy reforms contemplated for either decentralization or popular participation were achieved.

While there are some examples of decentralization in the area of water services and in road maintenance, overall progress is limited. There is no overall policy direction for decentralization of either water or roads maintenance. However, with over 150 examples, citizen participation in the development of local investment plans appears nearly "insitutionalized". In addition a variety of participation models have evolved. While the importance of these gains is certainly not to be underestimated, sustainability of the achievements without continued assistance remains questionable.

Whether decentralization (defined as significant devolution of authority to the local level) is a serious, legitimate option at this time is a crucial question, and one that needs to be examined

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[37] See Municipal Development Project Paper (519-0388), undated, p. 30.

closely. If it is a legitimate option, then there should be clear support for the reforms sought. But if one compares the findings of the 1997 Democracy assessment,[38] there has been little, if any increase in support for decentralization. Although the "Nueva Alianza" and the Estrategia Nacional para Desarrollo Local are positive signs, these initiatives are embryonic and it is unclear whether the government actually has the resources and the political will to carry through. If it is assumed that decentralization is indeed a legitimate theme for discussion, it still needs a broader, more effective, and much more influential constituency.

Given the very uncertain and highly problematic prospects for decentralization in El Salvador, USAID might well be advised to seriously alter expectations of what might be achieved. The team's conclusion is that at this time there is not enough support to move very far in the direction of serious or significant decentralization. There will certainly continue to be isolated or even modest sectoral gains, eg., devolution of management of water services in some municipalities. Though many of these are worth supporting, they do not add up to a genuine policy of decentralization.

Pursuit of modest objectives within the framework of democratic local governance may provide a somewhat more realistic approach for USAID. DLG calls for a significant devolution of authority to local bodies that are accountable and accessible to local citizens". DLG is less politically charged and carries less of the broader political implications of decentralization. DLG can be viewed on a continuum in which it is possible to make progress toward objectives but which does not require full-blown decentralization as a result. Since DLG requires greater accessibility and accountability along with some devolution, more openness and participation within the system can represent significant advance, even if there is relatively less progress toward decentralization.

In line with modest expectations, the team suggests a new approach based on three pillars: policy reform for devolution of specific authorities, greater democratization through increased citizen access to decision-makers, and improved competence of local authorities to manage "devolved" activities and of citizens to express demands. It should be noted that the approach suggested here is for a medium term program, i.e., a three to five year program, with a few shorter term recommendations.

Three pillars to a new approach:

1. **Policy reform for devolution.** The new approach attempts to secure certain modest policy reforms to provide greater autonomy for local governments. However, it is not expected that these reforms would be promulgated and implemented immediately. Both reforms suggested are medium term, with suggestions for shorter-term activity that will assist in supplying momentum to the larger reforms. Each of will help provide a more receptive environment in which larger reforms might be undertaken in the longer term.

- Development of a uniform or single framework that provides and clearly outlines the authority of local government to modify local taxes. Since transfers from government have visible limits, the municipalities need other, more flexible mechanisms for increasing

[38] Crosby et. al., op. Cit.

income. One of the more modest proposals would increase and make more flexible local government taxing power. Unfortunately, the constituency to move this sort of reform forward is small – primarily COMURES. In order to achieve this modest reform, constituency development is absolutely vital. Ongoing work by DevTech should be leveraged and complemented. Those groups most active in mobilizing the constituency should also be assisted in raising their competency in the areas of advocacy and lobbying. Achievement of this reform will require a much broader coalition than now exists. Assistance should be provided toward that end. In short, a more systematic approach to securing the reform is indispensable.

As a short-term response to the current problem of lack of taxing authority, assistance might be provided to municipalities for the preparation of proposals to the legislative assembly for modifying local taxing power. As noted earlier, much of the difficulty encountered by such proposals lies in poor preparation.

- *Clarification and harmonization of the municipality's functions ("competencies") in the municipal code.* The objective of this effort would be to establish a regulatory framework that would take into account the capabilities of the municipalities (size, resource levels, staff competencies, etc) on the assumption that some municipalities have considerable potential for exercising their "competencies", while others have virtually none. However it is important that the framework allow for functions to be taken on by the municipality as demand requires, and not simply assigned even though capacity to take on the function is absent.

  The framework should include agile mechanisms to resolve conflicts over who does what between municipalities and higher level authorities. Competencies outlined in the Code should be operationalized through dialogue between COMURES, the Comision de Asuntos Municipales, FISDL, ISDEM, and the Secretaria Tecnica del Estado. Efforts should be made to avoid the need for approval by the Legislative Assembly. The new framework should also provide for more authoritative or recognized capacity for ad hoc mechanisms such as the Consejos Departamentales de Alcaldes and the growing number of micro-regional efforts. There appears to be a genuine constituency for this type of activity, but it is not particularly well mobilized.

  In as near a term as possible, USAID should support mobilization of a task force consisting of key stakeholders (e.g., FISDL, COMURES, ISDEM, prominent alcaldes including the Mayor of San Salvador, Comision de Asuntos Municipales)[39] to head up the efforts of clarifying and regulating the municipal functions or competencies. The task force would also have responsibility to act as chief advocate and lobbyist for clarification. Since it is likely to take three to five years to complete the task, support mechanisms (e.g., technical secretariat)

[39] The idea of the creation of a Consejo Nacional para el Desarrollo Local proposed by the Red para el Desarrollo Local in "Avances en la Construccion de Propuesta para Impulsar el Desarrollo Local y la Descentralizacion del Estado en El Salvador" could conceivably fill the role of the task force. The Red's idea for the CNDL however, goes far beyond that proposed for the Task Force in that it preside over a very broad and very ambitious effort at decentralization. It is likely that the simple idea of developing a framework for clarifying roles would get lost in the CNDL's grander agenda.

for the task force need to be created. Assessments and studies need to be carried out to determine what criteria to apply to the clarification and differentiation of municipal functions (this because of the highly differing levels of capacity among municipalities to take on and effectively carry out assigned functions), and proposals developed. It should be noted that though the Municipal Code assigns the same functions to all municipalities, many (perhaps the majority) have neither the resources nor capacity to carry them out – thus, differentiation criteria should be based on practicality and feasibility. Proposals then will need to be thoroughly vetted by the task force and piloted.

It should be noted that there are some incipient efforts directed at clarification (e.g., through COMURES). USAID should look for ways to leverage, build on, and amplify these efforts rather than trying to start a completely new initiative. The sort of coalition arrangement suggested above should provide a useful mechanism to leverage existing capacity.

2. Democratization and citizen participation.

Local democratic governance: There is little if any support for outright democratization of local councils through pluralistic representation. While the long-term goal of full democratization remains uppermost, this component seeks to improve the enabling environment and make inroads on the problem of accountability and accessibility. Rather than a focus on achieving pluralist councils, the component modestly seeks to open the local council meetings and to develop mechanisms for opposition participation on the councils. The efforts here do not necessarily demand that new laws be promulgated, the current municipal code allows for both. One should not expect that at the end of 3-5 years all municipalities will have equivalent degrees of accountability and accessibility – one should expect some to have institutionalized practices of open council meetings while others not. The test will be if there are more with such practices than without.

- *Increased practice of open consejo meetings that treat budget, investment, and financial issues:* Of the various efforts by the MDCP project, the practice of open council meetings proved to be one of the most difficult to implement, however, the practice is not entirely absent. San Salvador has increasingly opened its meetings, a phenomenon which opposition political parties have used to actively criticize the council's performance. San Salvador is clearly the most advanced, but a handful of other municipalities have begun implement similar practices. Though still much resistance to open meetings in which financial issues are discussed, San Salvador is becoming more (though certainly not completely) open in this regard.

- To assist in advancing the process in the short term, USAID might assist in bringing together representatives from councils which have begun practices of open council meetings together with those sympathetic to, but which have yet to adopt the idea. Ideas and experiences from those with open council meetings should be helpful not only in providing some assurance regarding the soundness of the practice, but also in providing mechanisms for handling increased participation. To mobilize the effort, COMURES would be an appropriate partner and could certainly provide an accessible and appropriate forum for such discussion.

- In the medium term, parallel efforts to open council meetings by citizen groups (either LDCs or the more recent "mesas ciudadanas") should be encouraged and supported by USAID. Mechanisms could also be developed to coordinate efforts of these groups with representatives of councils already engaged in open council meetings – either through COMURES, or directly. It will be extremely important to work with these groups in this effort since open council meetings are or will be the most important mechanism for expressing demand. And if, as the section on citizen participation pointed out, citizen participation efforts are to become more autonomous, they must have some venue in which they can express their demands.

- *Development of mechanisms for opposition participation in municipal councils.* While there is no mechanism for opposition representation (i.e., pluralistic councils), there is nothing that either encourages or prohibits regularized participation of opposition party representatives in council meetings. Participation could be restricted to simple voice or observation, but that is more than is actually the case. Moreover, the mere presence of opposition provides a measure of accountability. Indeed, recently, opposition parties have taken advantage of such a space provided by San Salvador's open council meetings. This is not regularized participation, but it is a step in the right direction and may set the stage for a more institutionalized presence. Since political parties, rather than civil society groups, are main aggregators of demands in society, it is vital for accountability that other (opposition) parties have a means for accessing and expressing demands to the councils.

- In the short term, USAID could support dialogue among political parties to look for mechanisms for opposition party participation in local councils. This approach might begin with some of the governing party's closer allies – allow them a voice at council meetings to begin to establish the practice. A potential benefit for the governing party is additional legitimacy for decisions taken by the Consejo. With "friendly opposition" this sort of arrangement should not be particularly threatening but would begin to open the meetings to differences of opinion not under the control of governing party leadership. This could eventually be amplified to include opposition.

- Coalitions might also be encouraged and developed between LDCs or *mesas ciudadanas* and opposition political parties to strengthen the constituency for participation on the councils and as a means for the latter of developing alternative channels for expressing demands.

- For the medium term, AID might support dialogue, training and technical assistance to bring together political party leaders with municipal officials and groups such as the CDAs and COMURES, civil society organizations, local organizations such as LDCs (both individually and in micro-regional or departmental groupings), and NGOs, etc., to promote opposition party participation. This should help integrate local development and political processes, which currently operate on largely parallel, unconnected tracks. USAID might also support issues forums and training for local government candidates on issues of citizen participation and participatory local development.

Both CDAs and COMURES could be useful interlocutors or partners in this effort. Both have multi-party representation and could present a useful case for greater more opposition participation in the local councils.

Citizen participation: Many of the mechanisms for voicing and transmitting demands by civil society prior to the war no longer exist. With the exception of certain sectors (e.g;., business, private sector) civil society has only just begun to re-emerge. Most groups have much to learn not only about the issues they grapple with but also about how to participate in a more open, and more competitive system. Although civil society at the national level has fairly easy access to assistance to help them through the process, citizen groups at the municipal level have much fewer resources to draw upon. If recently developed citizen participation mechanisms are to be consolidated and enhanced beyond their current narrow role, and if these incipient demand mechanisms are to be effective, then more permanent and more accessible assistance should be made available to acquire improved participation skills, to better articulate their demands, and to increase their capabilities for citizen oversight. Some possibilities for support over the short term include:

- An assessment of the effects of the upcoming elections on project and non-project LDCs and similar organizations, particularly in cases where mayors and/or council members have changed, and especially if the party in power has changed. This assessment will help determine the sustainability of LDCs in the face of local government changes, and will help identify needs for support.

- Support for strengthening LDCs to help them function independently of project or municipal support. This might include actions based on LDC needs and demands, such as: 1) strengthening contacts and collaborative relationships with institutions (eg. COMURES) which might provide technical support on a continuing basis after RTI support ends; 2) developing LDC skills in proposal development and local fundraising to cover their operating costs; 3) strengthening internal management capacity , facilitation skills, conflict resolution skills, etc.

- An assessment of gender sensitization experiences to help municipalities, LDCs and other groups involved develop additional interventions. These should include monitoring and developing indicators to determine the impact of gender sensitization on creating conditions for achieving equal participation (in both quantitative and qualitative terms) by men and women.

In the medium term, USAID might provide assistance to:

- Set up a mechanism to support demand-focused actions to promote participatory local development (this might be integrated with the "Bolsa de Asistencia Tecnica" outlined under section 3 below). Support could consist of technical assistance, training, or seed funding to cover design and preparation of participatory projects and initiatives (funding for project implementation would come from other sources). This mechanism would review and select for support competitive proposals from municipalities, local NGOs and from community groups, including LDCs or similar associations, with the necessary legal qualifications and

capacity to manage funds and achieve the proposed results. Criteria would include potential impact on strengthening citizen participation and democratic decision-making at the local level. Performance indicators would be mutually agreed-upon. Activities supported could include citizen education and organization, training for citizen groups and municipal officials, advocacy on relevant issues, monitoring and oversight of local government, furthering participation in the planning, design and implementation of local projects (including economic development as well as infrastructure and services. Provision should be made to help smaller and weaker groups form alliances to help them develop qualifying proposals.

3. **Capacity building:** Without an appropriate degree of capacity for citizens to express demands or for local governments to effectively implement their functions, it is unlikely that even modest gains in democratic local governance will in fact be realized. For there to be greater accountability, then citizens must be able to clearly express their demands and they must have the capacity to measure and evaluate actions of local government. If the local government is to fulfill its role, it must not only be more open, but it must have the capacity to perform the roles assigned to it. The third pillar provides capacity building support to better equip citizens and government with needed skills to effectively carry out their respective roles.

- *Approaches to building capacity for more effective local governance:* Building greater capacity is a weighty challenge on two fronts – there is a relatively high degree of turnover at each election among both elected and appointed officials at the local level, and wide differences in needs and capacity for absorption between the relatively few larger municipalities and the vast majority of small municipalities. This implies that capacity building is an on-going function and that there is a need for assistance in rudimentary through relatively sophisticated skills. Building greater capacity also means developing innovative mechanisms for service delivery and the capacity to combine resources on a micro-regional or departmental basis for greater efficiency and effectiveness. Given that technical assistance in capacity building has tended to be sporadic, generally funded by donor initiatives, and usually accessible only to a limited or pre-selected group, there is clearly a need for development of a permanently installed, more widely accessible capability for training and capacity building.

- In the short term, USAID might encourage and development mechanisms for officials (elected and non-elected) from smaller or weaker municipalities to work together on common problems, with a micro-regional or departmental focus, in conjunction with organizations such as the Departmental Committees of Mayors (CDAs) and COMURES. This would help build communication and cooperation links between municipalities, encourage cross-fertilization, and allow exchange of practical solutions to pressing problems.

- Also in the near term, USAID should support the creation of a "Bolsa de Asistencia Tecnica". Through the efforts of the MDCP project and others, a large pool of local technical consultants has become available. However, with the end of the MDCP and other projects, there is no common method for accessing these resources. Assistance would be provided for the creation of a clearing house/data bank for (primarily) short-term consultants. For convenience and accessibility, the Bolsa could be housed in an organization such as

COMURES. An important difference between the Bolsa and much past practice in technical assistance, is that the Bolsa would be purely demand-driven. Assistance would be provided only by request from the municipality and preferably at market rates. USAID assistance could be instrumental in getting the concept into action.

- As a medium term initiative USAID could support the creation of a Center for human resources for local development.[40] The Center would provide a permanent, relatively low-cost source of training for local government officials. It could be established independently or under the auspice of one of the universities. The Center's board of directors would be composed of the most important stakeholders working on issues of local democratic governance – COMURES, Universities, FISDL, ISDEM, and NGOs. The Center could train trainers, offer courses for NGOs involved in local capacity building, and develop a range of courses and materials for dealing with training at all levels of municipalities for the broad range of functions carried out. The Center could also provide direct training assistance to municipalities. Financing could eventually come from the transfers from the national budget, but should also cover some of its costs through tuition charges.

- Building on experience bringing together citizen groups on a micro-regional or departmental basis, and bringing together political, municipal, and citizen leaders, support the development and functioning of a coordinated citizen lobby/advocacy capability at the local, regional and national levels to press for necessary legal, financial, and structural changes to ensure democratic local governance.

[40] A similar option is developed in more detail in Red para el Desarrollo Local, op. Cit., p. 8.

Annex A

Notes and comments on the concept and implementation of decentralization

The subject of decentralization, in Latin America, arose from the process of re-democratization and redefinition of the form of the State. These reforms were conceived in their formulation within the framework of decentralization, while the latter had been constituted, since two decades ago, in the new paradigm of organization, administration and transformation of the State and has manifested itself in opposition to the previous paradigm of strongly centralized and intervening, and in some cases frankly dictatorial, states.

In this sense, the proposed reforms have considered several aspects that cover the different levels of the structure of the State. In general, the following may be identified among the most significant aspects:

1. The Political Reform that resulted in the design of new governments, sub-national, intermediate and local authorities on one hand, and on the other, new systems of political representation and participation of civil society have also emerged.

2. Reform in the political administrative area that have remodeled the municipal functions and in some countries have also done it in other sub-national structures, as could be the Departments or regions, giving them greater powers, functions and competencies specially with regard to planning of public investment and social development, as well as in the provision and administration of services.

3. A budget reform that, through the increase in resources of their own or by new transfers from the central Government, have structured a new scheme of financing for the regions, departments and municipalities that meant in fact a substantial increase in resources so that they could perform their new functions. Starting with all this process, the relationships between the civil society and the state have been redefined. From these new relationships a more open and democratic intertwining could be made possible between the civil society and the state.

Decentralization in its definitions

A first definition, more of a functional type, understands as decentralization the transfer of some degree of power of decision (functions and revenues) to the sub-national governments and to the community organizations. According to the degree of power in decision making that the central government transfers to the sub-national governments we can speak of: delegation, de-concentration or decentralization.

The delegation is the granting of the National Government or the central power to a local institution to execute in its name any of its functions. That is, that the delegate only represents but has no autonomous power of decision outside the terms of the delegation.

De-concentration is transferring the execution of some technical administrative actions from the center to the periphery but the direction remains in the hands of the center. It normally happens at an institutional level such as ministries or large state enterprises.

Decentralization, on the other hand, is a process of transference to the sub-national governments of powers that used to entirely belong to the national government. These transfers suppose that the sub-national governments are given the capacity to make their own decisions, within what the laws mandate, and that they can use their resources autonomously.

This first definition, because it has degrees, has the virtue of facilitating the analysis of decentralization, because it allows to measure precisely the transfer of political autonomy, of competencies and of resources from the central Government to the different levels of Local Government and in accordance to this is able to define if you are facing a Delegation, a De-concentration or a Decentralization.

An important supposition to understand this perspective, is to consider the State as an autonomous instance of preferences or interventions of the different groups that form a society.

A second theory with regard to decentralization, of a more political nature (referring not only to the degree of competencies transferred but to a recognition by the Nation State that there are powers in the civil society itself), establishes that the state is not an autonomous instance of the social and regional interests (economic, ethnic, cultural, geographic, etc.) so that decentralization allows a more equitable representation of the different social and regional sectors in public management. This trend is oriented toward the establishment of a new balance of power between the State and civil society.

From this perspective, centralization would be defined as a process in which the National State recognizes the existence of communities that have territorial bases and are endowed with their own personality that reflects regional, departmental or community socio-cultural characteristics and that, in addition, have the capacity to create political-administrative institutions able to assume management of the collective interests and, based on this recognition, the National State distributes territorially with the object of better complying with its commitment to watch over the national community in which each rank of territorial power has autonomous and autarchic obligations and rights.

From this point of view, territorial decentralization of power is:

- an advanced form of democracy in which the state recognizes the existence of communities and they have power by themselves and not only through the State.
- a system of state organization.
    - which allows greater closeness between the authorities and the citizens, where the authorities are closer to the needs of the people and therefore can respond more rapidly and efficiently to the demands of the citizens.
    - which guarantees to the population greater possibilities of participation in the handling and solution of community problems. It ensures the population a better knowledge of the local authorities that they are going to elect and greater control of their functions.

- a process that allows a more efficient assignment of public resources in which a better distribution of basic services is ensured, claimed by the communities at an Inter-territorial level in the face of pronounced regional, departmental or local imbalances.

In our analysis on decentralization in El Salvador we have to prioritize the first definition since it allows us greater efficiency without keeping in mind the suppositions on which the second definition is based.

Conditions to decentralize

The experience of other countries in Latin America whose decentralization processes have advanced more than in El Salvador, has left very important lessons that should be taken into account for any intervention or support to the process of decentralization.

- Decentralization has to be conceived as a basic instrument for the reform and modernization of the State.
- Decentralization is not an end in itself, it is a tool that permit bringing the structure of the state closer to the civil society, sharing responsibilities and resources.
- Decentralization must be assumed as a policy of the state, as a universal constitutional and obligatory right for all instances of the state: national and local.
- Decentralization must seek: to strengthen democracy, equity or social justice, the transparency in public governance, the efficiency in the provision of services and in the use of public resources, with the only and highest objective of improving the living conditions of the population, having as a priority the underprivileged.
- Competencies and resources between the different instances must be clearly defined. It would not be adequate to transfer competencies without their respective financing nor would it be adequate to transfer resources without previous arrangements to handle new responsibilities and competencies.
- In a process of decentralization, the assignment of resources and their corresponding transfers to the local instances the local counterpart must not be forgotten. Municipalities that make an effort to recover resources in the same local ambit must be rewarded.
- Transfer of the resource from the national government to the municipalities must be conditioned to: the local availability of plans, programs and projects agreed to with their respective communities.
- Decentralization must be agreed and not imposed, it must be financed, accompanying the new competencies with their respective financing, they must be progressive and gradual and not indiscriminate.

Annex B

External cooperators involved in the strengthening of local governments

When examining the enormous amount of international cooperation programs and projects implemented in El Salvador during the last few years in the field of municipal strengthening/local development, it is surprising to see the diversity of fields and levels of intervention.

For the purpose of this analysis, we want to leave on record our appreciation to the program "Nación XXI", supported by PNUD, for allowing us access to its rich data base on external cooperation in local development.

Some reports do not allow to visualize the range of subjects or geographic areas of intervention of the cooperators, since a program or project is indicated that supposedly must have an impact on a region or department, but some of them only have sector or specific impacts, although a whole region appears identified. In other cases, there are productive projects that are being projected but the venue or infrastructure is lacking to send those products into the market. Which places at the center of the discussion the subject of the need for coordination that should exist between the cooperators themselves.

Due to these limitations in the available information, is that thanks to access to the data base of "Nación XXI", we have been able to delimit our interest to programs or projects of municipal strengthening or local development that are being executed by the cooperators.

In what refers to international cooperation, the process generated around the Network of External Cooperators for Local Development must be recognized as a positive fact. There is a need to use that space of dialogue for exchanging information, and maybe advance to certain levels of coordination. In addition, it could expand the dialogue with other national actors linked to Local Development, both in government as in the non-government sector.

The Network of External Cooperators for Local Development was formed during the first semester of 1999 by a group or network of technicians of external cooperation organizations that support local development in El Salvador (BID, GTZ/PROMUDE, IICA, PNUD, UE, UNICEF and USAID).

In the following chart you can appreciate the number of municipalities served by the cooperator with municipal projects. The cooperator with a larger geographical coverage is PROMUDE/GTZ which assists 119 municipalities, followed by UNICEF with 58, PNUD with 56, USAID with 34, BID with 27, the European Union with 10 and the Junta de Andalucía with 2.

EL SALVADOR: NUMBER OF MUNICIPALITIES ASSISTED BY COOPERATOR WITH MUNICIPAL PROJECTS

DEPARTMENT		COOPERATOR						
NAME	N° OF MUNICIPALi-TIES	BID	AID	GTZ/ PROMUDE	PNUD	UNICEF	EU	JUNTA ANDA-LUCIA
SANTA ANA	13	3	4	8	9		0	
SONSONATE	16	0	5	10	8	3	0	1
AHUACHAPAN	12	0	4	9	2	4	0	0
CHALATENANGO	33	1	0	5	5	3	0	0
LA LIBERTAD	22	7	0	10	5	4		0
SAN SALVADOR	19	4	1	13	5	2	0	1
CUSCATLAN	16	9	3	6	4	1		0
CABAÑAS	9	3	0	5	2	9	0	0
SAN VICENTE	13	0	0	13	3	12		0
LA PAZ	22	0	1	11	1	1	0	0
USULUTAN	23	0	13	8	1	17		0
SAN MIGUEL	20	0	1	8	4	1	0	0
MORAZAN	26	0	2	7	6	0	10	0
LA UNION	18	0	0	6	1	0	0	0
TOTAL MUNICIPALI-TIES	**262**	**27**	**34**	**119**	**56**	**58**	**10**	**2**

Source: Data Base Nación 21.

From the above chart shows that the principal cooperators in the area of municipal strengthening/local development are:

PROMUDE/GTZ, with presence in the 14 departments.
UNICEF, with presence in 12 departments.
PNUD, with presence in 14 departments.
USAID, with presence in 9 departments.
BID, with presence in 6 departments.
EUROPEAN UNION, with presence in 1 department.

Seen from the geographic point of view, the departments with the greatest number of cooperators are San Salvador (all 7 cooperators); Cuscatlán, Ahuachapán and Santa Ana with 5 cooperators; 7 departments with 4 cooperators; 2 departments with three cooperators; and 1 department with 2 cooperators.

It is evident by the manner in which the chart was presented, that only the number of municipalities in each department in which cooperators intervene are identified, but it cannot be known if there are overlaps of several cooperators in the same municipality. In Exhibit No. 1 a chart is presented in which the specific municipalities are identified where cooperators intervene.

Annex C

Notes on historical context and dimensions of citizen participation

Historical Context: Civil society organizations have long existed in El Salvador, and labor, business and *campesino* organizations flourished in the recent past, particularly in the 1960s and 70s. However, they have always existed within a context which has acted to restrain democratic development, principally due to the high degree of centralization of the Salvadoran state and the constraints to democratic participation inherent in the political parties and electoral system. Further, culture and values center on the individual and family rather than the community or society, and do not actively promote participation and cooperation in a communitarian context, or foster a strong sense of mutual collaboration and responsibility among citizens. As in most of Latin America, paternalism has characterized the government's relation with citizens, conditioning them to look to the state to solve problems, rather than to assume responsibility for solving their own problems. And just as state power can take the form of paternalism, it can also take the form of repression, suppressing civil organization seen as politically threatening, as happened in the 1930s and the 1980s in El Salvador.

The 1980-92 civil war made organizing extraordinarily dangerous as well as difficult. The labor and *campesino* organizations, and others perceived as leftist or as actual or potential political pressure groups, went into significant decline. Many have never recovered their pre-war strength. Beginning in the mid-1980s, however, other civil society groups recovered and the number of NGOs grew rapidly, mainly as a result of the breakdown in services in many parts of the country due to the war and the availability of massive external funding which could be channeled through local NGOs. Most of these groups have relatively limited objectives such as supplying services to their constituencies, rather than acting to influence policy. Following the post-war reconstruction period and the sharp decline in external funding, some NGOs have disappeared or radically diminished their activities.[41]

The growing focus on citizen participation, particularly at the local level, is favorable to the formation of civil society groups, including citizen groups seeking a greater voice in local development. The 1986 reform of the Municipal Code set the stage for more direct citizen participation by requiring quarterly open town meetings (*cabildos abiertos*). While successful, the *cabildos* were seen as largely informational, offering little opportunity for real citizen involvement. Dissatisfaction with these limitations contributed to the development of other models of participatory planning, described in subsequent sections of this chapter. At the same time, NGOs working in democratic local development are also combining their efforts in order to influence policy in favor of greater local democracy and autonomy. For example, the *Red para el Desarrollo Local*, a network of six local development NGOs, has actively participated in developing the National Local Development Strategy. While centralization, paternalism and political and cultural barriers still exist, there is a growing emphasis on dialogue, inclusiveness and participation which offers a window of opportunity for further opening the system and both broadening and deepening citizen participation in democratic local governance.

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[41] Crosby, Benjamin L., et al, *Democracy Sector Assessment: El Salvador*, May 1997, pp. 36-37

Some dimensions of Citizen Participation: Several dimensions or concepts of citizen participation underlie the analysis and approach taken in this chapter. These dimensions represent different aspects of participation relevant to the situation in El Salvador. They provide a frame of reference for the issues encountered in the experience with local participation to date and the changes needed to broaden and deepen local democracy.

Development and Democracy. Participation can be seen as a means to an end; that is, a means to gain increased support for local government and improve local services by giving people a voice in deciding what projects are carried out. It can also be seen as an end, not in the sense of "participation for participation's sake", but as a fundamental shift in the source of power, from the top down to the bottom up, and in the concept of democracy. The prevalent concept of participation is developmental or instrumental, but the potential exists to gradually build a participatory democracy in which government is accountable to the people. The approach suggested in this chapter is intended to support this process.

Representation and Participation. Political representation, through election of local and national representatives, is a basic form of democracy, but limits public expression of satisfaction or dissatisfaction with government policy and actions largely to periodic elections. Representative democracy in El Salvador is limited at the local level by the lack of minority representation in municipal government. At the national level accountability to voters is limited by an electoral system based on party slates rather than specific geographic representation (e.g., single-member districts)—a voter has no specific representative to whom s/he can bring concerns. Participatory democracy entails building channels and mechanisms to promote dialogue and allow citizens to influence decisions on a continuing basis, not just through periodic elections.

Demand and Supply. Participatory democracy can only function if citizens are aware of their right to participate in democratic decision-making and have access to channels or mechanisms to make their opinions known to local or national government. Means are needed to increase citizen awareness, foster participation and channel citizen demands. However, demand must be balanced by capacity to respond. If local government, for example, cannot respond to citizen demand either through incapacity or lack of resources, the impulse to participate and to collaborate with local government will be thwarted. A balance between demand and supply is necessary for effective participatory democracy.

Annex D

List of Persons Interviewed

Implementing partners/NGOs:

Ing. Ergfried Neubauer	PROMUDE/GTZ
Arq. Hernán Márquez	PROMUDE/GTZ
Ing. Carlos Pinto	COMURES
Lic. José Leonidas Rivera	COMURES
Ing. Aldo Miranda	RTI
Lic. Gina Orlich	RTI
Lic. Arnoldo Bernal	Consorcio de ONGs
Ing. Ramón Villalta	Consorcio de ONGs
Lic. Pedro Alfonso Monterrosa	CAPAZ
Lic. Rafael Góchez	PNUD
Lic. Guillermo Galván	PROCAP-FUNDAMUNI
Dr. Alberto Enríquez Villacorta	FUNDE
Sr. Raúl Moreno	FUNDE
Lic. Sandra de Barrazza	Comisión Nacional de Desarrollo
Ing. Mauricio Silva	SACDEL
Lic. Mabel O. de Serarols	INCAE
Ing. Luis Castillo	FUSAI
Lic. Janeth Urquilla	ORMUSA
Lic. Guillermo Garcia	Accion/PNUD/Ministerio de Relaciones Exteriores

Government of El Salvador:

Ing. Raúl Mejía	ISDEM
Lic. Mario Guillermo Bettaglio	ISDEM
Lic. Laura de Montalvo	Secretaria Técnica de la Presidencia
Sr. Tom Hawk	FISDL
Lic. Wilfredo Panameño	Dirección Departamental de Educación (MINED)
Ing. Carlos Perla	ANDA
Diputado Raúl Mijango	Asamblea Legislativa, FMLN
Diputado Donald Calderón Lam	Asamblea Legislativa, PDC
Dr. Mario Cruz Peñate	Ministerio de Salud Publica
Dr. Gustavo Canales	Ministerio de Salud Publica
Dr. José Manuel Beza	Ministerio de Salud Publica/SALSA
Lic. Salvador Samayoa	Consejo de Seguridad
Lic. Oscar Bonilla	Consejo de Seguridad
Ing. Rutilio Aguilera	Corte de Cuentas
Lic. Marta Cisneros de Valladares	Corte de Cuentas

USAID/San Salvador

Dr. Ana Klenicki	Democracy-Governance Program
Sr. Todd Sorenson	Democracy-Governance Program
Sra. Ana Luz de Mena	Democracy-Governance Program
Sr. Parviz Shahidinejad	Accounting Office
Sra. Claudia de Morales	Accounting Office
Sra. Norma Velásquez de Mata	Strategic Development Office
Sr. David Johnston	Environmental Office
Ing. José Antonio Ramos Chorro	AGUA Project
Dr. Raúl Toledo	Health Office

Municipal Government/Local Development Organizations:

Sr. Isaías Sandoval	Alcaldia de Suchitoto
Sr. Pedro Lucas	Alcaldia de Suchitoto
Sr. David Vásquez	Alcaldia de San Antonio de Monte
Members of CDL	San Antonio de Monte
Sr. Nelson Gómez	CODIJ, Jiquilisco
Members of CODIJ	Jiquilisco
Sra. Julia Flores	Alcaldia de El Triunfo
Members of CDL	El Triunfo
Arq. Jesús Aguilar	Mesa Ciudadana, Santiago de Maria
Sra. Marina López Sorto	Mesa Ciudadana, Santiago de Maria

Annex E

Municipal Strengthening Component of the Municipal Development and Citizen Participation Project

1. The Project as Amended

The Municipal Development Project (519-0388) originally approved in 1993 was amended in 1996 to become the Municipal Development and Citizen Participation Project.

The 1996 amendment retained the goal and purpose and the three components of the original project (policy reform, municipal strengthening and local democratic development), but revised the End of Project Status (EOPS), and also reduced the number of municipalities to be covered to 15 during the life of the project (7 in the pilot phase).[42] Seven of the ten revised EOPS reflect municipal strengthening activities:[43]

- Municipalities will have generated significant additional revenues to increase their financial autonomy through user fees and taxes, and other means to generate local resources.
- The selected municipalities will have allocated 20% of their budgets for capital expenditures.
- The selected municipalities will be providing one or more basic services on a self-sufficient basis. All user fees received from a given service will be used only to pay the costs of that same service, and should eventually cover actual full costs of the basic service including projected expenditures, and the effects of inflation.
- The selected municipalities will have implemented at least one revenue-generating project with project counterpart and/or other sources.
- The project will have promoted decentralization of the water sector through support to ANDA's decentralization program and assistance to selected municipalities as they assume greater responsibilities for the provision of potable water.
- Successful technical models for municipal development, documented and disseminated to a broad array of municipalities by ISDEM or other institutions.
- A local, private sector capacity, acceptable to COMURES, to deliver technical assistance to municipalities will be in place.

2. Accomplishments and Issues with regard to Municipal Strengthening

As indicated elsewhere in this report, the failure to attain significant policy reform objectives included in the original project paper, particularly reforms which would permit local governments to raise and control adequate local revenue, is a major constraint to municipal strengthening, including the ability of municipalities to take on additional functions and to provide adequate services to residents. Recognition that legislative reforms related to local

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[42] Later changes increased the number, first to 18 and finally to 28, not including additional municipalities involved in decentralized water projects (classified as targets of opportunity).

[43] Municipal Development and Citizen Participation Project (519-0388) Amendment, 1996, pp. 3-4, 6

revenue generation and revenue sharing, as well as electoral reforms affecting municipalities, might require extended discussions in the legislature, influenced a shift in focus in the EOPS toward more limited and realistic achievements.

a. Pilot Phase

Work on the municipal strengthening component began in the 7 pilot municipalities in June 1995. Intensive technical assistance began in September 1995 in the areas of municipal finance, administrative modernization and selected services.

Finance. The finance component was developed in order to improve the ability of municipalities to increase their revenues and assume new responsibilities under decentralization. Support was provided directly through a technical assistance team contracted by the project. The main efforts were a cost analysis of services provided, improvement of collection procedures, payment and recuperation of back taxes, and an increase in the tributary base.[44]

Administrative Modernization. Modernization of municipal services included reorganization of activities and functions, including promoting attitudinal change and motivation, to improve the flow of information, client services and municipal image. These activities involved project personnel and institutions such as ISDEM and COMURES.[45]

Selected Services. The selected services element was included as a measure to motivate participation and integrate the municipal strengthening and citizen participation components around obtaining and/or improving a selected service within the community, which was supposed to generate revenue.[46] These services were to be selected and carried out using participatory processes. Financing for these projects was not covered by the project, but was to be obtained from other sources.

Evaluation Results. Results of the pilot phase of the project were externally evaluated in May/June of 1996. The cost studies enabled municipalities to revise rates and payment systems. Improved collection systems helped with collection of past-due debts. Cadastral systems were analyzed and data collection undertaken, but computerization was still pending. As a result of the work done, income in the pilot municipalities increased an average of 50% in the first quarter of 1996. None of the selected services identified had been implemented. Modernization efforts and training for municipal personnel helped bring about improved internal communications; and attitudinal change, including greater focus on customer service, and better communication with citizens. A major success cited was a model for financial transparency based on understanding and communication. Technical assistance helped municipal staff better understand the municipality's financial situation (including the real cost of providing services), and to communicate the information effectively to elected officials, who in turn were then able to communicate it to the public. The resulting awareness of the extent to which municipal services lose money greatly increased the public's willingness to pay for municipal services in the pilot

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[44] Interim Evaluation, Municipal Development and Citizen Participation Project, Cambridge Consulting Corporation, August 1996, pp. vi, xvi

[45] Ibid., pp. 96-97

[46] Ibid., p. 89

municipalities.[47] To sum up, the primary benefits of the project were seen as increased municipal revenue and improved municipal image due to greater citizen participation, better customer service and more efficient management.

In terms of the above-cited EOPS, the following accomplishments were noted for the pilot phase of the project:[48]

- Additional significant revenue generated. Over the period 1994-95, income in the selected municipalities increased 20%; during the first quarter of 1996, it increased 47% over 1995.
- Municipalities will allocate 20% for capital expenditures. This did not occur. Tax collection levels for investments did not improve and taxes were being utilized to subsidize services.
- Costs of basic services will be covered by user fees. User fees did not cover all costs (direct and indirect) for any service, and in addition there was still significant delinquency in payment for services.
- Municipalities will have implemented at least one revenue-generating project. None of the selected services had been implemented. Most were awaiting approval of Municipalities in Action (MEA) funding.
- Decentralization of the water sector. Projects were under development in Ereguayquin, Usulutan (Tetralogia) and Sonsonate.
- Successful technical models for municipal development, documented and disseminated. Dissemination of project successes was hampered by lack of inter-institutional linkages between the project contractor and related institutions.[49]

Issues. Major issues noted during the pilot phase included the lack of ownership of the project by two of the counterpart organizations, COMURES and the Ministry of Foreign Relations. The insularity of the project with respect to other institutions was an associated issue. The biggest issue noted in the municipalities was the problem in getting funding for the selected services projects.[50]

b. Expanded Phase (Full Project)

On completion of the 27-month pilot phase, project activities were expanded to cover additional municipalities (including the original 7), initially 15, then 18. In 1998 the number of municipalities was expanded to 28 (in addition to the ten "target of opportunity" municipalities involved in decentralized water projects) for the remainder of the project, which ended in December 1999. RTI has continued support to the project municipalities, however, through an 18-month extension under an IQC.

During the first quarter of 1998 RTI made some changes in how technical assistance was provided, through which it hoped to better respond to demand, to develop local capacity, and to reduce costs. Two *Unidades Tecnicas Descentralizadas* (UTDs, decentralized technical units)

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[47] Ibid., p vii
[48] Ibid., pp. 71-72
[49] Ibid., p. vii
[50] Ibid., p. viii

were set up, in conjunction with ISDEM, in Usulutan and Santa Ana, to serve a total of 13 municipalities. Each had four professionals, two each from ISDEM and RTI, with support staff provided by the municipalities, and vehicles and equipment provided by ISDEM and RTI.[51] This arrangement remained in place for about a year, but did not work well. RTI then revised its approach to provide technical assistance through results-based subcontracts with individual consultants, consulting firms, and NGOs, rather than directly through project staff. This approach has continued during the 18-month extension.[52] The project also initiated an arrangement with a university (UCA), through which final-year students (12 in 1998) provide technical assistance to municipalities in the areas of public services and administration.[53]

Technical assistance under the municipal strengthening component aimed to increase locally generated resources, improve public services, and strengthen municipal organization and administration.

Finances. Assistance in generating increased local resources included service cost and rate studies, debt recovery and similar measures. As a result, in 1998 income increased 20.2% in comparison with 1997. However, operating costs also increased 37% between 1997 and 1998, mainly due to use of FODES funds for salary increases, additional personnel and other operating expenses. RTI noted the need to work with municipal authorities on limiting operating costs during 1999.[54] As of the time the assessment was conducted (February 2000), 15 municipalities had received assistance with cadastral updating (urban areas only), with 7 more programmed during the remainder of the 18-month extension period.[55]

Municipal Services. Technical assistance emphasized collection and treatment of solid waste and potable water supply. Solid waste was selected because it is the most common service provided by municipalities; service provision is usually deficient; solid waste service has an important impact on the environment, sanitation and tourism; and such services consume about 50 to 60% of municipal income. During 1998 RTI provided technical assistance in solid waste management to 16 municipalities. The type of assistance provided included diagnosis and developing action plans, technical studies for landfills and site acquisition, and initial steps for forming an inter-municipal solid waste collection enterprise covering four municipalities. Technical assistance in water and sewage covered ten municipalities, including the six involved in Tetralogia. During 1998, results were mixed. While San Julian was a success, Tetralogia encountered delays and it was not possible to obtain the necessary delegation agreement by ANDA in spite of many attempts.[56]

Organization and Administration. As a result of RTI technical assistance, in 1998 10 municipalities contracted internal auditors and 5 contracted municipal managers. A total of 32

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[51] RTI, Reporte Annual Ano 1998, Proyecto de Desarrollo Municipal y Participacion Ciudadana, n. d., p. 1

[52] Interview with Aldo Miranda, RTI

[53] RTI, Mecanismos de Asistencia Tecnica Empleados por el PDMPC, March 1999, no page numbers

[54] Reporte Annual 1998, op. cit., p. 4

[55] Interview with Aldo Miranda, RTI

[56] Reporte Annual 1998, op. cit., pp. 4-6

new policies and procedures were instituted, covering payment collection, cadaster and client service, and 387 municipal officials were trained in these areas, 51% of whom were women.[57]

Other Activities. Finance and participation manuals were distributed to all El Salvador's municipalities and related entities, not just those participating in the project. Three working documents on municipal bonds and participation were distributed to a more restricted group. A technical reference document on the 120 most common legal questions was in preparation, for consultation by municipal personnel. About 15 news releases on activities carried out by project municipalities were distributed to news media in 1998. In 1998, 38 training events were held to improve the knowledge and skills of municipal officials and related entities, attended by 660 people (39% women). Finally, a management information system was developed to monitor project municipalities, particularly financial aspects (income, expenditures, investments, etc.). This system was to be shared with the municipalities and others during 1999.[58]

While specific information on the project's impact on municipal support institutions, particularly ISDEM, is scarce, ISDEM reported having adapted and used RTI technical assistance models for municipal strengthening on a national level.[59] FISDL has also found the manuals and training provided by the project, as well as other collaboration, very helpful, though it was noted that there had been only a minimal relationship between FISDL and the RTI project under the previous government.[60]

Issues and Lessons. An issue affecting the success and impact of this component (and of the entire project) is the selection of participating municipalities. The final 10 municipalities were selected through an invitational process—30 were invited to submit proposals to participate, making clear their political will to make changes; 10 did so, and all were accepted. By contrast, the initial 18 were pre-selected. Although there were selection criteria, it is clear from project experience that some municipalities agreed to participate to get technical assistance, though they lacked interest in making the types of changes proposed by the project. The change in the selection process resulted in greater progress by the latter group of self-selected municipalities in 6 or 7 months than achieved by the first group, which had received assistance for over three years.[61]

The "selected services" element of the project--in which municipalities, through a participatory process, selected a priority basic service for development or improvement--encountered problems. While this element was supposed to motivate citizen participation, it ended up generating citizen frustration because of funding problems. While the project supported project selection and preparation, it did not support actual construction or implementation of the selected service projects. In the original design, these projects were to be submitted for MEA funding, through the National Reconstruction program (SRN). Significant delays were encountered in obtaining government funding for these projects in spite of the heavy investment of project time and money in trying to move the process forward. Eventually the indicator measuring project

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[57] Ibid., p. 6

[58] Ibid., p. 12

[59] Interview with Raul Mejia, ISDEM

[60] Interview with Tom Hawk, FISDL

[61] Interview with Aldo Miranda, RTI

impact for this element was abandoned, since it was determined that obtaining funding was outside the project's control.[62]

The manner in which technical assistance (TA) is provided constitutes another issue. In the earlier years of the project most TA was provided by project staff, and emphasis was given to developing methodologies. This resulted in high costs for the impact achieved. Ways to achieve more cost-effective TA were explored, including the unsuccessful UTD experience with ISDEM noted above. The 1998-99 experiment soliciting proposals from NGOs to work with municipalities on citizen participation was much more successful, but not without problems. It was noted that these grants were not contingent on results, and that there were performance problems with about 40%. The project's revised approach is both to narrow the scope of TA provided (i.e., focusing TA for services on solid waste and water) and to use performance-based sub-contracts with consultants, firms and NGOs to provide TA to municipalities. It was noted that use of consultant "banks" or databases can result in favoritism unless careful and impartial pre-qualification procedures are in place.[63]

Even without up-to-date data (figures on assistance and results during 1999 were not available), it is clear that the project has had an impact on strengthening municipal systems and capacities, particularly in increasing locally derived income. However, it is also clear that most municipalities still lack both adequate resources and capacity to respond effectively to citizen demands. Many municipalities are very small (half have less than 10,000 inhabitants, and 65 have less than 5,000), and most have relatively little locally generated income (non-transfer resources average only 32 colones per capita per year), making them extremely dependent on FODES transfers (which average 259 colones per capita per year).[64] This means that most lack local control over resources, and many lack the population base to derive sufficient resources even if they had full authority to do so. Further, transfer resources are inadequate to enable most municipalities to notably expand or improve services.

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[62] Ibid.

[63] Ibid.

[64] Gallagher, Mark, Un Analisis de los Ingresos Municipales, las Transferencias, la Poblacion y la Pobreza en El Salvador, Nov. 1999, pp. 3-5

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