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Elites and the limits of interactive environmental governance in El Salvador

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Abstract

El Salvador is often viewed as the quintessence of a Latin American oligarchic state, in which a small group of families controlled the agro-export economy and the state, in shifting alliances with the military. This model not only resulted in marginalization of peasant farmers and widespread rural poverty, but also the most severe deforestation in the hemisphere, as well as soil-degradation and water-pollution, particularly in the cotton and sugar producing zones. However, El Salvador has undergone a thorough economic shift since the 1980s towards being a largely service-based economy highly dependent on the remittances from Salvadoran guest-workers in the United States, but with a weak performance in terms of economic growth, poverty reduction and job generation. When the government backed by the left-wing party and former guerrilla, Frente Farabundo Martí para la Liberación Nacional (FMLN) took power they were faced with the triple challenge of restoring national growth and production, of ensuring a more equitable distribution and of overcoming the deep environmental crisis and severe impacts of climatic change that El Salvador suffered from. However, in order to implement the ambitious plans for the transformation of the economic model into a more sustainable one, the government depended on cooperation with the old economic elites for tax-income and investments. This case study focuses on the evolution of the relationship between the government and the economic elites and implications for environmental governance. It shows how the government's attempts to establish non-hierarchical, multi-stakeholder governance initiatives have been hampered by the extreme structural weakness of the state confronted with the economic elites, and by the deep politicization of the economic elites. Indeed, the elites have rejected regulation and governance mechanisms even where they would have invoked limited costs and could have signified new economic opportunities, due to the political antagonism between the economic elite and the government. The paper discusses the implications of this for theories of environmental governance.

Keywords

Environment, governance, El Salvador, elites, development.

Contents

1. Introduction

The concept of environmental governance is highly contested. Some view this as a broad category that includes most forms of decision-making and management leading towards a regulated use of natural resources and practices that impact the natural environment (Levy and Newell 2005, Agder et al 2003). Others associate it more specifically with new forms of non-hierarchical environmental regulation such as multi-stakeholder boards or roundtables (Lemos and Agrawal 2006, Boyd 2008). Such initiatives are often associated with neo-liberalism because they intend to bridge the cleavages between business actors, governments and social movements, and mostly aim at regulating capitalist production, reducing its impact or overseeing market-based governance solutions, rather than to circumvent or transform capitalism. Moreover, implicitly they entail a critique of the regulative capacities of the state as a hierarchical, institutional actor. Consequently both the concept of 'governance' and the of kind dialogue-based practices that it describes have been criticized for not taking seriously the structural inequalities underlying many environmental problems, and studying such governance mechanisms has been juxtaposed to studying the impact of global economic structures or the practices of local elites on the environment (Hecth 2005, Brannstrom 2009). However, little research has been done on the actual practices of elites within such kinds of governance arrangements, or their willingness to engage in them. Moreover, few have studied the potentials of such governance mechanisms for engendering structural change in highly unequal contexts.

El Salvador provides an important case for studying those questions. The election of Mauricio Funes as president in El Salvador in 2009 marked a watershed in the history of the country, as it was the first time that a president backed by a left-wing party was elected. The Funes government was supported by the rather diverse coalition of the former left wing guerilla party Frente Farabundo Martí para la Liberación Nacional (FMLN), the small center-left party Cambio Democrático (CD) and a diverse group of supporters of Mauricio Funes joined in the Movimiento Amigos de Mauricio (MAM). They took power in the midst of a deep economic, environmental and social crisis after 20 years of government by the Alianza Republicana Nacionalista (ARENA)[1], a party established and run by the country's economic elite, in close association with the business peak association Asociación Nacional de la Empresa Privada (ANEP). During those 20 years, El Salvador had been transformed from an agro-export economy to a transnationally integrated service based economy, heavily dependent on the remittances from El Salvadoran guest workers in the United States. In parallel, the national economic elite was transformed from an agro-export based national elite into transnationally integrated business groups. Their main sector focus oriented towards ripping the benefits of the inflow remittances through investing in commerce and services, but with a propensity to move into whatever sector where opportunities for quick profits would appear (Bull 2013).

In this context, the Funes government set out to conduct a structural reform aimed to modify the manner in which the government exercised power, introduce new forms of governance, and set the basis for a new economic and social model. Yet, this was to happen within the frames of the existing constitution as it emphasized that what had occurred was a democratic electoral victory not the beginning of a revolution (Gobierno de El Salvador 2012a).

[1] ARENA got 32 deputies in the legislative elections months before the presidential elections, with the FMLN ending with 35.

The new economic and social model was intended to reduce poverty and inequality but also crucially to reduce the country's vulnerability to the impact of climate change, and improve the sustainability of current productive practices. A number of governmental policies and programs were launched that intended to re-invigorate small-scale production in different sectors and regulate the use of natural resources and environmentally harmful practices. This was intended combined with a governance model based on participation and dialogue with stakeholders at the local as well as national levels.

Yet, in the critical economic situation in which El Salvador found itself in 2009, the governmental endeavor had to be combined with policies aimed to generate employment and economic growth. That required investments that the state under no circumstances could bear alone. Thus, it also required collaboration with local as well as international capital holders, and international cooperation agencies. However, after initial approaches, the dialogue with the national economic elite turned increasingly difficult and threatened to halt many of the initiatives proposed by the government.

In this paper we ask what factors have contributed to the severe difficulties of pursuing a new model of environmental governance in El Salvador. The conventional wisdom is that such forms of governance run counter to the interests of the capital holders since environmental regulation may introduce new costs. While this is partly true in some sectors, this does not explain the extremely hostile reactions by the Salvadoran economic elite. We argue that this can only be understood by taking two other factors into account: the amalgamation of the economic and political elite, leading the economic elite to pursue political as well as economic interests, and the structural impediments to change due to the weakness of the state and the transnational integration of the Salvadorian economy. These elements must in turn be understood by taking a simultaneous international, national and local perspective, and thus broaden the understanding of governance to include the whole range of processes and practices through which human impacts on the natural environment are ordered and regulated. The case of El Salvador also shows that short of state power to back multi-stakeholder initiatives and provide strong incentives for the variety of sectors to participate, such processes may be weak devices to alter destructive practices.

The paper proceeds as follows: First, we discuss the concept of environmental governance as an analytical device and relate it to the concept of elites. Second, we discuss the recent transformation of the El Salvadoran economy and implications for elite power and environmental governance. Third, the major policies by the Funes government to establish a new development model with improved environmental governance are presented. Fourth, the evolution of the relationship between the government and the economic elites during the implementation of these policies are discussed. The final section draws conclusions regarding the viability of consensus based forms of environmental governance in hyper-politicized contexts of deep structural inequality.

2. Environmental governance, elites and structural inequality

In the literature, the concept of "environmental governance" has been used to describe widely different empirical phenomena and practices and it has been used with different normative implications and political connotations. Before discussing the relationship between empirical governance, elites and structural inequality, it is thus necessary to provide a further clarification of the concept.

First, there is a discrepancy between those who use “environmental governance” as the entire specter of forms of decision-making and practices regulating the relationship between man and nature, and those who apply this as a specific “new form” of decision-making and shaping of practices associated with networks, multi-stakeholder initiatives and other innovations that move beyond a top-down state-centered governance. An example of the first use is the one proposed by Levy and Newell that take “environmental governance” to: “signify the broad range of political, economic and social structures and processes that shape and constrain actors’ behavior towards the environment. Environmental governance thus refers to the multiple channels through which human impacts on the natural environment are ordered and regulated” (Levy and Newell 2005, p.2). Equally as argued by Folke et al: “Governance is the structures and processes by which people in societies make decisions and share power” (Folke et al 2005: 1). Other examples of broad definitions, focusing more on management practices are the following: “a set of regulatory practices, processes, mechanisms and organizations through which political actors influence environmental actions and outcomes” (Lemos and Agrawal 2006: 298), and “the sum of the ways in which environmental affairs are managed” (Davies 2005: 378).

These definitions differ from those that view governance as the empirical manifestations of new modes of decision-making and practices based on interactions among state actors, such as various branches of government and regulatory agencies, and non-state actors, such as civil-society organizations and market or private actors, in setting the means and objectives of policy (Jordan et al. 2005: 484). Authors applying this kind of concept focus heavily on emerging forms of environmental governance such as co-management, private-social partnerships, and public-private partnerships (Lemos and Agrawal 2006: 310). Thus as concluded in the proceedings from a recent conference: “Nowadays it is widely admitted that the concept of governance points at more or less formal arrangements adopted for dealing with public issues and involving a wide range of participants, States being only one among them” (Balsigera and Debarbieux 2011, p.1). Due to their higher degree of flexibility and closer monitoring, such forms of governance may be better suited than hierarchical governance to adapt to rapidly changing ecological challenges (Boyd 2008, p. 1912).

Second, there is a significant distinction between those who view environmental governance as describing the whole range of regulating practices impacting on the environment – positively or negatively – and those who see this as a normative goal, i.e. the positive resolution to environmental problems (Bulkeley 2005). In the former, we find for example definitions such as “formal and informal practices of management around renewable and non-renewable natural resources, how they are perceived, contested and reshaped in the context of rapid and complex social, political, economic and environmental changes at local, national, and global levels” (Hogenboom et al 2010, 1). Among the more normative concepts is the description of adaptive governance as occurring through building knowledge, feeding ecological considerations into management processes and encourage successful management (Boyd 2008).

Third, there is a distinction between those who view governance as in opposition to government, and those who view this as a continuation of governmental practices, as indicated by the use of the concept of “governmentality” (Agder et al 2003). In the second group there are, for example, a leading group among Latin American researchers that argues that “the embeddedness of the state in broader systems of control has led the attention away from formal state policies and towards general mechanisms of ensuring compliance with their general interests and purposes” (Alimonda

2011, p.45, authors' translation). Such mechanisms include schemes of co-management or public-private partnerships aiming to bridge divisions between the state and the private sector, but which these researchers view as a continuation of governmental practices.

A final, and related, distinction is drawn between those who view environmental governance practices as a continuation of elite dominance and those who view them as a potential way of modifying it. The concept of environmental governance has been criticized for downplaying the importance of the structural inequalities between actors participating in such mechanisms of governance (Piñeiro 2004, Walker 2007). Thus, a focus on *governance* has sometimes been contrasted to a focus on elite dominance in the study of management of natural resources (Brannstrom 2009). This critique is partly related to the fact that the term environmental governance emerged in the neo-liberal era (Baud, Castro and Hogenboom, 2011) when management issues replaced a focus on power and inequalities as the center of attention.

There are clearly affinities between many of these positions. For example, many of those who view environmental governance as *opposed* to government, focus mainly on new, networked, multi-stakeholder governance mechanisms, and view such forms of governance as a step towards more democratic but also more efficient environmental regulation. They share the critique of hierarchical, governmental practices with those focusing on *governmentality*, but for other reasons: whereas the former view this as inefficient and leading to the concentration of power in the hands of state, the latter would view it as one among several mechanisms colonizing nature to the benefit of capitalism (Alimonda 2011, Machado Aráoz 2011).

We use the term environmental governance in a broad and non-normative way in accordance with Lemos and Agrawal's definition above. However, we also aim to study particular governance mechanisms structured based on interaction between multiple stakeholders in a non-hierarchical way, calling them here "interactive forms of governance". In this study we aim to focus on the potential of these in the context of deep structural inequalities. In El Salvador, structural inequalities between socio-economic groups are complemented by a structural weakness of the state, in the sense that the state controls only a very small proportion of the national property and income. One way this is manifested is in the tax system. While the Salvadoran tax system has been reformed to be able to capture a higher percentage of GDP (increasing from 9.8 percent in 1992 to 13.9 percent in 2007) this is significantly lower than the Latin American average. Moreover, it is not set up to capture the increasing shares of the income gained by the Salvadoran elite outside of El Salvador (Schneider 2012, p. 111). Thus, while the economy has become increasingly transnationalized the structural limitations of the state have become ever more evident.

The concept of elite is used here about groups that control specific resources by means of which they acquire political power and material advantage (Piña-Cabral, 2000, p. 2), and may control the distribution of these resources in their locale (Marcus 1998). This implies a potentially multi-dimensional concept of elites as suggested in the broad literature of elite-studies (Mosca 1939, Hartman 2007, Lipset and Solari 1967). Our focus is nevertheless on the economic elites, but our focus will be on how, through the control over capital as well as additional resources, the elites influence governance in the broad sense, as well as how they relate to interactive governance initiatives. We may identify three such additional resources to the economic ones (ownership to means of production, property, finance capital, etc.). Those are: political resources (control over people through formal or informal organizations or institutions), social resources (local, regional, national or transnational networks), and knowledge resources (technical capacity/expertise and control over information). Studying the evolution of the direction of policies by the government, we argue, may be studied by focusing on the way in which the government on the one hand and the economic elites on the other mobilize different kind of resources, shaping the policy outcome (See Bull et.al 2012 for a further discussion) (See Bull 2013 for a further elaboration).

3. The economic transition in El Salvador: implications for elite-composition and the environment

El Salvador is often presented as the "quintessence" of the Latin-American oligarchic state, dominated by a small agro-export elite. Although never exclusively land based, the origins of the fortunes of the Salvadoran elite can be traced back to the production of indigo and cattle ranching during colonial times. From around 1860, coffee gradually replaced indigo as the main export crop. Sugar plantations emerged in the late 19th century, and experienced a major phase of expansion after the US embargo of Cuban sugar (Bulmer Thomas 1987, pp. 158-159), and between the late 1950s and 1975, El Salvador, along with the other Central American countries also experienced a cotton boom (Williams 1994).

The different crops had different impacts on economic concentration and the environment. It was the Guatemala based colonial elite that initially owned the land used for the coffee production, and the El Salvadoran elites thus emerged from indigo traders, that later invested in coffee production after the replacement of indigo by chemical dyes led to a global collapse of indigo production.

The indigo production required clearing large areas of forests, growing the plant and harvest it three years later, and then led the soil to rest. Along with cattle-ranching it caused major deforestation during colonial times. Indigo production declined in the mid-19th century, and was replaced by shade-grown coffee. This provided a new forest cover, and was thus less destructive from a hydrological point of view than indigo (Barry and Rosa 1995). However, it did cause large scale elimination of tropical forests, and the coffee mills became an important source of contamination of surface-waters. Moreover, the introduction of coffee caused large scale displacement of peasants and changed significantly land tenure (Barry and Rosa 1995). It also produced a division between the landed elite producing coffee, and the agro-industrial, coffee processing fractions (Paige 1997). While the landed elite is often considered to be the most conservative and authoritarian, in fact, as shown by Williams (1994, p. 183) the control over coffee processing was much more concentrated than coffee growing, wherein also smaller producers were involved. Another effect of the coffee export was that it attracted new immigration through the trading networks that were established in the United States and Europe. They often began import-export businesses, relying on existing connections in Europe and North America. Later, as they acquired knowledge about the coffee business, they invested in coffee-processing mills and plantations, ensuring their position within the elite (Williams 1994, p. 182).[2]

The two export crops that expanded in the mid-20th century, namely cotton and sugar had different social as well as environmental effects. They required larger investments but also gave quick returns. This meant that credit was of key importance, and members of the main cotton growing families were frequently also owners of banks and participating in their management (Williams 1986, p. 44-

[2] Examples of immigrants arriving in the late 19th century that followed this pattern abound: Herbert De Sola, J. Hill, Emilio Belismelis are some of them (Wilson 1978, Paige 1998, p. 19, Williams 1994, p. 1982).

48), and the same was true for many of the sugar growers. Yet, the cotton and sugar growers were not entirely new elites. For example, a study from 1920 shows that most of the sugar producers were also coffee growers (Wilson 1978). Thus the new crops rather contributed to consolidating the wealth of the small number of families controlling the economy.

Environmentally speaking, sugar and cotton growing were much more destructive than shade-grown coffee. The environmental impact of the sugarcane production results from the spraying of the crop with pesticides, and the burning of the cane before cut which causes major impact on crops situated close to it. The cotton production applied the highest concentrations of pesticides per hectares than in any other parts of the world, poisoning the soil, water sources and the aquatic ecosystems. For example, in the 1990s, the levels of DDT in the mothers-milk found in the cotton producing areas in El Salvador were the highest in the world (Barry and Rosas 1995). Moreover, the cotton production took place in the low lands along the pacific coast and both the cultivated areas and the construction of necessary infrastructure contributed to the destruction of remaining forests, including the mangrove forest of high importance for marine biodiversity. The combined effect of these activities, was that by the end of the 1970s, less than 6 per cent of El Salvador's natural forest was considered undisturbed by agro-export or other activities (Utting 1991). Its rapid deforestation was accompanied by loss of biodiversity, rapid soil-degradation, particularly in the areas of cotton and sugar cultivation, sedimentation of rivers, lakes and reservoirs and unchecked contamination of surface water (Acevedo et al 1995).

From the late 1950s to the early 1970s a number of industrial enterprises were established under the generous protection of the import substitution scheme of the Central American Common Market (CACM) based on the surplus from the agro-export circulated through national banks owned by the same agro-export elite. Most of it could be characterized as light industry: food and beverage, shoes and textiles, the exception being agricultural machinery and cement. However, again economic diversification generally did not create more heterogeneous elites since it was mostly the old coffee growers and exporters that moved into new sectors (Balyora 1989; Colindres 1977).

The dominance of the agro-export groups started to wither in the 1980s due to a combination of the reforms adopted by the civil-military junta that took over El Salvador after the 1979 coup, changing world prices of and the following war. The reforms implemented included a partial land reform that expropriated farmland exceeding 500 hectares per holding, the nationalization of coffee exports, and the nationalization of banks and financial institutions. The agrarian reform changed the patterns of landownership and increased the land controlled by cooperatives. However, due to the combined effect of the war, declining prices, population increase and the incompleteness of the reform, it had little positive effect on rural livelihoods. What it did was to contribute to the reduction in significance of the traditional agriculture sectors (coffee, sugar and cotton) for the El Salvadoran GDP. That was reduced from an average of 20.6 percent in the 1975-79 period to 2.4 percent in 1999. As a percentage of exports it was reduced from 64 percent to 11.7 percent in the same period (Segovia 2002).

These changes resulted in the weakening of the agricultural-financial nexus that had dominated El Salvador for decades. What ended up making up for the loss of agro-export income were the remittances from El Salvadoran migrants in the United States. Remittances grew from virtually nothing in 1980 to 3.5 billion dollars annually in 2006, representing 55 percent of the generation of income from abroad (Gammage 2006, Rosa 2008). In the period after the signing of the Chapultepec peace accords in 1992 the old agro-export elite reoriented itself in order to accommodate its interests to new economic realities. After the re-privatization of the banks in 1992, the financial institutions became the focal point for dense investment networks extending into all sectors of the economy, now organized around joint ownership interests in seven banks (Paniagua 2002). Most of these evolved into regional conglomerates, and between 2005 and 2007, they were all sold to foreign banks. Thus, by the end of 2007, with the exception of a few minor establishments, the banking sector in El Salvador was entirely on foreign hands. Furthermore, a number of national industries owned by the elite families were sold to transnational companies (TNCs), while they focused their investments in real estate, commerce, construction and tourism. Thus, by around 2007, the agro-export elites had evolved from controlling the country's major exports as well as financial system to being groups aimed at ripping the benefits from the remittances through building and operation of shopping malls, department stores and retail chains in addition to running hotels, car-dealerships and real-estate services, while depending on largely on their alliances with TNCs (joint ventures, franchises and being representatives) for access to technology (Bull 2013a). Importantly, for capital they dependent on funds accumulated in their own business groups and networks of groups, and on loans from international banks. Accessing such loans was assumed to be facilitated by the 2001 dollarization of the economy that increased the integration between the El Salvadoran and the US economy, and the signing of the free trade agreement between Central America, the United States and the Dominican Republic (DR-CAFTA) that entered into effect on January 1st 2006. However, short of control with the banks, access to capital proved more difficult than first assumed.[3]

The economic transformation occurred in the context of a reduction of cultivated land for some crops, particularly cotton, sorghum, maize and rice, the former experiencing what Barry and Rosa called an "environmental collapse" (Barry and Rosa 1995). The abandoning of former cotton farms led to the recuperation of the highly polluted areas used for cotton production (Hecht et al 2006). The land reforms also provided legal security even for wooded lands, and motivated in some areas institutional changes in territorial organization at the local and regional favorable to promoting sustainable landscapes. Moreover, it encouraged complex, multiuse, and multipurpose agricultural landscapes integrated into mixed-production systems (Hecht and Saatchi 2007). It was also found that households with remittances cleared less land (Hecht et al 2006, Hecht and Saatchi 2007).

However, the positive environmental effects were not generalized and some were short-lived. One of the parallel effects of war was that a large number of families were displaced from their farmland due to the violence, and started cultivating marginal areas including steep slopes, causing heavy increases in soil erosion and thus the capacity to retain moisture (Acevedo et al 1995). Furthermore, after an initial decline, the areas of coffee cultivation increased, and so did beans. However, the strongest increase in terms of cultivated land was found in the sugar sector; between 1978 and 2006, the areas of cultivated land set off for sugarcane production tripled (Rosa 2008), and increased further towards 2010 (Marn 2012c). Income from the sugar sector increased in the same period many times due to the increase in sugar-prices.[4] This meant that in addition to services and commerce, sugar production returned as a key sector of interest for the economic elite. In contrast

[3] Interview, former president of ANEP, 16. October 2011.
[4] Between 2000 and 2011, the price increased from 8.4 to 26 cents (of $US) per pound.

to what occurred in commerce and services, there were few changes in terms of who controlled the sugar sector. It is controlled by the five owners of the six sugar mills in the country, of which one family (Regalado Dueñas) owns two mills that stand for 50 percent of the production. The increase in areas used for sugarcane caused pressure on the surrounding subsistence agriculture, and due to the low degree of mechanization and widespread burning of the canes before cutting, it contributed to soil erosion. Furthermore, the intensive spraying with glyphosate was suspected to cause high levels of kidney failure among the rural population.[5]

4. Elite practices and environmental governance of the ARENA-led El Salvador

At the same time the environmental policies enacted reflected largely the same elites interests, due to the fact that between 1989 and 2009, the economic elite controlled politics directly through the right-wing ARENA party, after governing for decades with the military in what Stanley called "the protection racket state" (Stanley 1995). ARENA was established in 1981 by retired major Roberto D'Abussion in alliance with the Alianza Productiva, a coalition of conservative industrialists and businessmen that included much of the traditional oligarchy. D'Abussion was the founder of the death squads and mentioned as the intellectual the author of the murder of Bishop Romero in 1980. He was also a staunch opponent to the Christian Democrats and the land-reform, and chose the establishment of a political party as the main strategy only after having organized two failed coup-attempts (Paige 1998, p. 35). In 1984, he recruited Alfredo Cristiani, a leader among the less conservative, largely immigrant agro-industrial elite. He won the presidential elections in 1989 for ARENA and opened for the Chapultepec peace negotiations. By the time of the election victory, it had incorporated a broader range of businesspeople and relative moderates who were more tolerant of democratic norms than the traditional agro-export elite had been. Thus while remaining strongly opposed to structural reforms and attributing the war to a small group of terrorists who lacked popular backing and would never be a significant electoral force (Wolf 2009, p.437-8), under Cristiani, ARENA moved from displaying a fierce anti-communist ideology to electoral pragmatism (Gonzáles 2003). After that, ARENA won three more consecutive presidential elections (1994, 1999 and 2004) with a relative ample margin (except for in the 1999 elections), and controlled in the same period between 206 (1994) and 111 (2004) municipalities. In comparison, FMLN increased its control over municipalities steadily from 14 to 75 in addition to between 2 and 21 in coalition with other political parties, but was still lagging behind (Fundaungo 2011). Although never holding a majority of the deputies in the Legislative Assembly, ARENA ruled by forming coalitions as well as applying practices such as buying loyalties, unauthorized alternation of debated bills and enacting "midnight laws" (Wolf 2009, p. 443).

In spite of winning the majority of votes in a country where close to half the population lives under the poverty line, it has remained a party controlled by the country's economic elite. Within the highest socioeconomic class, the percentage of people that supports ARENA is about twice as high as among the rest of the population (Artiga Gonzales 2004)[6]. Yet, its elitist nature is not only seen in its

[5] http://www.bbc.co.uk/mundo/noticias/2011/12/111213_enfermedad_renal_centroamerica_men.shtml

[6] A study of the 2009 elections shows that ARENA not only attracts most support from members of the upper income strata, but also of the lowest. 54.4 per cent of the ARENA sympathizers belong to the lowest income groups, whereas the corresponding number for the competing FMLN is 49.2 per cent. The same study also

electorate, but even more so in its leadership. It has incorporated strata of mid-level businessmen, but the executive committee, the National Executive Council (COENA) of ARENA is dominated by members of the elite including Alfredo Cristiani, Francisco de Sola, Boris Eserski and others.

The success of ARENA must be understood as a result of the control of at least four additional resources. First, and relatively obvious, with its concentration of business interest, ARENA has mobilized more economic resources than any other political party in El Salvador for campaign financing. Although any attempt at estimating that is limited by the scarcity of public information about campaign financing, Mejia (2009) shows that in the 2009 campaign ARENA spent more than three times as much on media advertisement as did the FMLN. Studying the financing of the campaign of a ARENA candidate for mayor in Santa Ana, Koivumaeki reports that donations had covered 40 per cent of the expenses while he covered the rest from his own fortune (2010, p. 94). ARENA has also been fiercely opposed to any attempt to regulate campaign financing in El Salvador.[7]

Second, it has mobilized technical expertise. Shortly before he joined ARENA Cristiani had established the think-tank, the Salvadoran Foundation for Economic and Social Development (FUSADES), generously supported by the USAID, and counting among its founding members the majority of the Salvadoran economic elite, but mostly agro-industrialists, and actors in the finance, real estate and construction sectors (Paige 1998, p. 37). FUSADES came to represent the more moderate and modernizing of the right-wing elite, and was setting the terms for the conversion to the model based on non-traditional exports, economic openness and a minimal state (Johnson, 1998). ARENA also established two institutes that conduct technical research: ARENA Estrategia, founded in 2003, “Centro de Estudios Políticos Dr. José Antonio Rodríguez Porth” (CEP) (Koivumaeki 2010).

Third, the elite controlled the media. Historically, two families have dominated the printed news in El Salvador; first, the old coffee and cotton estate owning Altamirano family, led by Enrique Altamirano, the owner of El Diario de Hoy, Más and El Oriente, a supporter of D’Abussion and belonging to the hardliners within the ARENA. The second is the Dutriz-family owning La Prensa Gráfica, now in alliance with Univisión, a long standing mouthpiece for the elite, El Heraldo de Oriente, and El Gráfico (Rockwell and Janus 2005). A third key family is the Borja Nathans that owned major sugar estates and refineries and the daily El Mundo. Television is dominated by the Telecorporación Salvadoreña owned by Boris Eserski that controls three of the most popular channels along with a number of radio stations, advertising agencies and the main TV-guide.[8] Radio follows along the same line, as it is dominated by five business groups, of which former ARENA President Elías Antonio Saca (2004-2009) owns the largest one, the SAMIX. The second largest is owned by his cousin, José Luis Saca.

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shows that it is actually FMLN that has the highest percentage of sympathizers with higher education (17 per cent), whereas only 7 per cent of ARENAs sympathizers have higher education (Córdova Macías et al 2009).

[7] http://www.contrapunto.com.sv/politica/entrevista-derecha-cerrada-a-regular-financiamiento-y-campanas

[8] Boris Eserski is of the Eserski Araujo family, drawing their roots back to the landowning family that fostered President Manuel Enrique Araujo (1911-1913), and is related to Carlos Araujo Eserski, former president of ANEP and Walter Araujo, former president of ARENA and the Legislative Assembly, and current judge of the Supreme Electoral Court. http://www.tse.gob.sv/index.php/organismo-colegiado/79-categorias-tse/magistrados/120

A final component of the elite control has been the control over the judicial system, particularly the Supreme court which has historically been loyal to the elite, often echoing the most conservative forces within them (Freedman 2012b). The peace accords mandated both a reorganization of the Supreme Court and an overhaul of the judicial appointment system. It created a National Judiciary Council (CNJ) as the first level authority to select candidates for the tri-annual election of five new justicies judges?. As the Court is made up of fifteen justices, electing five every three years could alter the internal correlation of forces. This had until 2009 not altered significantly the ARENA control over the judiciary.[9]

The forms of environmental governance established under ARENA rule were characterized by: (i) gradual increase of governmental regulative capacity, (ii) lack of public participation, and (iii) focus on conservation of protected areas whereas the productive sectors of interest to the elite were left untouched. When ARENA first took position, the capacity that had been established for environmental regulation and control in the General Directorate for Natural Resources (DGRN) in the 1970s, had been lost during the war. In 1988 its budget was only 38 percent of what it had been in 1978, and its number of professionals reduced from 37 to 8 (Barry and Rosas 1995). The second main national institution with a responsibility for environmental issues was the Executive secretary for the environment (SEMA) attached to the Milplan (The ministry for planning and coordination of economic development), largely as a result of a regional USAID initiative, and with a main task of implementing the Environmental Fund for El Salvador (FONAES). SEMA was however left largely disassociated from the ministries as a “head without body”. Thus, in 1997, the Ministry of the Environment and Natural Resources (MARN) was created.[10]

Some years before that, discussions started about an Environmental Law. This reached congress in 1998, where it was opposed by ARENA on several accounts, highly relevant for the resulting form of governance. ARENA argued that it should be a private entity that gave environmental permits to private companies, not a public entity; it opposed the proposal that one had to pay a deposit at the start of a development to guarantee compliance with environmental laws; and it opposed the citizen participation in elaboration of environmental laws and in the environmental management and studies. In spite of this, the law was passed, albeit in a watered-down version that invoked critics from FUSADES as well as the environmental organizations (Moreno 1998).

Thus, the main thrust of the development model of ARENA was to avoid that environmental governance would stand in the way for productive development of interest to the elites, aimed to be encouraged by attraction of investments and minimizing the distortions to the market. Since elite interests were increasingly focused in urban areas were the population increasingly was concentrated, these urban environmental problems increased significantly in importance (MARN 2012c). However, particularly in rural areas multiple governance mechanisms were established, often crossing municipal boundaries, seeking alternatives to the dominating development model. Many were inspired by liberation theology and the late Salvadorian economist Aquiles Montoya’s

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[9] Its lack of independence was proven in among other cases, when in 2005, the Probity Section of the court requested two domestic banks to supply information about the accounts of several former officials including ex-president Francisco Flores. The banks denied and filed a complaint to the Supreme Court that in turn stripped the Probity Section of these powers (Wolf 2009, p. 444).

[10] http://www.marn.gob.sv/index.php?option=com_content&view=article&id=49:historia&catid=84:institucion&Itemid=84

theories of a solidarity economy.[11] While these initiatives were often in conflict with the central state, and received little support, many were supported by international cooperation.

Table 1: *Export/import, investment flows and GDP Growth 2000-2010*

	2000-2005	2006	2007	2008	2009	2010
Inward FDI flow (million USD)	325*	241	1551	903	366	117
Export of goods (million USD)	3267,8*	3758,6	4029,1	4610,7	3860,9	4478,6
Remittances (million USD)	2 362*	3 316	3 695	3 742	3 387	3 431
GDP growth %	2.4*	3.9	3.8	1.3	-3.1	1.4

Source: CEPAL, 'La inversión extranjera directa en América Latina y el Caribe 2011' (Santiago de Chile: CEPAL, 2011), CEPAL, 'Anuario Estadístico de América Latina y el Caribe' (Santiago de Chile: CEPAL, 2010), Solimano and Allende (2007).
* Average 2000-2005

Table 2 Poverty levels (percentage of people living on less than US$2 a day)

Year	Total	Urban	Rural
1995	54.2	45.8	64.4
1999	49.8	38.7	65.1
2004	47.5	47.5	56.8
2009	47.9	42.3	57.6
2010	46.6	41.1	55.8

Source: Cepal, Panorama Social, 2012.

5. The Funes government's quest for a new development path

Thus, when the Funes took over the government it was in a polarized context with a central government that supported a market-based transnationally integrated service oriented economy, but with an expanding sugar-sector, and multiple local initiatives for an alternative model of development and environmental governance.

The government also confronted a multi-dimensional crisis. The first aspect was the economic crisis. After economic growth had been low for several years, it was negative in 2009 due to the international financial crisis (see Table 1), and poverty levels rose by ten percent points between 2008 and 2009 points according the Multipurpose household survey.[12] Furthermore, the long term

[11] Interview, Emilio Espin, 26. November 2012.
[12] Encuesta de Hogares de propósitos Múltiple, 2008 and 2009, El Salvador

environmental crisis had by this point gotten concrete and very urgent manifestations. The ecosystems were severely degraded. Deforestation that was reversed during the war increased again, including the deforestation of the mangroves of high value to marine biodiversity as well as important defense against flooding caused by extreme weather. Furthermore, the country's water supply and quality was critical, and the vulnerability against climatic changes devastating to crops and livelihoods. In 2009, El Salvador was hit by the tropical storm Ida that caused 198 deaths, and it was affected by a number of other phenomena such as landslides and rising sea levels threatening both lives and livelihoods. Moreover, the agricultural crisis that had endured since the 1980s got new consequences in the context of the 2008 financial crisis. By 2010, El Salvador was no longer able to ensure supplies of basic grains from the American continent and had to import beans from China. On top of that, Funes was faced with a crisis of the right-wing, one that could have worked to his favor, but that in the end did not.

Funes' team had a different profile than those of the former governments. It was a negotiated blend of representatives of the ranks and file of FMLN and CD with a diverse political experience, and people selected by the Friends of Mauricio (MAM). Many were recruited from international organizations and think-tanks.[13] Whereas these groups can hardly be called an "elite" in the same manner as the country's economic elite, they did control significant resources in terms of technical expertise and many had very different views on environmental issues than the old elites.

Funes came to power promising change. The first plan for such change was the *Programa de Gobierno 2009-2014: Nace la Esperanza, Viene el Cambio*[14], which was the programmatic platform promoted by Funes as a presidential candidate and his vice-presidential candidate Salvador Sánchez Cerén, of the FMLN. This dedicated significant space to environmental issues, in addition to economic and social issues. However, after the electoral victory the elaboration of several other plans started aimed at reinvigorating the economy, with a particular emphasis on the crisis-ridden agricultural sector, reducing violence and poverty and management environmental risks.

The first plan launched by the government was the Global Anti-Crisis Plan, with an estimated investment of US$ 587.5 million to be executed over the course of 18 months. While envisioning major social reforms to combat poverty and improve public services, it also included measures of austerity. That was partly a requirement of the Stand By agreement worth US$ 800 million that the government signed with the IMF that allowed it government to overcome the immediate financial crisis in which it found itself. The Stand-By agreement was designed to increase social spending and

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Dirección General de Estadística y Censos, DIGESTYC, División de Estadísticas Sociales, DES
Encuesta de Hogares de Propósitos Múltiples 2008http://www.cic.ues.edu.sv/programas-estadistica/EHPM2009.pdf. This uses a different methodology than the CEPAL referred in table 2.

[13] Among the examples of the new technocrats was the leader of the economic team, Alex Segovia with a PhD from Cambridge and a long trajectory of researching the economic structures of El Salvador and Central America generally. It was also true for the environmental team that was headed by the director of the respected research institution Salvadoran Program for Research on the Environment (PRISMA), Hernan Rosa, as minister of the environment, and the program coordinator for Heinrich Böll Foundation in El Salvador, Linda Pohl as vice-minister. It was not a given that the post as the minister of environment should be given to Rosas; the environmental movements connected to the FMLN had rather favored the activist and director of the Unidad Ecológica Salvadoreña (UES), Angel Ibarra. http://www.boell-latinoamerica.org/web/index-514.html

[14] http://www.fmln.org.sv/oficial/index.php?option=com_content&view=article&id=122&Itemid=61

provide economic stimulus to help El Salvador out of the crisis, but did also include requirements for control on current expenditures and an increase of 17 per cent of fiscal income by 2014.[15]

In order to ensure implementation and impact of the plans, the government considered it "necessary to establish a new type of relationship with the business sector that would not imply a subordination of the Government to private interests, and, on the other hand, generate a climate with the minimal requirements of confidence both for national and international investment" (Gobierno de El Salvador, 2012, p. 19).

One of the means to do so was to establish links to the more moderate and progressive groups among the business elites. Examples were the Salume and the Cáceres families (Cannon and Hume 2012). However, none of them were among the leading families or dominating within the business associations or ARENA. Another measure was to "foster" analternative elite. Some parts of the FMLN also advocated stronger ties with the Venezuela led ALBA (Boliviarian Alternative for the peoples of the Americas) and related organizations in order to get access to alternative sources of finance. This happened to a certain extent with the entry of ALBA Alimentos (ALBA food), a strategic initiative to reactivate 100,000 manzanas of farmland to use for production of food made an investment of US$ 90 million and expected to generate 300 000 jobs (Ortiz, 2012), yet it was not of such magnitude that it would challenge the existing elite.

The most important measure taken was thus to establish new forums for dialogue and governance with the economic elite. The first general forum was the Economic and Social Council (Consejo Económico y Social – CES), created in September 2009. It had representatives of organized business, various social organizations, labor organizations, academics and the Government. Although some business chambers, parts of the most radical leftwing and the radical right boycotted CES, and it was criticized in the traditional media, it managed initially to maintain a broad representation. One of their first tasks was to agree on a Fiver year development plan (2010-2014) to be implemented after the initial anti-crisis measures. CES managed to come to an agreement about such a plan that gave priority to i) the reactivation of the productive economy and reduction of poverty; ii) structural reform of the state and public administration, iii) prevention of violence and the creation of a new model of integrated development; and iv) efficient management of environmental risks. The latter point had a major emphasis on the rehabilitation of infrastructure and productive capacity affected by among other phenomena, the tropical storm Ida (Gobierno de El Salvador 2010a, 52-53). In addition to being intended to be an instrument for development planning, the Five year plan intended to be an instrument for coherent environmental governance, as well as an instrument to coordinate private sector investments (Gobierno de El Salvador 2010a, 12-13).

However, its implementation was first interrupted by new tropical storms: Alex and Matthew in 2010 and the Tropical Depression 12-E in 2011 that all caused major damage on rural infrastructure and agricultural crops, and incurred major human costs (the 12-E took 32 lives). This led not only to a reorientation of governmental funds to reconstruction but also to placing the issue of climate change, risk management and vulnerability reduction higher on the national agenda. A main innovation in the plan was to develop a model of territorial management that would ensure citizens

[15] http://www.imf.org/external/np/sec/pr/2010/pr1095.htm

participation in governance, as a means to achieve the goals of Universal Social Protection and environmental management.[16]

Parallel to this, the government it initiated the National Strategy for Productive development. The main objective was not only to strengthen different existing sectors and business but to restructure the economy that would stimulate innovation and improve the conditions for small and medium sized enterprises (GOES, 2010: 92). Within that framework it proposes the need for a National System of Productive Development, that set out to convert El Salvador into a) a producer of its own food, b) a specialized industrial center, c) and international logistics center by modernizing the system of harbors and roadnets given its strategic position in the region and d) an international center for tourism. This opened for megaprojects to be developed jointly with the public and the private sector.

The Plan for Family Agriculture (PAF) was formulated with a quite different vision. It was a concretization of some of the proposals of the Five year plan, but also a more concrete response to the agricultural crisis. The plan set out to reestablish institutional mechanisms of support that had provided small family farms with credit, technical assistance, access to land and other important inputs, but that had been removed as a part of the structural adjustment process of the last decades (MAG, 2011: 10).

The PAF included three programs: i) The Program of National Supplies for Food and Nutritional Security (PAN), with a budget of US$ 190.4 million directed towards subsistence agriculture, including a technological packet based on chemical inputs and certified grains, technical assistance and a special credit line; ii) the Family Agriculture Program for Productive Chains with US$ 59.6 million; iii) a program for Agricultural innovation (US$ 16 millions); iv) a program to strengthen the links to Industry and Commerce with US$ 3.6 million to strengthen business links between farmers and industrial enterprises (MAG, 2012). The goal related to basic grains was to increase by 70 000 hectares (100 000 manzanas) the cultivated areas in 2014, which was assumed to be able to reduce rural poverty (extreme and relative) by 12 percent (MAG, 2011).

With the implementation of PAF, the expectations and projections for the production of basic grains promised record harvests for 2011. However, the severe impact of the Tropical Storm 12-E revealed the limits of PAF, since it had been implemented without taking into account the enormous vulnerabilities and the situation of risk due to climate change that the small Salvadoran farmers were faced with. In this context, an important adjustment was made to PAF, through the Environmental Strategy for Adaptation and Mitigation to Climate Change in the Agricultural, Forestry, Poultry and Fishery sectors. With this, one adopts practices, technologies and formulas for management of the production, in order to ensure that it contributes to economic growth and reduction of poverty in the rural territories (MAG, 2012). This part of the strategy was coordinated by the Ministry of Environment and Natural Resources (MARN) which required that it was coordinated with the MARN's general policies.

One of these policies were the National Program for the Restoration of Ecosystems and Rural Landscapes (PREP) that was a strategic response by MARN to reverse the environmental degradation and strengthen adaptation to climate change in El Salvador through productive actions and sustainable management of natural resources. It aims to promote the restoration of ecosystems and

[16] This line of thinking was also a main feature of the presidential program of Territories of Progress.

landscapes as a way to reduce the risk, contribute proactively to the reduction of socioeconomic and environmental vulnerability, and increase the capacity for mitigation and adaptation to climate change of the agricultural sector and infrastructure (MARN, 2012a). Although PREP is implemented by MARN as the main coordinating mechanism, it has established a strategy of connection to various actors at different levels, including ministries and other entities of the central government, local and territorial organization.[17]

The main goal of PREP is that 20 percent of the country adopts sustainable practices with a main focus of the most vulnerable zones of the country. The fundamental principle of the program is that the ecosystem and the productive activities are intimately related and the main challenge is to organize productive systems based on the realities of the different landscapes. As opposed to in the PAF (whose main area of work is the individual farm), the scale of the PREP is the landscape.[18] PREP has three main focuses: 1) The promotion of organic and sustainable agriculture that, among other things imply the elimination of agrochemicals; ii) A change in the practices by the large producers (of sugar, coffee and cattle); and iii) the introduction of "natural infrastructure", introducing vegetation jointly with physical construction in order to reduce risk (MARN, 2012a).

The government initiated dialogue with particular sectors of the international elite on many of these policies, but with different degrees of success. As a part of the second of the goals above, the government intended to green the sugar industry by prohibiting specific pesticides and reduce the areas of burning cane by 12500 hectares. This caused fierce clashes with the sugar mill owners. While the representatives of the ministries admitted that this was not done in sufficient dialogue with the sugar sector, the sugar elite argued that the government had no intention of ensuring necessary dialogue:

> "En el tema de medio ambiente es diferente. Allí el gobierno está imponiéndonos cosas. Te doy un ejemplo. El MARN y algunos diputados nos han exigido reducir ciertos químicos. Ni siquiera creo que sean peligrosos. Además nos piden cortar las cañas verdes sin quemarles […] se dice que mata algunos animalitos que viven allí. Entonces el MARN busca que no lo quemamos. Luego nos llega de total sorpresa una demanda que reducimos las áreas que nos quema con 12500 hectáreas. Nunca nos han venido a consultar. Lo hicieron así no más." [19]

However, there were other more successful attempts at bringing the elite into dialogue forums, or at least their representatives. One was the elaboration of the new water law. This was done in close consultation with ANEP, and with the support of FUSADES. Indeed, partly because of an exchange of plans and technological knowledge, the FUSADES came to coincide with the government on the new law and it was approved also by the representatives of the economic elite.[20]

ANEP and other business associations also participated in the revision of the general national environmental policies. That resulted in a six point action plan presented in May 2012, overlapping in many respects some of the other policies: Restoration of degraded ecosystems and landscapes,

[17] Memoria de Foro-Taller Agricultura Sostenible para la Restauración de Ecosistemas y Paisajes Rurales, 2012: 1

[18] Memoria de Foro-Taller Agricultura Sostenible para la Restauración de Ecosistemas y Paisajes Rurales, 2012: 1

[19] Interview, owner of sugar mills, San Salvador 16. November, 2012,

[20] Interviews, high level governmental representative, 15. November 2012, interview executive director of FUNDEMAS, 15. November 2012.

improved sanitation, integrated management of hydro-resources, integration of environmental issues in the territorial regulation, environmental responsibility and adaptation to climate change and reduction of risk (MARN, 2012b).

The plans for the increase in rural production and productivity in line with a vision of innovative forms of environmental governance represented a significant break with the environmental policies of the ARENA that had been focused on conservation of specific areas, and lacked support for small scale, sustainable farming. Its proposals built not only on the technical expertise of the new team, but also on several local projects and local governance mechanisms that had been developed after the peace accords. While there were clashes with the economic elite, there were also several examples of participation by the elite in dialogue with the government on elaboration of policies and their implementation. However, this broke down due to extreme levels of politicization of the elite related to its gradual loss of political control.

6. Government-elite interaction: From dialogue to confrontation

Simultaneous with the formulation of the first governmental plans, the political right experienced its worst crisis in 20 years. The electoral defeat exacerbated the differences that had already become evident within ARENA during the Antonio Saca presidency (2004-2009), between the party founders representing the old elites, and new sectors, represented by Saca and his preferred successor, the ARENA presidential candidate for the 2009 elections, Rodrigo Avila. The old elites led by party founder Cristiani, managed to put their people back into COENA in September 2009 and sought loyalty from the ARENA group in the legislative assembly. The result of a long struggle between different factions was that 12 ARENA representatives to the Legislative Assembly left the party and formed its own, named the Gran Alianza por la Unidad Nacional (GANA), that acquired its legal status as a party in January 2010 (Fundaungo 2011), and that was later led presided by Saca.

When the government started to discuss the most difficult issues with the elite representatives, being a fiscal pact aimed to raise the necessary funds for the development plans, and new investment into productive capacity that could bring the country out of the crisis, it was faced with a split right wing. A new fiscal pact started to be discussed by CES in late 2010. However, by February 2011, ANEP withdrew from the discussions. One reason was the simple fact that ANEP rejected tax increases and argued that the fiscal pact should be about spending cuts, and that one rather should increase income by taxing the informal economy and eliminate loopholes than by raising corporate taxes (FUSADES 2011). However, apart from the objections to the content of a new fiscal policy, the withdrawal was motivated by an intense lack of confidence. The ANEP representatives argued that the debates in CES were a smokescreen and that the government would introduce harsh tax increases no matter what the CES would agree on, and rejected strongly insinuations that prominent ANEP members evaded taxes.

Yet, the fissure of the right wing came to the rescue of the government. The discussion of a fiscal pact was re-launched in June 2011.[21] In spite of fierce opposition from business elites (Quintanilla 2001), it was passed in the Legislative Assembly in December 2011 with the support from all parties in the Legislative Assembly except from ARENA, something that probably would not have happened had it not been for the support of the former ARENA representatives now in GANA.

[21] http://www.elsalvador.com/mwedh/nota/nota_completa.asp?idCat=6374&idArt=5947245

Yet, while the fiscal pact was rescued, the relations between the government and the ANEP elites seemed beyond mending. A number of issues contributed to that. In the annual reports on the Funes-administration produced by the above mentioned think-tank FUSADES, the chapters on the relationship between the government and the private sector in the first reports reflect largely a "war of words". They report a deep lack of confidence reflected in mutual accusations of intentions and actions. However, the report of the third year, reports on a number of specific policy measures and political issues that have contributed to a deteriorating climate, including a particular tax collected to cover increased expenses related to the escalating violence, and governmental requirements for increased business transparency (FUSADES 2012).

The strained relationship with ANEP was a major challenge, not only with a view to getting legislation passed, but also because the government had based its development strategy on being able to mobilize economic growth and employment. What had happened was the contrary. Private investments dropped significantly in what the technical secretary of the president, Alex Segovia, called an "investment-strike".[22] Increased private investments became even more urgent due to the inclusion of El Salvador in the Partners for Growth initiative launched by the Obama administration in 2010. The starting point for this initiative was the experiences of the Millennium Challenge Corporation (MCC) that was created with bi-partisan approval by the US congress in January 2004. It sets out to provide a "rigorous analysis" of the factors that restricts growth in different contexts, develop plans to remove those restrictions, as well as distribute responsibility at a high level regarding its application (U.S. Government, 2012).

In the case of El Salvador, the Partner for Growth initiative proposed to mobilize traditional and non-traditional resources from each government to remove the obstacles to identify opportunities for growth (U.S: Department of State, 2011). In July the main diagnosis of El Salvador was made public, focusing on the high levels of crime and the low levels of productivity in the tradable sectors (USG-GOES, 2011). This diagnosis was based on a number of different existing numbers and studies, and conversations and focus groups in El Salvador, but confined strictly to the elites: business and the upper skeletons of public administration (USG-GOES, 2011, p.1). There are no communities or social movements consulted, and the emphasis is on unleashing the potential for the private sector to spur growth. Furthermore, the environment is only mentioned as a "risk factor" for increased economic growth, due to El Salvador's high degree of vulnerability to climate change and natural disasters (USG-GOES, 2011, pp. 199-209).

In November the same year the Joint Action Plan 2011-2015 was finalized. Regarding the low productivity level, the main emphasis is placed on the role of the private sector in productivity growth and the need to strengthen the mutual understanding between the private sector and the government, based on transparency, communication and clear policies that support and generate innovation (USG-GOES, 2011).

However, it brought little new funding. In the joint declaration signed by El Salvador and the United States, the US government commits instead to mobilize a broad specter of instruments of assistance to strengthen the impact of the plan, including measures to leverage private capital, and call on the private sector to increase investment and assist national measures to create a climate for economic growth (USG-GOES, 2011).

[22] Personal communication.

The Partnership for Growth was to be the main framework for the follow up of the Millenium Challenge Funds investment in El Salvador, the so called Fomilenio II. This was focused on the coastal areas, and a proposal for a broad based project was developed by a diversity of actors including municipalities, communities, and business elites, on a project of investments in human capital, tourism, infrastructure and logistical services The government developed a carefully drafted plan with a thorough Strategic Environmental Assessment for an improved management of natural resources in the sugar industry (including the reduction of burning), fisheries, protection of the mangroves, and lying the groundwork for sustainable tourism (MARN 2012c). A group of elite investors joined forces to plan a large scale investment in tourism in the area. With a list of investors reading like a "who's who" of the Salvadoran elite, the Asociación de Desarrolladores Turísticos Costero Marinos (Promar) planned investments of US$2, 000 million in the areas.[23] In order to become reality, it would have to be discussed with the government, but also, in according to the government's visions for governance, with a dialogue with multiple actors.

However, the relationship between the government and the ANEP was at that point so tense that the prospects of being able to develop such a mutual understanding with the private sector with ANEP as an interlocutor were bleak. Thus, in November 2011 the government convened instead a National Growth Council (Consejo Nacional para el Crecimiento), consisting of five governmental representatives and five of the country's richest businessmen: Roberto Murray Meza (President of Grupo Agrisal), Francisco de Sola (President of Grupo Homarca), Francisco Callejas (President of the supermarket chain Super Selectos), Juan Carlos Eserski (son of aforementioned Boris Eserski) and Ricardo Poma (President of the perhaps most powerful Salvadoran business group, Grupo Poma), jointly assumed to control around one third of the Salvadoran GDP.[24] The main purpose was to mobilize investments to the many projects envisaged in the Five year development plan and the Partnership for Growth and to create a better climate for investments in general.

However, that did not happen. Again, the close, but increasingly complicated connections between the economic right and the political right worked to the detriment of an improved relationship between business and the government. After the four independent judges of the Constitutional Bench of the Supreme court started to act independently as described above, a series of court rulings came that were quite surprising to the Salvadoran audience that had become used to an obedient Supreme court. Through these rulings they clashed with the government as well as the legislative assembly and the economic elite, as they dismissed corrupt judges, hit down on the purchase of positions and rejected the government's transfer of funds between different ministries. On June 2 2012 all the rightwing parties (ARENA, PDC, PCN and GANA) joined forces to fast-track a reform to the Judicial Organization Law. Known by the decree's number (743), it was written exclusively for those nicknamed "the fantastic four": all Constitutional Bench rulings would now have to be unanimous not agreed to by a qualified majority as has been the case previously. As the Constitutional Bench had five representatives that would in effect stop the four from acting as they had. Only the FMLN legislative representatives did not vote in favor of Decree 743. However, President Funes sanctioned it and sent to El Diario Oficial for publication the same day. This sparked off a strong reaction from a number of civil society organizations, led by ANEP, calling this a true blow to Salvadoran democracy. While the decree was an initiative of the right wing parties, President Funes was blamed for it as he had sanctioned it rapidly. ARENA founder Cristiani admitted

[23] http://elmundo.com.sv/alistan-inversion-turistica-por-2000-mills

[24] Interview, Alfonso Goitia, Ministry of Economy, El Salvador, 16.November 2012.

that the decree had been a mistake, but explained that the legislators' haste was motivated by fear that the Constitutional Bench would repeal the Amnesty Law, which he defined as the "cornerstone of our democracy" (Freedman 2012b) , and that allowed many prominent members of the business and political elite to avoid persecution for war crimes. This constitutional crisis created hitherto unseen cleavages and alliances: ARENA and ANEP were for the first time in open, public conflict, while ARENA attempted to make FMLN join in on a an effort to "repeal" the decree, something FMLN would not do as they argued that ARENA got themselves into the mess alone, and would have to get out of it as well. At the same time, the FMLNs disapproval of the Funes government increased, as did that of many left-wing civil society organizations.

Yet, for the government's development strategies the most important implication was that it led ANEP to break out of CES, and the five businessmen of the National Growth Council to break out due to what they alleged was undemocratic behavior by the government.[25] This happened in spite of the fact that the elite representatives integrating this council were all investors in PROMAR and would benefit heavily from the success of the initiative. ANEP went as far as to call the government "golpista" (coup-makers).[26] Only under heavy pressure from the US-ambassador, did the businessmen included in the National Growth Council return to the table, but the ANEP did not return to CES.[27]

The projects planned under the PROMAR were discussed in interactive governance mechanisms established by non-governmental organizations such as the Latin American Center for Rural Dialogue's project on Rural Dialogue. [28] However, in interviews, the elite expressed that it was out of the question for them to participate in such interactive dialogue mechanisms as it was too associated with FMLN-controlled social organizations.[29]

7. Conclusion: Environmental governance in a context of structural inequality

The attempts by the Salvadoran government to include broad groups of the society in a multi-stakeholder dialogue was done with the aim to establish new forms of governance of productive activities to make them more compatible with the grave environmental crisis that El Salvador found itself in. The situation resulted from a combination of unsustainable environmental practices, particularly in agro-export sectors, and El Salvador's geographical location making it highly vulnerable to global climatic changes. While it is too early to conclude about the success of these attempts, the evolution of the situation sheds light on the strengths and limitations of interactive governance in situations of deeply rooted structural inequality between elite and non-elite groups and weak state institutions.

One main conclusion is that in a context such as the El Salvadoran one, the success of non-hierarchical interactive measures is hindered by the deep politicization between different groups. This hinders a focus on the issues at stake, and allows various additional motives to come into play. One may conclude that the functioning of such governance mechanisms depends on a degree of

[25] http://elmundo.com.sv/empresarios-se-van-de-asocio-por-crecimiento
[26] http://elmundo.com.sv/anep-se-va-de-ces-y-tilda-al-gobierno-de-golpista
[27] Interview, senior governmental representative, El Salvador 15. November 2012.
[28] http://www.rimisp.org/proyectos/noticias_proy.php?id_proyecto=262&id_=1741
[29] Interviews, Salvadoran elite representatives, 15-16 November 2012.

confidence between the different stakeholders, and legitimacy of the actors backing such initiatives. This has been weak or absent in El Salvador due to the deep inequalities existing in the socio-economic system and the history of political polarization.

A second main conclusion is that in a context such as the El Salvadoran one, characterized by low growth and widespread poverty it is impossible to analyze environmental governance separately from initiatives to engender a conversion of the productive apparatus. A sustainable and just use of natural resources including land, water and forest cannot be firmly established if it does not simultaneously provide livelihoods for the people living in the areas. In the context of a structurally weak state, this requires that the government enters into direct dialogue with possible investors. However, in the actual context, the government entered into these negotiations in a relatively weak position, and it remains to be seen whether it is able both to ensure investments and to regulate it in line with environmental impact assessments and general policies for a stronger and more inclusive form of environmental governance.

The case of El Salvador also provides important insight to the general literature on environmental governance. Based on the current experience, it seems unjustified to allege that also current governmental initiatives in El Salvador to increase citizens' participation and dialogue are new ways of colonizing nature and expressions of "governmentality" (Alimonda 2011. Machado Aráoz 2011). This presupposes a state which not only has institutional strength, but also the ability to influence in different ways the practices of different societal actors, one that cannot be presupposed in this case.

At the same time, the analysis of the situation in El Salvador is important also for understanding the viability of choosing a path of gradual reforms towards a more equitable and sustainable development model. In the literature, there have been ample discussions of the viability of such a path in the context of deep inequalities and entrenched elites (Buxton 2009, Bealsley-Murrey et al 2010, Levitsky and Kaufman 2011). El Salvador illustrates the deep difficulties with such a path, particularly in the context of the lack of independent governmental sources of income. One could imagine that the country's rather accidental move away from natural resource dependency due to the civil war and falling world prices, would facilitate the conversion to a more sustainable model. However, the combination of deep political antagonism and internationally embedded structural inequality has hampered such efforts up until today.

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