

Précis

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Post-Conflict Reconstruction: El Salvador Case Study Summary

THE WAR RESULTED IN ABOUT 80,000 DEATHS; thousands more wounded and disabled; a half million displaced; and the flight of roughly a million Salvadorans to the US.

The civil war in El Salvador stems, at least in part, from the inequitable social and economic structures developed during colonial rule which led to the creation of a coffee elite: this controlled most of the country's land and took advantage of the low-priced wage labor of the rural population. Despite three decades of overall economic growth preceding the war, most rural-dwelling citizens remained very poor.

The transition to peace culminated in the 1992 Peace Accords, whose reforms included: narrowing the scope of the military to national defense; establishing a National Civilian Police; reforming the electoral and judicial systems; and setting up a Land Transfer Program for ex-combatants and supporters of the leftist opposition. By the end of 1996, most of the major elements of the Accords had been implemented.

Current challenges facing El Salvador linked to problems originating from the roots of the conflict, include: how to increase access to opportunities and resources for more of the population, how

to deal with the problem of micro-insecurity; and how to broaden the dialogue on development issues across a wider range of civil society.

The Bank's assistance to El Salvador focused mainly on macroeconomic reform, but included projects addressing the health and education sectors to improve the country's poor social indicators. Bank assistance was critical to mobilizing international economic support and laying a sound macroeconomic foundation for an impressive economic recovery during the first half of the 1990s. While the Bank lagged behind other donors in the volume of its post-conflict as-





sistance, its leadership of four Consultative Group (CG) meetings between 1991 and 1995 significantly supported post-conflict reconstruction and economic recovery. Bank high-quality lending operations and non-lending services were part of this effort. However, no effort (with or without donor support) has yet shown real promise for reversing perhaps the most serious socioeconomic legacy of the conflict: violent crime, or “microinsecurity,” of epidemic proportions.

Bank Re-entry

Because of the conflict in El Salvador no new Bank operations were approved between June 1979 and October 1987. The 1986 earthquake that devastated the capital prompted the Bank’s re-engagement in the country and allowed Bank staff to renew contacts with Salvadoran counterparts. This led to the development of productive pre-Peace Accords relationships with the government and the private think-tank, FUSADES (Salvadoran Foundation for Social and Economic Development). The Cristiani Administration, elected in 1989, normalized relations with the Bank and requested assistance with a structural adjustment program.

The donor coordination work of the Bank just before the Peace Accords and during the first few years of post-conflict reconstruction was indispensable. The holding of a CG meeting before the Peace Accords were signed and the commitment of experienced and capable Bank leadership to the process contributed significantly to the effectiveness of that coordination. At this time it was

particularly important that the government gave priority to donor coordination and endorsed the Bank’s supportive influence.

The timing of the Bank’s re-entry in El Salvador was propitious, albeit not entirely intentional, since the Earthquake Reconstruction Project prompted resumption of staff visits and dialogue. The first Structural Adjustment Loan (SAL I) was approved for US\$75 million in 1991, a year before the signing of the Peace Accords. SAL II followed in 1993, providing another \$50 million to support the government’s economic reform program.

Results on the Ground

Rebuilding the Economy

Bank assistance was critical to mobilizing international economic support. SALs I and II provided support to the government’s 1989-94 Economic and Social Development Program, focusing on taxation, privatization, trade, the financial sector, social sectors, and poverty alleviation.

Other economic sector projects in the Bank’s portfolio fall into three groups: energy; agriculture; and competitiveness and public sector modernization. While no projects focus exclusively on the ex-conflict zones, virtually all seek to bring about important policy and institutional reforms. As with the SALs, the situation immediately preceding and following the Peace Accords provided the Bank a window of opportunity to make such reforms the governing theme of its post-conflict portfolio.

Rebuilding Human and Social Capital

The Bank’s assistance to El Salvador focused mainly on macroeconomic reform, but included projects addressing the health and education sectors to improve the country’s poor social indicators. In the social sectors, the Bank supported EDUCO, the community self-managed education initiative of the government. This expanding initiative promises to correct basic deficiencies in the pre-conflict educational system of El Salvador. This study shows that post-conflict support can mean reconstruction and entail a productive redirection of development.

The EDUCO experience has brought elements of civil society and the political spectrum in El Salvador together. This funding of “common ground” is an essential contribution to the sustainability of the continuing peace process.

The Bank’s Institutional Arrangements

A high degree of capability, experience, and continuity combined to develop an effective Bank Country Team in the crucial years immediately before and after the Peace Accords.

For a country as close to Bank headquarters in Washington as El Salvador, it may not have been essential to have a resident mission during the reconstruction period. Some say that the Bank may have been better able to lead aid coordination and act as interlocutor between the government and donors without in-country representation. Others are convinced that the Bank’s image and relationships with civil society and other donors would be enhanced by the presence of a resident mission.

Peace Conditionality

The Bank has been criticized for not conditioning its assistance more directly in support of the Peace Accords. In fact, through its aid coordination work, policy dialogue, and operations the Bank provided considerable direct and indirect support for the Peace Accords. To have

attempted more overt support in such areas as land transfer and military and police reform would have raised serious mandate questions for the Bank.

Conclusion

The Bank’s non-lending services—its analytical and advisory services, and its leadership in donor coordination—have supported the reconstruction and recovery of El Salvador. Several high-quality lending operations have been important components of this support.

In stabilizing and rebuilding a post-war economy, Bank experience in El Salvador indicates that the scope and complexity of economic structural reforms should match the government’s capacity and commitment. The Bank should pursue appropriate conditionality as an expected element through its leadership in aid coordination, in its direct policy dialogue, and through its portfolio.

The Bank should be prepared to take some risk in supporting innovative pilot activities, such as EDUCO, that have the potential to reform deficiencies in pre-conflict policies and institutions.

Microinsecurity and an inefficient system of justice are two of El Salvador’s most serious socio-economic problems. The Bank can stress the need to strengthen the justice and law enforcement systems in its dialogue with the government, and encourage other donors to add their voices to persuade government to move on both issues.

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