

Center for Democracy  
— IN THE —  
**AMERICAS**



**Expectations for Change and the Challenges of Governance:  
The First Year of President Mauricio Funes**

**\*\* Advance Edition \*\***

With a Preface by the Hon. James P. McGovern, U.S. House of Representatives

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# PREFACE

When the historic Peace Accords ending El Salvador's twelve years of civil war were signed in Mexico at the beginning of 1992, many of us anticipated a new and prosperous era for that country. Like so many of us in the international arena, including myself and several of the authors of this report, I had been engaged on human rights and humanitarian issues affecting El Salvador since the early 1980s. I lost many friends – El Salvador lost so many of its best minds and hearts – to the violence and conflict of the civil war. The United Nations Truth Commission Report called it “la locura” of violence, a madness. Surely, now that peace agreements have been signed, things would be different.

And in many ways, they were. Political competition flourished; electoral processes matured; parties formed coalitions, broke apart, and built organizations year upon year. The ruling party during the final years of the civil war, ARENA, maintained its power, base and organization following the Peace Accords, winning consecutive elections for the next 17 years. But then, in 2009, after nearly two decades of party-building and municipal and legislative electoral victories, the FMLN opposition party won the presidency. It was a watershed moment for El Salvador.

Sadly, many other things had not changed in El Salvador following the Peace Accords. The ability of the Salvadoran courts and justice system to hold elites, government officials and members of the military and security forces accountable for crimes, including human rights crimes, continued to fail, reinforcing a culture and sense of impunity. El Salvador's geography and place on the map, of course, did not change – and it suffered and continues to be ravaged by annual floods, frequent earthquakes, and other natural disasters. The impact of these disasters is often amplified by ill-conceived development initiatives and environmental degradation, all man-made disasters. The poor have not benefitted from trade and investment and international aid has, by and large, diminished significantly, including aid from the United States. And the annual migration of thousands of Salvadorans to the United States is as great or greater as it was during the period of the civil war.

At the same time, some things have gotten worse. I could little have imagined the violence in El Salvador becoming worse after the war, but it has as criminal networks have invaded the country and use it to traffic drugs, guns and human beings to other parts of the hemisphere. Youth gangs are exploited, poor neighborhoods are terrorized, security and judicial authorities are corrupted, and crime, violence and murder have exploded.

This is not the future any of us envisioned for El Salvador, but it is the reality inherited by Mauricio Funes when he assumed the presidency in 2009. I have had the privilege of meeting President Funes. I find him and many members of his Administration to be both pragmatic and creative, committed to improving the lives of El Salvador's majority poor and vigorously addressing the crime and corruption that are robbing the country of its longed for peace.

The Center for Democracy in the Americas' report, with its many interviews and research, provides us with an analysis of how the Funes government, during its first twelve months in office, has begun to move the ball forward, or failed, or been frustrated by forces inside their own government, inside El Salvador, and by global forces that operate outside their borders and the troubled global economy.

I love El Salvador. I love its people, who are the country's greatest asset to promote development, establish respect for human rights, break impunity, pursue justice, and create a climate of peace and reconciliation. They are the hope and the opportunity for that future we all dreamed about following the signing of the Peace Accords – and which, I still believe, will one day flourish in El Salvador.

James P. McGovern  
Member of Congress  
June 17, 2010  
Washington, D.C.

# INTRODUCTION

Our report on El Salvador – “Expectations for Change and the Challenges of Governance” – is the culmination of more than one year of research and reporting on events in El Salvador since the March 2009 election of Mauricio Funes.

It reflects what we learned in El Salvador during ninety-eight meetings, and from interviews conducted with more than seventy key players (left, right, and center) who collectively are writing this latest chapter in their country’s history. It evaluates the progress made by the Funes administration in keeping its central commitment to the people of El Salvador: bringing change to their country against the significant headwinds of its history and amidst difficult regional and global realities.

In this advance edition of the report (the final is due to be published in July 2010) we present an *overview* of the administration’s first year in office and then evaluate the progress being made by the Funes government in accomplishing its goals in each of the following areas:

- The Economy
- Security
- Social Inclusion
- Human Rights
- Foreign Policy
- Governance

In our concluding chapter, “Taking Stock,” we evaluate the pace of change and the scope of the administration’s accomplishments, and look to El Salvador’s future.

This report was written by Linda Garrett and edited by Sarah Stephens. CDA is fortunate to be working with Ms. Garrett, who focuses exclusively on political developments in the country, and whose involvement with El Salvador dates to 1981. Ms. Garrett, and Sarah Stephens, CDA’s executive director, have spent a combined sixty-seven days in El Salvador since the 2009 election. CDA’s senior program associate, Collin Laverty, and senior analyst, Patricio Zamorano, have been integral to our research efforts in El Salvador and to the editing process. Mr. Zamorano and Inés Yáñez translated our report into Spanish. We also benefitted from the support of Kendra Seymour and David Dreyer as well as from our interns: Cathy Marques, Sarit Gluz, and Anna Schickele.

[The Center for Democracy in the Americas](#) (CDA) is devoted to changing U.S. policy toward the countries of the Americas by basing our relations on mutual respect, fostering dialogue with those governments and movements with which U.S. policy is at odds, and recognizing positive trends in democracy and governance.

# THE FIRST YEAR

The election of Mauricio Funes was a time of euphoria for Salvadorans who supported him and the former guerrilla organization turned political party, the FMLN (*Frente Farabundo Martí para la Liberación Nacional*). After twelve years of civil war and two decades of conservative one-party rule, the impoverished and violence-wracked country was on the verge of real *change* with a progressive government.

Funes was sworn in on June 1, 2009, and faced an accumulation of dire economic conditions that had never been addressed in meaningful ways by previous administrations. Amidst crushing domestic and economic challenges, President Funes declared in his inaugural address “We don’t have the right to make mistakes.” He promised to form a government of national unity “to govern for all” with transparency, an end to corruption in state institutions, and an end to impunity.

At the time, the opposition predicted a “collapse of democracy . . . and chaos.” But as the president reminded deputies one year later in his anniversary address, “none of that happened.”<sup>1</sup> Within the context of urgent economic, financial, social and security challenges, the transfer of power was, instead, a peaceful “transition without trauma.”<sup>2</sup>

His first year ended with a national emergency, as Tropical Storm Agatha slammed into the region. Mindful of the fate of presidents who fail to respond rapidly and effectively to natural disasters, the president and administration officials worked around the clock to prevent loss of life in at-risk communities. In his anniversary address to the Legislative Assembly, the president praised the government’s response: “The emergency services . . . functioned very well, the state reacted in time, avoiding a greater tragedy.”<sup>3</sup>

The storm brought into sharp relief the new political reality in El Salvador: President Funes and the FMLN are truly governing the country.

The president’s first responsibility was to ensure the financial stability of El Salvador. The Funes administration implemented popular measures to alleviate the economic crisis for the most impoverished segments of the population. In fact, some say the greatest achievement of the first year was the provision of school uniforms, supplies, shoes and hot meals to all public school students.

He and his economic advisers also earned the confidence of international financial institutions, securing loans to stave off bankruptcy and keep the country afloat for the next four years. Capital flight has been partially avoided (although significant amounts left El Salvador before the elections); and while not yet investing, and still distrustful of the FMLN, the powerful private enterprise sector has expressed cautious confidence in the president.

On the left, however, there are suspicions that the president has gone too far to the right – that “they have been robbed of their president.”<sup>4</sup> And critics argue that there is still no long-term plan to reactivate the economy.

Security is often referred to as the “Achilles heel” of the administration.

Despite the implementation of three national security strategies over the course of the first year, serious efforts to transform the PNC (*Policia Nacional Civil*) into an honest, trusted and effective police force, and increasing emphasis on strategies of prevention rather than reliance on the “mano dura” (“iron fist”) repression of the past, El Salvador remains one of the most violent countries in the world. In November 2009, the president ordered the military to patrol high-risk communities and play a “dissuasive role” in support of the PNC for six months; on May 7, 2010, the order was augmented and extended for one year.

President Funes’ foreign policy agenda has been subtle but unambiguous. In his inaugural address, he referred to Presidents Obama and Lula as models for governance, not Hugo Chávez. But his first official act was to reestablish relations with the government of Cuba. Later, when the coup d’état occurred in Honduras during his first month in office, President Funes was praised by some supporters for his measured response and has since taken the lead in Central American efforts to normalize relations with the Lobo government. Critics on the left accused him of legitimizing the coup by supporting Lobo so quickly. From the beginning of his administration Funes made the relationship of his country to the United States the highest priority.

With these and several other measures, the Funes administration has been sending concrete signals of change and governing differently. It has invited representatives of all sectors to the discussion of public policies, some of them organizations that were historically excluded from governmental circles. President Funes has separated the executive function from the official party, a significant departure from the practices of the Saca administration during which the president was also the top leader of ARENA. In several historic statements, the president apologized on behalf of the Salvadoran state for crimes and violations of human rights committed during the civil war. Still, independent of these and other multiple gestures, many Salvadorans expect more from a government that used “change” as a key electoral slogan.

For the president, however, the ultimate task is governance, the exercise of power. He must manage expectations of *change*, which is perhaps as difficult a challenge as managing the country’s economic and social problems.

## ECONOMY

One year ago, El Salvador was on the verge of bankruptcy.

The new administration assumed power to discover not only an enormous fiscal deficit, but uncertainty as to whether government salaries could be paid. President Funes and his advisers went to Washington, “to the wolf’s mouth,” as Alex Segovia, one of the president’s closest advisers, said, “to talk with international financial institutions.”<sup>5</sup> The commitment of international loans helped avert disaster.

The country has been granted millions of dollars in loans and assistance during the past year, in addition to a \$790 million “stand-by agreement” from the IMF to help alleviate the economic crisis as revenues plunge. Additionally, in March 2009 it was announced that tax revenues were \$600 million below the predicted level.

The Funes administration also implemented popular measures to alleviate the economic crisis for the most impoverished. Just days after the inauguration, the president announced the “anti-crisis plan” which would become the most popular program of the entire first year. The plan included an immediate end to fees in public hospitals, free uniforms and school supplies for students, a basic pension for seniors over 70 in the most impoverished communities, a massive low-income housing program, and property titles for thousands of agricultural workers. While the lack of resources delayed implementation of some measures, *change* in social policy was immediately apparent.

That said, the Funes government faces tremendous challenges going forward.

El Salvador’s government has inadequate financial capacity for maintaining required levels of government service. Tax revenues amount to just 13% of GDP, one of the lowest in Latin America, and the government plans to increase it to 17% over the next four years. Tax reforms, passed in December 2009, primarily on cigarettes and alcohol, were minimal. There are no property taxes in the country, and most personal tax revenue comes from salaried employees, with an estimated \$400 million a year in revenue lost due to tax evasion and smuggling.<sup>6</sup>

Private enterprise has expressed cautious acceptance of the new government, but there is “not one single centavo of [new] investment,” according to independent deputy Orlando Arévalo, who said the wealthy “have their money in the banks and as long as Mauricio doesn’t touch it they will applaud.”<sup>7</sup>

El Salvador needs private sector investment. The country has one of the lowest local investment rates in Latin America, and that will not change in the near-term, according to conservative analyst Francisco Bertrand, who believes there will not be any investment until post-war polarization ends. The right fears the consequences of a 2014 FMLN election victory and that fear impedes the possibility of investment.

The economic future of the country is unclear. El Salvador has few resources. Coffee production and exports are down, the trade deficit is growing and international loans will come due one day. The social cost of exchanging people for remittances is very high, with family disintegration and the resulting economic dependency of entire communities. Will the next generation of emigrants keep the country afloat with hard-earned remittances and, if not, where will that 18% of the GDP come from? Is there hope for a new economic model that will stimulate the economy and generate employment?

Despite severe financial hardship faced by the majority of the population, however, the economy is not their main concern, according to a survey by Borge y Asociados and the ultra-conservative newspaper *Diario de Hoy*. Results showed that 23.7% of those interviewed ranked security as their main concern, 22% corruption, 20.7% unemployment, and just 13.3% said the economic crisis was the main problem. Fear and personal insecurity – at least in this survey – trump economic concerns.<sup>8</sup>

## SECURITY

The scope of the violence in El Salvador is a reflection of the country’s strategic location in the backyard of the United States, along the freeway that connects producers and consumers – with drugs and immigrants moving north, weapons and stolen vehicles smuggled south.

A deadly mixture of organized crime syndicates, drug/human/weapons traffickers, gangs, common criminals, extortion, corruption and impunity terrorize the populations of the region, threatening to destabilize fragile democracies and prevent economic development while usurping scarce state resources.<sup>9</sup>

In El Salvador, violence is endemic, and the motivations behind it are not always apparent. Some crimes are random, some political, some due to gangs and trans-national criminal activities, while others appear to be social cleansing (a form of vigilante justice). During the spring of 2010, homicide victims included three teachers on their way to school, students executed on campus, an evangelical preacher shot near his church, several massacres of alleged gang members and the attempted assassination of an INTERPOL agent in the capital. Domestic violence is on the rise, with over 6,000 cases reported in 2009 and 539 women murdered.<sup>10</sup>

The sources of crime date back at least twenty years. Delinquency increased throughout the 1990s as the U.S. deported thousands of young Salvadorans, including many gang members who arrived tattooed, without family, money, jobs or prospects other than gang life. The “MS” and “18” gangs have grown to some 17,000 members known to be at-large, with another 8,000 in prison.<sup>11</sup> There is increasing evidence, according to the Minister of Defense<sup>12</sup> of working relationships between the gangs and organized crime, “and that could destabilize the country,” opined Francisco Bertrand.<sup>13</sup>

The hard-line “mano dura” policies of previous ARENA governments did nothing to reduce the violence. Thousands of alleged gang members were thrown into primitive, overcrowded prisons with no effort by the state to implement rehabilitation programs.

The prisons are in total collapse. Most of those incarcerated have fungus infections; the facilities are hot, humid and overcrowded. Although El Salvador has a national prison capacity of 9,000, they are currently holding over 23,000 prisoners.

Many crimes, including extortion, are ordered from inside the prisons via cell phone, according to the PNC.<sup>14</sup> It is estimated that \$700,000 per month enters the prisons as a result of extortion, with eight of every ten extortions ordered from the inside by prisoners.

The army began patrolling the perimeters of prisons in November of 2009 to prevent cell phones and chips from being tossed over the walls, according to the Minister of Defense.<sup>15</sup> The PNC recently reported arrests of people involved in a cell phone-altering racket to prevent number tracing; thousands of phones were confiscated in the raid – all this in a country with more cell phones than people.

There is evidence of incidents of vigilante justice in response to the inability of authorities to control the extortion rackets and homicides. Five massacres of young men in areas around the capital have been reported since February. In most cases, the victims were searched for tattoos before being shot.

Other Salvadorans are reacting within the law. A creative, non-violent, civilian-initiated call to action began in April 2010 as posters and banners were pasted and hung surreptitiously around the capital urging citizens not to pay extortion.

The campaign uses the face of a low-life character from a popular 1970s Mexican sit-com, Don Ramón, who was called the “rent-dodger.” *La renta* is slang for an extortion fee and an

anonymous website calls on people to “shed our fear and retake our lives... Our fear, silence and passivity are accomplices to this crime... We are all Don Ramón!”<sup>16</sup>

The PNC was created as part of the Peace Accords. It was born with great expectations in 1994, but a lack of leadership, resources and commitment, combined with an ineffective judicial system, prevented the development of a professional institution; and, in the eyes of many, the PNC has failed the population. Underfunded and in deplorable conditions, the demoralized force soon lapsed into corrupt practices, with personnel from top to bottom participating in or cooperating with organized crime and delinquency.

Despite international aid and technical assistance, the PNC never had regulations for investigative procedures, criteria for intervention or even a database of criminals. According to Commissioner Augusto Cotto, the U.S. and Spain tried to help, “but we didn’t listen, there was so much pressure every day.”<sup>17</sup>

Under Director Carlos Ascencio, the PNC’s new focus is on community policing and public participation, to better fight crime and raise the confidence of citizens in the police. “For us, the greatest achievement this first year has been to contain the situation,” Ascencio said, “we hope by the end of the year to turn things around.”<sup>18</sup>

There are no immediate measures that can reduce violence overnight. Over time, solutions will include: regional coordination; strengthening the police force; creating jobs, education and opportunities for youth; banning weapons in public, and more. But, under pressure to control the situation in the short-term, President Funes has called on the military.

By October 2009, over 1,000 soldiers were in the streets under President Funes. A month later, in an effort to contain escalating violence, President Funes ordered the army to participate in joint patrols with the PNC as a dissuasive force. The original six-month mandate included patrols in 19 high-risk communities, perimeter control of prisons, and authorization to conduct searches and detain criminals caught in the act.

The mandate was extended in May 2010 for another year and now includes work inside volatile prisons and control of 62 previously unguarded border areas called “blind points.”<sup>19</sup> The army is said to be seeking \$10 million to finance the 3,070 additional troops.<sup>20</sup>

Aida Luz Santos de Escobar, the head of the president’s National Security Council, insisted the solution to the violence is social, not military. “If we have a bad police force we are going to have a bad army,” she said. “If we don’t take care of social problems we can’t resolve criminal problems.”<sup>21</sup>

For most young people in the impoverished communities of El Salvador, there are only two options for survival: either participate in criminal activities, or emigrate, according to youth activist Adilio Carrillo. “Everyone is fleeing.” He described the policy toward youth throughout the region as “retrograde,” but praised efforts of the Funes government, including the new PNC strategy which designates 50% of its budget for prevention.<sup>22</sup>

## SOCIAL INCLUSION

Thousands of Salvadorans make the costly and dangerous journey north every month, “in the search for personal salvation in exile at the risk of losing one’s life,” First Lady Vanda Pignato wrote. “This is evidence of the profound desperation of thousands and thousands of Salvadorans.”<sup>23</sup>

Pignato, a long-time political activist, heads the Secretariat of Social Inclusion, a new position under the Executive Branch. She has a daunting task.

The government is prioritizing social inclusion, to transform the lives of the most impoverished, most excluded sectors of the population. The Secretariat of Social Inclusion coordinates with other state institutions to reduce poverty, discrimination, and inequality faced by women and children, the disabled, indigenous, and those with different sexual orientations. The challenge is enormous, but, Pignato says, “institutional and governmental change is underway.”<sup>24</sup>

Two institutions working for this change are FISDL (*Fondo de Inversión Social para el Desarrollo Local*) and CONAMYPE (*Comisión Nacional de la Micro y Pequeña Empresa*). Héctor Silva, President of FISDL, says the quality of the work in this institution has changed dramatically, that the objective now is to strengthen municipalities and local productive capacity in 100 of the most impoverished communities. A new program, PATI (*Programa de Apoyo Temporal al Ingreso*), provides a monthly income to 15,000 at-risk youth in exchange for community service and training.

The director of CONAMYPE, Ileana Rogel, has been charged with implementation of the government’s program to provide free uniforms to all students and create jobs in local communities by hiring women from the informal sector to sew the uniforms. The task is not easy, Rogel said, because many of the women have no knowledge of business plans, budgets and so on. But, she says, “I have seen the joy on the faces of the women now sewing uniforms and earning an income.”<sup>25</sup>

Rogel argues for direct government intervention to change peoples’ lives. “Sometimes they are not prepared the first time the government comes to them, but it can work,” she says, and there are “many firsts.” People tell her, “this is the first time my children can go to school,” or this is “the first time I am taken into account by the government.”<sup>26</sup>

## HUMAN RIGHTS

President Funes apologized to the nation for crimes committed during El Salvador’s civil war, an unprecedented act of reconciliation by the government.

Three of the most heinous crimes were brought back to light during this first year: the Jesuit murders, the assassination of Archbishop Romero, and the 1975 execution of Roque Dalton – a poet, journalist and guerrilla soldier.

On November 16, 2009, the 20<sup>th</sup> anniversary of the Jesuit assassinations, the president asked for pardon in the name of the state and honored the priests with the nation’s highest award “as an act of recovering our collective memory.” For me, he said, “this act ... lets in the light of justice and truth. We begin to cleanse our house of this recent history.”<sup>27</sup>

The Minister of Defense said the army was prepared to ask for forgiveness<sup>28</sup> and suggested “other actors who committed war crimes” should also request pardon: “The people must know the truth.”<sup>29</sup>

In January 2010, on the 18<sup>th</sup> anniversary of the 1992 Peace Accords, President Funes apologized, in the name of the state, to all victims of crimes committed by security forces, army, and paramilitary organizations, and announced the formation of commissions to study reparations and to search for some 700 children disappeared during the war.

Finally, on March 24<sup>th</sup>, 2010, the 30<sup>th</sup> anniversary of the assassination of Archbishop Romero by a right-wing death squad, the president said, “I ask forgiveness for this crime perpetrated 30 years ago, to the family, and the Salvadoran people.”<sup>30</sup>

But the first major test of the government’s commitment to human rights and to end impunity came just days after the inauguration, with the disappearance of a community activist in the department of Cabañas. The man was a leader in the movement to prevent the Canadian company Pacific Rim from developing gold mines in the department.

Marcelo Rivera disappeared on June 18, 2009. His body bearing signs of torture was found by his family on July 8<sup>th</sup> at the bottom of a well. The action/inaction of the police and prosecutors on this case and several other murders in Cabañas, all related to mining, illustrates the difficulty of reforming corrupt, inept, and politicized security and judicial institutions.

To date, the cases remain unresolved. Several young men were arrested for allegedly killing Marcelo Rivera but have not been brought to trial, and the “intellectual authors” of the crime have not been pursued. The police say they have no evidence that Pacific Rim has had direct involvement in any of the cases, but Commissioner Augusto Cotto suggests that “at the very least they were negligent and did not look at the social consequences of mining in Cabañas. They created contradictions, intentional or not I cannot say.”<sup>31</sup>

Foreign Minister Hugo Martínez insists the government is committed to ending impunity “for crimes like Marcelo’s,” and suggested that “international motivation” to the Attorney General “would be helpful.”<sup>32</sup> David Morales considers the Pacific Rim case to be a violation of human rights: “There is a collective right to the environment,” he said, “the ombudsman and minister of environment agree about this.”<sup>33</sup>

On the Senate floor in Washington, Senator Patrick Leahy demanded an active, transparent investigation of the Rivera case, “of the brutal manner in which he was tortured and assassinated ... which could be a warning to other community activists.” The government must investigate not only the actual perpetrators, Leahy said, “but also those who ordered this atrocious crime.”<sup>34</sup>

## **FOREIGN POLICY**

In a January 2010 opinion piece, Foreign Minister Hugo Martínez described El Salvador’s new foreign policy as “guided by our nation’s interests, and certainly not in the interest of any group, be it economic, political or ideological.”<sup>35</sup> One of the first foreign policy decisions of the administration was to renew diplomatic relations with Cuba after a 50-year hiatus, and the president has plans to visit the island later in 2010.

But relations with Washington are the priority.

President Funes and his policy team worked diligently before the inauguration and into the first year to reassure U.S. officials that a Funes/FMLN government would not be anti-American and could, in fact, be an important regional ally for the Obama administration. The president's response to the crisis in Honduras and his concerted efforts to re-integrate Honduras into the OAS and regional institutions were acknowledged and appreciated by Washington.

On March 8, 2010, President Funes was the first Central American president to visit the Obama White House, and one of few Latin American heads of state to be received by the leaders of both Houses of Congress. The two presidents and their advisers met for nearly two hours to discuss security issues and immigration; according to press reports, the Salvadoran president requested a 15-month extension to the TPS (Temporary Protected Status) granted to Salvadorans following the devastating 2001 earthquake, and a public announcement to that effect will be made in July 2010.<sup>36</sup> TPS allows 240,000 Salvadoran beneficiaries to work legally in the U.S. but will otherwise expire in September 2010.

President Obama later told reporters he had been “favorably impressed” with President Funes’ efforts to build consensus and praised his “pragmatic and wise approach” to the Honduran crisis. The U.S. president emphasized that cooperation between the two countries “must be based on mutual interest and mutual respect.”<sup>37</sup>

For his part, President Funes said that El Salvador must do its share to reduce the flow of immigrants by creating opportunities “so that people will be able to remain and have a better life.” He continued, “I am not here to ask President Obama to do for us what we haven’t been able to do ourselves... We are looking for the United States to become a strategic partner, not a senior or junior partner but an equal and effective partner.”<sup>38</sup>

President Funes also assured Salvadoran reporters that Obama had asked nothing of him, and that he made no commitments “other than to work responsibly and pragmatically.” This will be a new relationship of equals, he said, “a true alliance to resolve problems in Central America with the U.S. as one of the principal partners.”<sup>39</sup>

A Salvadoran analyst described the meeting as “one of the most important political moments in the history of El Salvador,” and credited the Funes administration with “creating spaces that promise to pull the country from the ideological trap between neo-liberalism and the traditional left.” He cited renewed diplomatic relations with Cuba on the one hand and a “more balanced relationship” with the U.S. on the other.<sup>40</sup>

Since his return from Washington, President Funes has promoted Central American integration and recognition of the Lobo government in Honduras. As Foreign Minister Martínez explained, “We believe that problems, including human rights, can be better resolved if Honduras is integrated into regional and international organizations.” But, he added, “that doesn’t mean we are satisfied; we express our concerns to President Lobo.”<sup>41</sup>

The president’s international policy position has earned praise from the private enterprise sector: “Foreign policy is being handled with moderation and respect,” the director of one business organization said.<sup>42</sup> “It is well-managed,” agreed Claudia Umaña of FUSADES, a conservative think tank, and “diplomatic relations are good.”<sup>43</sup>

# GOVERNANCE

As Alex Segovia, the president's top adviser explained, it was clear from the beginning of the electoral campaign that the only guarantee for stability and democratic governance would be to build national unity through a process of dialogue and the search for consensus. The president had to be clear, Segovia said, that he would govern for the nation, not for party interests.<sup>44</sup>

In November, the government was applauded for its rapid response to the floods caused by Hurricane Ida and celebrated by many for its official acknowledgement of government responsibility for the 1989 assassinations of the six Jesuit priests, their housekeeper and her daughter.

But, by the end of 2009 and into 2010, it was apparent that governance was becoming more difficult. The post-electoral acrimonious split in the ARENA party, and consequent formation of a new right-leaning party, GANA, complicated the political process. Then, in December of 2009, the presidents of four state institutions were fired by President Funes without explanation. In February, the president dismissed the highly-qualified Secretary of Culture, Breni Cuenca, saying only that he had "lost confidence" in her. On May 11<sup>th</sup> the Minister of Agriculture resigned, citing a lack of effective working relationships between the cabinet and the executive and "pressures" from the presidency to distribute government-donated agricultural supplies on a partisan basis; namely, to two of the parties on the right, GANA and PCN.<sup>45</sup>

Political differences and shifting alliances played out in the Legislative Assembly throughout the winter of 2009 and spring of 2010. While the FMLN supported the president on many issues, there were also important differences between the party and the executive.

President Funes and the party have different time frames and different agendas. The president is term limited. He cannot run for re-election in 2014, and has just four more years to implement his programs. "He has to move between the exercise of power – managing political relationships – and his idea of change," one government official explained. "And the strategic purpose of the change is to clean out government structures of the corruption left (in them) by the right."<sup>46</sup> The president believes this must happen "without pressure from any political force."<sup>47</sup>

The president has often expressed his commitment to dismantling the structures of privilege that dominated the country for over a century, unraveling the tangled webs of corruption in every state institution and tackling organized crime. "The fights against corruption and for transparency are commitments that I assumed from the first day in office," the president reiterated in his anniversary address.<sup>48</sup>

Profound institutional change doesn't happen overnight; the accumulation of entitlement and power cannot be stripped away in one or perhaps even five years. But there has been an important change already, as an official explained: "For the last twenty years, the right appropriated and privatized public resources and they can no longer do that ... They no longer have access to public money."<sup>49</sup>

Non-governmental organizations now have access to the government. This is a new development. The president convened a meeting of leaders of the social movement last year, leading to a first visit to the presidential palace for many of them. "This is strange for us," one NGO leader said, "we can go there and coordinate our work. Many of (our peers) are now in government and it's easy to communicate."<sup>50</sup>

Not everyone agrees that there has been positive change. FUSADES is concerned about the lack of transparency in government and about the relationship between President Funes and GANA. Claudia Umaña of FUSADES described the administration as “inefficient, bureaucratic and inexperienced: They don’t know how to govern.” While her colleague Marion Vidaurri did concede “positive signs in foreign policy,” she also questioned the president’s ability to govern under the new balance of power in the Assembly and said, “it’s not good if he’s a lame duck president for four years.”<sup>51</sup>

And for independent deputy Orlando Arévalo there is too much thinking and not enough action: “This government is full of philosophers and intellectuals,” he said, “with very little operational capacity. Everything is about studies and consultations!”<sup>52</sup> Commenting on the government’s long-awaited five-year plan, analyst Francisco Bertrand described the administration as “paralyzed.” “There are PowerPoint presentations about the plan,” he said in April, “but what’s lacking is a real dialogue.”<sup>53</sup>

## **TAKING STOCK**

El Salvador faces seemingly intractable challenges and problems, decades and generations in the making, that cannot be solved during one term of the Funes administration. But in four more years’ time, when a new government succeeds this one, President Funes will be evaluated on whether he not only began the process of change but also whether his form of governance actually produced real irreversible results. Like a photograph that has just begun to develop, the record after one year cannot be said to be complete. While there are concrete indications of progress, there are also obvious examples of policies and issues where a tremendous amount of work is still left to be done.

Economically, El Salvador moved away from the precipice, but the long-term prospects for the country are extremely uncertain. While President Funes has begun to convince the business community that economic stability is valued by his government, investors do not trust the FMLN and are yet to be persuaded. El Salvador cannot succeed without an economic recovery led by the private sector, and there are not signs now that businesses are ready to play this role.

A state’s budget reflects priorities, and those priorities have changed: 44% of the new budget will be designated for social projects,<sup>54</sup> and government subsidies will benefit the formerly excluded population rather than the wealthy. Throughout the campaign and into his presidency, Mauricio Funes insisted that his administration would have a “preferential option for the poor.” His commitment is reflected in the budget’s focus on social inclusion, targeting health, education, housing, “universal social protection” and respect for human rights.

Equally important, like many Central American countries, the fiscal position of El Salvador is undermined by tax evasion and low rates on high income individuals. Without resources, the state cannot make investments in programs ranging from education to police that are essential for the country’s long-term success.

No social or economic problem can be solved or substantially addressed in El Salvador until problems relating to security and crime are brought under control. Security is one of El Salvador’s longest standing and most critical problems. There has also been a change in medium- and long-term solutions to counteract crime, prioritizing prevention over repression.

But a fearful and weary population demands immediate relief from the violence, and the president resorted to a solution from the past – deploying the military – despite protests from the human rights community and misgivings by the PNC and others.

At the same time, his appointees are engaged in the tremendously difficult but necessary work of examining corruption and organized crime in the criminal justice system among police and judges – because corruption encourages and increases crime and attacks the confidence of average Salvadorans in the rule of law. Improvements in public security will require not only human, technical and financial support for the National Civil Police, and a serious commitment to preventive work with youth, but a transformation in the area of prosecutions and the entire judicial system to bring an end to impunity.

The conservative newspaper *La Prensa Gráfica* warned that the country is “at risk of becoming a failed state ... if the true structures of organized crime continue to move with impunity... All institutions must be more attentive than ever to infiltration by organized crime.”<sup>55</sup> Effective regional cooperation and assistance from the United States are both essential to attack this potentially destabilizing problem. The international community must be vigilant and provide political support as the government embarks on serious investigations that can endanger the fragile institutions of the state and the region.

Analyst Roberto Rubio suggests the president needs a national pact, “a second peace agreement, now, on security and governance.” The only way he can succeed, Rubio says, “is with a shared development strategy.”<sup>56</sup>

To be tough on crime, El Salvador also needs to deal with the sources of crime, and here the administration has made a significant and personal commitment. Vanda Pignato, the Secretary for Social Inclusion, is working on programs that will give the youth and other marginalized sectors of the country an alternative to criminal activity. This work is essential and will require a long-term effort and more resources to make a dent in the problem.

Reconciliation in El Salvador depends on repairing the rent of the nation’s human rights. A most noteworthy change brought to the country by President Funes was his apology in the name of the state for crimes committed by government forces and civilian groups during the civil war, especially for the assassination of Archbishop Oscar Romero in 1980 and the killings of six Jesuit priests, their housekeeper and her young daughter in 1989. But for many Salvadorans reconciliation is only possible through a process of truth and justice, and that involves the larger and more delicate issue – repeal of the 1993 amnesty law.

At the helm of his nation’s foreign policy, where he enjoys more autonomy, President Funes has been a skillful navigator – restoring full diplomatic relations with Cuba, attempting to play a consensus building role in the region for Honduras, and reaffirming the importance of El Salvador’s relationship with the United States while becoming the first Central American president to meet with Barack Obama in the White House.

The latitude with which President Funes can function depends, in part, on his relationship with the two principal blocks of political power in El Salvador – the FMLN, and the parties of the right. His marriage with the FMLN, a marriage of convenience at the outset, provided access to political dominance in El Salvador for both parties. As a marriage of convenience, the relationship has waxed and waned. At times the president has pushed off against the party to show his independence or to make progress on issues over their opposition.

Complicating his efforts to navigate El Salvador's political waters – but also providing unique opportunities to him – has been the sudden realignment of forces within the political right, with ARENA losing power and the newly created GANA rising in influence. How his relationship evolves with both sources of power during the remainder of his term will play a deeply important role in whether he can deliver on his promises of change to the country at large.

The changes in the structures of power may be imperceptible, but there are visible changes in the way government operates and how it distributes resources. For the past twenty years, despite increasing poverty and inequality, private enterprise had been the beneficiary of government largesse. That has changed.

Other major reforms are needed and will require some degree of national unity, including judicial, tax, fiscal and electoral reforms, and regulations for political parties. And pulling the over two million impoverished citizens into the middle class will require truly effective anti-poverty programs and a successful strategy of job creation— difficult goals during economic hard times.

Great challenges face El Salvador in the remaining four years of President Funes' term, and not much time is left before the 2012 electoral campaign for control of municipalities and seats in the Legislative Assembly begins. During his anniversary address, the president called for unity in the coming year: “I ask for one year for the nation. One year in which party interests stay in second place.”<sup>57</sup>

For the FMLN, the task is to prepare for the 2012 and 2014 elections. The party must secure independent votes in order to succeed; that means providing good management for the ministries it controls and maintaining a calm relationship with the president. Electoral success is critical to making *change* a permanent reality. As Hato Hasbún, the Secretary of Strategic Affairs, explained, “The change must be irreversible and the people are the guarantee of that, not the government...The people have to make it their own.”<sup>58</sup>

The challenge for the right is to rebuild a solid bloc among ARENA, GANA, PCN and the Christian Democratic Party (PDC). Those parties are all in some disarray in mid-2010, but alliances are fluid, ideological differences minimal, and much can happen in the coming years.

In the end, what we believe is motivating President Funes is not ideology or even enactment of his own program, as important as that will be to changing El Salvador. The slogan of the administration is “to unite, to grow, to include,” a sign that what he is really after is national reconciliation. “I know that our political detractors continue saying to the four winds that the government has no direction,” the president once said. “Archbishop Romero is the spiritual guide of the nation, and also the spiritual guide of this government.”

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## ENDNOTES

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- <sup>14</sup> Commissioner Hugo Ramírez, personal interview, San Salvador, El Salvador, April 15, 2010.
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