



Are PRSPs Combating Rural Poverty in Honduras and Nicaragua?

Lessons for a New Generation of PRSPs

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COVER PHOTO: *Iris (14) from Santa Marta in Northern Nicaragua. Iris works on a coffee plantation, earning less than a \$1 a day for 10 hours work.*

Contents

Executive Summary	2
1 The PRSP Process in Honduras and Nicaragua: Overview and Current Status	3
2 The Poverty Diagnostic in the Honduran and Nicaraguan PRSPs	4
3 Rural Development Policy in Honduras and Nicaragua	6
4 Implementation of the Poverty Reduction Strategies	11
5 Conclusions and Recommendations	17

Acronyms

ASONOG	Association of Non-Governmental Organisations
CAFTA	Central American Free Trade Agreement
CCER	Civil Coordinator for the Emergency and Reconstruction
COFEMUN	Feminist Network of University Women
CONPES	National Council for Economic and Social Planning
CSO	Civil Society Organisation
FOSDEH	Social Forum for Debt and Development in Honduras
GISN	South-North Advocacy Group
HIPC	Highly Indebted Poor Countries
IFI	International Financial Institutions
IHCAFE	Honduran Coffee Institute
IMF	International Monetary Fund
NDP	National Development Plan
NGO	Non-Governmental Organisation
PACTA	Access to Land Programme
PRGF	Poverty Reduction and Growth Facility
PRONADERS	National Programme for Sustainable Rural Development
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis
SGPRS	Strengthened Growth and Poverty Reduction Strategy
SME	Small and Medium Sized Enterprises
SWAp	Sector Wide Approach

Executive Summary¹

Poverty and vulnerability are concentrated in rural areas in Honduras and Nicaragua. Inequality is a key cause of poverty in both countries, manifested in rural areas through limited access of the poor to land, inequity in its distribution and in the provision of public services, including productive support services, infrastructure and social services.

Although the PRSPs in both countries recognise inequality as an important determinant of poverty, they fail to adequately address inequity in the distribution of income and resources as a means of reducing poverty. The overriding focus of the PRSPs is improved productivity and competitiveness in the agricultural sector in order to increase exports, economic growth and integration into global markets. This approach is combined with complementary measures for small landholders and the provision of basic public services and social protection to reduce poverty.

Sector Wide Approaches (SWAs) are being developed in both countries to facilitate implementation of the PRSPs, coordination between all actors and donor alignment. The focus of the Sectoral Agricultural Policies currently being defined is similar to that of the PRSPs.

Given the absence of an approach that harnesses the potential and addresses the obstacles faced by small producers, civil society, particularly peasant organisations, and donors have a key role to play in promoting a genuine pro-rural poor focus in these policies.

Civil society and local authorities in both countries have been developing regional and local poverty reduction plans in an effort to ensure a pro-poor focus in the PRSPs. However, the governments have not yet accepted these plans and it is uncertain how they are to be articulated and included in the official PRSPs and the SWAs.

The impact of the PRSPs to date in reducing rural poverty has been disappointing. Poor people do not see any change in their situation and key issues such as land reform, the environment and gender equity are not being adequately addressed.

Low implementation levels is due, among other things, to delays in reaching a PRGF agreement with the IMF. This highlights a fundamental weakness of the PRSP approach: its implementation depends on external resources, which underscores the need for greater ownership of the strategies and a commitment on the part of governments to pro-poor budgets.

The PRSP process in both countries has been marked by the absence of grass-roots organisations and the poor themselves. In order to bring about a more inclusive process more resources need to be allocated to capacity building for CSOs, peasant organisations and rural women's groups on the PRSP, economic literacy, participatory planning, monitoring and evaluation and advocacy skills.

¹ This Policy Briefing draws on an in-depth study into the impact of the PRSPs on the rural sector in Honduras and Nicaragua carried out by Trócaire for the International Fund for Agricultural Development (IFAD) during the period September 2003 – January 2004. For further information see full report at www.trocaire.org (policy and advocacy section).

1. The PRSP Process in Honduras and Nicaragua: Overview and Current Status

Honduras and Nicaragua reached Decision Point within the HIPC II initiative in 2000 and the final PRSPs for both countries were approved by the International Financial Institutions (IFIs) in the autumn of 2001.

Honduras was originally expected to reach Completion Point in July 2002 but this has been postponed due to the government's inability to comply with the IMF's macro-economic conditions, particularly those relating to the fiscal deficit, set out in the last Letter of Intent of October 2001. A new PRGF was finally agreed in February 2004 and the country is expected to reach Completion Point in early 2005.

Completion Point for Nicaragua was also delayed due to non-compliance with IMF conditions in 2001 but a Poverty Reduction and Growth Facility (PRGF) was agreed in December 2002 and Nicaragua reached Completion Point in January 2004.

Under the HIPC II initiative, the estimated total nominal debt service relief for Honduras is US\$900 million, which represents a reduction of approximately 18% in the net present value of debt. Nicaragua will benefit from a greater amount of debt relief, nominally estimated to be US\$4.5 billion, representing a reduction of 72% of the net present value.

In both countries, the depth and quality of participation in the formulation of the PRSPs was weak, leading to the main civil society coordinating networks (Interforos in Honduras and the Civil Coordinator for the Emergency and Reconstruction (CCER) in Nicaragua²) carrying

out their own consultations at local level to develop an alternative civil society PRSP in an effort to influence the official documents.³ However, their efforts had minimal impact on the final PRSPs.

Discussions around macro-economic policies were off-limits to civil society on the grounds that they lack the capacity to participate in this area. Given the limited technical capacity of governments themselves to negotiate macro-economic issues as well as the restrictions imposed by the IFIs in this area, the ability of civil society to influence macro-economic decisions is even more limited.

National economic policy is still determined by the IFIs, the PRSPs are subordinate to the IMF's Poverty Reduction and Growth Facility (PRGF) and in both countries the PRGF has undermined poverty reduction efforts. The lack of open discussion and debate in this area of fundamental importance undermines the notion of ownership which is supposed to underpin the PRSP approach.

Honduras and Nicaragua are in their third year of implementation of the PRSP. The Honduran government has produced one Progress Report, which was made available in March 2003 and subject to numerous revisions before being approved by the IFIs in February 2004. The Nicaraguan government has produced two Progress Reports, dated November 2002 and January 2004, and has drawn up a new National Development Plan (NDP) to strengthen the pillar relating to economic growth of the original PRSP.

² Interforos and the CCER are independent networks of civil society organisations created after Hurricane Mitch to coordinate civil society's contribution to the reconstruction process.

³ Interforos (2000), Estrategia de Combate a la Pobreza, and CCER (2001), La Nicaragua que Queremos.

2. The Poverty Diagnostic in the Honduran and Nicaraguan PRSPs

2.1 Poverty and Rural Poverty Levels in Honduras and Nicaragua⁴

The Honduran Poverty Reduction Strategy (PRS) uses four methods to measure poverty and to identify the poorest 80 municipalities in the country for the prioritised implementation of the strategy.⁵ All four methods indicate that poverty is highest in rural areas. The percentage of households at national level living below the poverty line in 1999 was 66%, of which 48% lived in extreme poverty, while in rural areas 75% lived in poverty and 60% in extreme poverty. Similarly, 48% of households at national level had unsatisfied basic needs in 1999, while this figure rose to 58% in rural areas.

The Nicaraguan Strengthened Growth and Poverty Reduction Strategy (SGPRS) uses the Consumer Index to guide the implementation of the strategy in 32 priority municipalities. According to this method in 1998 47.9% of households at national level lived in poverty and 17.3% lived in extreme poverty. In rural areas, these figures rise to 68.5% and 28.9% respectively.

However, the Consumer Index tends to reveal lower levels of poverty in Nicaragua than the Income Distribution and Unsatisfied Basic Needs methods. For example, in 1998 72.6% of Nicaraguans were poor and 44.7% extremely poor according to the Unsatisfied Basic Needs method and 60% lived in poverty and 33.5% in extreme poverty according to income levels. This highlights the need to combine the methods used to measure poverty so as to ensure that the PRSP genuinely targets the poor.

2.2 Key Causes of Poverty and Rural Poverty in Honduras and Nicaragua

Poverty in Honduras and Nicaragua is the result of an exclusionary political, economic and social model, manifested in high levels of inequality in the distribution of income and wealth and in access to productive assets coupled with low levels of democratic participation by the poor. The inefficient and non-transparent use of resources, unfavourable trade terms and a high foreign debt have contributed to exacerbating the poverty situation in both countries. The list below highlights the most important determinants of poverty specific to rural areas:

- Limited access to land and insecurity in land tenure and use;
- Inadequate access to support services for production and marketing of produce (infrastructure, credit, technical assistance, irrigation, etc);
- Poor access to and low quality of social services (education, health, water and sanitation, housing);
- Few sources of employment;
- Environmental degradation;
- Gender inequality.

2.3 Rural Poverty Analysis in the Honduran and Nicaraguan PRSPs

Overall, both PRSPs attribute poverty to poor economic performance due to the incomplete adoption of macro-economic and structural adjustments, inefficiency in markets and low competitiveness.

2.3.1 The Honduran Poverty Diagnostic

Although set within a neo-liberal perspective with a strong emphasis on growth, the Honduran PRS also makes an explicit link between economic growth, inequality and poverty and captures all of the determinants of rural poverty highlighted above.

The PRS argues that the adjustment and stabilisation measures of the 1990s had a positive, albeit limited impact on economic growth but acknowledges that growth did not lead to a significant reduction in poverty. It is recognised that the high level of inequality in the distribution of income and wealth and in

⁴ All statistics are taken from the Honduran and Nicaraguan PRSPs.

⁵ Percentage Living Below the Poverty Line; Unsatisfied Basic Needs; Prevalence of Under-nourishment amongst First Grade School Children; and the Human Development Index.

access to productive assets has prevented the poor from benefiting from economic growth.

In this respect issues of land concentration, insecurity in land tenure and land use, inadequate access to infrastructure and support services in rural areas are addressed. The diagnostic also recognises that inequity in the provision of social services has further exacerbated inequality and poverty in rural areas and acknowledges the vicious circle of: poverty - environmental deterioration - increased poverty and vulnerability.

Overall however, poor economic growth is attributed to low productivity and competitiveness in all sectors of the Honduran economy due mainly to the incomplete implementation of structural and macro-economic adjustments. The most important measures proposed to increase economic growth include further opening up the economy to the international market and the completion of structural and macro-economic adjustments.

This approach is promoted in spite of the fact that the PRS itself acknowledges that some neo-liberal policies have not benefited or have had a negative impact on poor people, particularly small producers of basic grains.

The PRS also highlights the low level of democratic participation by the poor, deterioration of cultural values, an oversized state apparatus and an inefficient and politicised public sector as factors that contribute to poverty in the country.

Downsizing and privatisation are promoted as the solution to problems in the public sector, with very little analysis provided of the benefits and drawbacks of this approach or of its real impact on the poor. This is a criticism repeatedly made by civil society who insist on Poverty and Social Impact Analyses being carried out prior to implementation of such reforms.

While the poverty diagnostic in general, and the analysis of rural poverty in particular, is relatively strong, with an explicit link made between economic growth, inequality and poverty, the failure of the Honduran PRS is that subsequent chapters do not set out the necessary measures to tackle inequality.

2.3.2 The Nicaraguan Poverty Diagnostic

In contrast to the Honduran PRS, the Nicaraguan SGPRS presents a rather superficial analysis of poverty, highlighting its various dimensions, which can be interpreted as determinants and in some cases effects of poverty. They include high levels of unemployment, insecurity in relation to property rights, low levels of access to basic infrastructure, high birth rates, low educational attainment, low quality and difficult access to health services, and vulnerability.

It is acknowledged that these determinants and effects of poverty are particularly acute in rural areas but an analysis of issues specific to rural areas is absent from the diagnostic. Only slight mention is made of the importance of access to land, with the focus being primarily on insecure property rights, and practically no mention is made of inadequate access to support services for production and marketing.

While inequality in the distribution of income and levels of consumption, together with other structural issues, are mentioned as factors that influence poverty, practically no analysis is provided of these factors and the SGPRS places special emphasis on the economic collapse of the 1980s as the main reason for high levels of poverty in the country.

2.3.4 The Treatment of Gender in the Poverty Diagnostics

Gender is not treated as a cross-cutting issue in either of the poverty diagnostics. Women are mentioned mainly in sections dealing with health and education, while some information is also provided on their participation in the labour market and on income differences between men and women. Issues such as access to land, credit, technical assistance and housing etc. for rural women are not dealt with.

3. Rural Development Policy in Honduras and Nicaragua

3.1 Introduction

The Honduran and Nicaraguan PRSPs propagate a model of agricultural and rural development that involves the promotion of economic growth, further liberalizing the market and increasing exports.

The promotion of exports is combined with complementary measures to support small-holder agriculture and the provision of social services to improve the situation of those excluded from the dominant growth model.

By adopting such an approach, neither of the PRSPs pay sufficient attention to the need to tackle inequality in the distribution of income and wealth and fail to consider the possibility of generating economic growth through a strategy that addresses the obstacles to rural poverty reduction and harnesses the potential of rural areas. This is the most fundamental weakness of Poverty Reduction Strategies in countries where the majority of people live in rural areas.

In order to understand the implications of the PRSPs for the rural sector, the strategies must be looked at in conjunction with other policies that have been drawn up in the context of the PRSP process.

In Honduras, the Sectoral Plan for Agriculture and Rural Areas in Honduras 2003-2021 gives a clear picture of the overall direction of rural development policy. In Nicaragua, an Agricultural and Forestry Sectoral Policy has also been developed, and the government has formulated a National Development Plan (NDP) to strengthen the weak aspects of the first pillar of the SGPRS relating to economic growth. This plan is to be articulated with the SGPRS and converted into Nicaragua's Second Generation PRSP.

3.2 Rural Development Policy in the PRS and other Official Documents in Honduras

3.2.1 The Poverty Reduction Strategy

Owing to the strong analysis of the extent of poverty in rural areas provided by the poverty diagnostic, the reduction of rural poverty constitutes one of the six pillars of the PRS⁶, within which four specific areas of intervention are presented. However, it is worrying that currently only 10% of the total PRS budget is allocated to rural poverty reduction.

The first area of intervention involves improving equity and security in access to land through market-based measures, massive titling programmes, land redistribution, legal reform and the modernisation of the cadastre and property register.

The second area focuses on establishing rural development programmes in vulnerable areas and supporting agro-forestry and artisan activities.

Improving the competitiveness of the small rural economy is the third area of intervention, focusing on support for business initiatives of the reformed sector, ethnic groups and micro-enterprises, improving physical infrastructure and increasing access to support services.

Finally, the PRS aims to improve social conditions in rural areas, including housing, water and sanitation, the promotion of productive vegetable gardens and food conservation activities and improved management and coordination of food aid.

Measures to guarantee more equitable access to and better quality health and education services in rural areas are not set out in this pillar. Interventions to expand the coverage and improve the quality of health and education services in general are set out in the pillar dealing with investment in human capital.

There is no integration of a gender focus in the measures proposed, with measures to benefit women limited to the promotion of vegetable gardens and food conservation.

The projects and programmes are outlined in general terms and are not clearly articulated. The PRS is vague in relation to priorities and the selection criteria for beneficiaries and while overall indicators are provided, no targets are given. For example, no targets are given for the

⁶ The six pillars are: (i) increasing economic growth, (ii) reducing rural poverty, (iii) reducing urban poverty, (iv) investing in human capital, (v) strengthening social protection and (vi) guaranteeing the sustainability of the strategy.

number of hectares to be titled and the number of beneficiaries, making it very difficult to pin down what the strategy actually means in reality.

The PRS recognises that economic development and the reduction of poverty can only be sustained by reducing ecological vulnerability and the risk of natural disasters. Environmental and risk management is thus one of the five strategic guidelines underpinning the strategy, with a budget of US\$175.4 million to the year 2015.

The impact of the fall in coffee prices on the rural poor is not mentioned at all in the pillar dealing with rural poverty. According to the Honduran Coffee Institute (IHCAFE), coffee accounts for between 5-8% annually of the national GDP and almost 25% of agricultural GDP. Out of a total of 112,784 coffee producers, more than 80% are small family farmers, who have seen their livelihoods threatened in recent years due to the coffee crisis. Given the importance of coffee to the rural economy, it is worrying that the PRS does not address the issue.

The principal weakness of the PRS approach to rural poverty is the absence of a clearly defined national rural development policy. The majority of the projects and programmes outlined already existed prior to the PRS and were simply incorporated into the strategy without a prior definition of an integrated approach. The sources of rural economic growth and strategies for promoting them are not identified. It is not clear how small producers fit into the broader overall strategy of increasing exports. These failings highlight the need for an integrated, comprehensive approach to tackling rural poverty.

3.2.2 The Sectoral Plan for Agriculture and Rural Areas in Honduras 2003-2021

The Sectoral Plan for Agriculture and Rural Areas was drawn up in 2003 and forms the basis for the development of a Sector Wide Approach (SWAp). The Plan aims to transform the agricultural sector through the promotion of vertical production chains based on geographic and product specialisation, national branding and export promotion; and to reduce rural

poverty, principally through the National Programme for Sustainable Rural Development (PRONADERS).

Strengths of the Sectoral Plan include a more integrated approach to rural development and the need for enhanced coordination both within the rural sector and between the rural sector and other sectors. For example, the Plan proposes the creation of an Agricultural Cabinet consisting of various government entities in order to improve coherence between the activities of the different state agencies in the rural sector. This is an important proposal given the profound impact on the rural sector of policies in the finance sector for example.

However, while the policy looks at both sectoral transformation and poverty reduction, the linkages between the two are not well developed. Overall, the focus is on increasing productivity and exports with some complementary measures to promote smallholder agriculture and gender equity.

3.3 Civil Society Efforts to Ensure a Pro-Poor Focus

Civil society has been developing participatory regional poverty diagnostics and poverty reduction strategies in various regions of the country. This process is led by FOSDEH⁷ and ASONOG⁸ with the participation and support of peasant and other grass-roots organisations, departmental governors, municipal mayors and representatives of NGOs.

The regional strategies are based on locally identified needs, priorities and potential. The aim is to influence the content of the PRS in order to ensure a more pro-poor and pro-rural poor focus, as well as the implementation approach of the strategy. This means changing the current approach of implementing PRS programmes in the 80 priority municipalities to a national approach covering the entire country, but with a regional focus that takes into account regional differences.

Although the government has recognised the validity of these regional strategies and the regional approach, it has not yet accepted these plans and how they are to be articulated with the PRS and implemented remains uncertain.

⁷ The Social Forum for Debt and Development in Honduras. A independent forum of private development organisations.

⁸ The Association of Non-Governmental Organisations. An association of 11 organisations working at regional and national level.

3.4 Rural Development Policy in the Nicaraguan SGPRS and other Official Documents

3.4.1 The Strengthened Growth and Poverty Reduction Strategy

As in the Honduran PRS, the overall focus of the Nicaraguan SGPRS is increased competitiveness and exports. Rural development is addressed in the first pillar of the strategy "*Broad Based Economic Growth and Structural Reform*". This pillar was criticized for its unclear approach to the productive sectors, especially small farmers and small and medium sized businesses, a fact which was recognized by the government in the document itself. The improvement of this pillar is now embodied in the National Development Plan (NDP).

Measures in relation to land include the modernisation of the land registry and legalisation systems and the development of non-acquisition mechanisms to facilitate small farmers' access to land. Particular emphasis is placed on the importance of security in property ownership for private investment with inadequate attention paid to the rights of the poor to land.

Other measures include increasing access to credit within the banking system; formalizing non-conventional financial intermediation; improving the provision of state rural credit funds; improving rural infrastructure; supporting non-agricultural employment in rural areas in order to increase small company employment, competitiveness and exports; and improving productive technology.

There is a discrepancy between the discourse on the need to support small and medium enterprises (SME) and the portfolio of programmes and projects. Only 0.2% of the total budget for the implementation of the SGPRS for the first five years was allocated to this component⁹ which is worrying given that SMEs are the main source of employment in both rural and urban areas.

The importance attached to infrastructure is disproportionately high in comparison to other components, as reflected in budget allocations for the first five years: US\$107.2 million was allocated to infrastructure compared to US\$7.6 million for marketing and US\$25.2 million to financial and agricultural services. In order for small farmers to increase their competitiveness, more importance must be given to the other factors that influence rural poverty.

Other interventions in the SGPRS that have an impact on rural areas are the social measures contained in pillar two of the strategy: "Greater and Better Investment in Human Capital", which emphasises the need to improve the coverage and quality of education and health services in rural areas.

As is the case with the Honduran strategy, the measures proposed fail to integrate a gender perspective. Furthermore, although the government asserts that practically all of the measures set out in the SGPRS will promote equity, including gender equity, no resources were allocated to this cross-cutting issue. Among the measures to promote gender equity are the preparation of a national plan for the promotion of salary equity and a plan to assist rural women.

Environmental vulnerability is treated as a cross-cutting issue encompassing policy measures, institutional reforms and specific programmes and projects to protect natural resources and the environment. However, a budget of US\$48.5 million or only 4.2% of the total budget for the period 2002-2005 (US\$1149.5 million) is allocated to the environment.¹⁰

Coffee is identified in the SGPRS as one of the four strategic areas in which competitiveness and exports will be promoted but specific measures to address the impact of the coffee crisis on small coffee producers are not provided.

As is the case in Honduras, the majority of programmes and projects are not new but already existed before the formulation of the SGPRS, which contributes to the fact that the strategy does not have an integrated approach to rural poverty reduction and productive development. The SGPRS is also quite general. While it provides indicators, it does not set targets for them.

⁹ Nicaraguan Government (2001), *Strengthened Growth and Poverty Reduction Strategy*, (Managua), p.149

¹⁰ Nicaraguan Government (2001), *Strengthened Growth and Poverty Reduction Strategy*, (Managua), p.54

3.4.2 The National Development Plan

The National Development Plan (NDP) was presented to donors at the Consultative Group Meeting in October 2003 as Nicaragua's "Second Generation PRSP". It aims to correct the SGPRS failure to adequately address economic growth and the productive sectors.

The NDP proposes the development of seven strategic sectors in which Nicaragua has comparative advantages, in geographical areas that have been defined as having high potential. This will be done through the creation of clusters, based on foreign investment, in liberalized trade sectors. Public resources would be focalised in these areas in order to meet the needs of the clusters. This approach is accompanied by the provision of basic public services and social protection in municipalities that have been identified as having low or "no" potential.

Overall, the NDP reflects weakness in the government's definition of broad based economic growth given that it excludes entire regions, productive categories, small farmers and small and medium sized businesses. Neither does it contain measures of affirmative action towards groups that have historically been excluded from the development process, such as women, indigenous and ethnic groups and people with disabilities.

The Plan implies increased inequality and deepening poverty through further neglect of rural areas and regions that have low potential - areas that tend to have the highest levels of poverty and which should be prioritised by any strategy attempting to reduce poverty.

At the Consultative Group meeting in 2003, the Nicaraguan government made a commitment to carry out consultations with civil society and other actors at local and national level in order to strengthen the NDP and articulate it with the SGPRS. The end result, a National Development Strategy, would represent Nicaragua's Second Generation PRSP. However, these consultations have not taken place and little is known about the status of the new PRSP, which is supposed to be made available in August/September 2004.

3.4.3 The Agricultural and Forestry Sectoral Policy

The Agricultural and Forestry Sectoral Policy was drawn up in 2003. Given that the Policy is a sectoral component of the NDP, the approach is the same: the development of chains and / or clusters in agricultural and forestry products in which Nicaragua has or could develop comparative advantages.

This will be done in six regions based on current production and potential and public investment would be focused in these regions in order to increase efficiency and the impact of activities in the rural sector.

Again, this approach is combined with complementary measures for the promotion of off-farm activities, the provision of basic public services and social welfare programmes for vulnerable groups in rural areas that have low potential.

Although improving gender equity in agriculture and the rural sector is mentioned as an objective of the Sectoral Policy, specific information on how this will be achieved is not provided and apart from this stated objective women are not mentioned elsewhere in the Policy.

The Agricultural and Forestry Policy is a positive step forward in terms of the promotion of a more integrated approach to rural development as opposed to the implementation of isolated and non-integrated projects. However, the Policy favours the productive sector that possesses capital and has access to international markets while the benefits for medium and especially small Nicaraguan producers would be quite limited.

3.5 Civil Society and Local Authority Efforts to ensure a Pro-Poor Focus

Many local governments and associations of municipalities, as well as departmental and regional authorities, have drawn up their own development plans with the participation of civil society and grass-roots organisations.

These authorities, along with civil society actors have come together in a coalition called the South-North Advocacy Group (GISN¹¹) and are advocating for a model of development based on local potential, which prioritises peasant agriculture, small and medium sized farmers and

¹¹The GISN was created in 2003 to advocate for a genuinely pro-poor focus in the SGPRS and the NDP and is composed of national civil society actors, representatives from local governments and associations of municipalities, research institutes, the Central American University and international NGOs.

companies and food security and which is rooted in integral development plans drawn up at local level. Consultations must be carried out and genuine efforts must be made to articulate and include these locally developed plans in the Second Generation PRSP and the Agricultural and Forestry Sectoral Policy

3.6 The Central American Free Trade Agreement

The above analysis of the PRSPs and Sectoral Policies clearly demonstrates the countries' commitment to further liberalizing their markets and to the implementation of free trade agreements. However, the merits of Free Trade Agreements are accepted with no appraisal of the impact of trade liberalization to date on the poor or the potential impact of future agreements.

Negotiations for a free trade agreement between Central American countries and the US (CAFTA) were completed in December 2003. The level of productivity of poor small farmers is very low as is their capacity to take advantage of the new opportunities presented by the opening of markets. It is worrying therefore that in Honduras and Nicaragua plans to mitigate the negative effects of CAFTA and to ensure that small producers benefit from the agreement have still not been drawn up. More research into the implications of CAFTA must be carried out and used to support small producers to mitigate the threats and avail of the opportunities presented by CAFTA.

4. Implementation of the Poverty Reduction Strategies

4.1 Introduction

The impact of the PRSPs to date in reducing poverty - and rural poverty in particular - in Honduras and Nicaragua has been disappointing. A fundamental weakness in both countries is that the PRSP was initially conceived as a programme for absorbing debt relief funds and the absence of these funds due to being off-track with the IMF has compromised the implementation of the strategies, especially in Honduras.

In both countries, an important obstacle to effective participation and monitoring of the PRSPs is the lack of specific and clear information on the projects and programmes that are being implemented at local level. There is also a void in information in relation to intermediate impact indicators and targets in Honduras.

The Progress Reports produced to date in both countries present several weaknesses as instruments for monitoring and evaluating the implementation and impact of the PRSPs. They are very general and at times incomplete, providing a descriptive account of the measures implemented rather than a critical analysis of the real impact, problems encountered etc.

In the majority of cases, there are no targets for the number of beneficiaries of the projects and programmes and there is no information on the targets that have been reached. Budget allocations to the specific projects are not provided and in only very few cases is information provided in relation to the regions or municipalities in which the activities were implemented.

¹² Oxfam (2003), *The IMF and the Millennium Goals: Failing to Deliver for Low Income Countries*, p.19

¹³ These opinions were expressed by representatives of national peasant networks and local level peasant organisations interviewed during the course of the study into the impact of the PRSPs on the rural sector carried out by Trócaire between September 2003 and January 2004.

¹⁴ Statistics taken from the National Agrarian Institute's Memoria 2002, The Network of Peasant Organisations (COCOCH), PRONADERS and the PRS.

¹⁵ Pilot programme for promoting access to land based on market measures funded by the World Bank and implemented with the support of the FAO.

¹⁶ Data calculated on the basis of information from INA (2003) Memoria 2002, and INA (2001) Programas y Proyectos 1998-2001, (INA: Tegucigalpa).

¹⁷ PACTA (2003), Informe Trimestral de Actividades Enero - Marzo 2003, p.2

4.2 Progress in the Implementation of the PRS in Honduras

In Honduras, the level of financial implementation of PRS programmes and projects has been very low with only 54.5% of the total budget for 2001 and 42.2% of the budget for 2002 implemented. One direct reason for this was the country's off-track status with the IMF, which is estimated to have cost the country US\$194 million in foregone interim debt relief and budget support¹².

These financial problems were compounded by the projection of unrealistic growth rates at the time of the formulation of the PRS, poor economic performance due to the world recession and the coffee crisis and weak institutional capacity to implement the strategy.

Given the absence of HIPC funds for the implementation of the PRSP, the importance of using the PRSP process as a means of leveraging overall government expenditure and public policies in favour of the poor, rather than focusing solely on debt relief funds and the PRSP document itself, is beginning to be appreciated by the various actors.

4.2.1 Impact on the Rural Sector

The impact of the PRS in reducing rural poverty is perceived by peasant organisations to have been poor with very little progress made in critical areas such as improved access to land and technical and financial assistance to stimulate production.¹³

Land

The number of landless peasants in Honduras is estimated at between 100,000 and 300,000.¹⁴ The First Progress Report lists a number of activities that have been carried out to address the issue, including land redistribution, land titling and the use of market measures such as PACTA,¹⁵ giving the impression that progress has been made in this area.

However, land redistribution over the period 2001-2002 has actually declined in terms of both the number of titles given (10,237) and hectares redistributed (52,680). This is very low in comparison to average annual titling in the period 1998-2002 of 18,746 titles and 148,658 hectares.¹⁶

PACTA was intended to benefit 1,600 families but to date has only benefited 168.¹⁷ The participation of banks in the process has been

low and peasants are having difficulties in meeting payments on the land. However, the Progress Report does not provide a critical analysis of the difficulties encountered with the programme.

Productive Support Services

Access to productive support services has not improved for the majority of small producers. The First Progress Report reveals that the various projects within the National Programme for Sustainable Rural Development benefited 94,872 families (or 569,232 people) in 2002, not a very inspiring achievement given the high number of households living in poverty and extreme poverty in rural areas. According to peasants and peasant leaders, many proposals presented to these programmes never materialize, they have delivered very few results, are politically manipulated and lack transparency.¹⁸

The distributional impact of the investment made in some rural infrastructure projects, which are presented as achievements in the First Progress Report, are highly questionable since they disproportionately benefit large producers. This is the case for investment made to place 9,000 hectares of land under irrigation, with a particular focus on promoting the production of export crops.

Similarly, measures such as writing off the agricultural debt owed by a handful of large farmers, many of them members of Congress, unjustly subsidize the rich at the expense of peasants and medium sized farmers.¹⁹

Social Services

Inadequate access to medical services and low quality of health and education continue to be highlighted by poor rural men and women as factors that contribute to their vulnerability and affect their capacity to lift themselves out of poverty. The Progress Report only provides general information on measures implemented to expand the coverage and increase the quality of social services at a national level. Given that the information is not disaggregated according to urban / rural areas, it is difficult to assess to what extent the PRS has addressed inequity in access to social services in rural areas.

Gender

Little has been implemented in terms of programmes and projects to improve gender equity, gender targets set out in the PRS have not been met and peasant women do not feel that progress has been made in increasing their access to land, finance, housing or technical assistance.²⁰

Some progress is being made at the institutional level, with the basis for mainstreaming gender across government policies set out in the National Policy for Women, the Plan for Equality of Opportunities (2002-2007) and in relation to the agricultural sector, in the Strategy for Gender Equity in Honduran Agriculture. Gender disaggregated indicators are also being developed.

Nevertheless, much more needs to be done to strengthen the gender focus in the PRS and to correct the strategy's current tendency to promote the stereotypical role of women.

In this respect, civil society women's organisations have a lot to contribute. The Feminist Network of University Women (COFEMUN) and the Women's Movement have been working with women from grass roots organisations in six regions of the country in a participatory analysis of the content and impact of the PRS from a gender perspective. They have drawn up proposals aimed at improving the gender focus of the strategy as well as indicators to measure progress. Efforts must be made to see how these proposals can be incorporated into the PRS.

The Environment

Despite the commitment set out in the PRS to improved environmental and risk management policies and practices, five years on from Hurricane Mitch this commitment has not been translated into reality and the importance attached to improved environmental practices has declined. Of the funds allocated to this sector, only 12.9% and 35.2% were spent in 2001 and 2002 respectively.²¹ The March 2003 version of the First Progress Report included a budget revision that reduces the amount allocated to the environment from US\$175.4 million to US\$120 million, a reduction of US\$55.4 million or 32%.²² The final version of the First Progress Report (January 2004) also includes a complete budget reformulation, but does not provide figures for the environment.

¹⁸ These opinions were expressed in Trócaire-organised workshops with members of peasant organisations and networks as part of the above mentioned study (footnote 12).

¹⁹ In 2003, 4000 million lempiras (approx US\$230 million) in debt was written off to the benefit of a few large landowners.

²⁰ Expressed by over 170 women from grass-roots organisations in workshops held with COFEMUN member organisations in 6 regions of Honduras.

²¹ Government of Honduras (2004), Poverty Reduction Strategy, First Progress Report and Update, p.19.

²² UNAT (2003a), Informe de Avances y Actualización de la Estrategia de Reducción de Pobreza, Borrador para la Discusión, Marzo 2003, p7, 9 y 25.

4.2.2 PRSP Institutional Framework

The most significant output to date in the PRSP process in Honduras is the creation of institutional structures and processes to support the prioritisation, coordination and funding of poverty reduction measures. These structures provide for improved coordination within government, between government and donors, and between government and civil society. They also provide for tripartite dialogue.²³

Government - Civil Society Dialogue

The Consultative Council for the Poverty Reduction Fund is an advisory body to the Social Cabinet on the prioritisation of projects to be financed by the Fund. The Council is composed of representatives from central government, local government, civil society and international observers. This mechanism provides civil society, including representatives of peasant organisations, with the opportunity to influence poverty reduction measures in favour of the poor.

However, in order for members of the Council to effectively influence decisions in favour of peasants and the rural poor, there must be consistent and effective communication and dialogue on PRS issues between umbrella, national, local and grass-roots organisations.

To date, communication from the local to the national level has been weak due, among other things, to the lack of capacity of grass-roots organisations to participate in the process. This weakness needs to be addressed so that dialogue, consensus reaching and the capacity to bring concrete proposals to the Council is improved.

The effectiveness of civil society members on the Council in influencing decisions also depends on the political will of the government to take their proposals into account. This has not been the case, particularly in relation to land reform, and has dampened the enthusiasm and willingness of some peasant representatives to participate.

Donor Support, Coordination and Tripartite Dialogue

Due to varying classifications of international support, it is difficult to specify the amount of foreign aid available for the PRS in general and for rural development in particular. However,

rural development now accounts for only around 10% of the total PRS budget.

A structure for the coordination and alignment of donor practices with national policies (the G15 – 15 bilateral and multilateral donors) has been in place since 1999 as a result of commitments made after Hurricane Mitch. However, coordination and alignment is still proving to be a difficult task due to the diversity of donor programmes and institutional inflexibility.

Thus, the adoption of a Sector Wide Approach (SWAp) is seen as the best means of facilitating implementation of the PRS, and ensuring coordination and alignment. Along with the Agro-Forestry SWAp previously mentioned, SWAps are also being developed in Education, Health, Water and Sanitation and Security and Justice.

Tripartite Sectoral Working Groups are the locus of dialogue around SWAps and the PRS. Efforts must be made to guarantee the meaningful participation of civil society in these structures and to ensure that they are used effectively for negotiating and reaching consensus and not for the mere exchange of information which became their primary function in the past.

The Working Groups must also strive to ensure coherence between the PRS and the Sectoral Policies and that a strong pro-rural poor focus is retained within the SWAps. This is not the case so far with the Agricultural Sectoral Policy, which presents peasant organisations with the significant challenge of pressing for the modification of the policy.

Decentralization and Participatory Monitoring and Evaluation

After two and a half years of existence of the PRS in Honduras the mechanisms for the participatory decentralized implementation of the strategy have yet to be clearly defined. An adequate, participatory system for monitoring the implementation of the PRS at local and national level is also absent.

The regional poverty reduction strategies currently being developed by civil society offer significant opportunities for advancing in these areas. Civil society has proposed the creation of regional Consultative Councils to facilitate the articulation of these regional plans with the PRS, as well as the participatory implementation, monitoring and evaluation of the PRS at local level.

²³The institutional framework is outlined in Chapter 6 of the Poverty Reduction Strategy.

4.3 Progress in the Implementation of the SGPRS in Nicaragua

Although a higher level of progress has been made in the implementation of the SGPRS in Nicaragua, implementation also suffered due to the absence of an agreement with the IMF until December 2002, the need to implement severe fiscal measures in order to reach this agreement²⁴, the adverse international environment, lower than expected economic growth and weak implementation capacity.

4.3.1 Impact on the Rural Sector

Monitoring of the SGPRS in 7 municipalities carried out by the Civil Coordinator (CCER) in 2003 revealed that poor people do not see any change in their situation as a result of the SGPRS²⁵. Some of the problems that continue to plague rural areas include low levels of production due to the lack of technical and financial assistance, few guaranteed outlets for marketing of produce, low prices for produce, high levels of unemployment and food insecurity.

The scant information provided in the Second Progress Report in relation to the rural sector confirms that very little has actually been done to improve the situation.

Land

Efforts to address the issue of access to land and insecurity in land tenure have been minimal. Insecurity in land tenancy continues to be addressed from the perspective of the impact on private investment and not in terms of the impact it has on the lives of the rural poor. No mention is made of progress in improving access to land and land titling in the narrative part of the Second Progress Report while in the annexes it is revealed that the process of land demarcation and titling has commenced in six indigenous communities on the Atlantic Coast, an uninspiring level of progress after two years of implementation of the SGPRS.

Productive Support Services

In the area of support services for agricultural production, the Second Progress Report highlights the distribution of improved basic grain seeds and fertilizers to peasants in specific

regions of the country as one of the most important initiatives and asserts that this measure helped to attenuate the effects of falling coffee prices. Interventions such as this reflect the lack of a comprehensive response to rural poverty, particularly given the huge problems in food security in the poorest municipalities of the country.

Other measures listed include a higher level of coordination between programmes for the provision of credit to small producers; the establishment and consolidation of a network of intermediaries to improve the provision of financial services; the electrification of rural areas; and the implementation of technology and agricultural education programmes.

Since the report does not provide information on where these programmes were implemented, the target set for the number of beneficiaries and the target actually reached, it is very difficult to assess the real impact of these interventions on the overall situation of poverty in rural areas. Increased clarity is needed with respect to programme and project goals, objectives and targets in the Second Generation PRSP and future Progress Reports.

Social Services

According to the monitoring exercise carried out by civil society referred to above, the rural poor still suffer from insufficient access to education and health services and safe drinking water.²⁶ Information on the impact of the SGPRS in reducing inequity in access and improving the quality of social services in rural areas is not provided in the Second Progress Report.

A descriptive account is provided of the measures implemented at national level to improve coverage and quality and there is no analysis of the impact of these measures. However, an examination of progress in reaching intermediate indicators for health and education reveals that most progress has been made in the education sector, with advances in the health sector considerably lower.²⁷ Disaggregated indicators for the rural sector must be incorporated into the next PRSP and future Progress Reports in order to measure the impact in rural areas.

Gender

The promotion of gender equity has not received adequate attention and important measures outlined in the SGPRS had not been implemented at the time of publication of the Second Progress Report, including the plan to promote salary equity and the law for Equal Opportunities for Women. The cross-cutting

²⁴These measures included reducing public spending and increasing revenue through tax reforms, many of which affected consumers.

²⁵CCER (2003c), *Visión del País Julio/Agosto 2003*, (Managua).

²⁶CCER (2003c), *Visión del País Julio/Agosto 2003*, (Managua).

²⁷For progress in reaching intermediate indicators, see the Second Progress Report, p.52

issue of equity does not even appear in the Second Progress Report and no mention is made of the plan to assist rural women.

The Environment

The pressure on natural resources due to the economic crisis and policies that favour private investment over the protection of natural resources continue to threaten Nicaragua's environment.

The most important advances in relation to the reduction of environmental vulnerability include the improvement of the legal framework for the protection of the environment and for the regulation of the exploitation of natural resources. However, these measures have not yet resulted in a slow-down or reversal of the deterioration of the environment or in concrete solutions to the environmental crisis.

4.3.2 PRSP Institutional Framework

In Nicaragua, progress has also been made in the establishment of mechanisms to facilitate civil society participation, tripartite dialogue and coordination with donors.

Government - Civil Society Dialogue

The National Council for Economic and Social Planning (CONPES)²⁸ is the main forum of dialogue at national level between civil society and the government. Within CONPES, a sub-committee is responsible for monitoring and auditing the implementation of the SGPRS and for making recommendations and presenting proposals to the government.

A drawback of the Council in terms of effective participation of civil society is that the government appoints its members. In 2003, political parties were excluded from the Council in order to allow for better representation of civil society but the number of representatives from the private sector was increased and now accounts for almost half of the 46 members.

The model of civil society participation at national level in Honduras, the Consultative Council for the Poverty Reduction Fund, may offer better opportunities for more effective participation of civil society – even with its problems and weaknesses.

Nevertheless, various civil society organisations are represented in CONPES, including the

National Union of Farmers and the Women's Network. It is important to strengthen the links between grass roots organisations and the national level representatives of these umbrella groups in order to ensure that peasant and grass-roots concerns and proposals reach CONPES and the government.

Donor Support, Coordination, and Tripartite Dialogue

In Nicaragua, information on the amount of donor support allocated to the different pillars of the SGPRS is more readily accessible than in Honduras. Given the extent of poverty in rural areas, it is worrying that a relatively small proportion of donor support has been allocated to rural development.

The distribution of external aid across the SGPRS reveals that the first pillar of the strategy, dealing with economic growth, has received most international support. However, within this pillar, the Transport and Communications sector has received most support (36%), while the least supported component is Local and Rural Development (6%).²⁹

As in Honduras, SWApS are being developed to guide the implementation of the PRSP³⁰ and to improve coordination between government, donors and civil society. In 2003, the government set up four sectoral working groups - Production and Competitiveness, Infrastructure, Health and Education, and Governance - and a global working group to coordinate efforts in the development and monitoring of policies.

Given that these groups are still new, their effectiveness in increasing dialogue and coordination between the different actors remains to be seen. However, concerns have been raised about the low level of representation of civil society. Efforts must be made to address these concerns and to ensure the representation of the rural poor in these structures.

Decentralization and Participatory Monitoring and Evaluation

Progress has been made to facilitate the decentralized implementation of the strategy with the design of a National System of Coordination for the Participatory Implementation, Monitoring and Evaluation of the SGPRS.

The system should facilitate coordination between government entities and civil society at regional and departmental level in drawing up

²⁸ A formal body with representation from trade unions, NGOs, Church groups, universities and the private sector

²⁹ Based on information provided by the Inter-American Development Bank (IADB) in a publication entitled "Summary of International Assistance" made available at the Consultative Group Meeting in October 2003.

³⁰ PRSP is used in this instance to refer to the new or Second Generation Nicaraguan PRSP in order to distinguish it from the original SGPRS

poverty reduction and development plans. This presents a challenge for peasant groups to build their capacity and ensure their effective participation in the decisions taken within the Departmental Development Committees and in monitoring and evaluating the implementation of poverty reduction activities.

Experience with the pilot programme for the decentralized implementation of the strategy, which began in June 2001 in 11 of the 32 prioritised municipalities, suggests that many lessons have to be learned in order to improve implementation at local level.

Monitoring of this pilot programme carried out by the CCER member organisations, with a particular emphasis on rural areas, revealed serious problems in the execution of the programme, including the concentration of activities in just one "model" municipality, partial responses to problems, the non-utilization of local resources and the low level of

participation of local governments and civil society, with the execution of the programme centralized in the capital city and line ministries.³¹

Other problems encountered include the lack of knowledge about SGPRS programmes and projects in line ministries at municipal and departmental level, among local governments, civil society organisations, and the general public and the difficulty in accessing information on projects and programmes.

Overall, the characteristics of the pilot programme reveal a welfare approach to poverty reduction rather than one of empowerment and highlight that what is being implemented is not an integral municipal development strategy in all 11 municipalities. This casts doubts on the effective decentralized implementation of the PRSP in the future and underscores the need for increased efforts in this respect.

³¹ CCER (2003), Evaluación del avance y la implementación de la ERCERP en Nicaragua a dos años de su aprobación, (Managua).

5. Conclusions and Recommendations

5.1 Improving the Pro-Poor Focus

Given the absence of an approach that tackles inequality and reflects the interests of small and medium sized producers, the formulation of Second Generation PRSPs and sectoral agricultural strategies in both countries presents an opportunity for the promotion of a genuinely pro-poor focus. In order to promote a pro-poor focus, the following specific issues must be looked at:

Measuring Poverty

The governments must adopt a multidimensional approach to measure poverty. This is highlighted in the failure of the Nicaraguan SGPRS to use a combination of methods to identify the poor, leading to municipalities being excluded from the strategy which, using other methods to measure poverty, would be identified as extremely poor.

Comprehensive Rural Poverty Analysis and Identification of Potential

A comprehensive analysis of the specific determinants of rural poverty must be carried out and the driving forces of economic growth in rural areas identified. This should be done through a participatory process involving peasant representatives, and the rural poor themselves, including women. The analysis of women's poverty must be set within the overall poverty analysis as a cross-cutting issue in order to contribute to the concrete and practical treatment of gender issues in the measures set out to reduce rural poverty.

The participatory analysis carried out by civil society and local authorities in collaboration with the rural poor in both countries, including the analysis and proposals provided by women's organizations, should be drawn on and integrated into this national analysis. Participatory fora, linked to policy making structures, should be established at local and national level to facilitate this process.

Comprehensive strategies to promote the driving forces of economic growth in rural areas must be developed, drawing on models of best

practice and successful initiatives implemented by national rural development programmes, peasant organizations and networks, as well as interventions funded by official donors and international NGOs.

Land

The issue of land has virtually disappeared from the political agenda in both countries and the underlying injustices are not being tackled. Land conflicts are ongoing in Honduras and peasants continue to be murdered with impunity.

If the issue of inequity in land distribution is not addressed properly, the current move towards more secure land titles will actually legitimise and promote the further concentration of land, leading to more land conflicts in the future. Given the importance of this issue to human rights, rural poverty and development, governments must bring equitable land distribution back on to the political agenda. Donors have an important role to play in encouraging this.

The Environment

The disastrous consequences of Hurricane Mitch, the impact of which was devastating to the poor, led to the Honduran and Nicaraguan governments making commitments to improved environmental practices and policies, enshrined in the Stockholm Principles and the PRSPs. However, this commitment has not been translated into action.

Governments must ensure that Second Generation PRSPs and the sectoral policies that are being developed include an integrated environment policy. Donors have a role to play in promoting greater attention to issues of environmental protection and risk management in order to ensure that this vital issue regains the importance attached to it in the Stockholm Principles.

PSIAs

The benefits of neo-liberal macro-economic and structural adjustments are accepted without concrete evidence of the positive impact of these policies on the poor or an adequate analysis of their negative effects. Poverty and Social Impact Assessments (PSIAs) are urgently required to assess the impact on the poor of critical aspects of current macro-economic policies and structural adjustments, rural policies in the PRSPs and the potential impact of the Sectoral Policies

currently being proposed. These assessments should aim to identify alternative policy options where necessary.

Macro-economic policies must be the product of dialogue and debate between all stakeholders, including civil society and donors. Their political, economic and social feasibility and their desirability in terms of poverty reduction must be decided upon after careful analysis of their potential impact, determined through PSIAAs where necessary.

Of particular importance is the identification of risks and opportunities associated with trade liberalization and CAFTA for small producers as well as strategies for protecting them and promoting their integration into national and international markets.

The impact of the coffee crisis on the rural economy and rural poverty requires urgent appraisal and potential ways of dealing with the crisis must be identified, including planning for improved quality, adding value, fair trade marketing and reviving the livelihoods of small scale coffee producers.

Also requiring attention is the inequitable distribution of public resources in favour of large producers e.g. agricultural debt write-offs, inequality in access to credit, productive support services and public infrastructure.

Donors can play an important role, in partnership with government and local actors, including civil society, in carrying out PSIAAs. It is important that such an exercise include a component involving capacity building of local actors to carry out such work in the future.

5.2 Financing the PRSPs

The delay in reaching an agreement with the IMF and the funding implications of this in both countries illustrates a fundamental weakness of the PRSP approach in Honduras and Nicaragua: its implementation depends on external funding. This highlights two key lessons: the role of the IMF as gatekeeper must be changed and national ownership of the strategies must increase so that they are no longer viewed solely as a condition for receiving debt relief and foreign aid.

Donors can carry out independent research into the fiscal situation in order to attempt to influence the PRGF agreement and to determine whether or not they should continue providing budget support if the country goes off-track with the IMF.

The governments of Honduras and Nicaragua must make a commitment to pro-poor budgets. Corruption, misuse and the unjust distribution of public resources in favour of the rich sectors of society must be tackled and serious efforts must be made to increase transparency and accountability. Donors can contribute to this by making resources available for civil society budget analysis, monitoring and advocacy work, with a particular focus on the rural sector.

It is worrying that international agencies have reduced their investment in rural poverty reduction in recent years. In Nicaragua, only a small proportion of international support for the SGPRS was allocated to rural development. This is surprising given the international community's commitment to reaching the Millennium Development Goals, for which rural poverty reduction is essential given that the large majority of the poor live in rural areas. Donors must increase their commitment to rural poverty reduction in order to improve the impact of international aid and reach the Millennium Development Goals.

5.3 Donor Support & Tripartite Dialogue

The PRS process, SWAPs and the Tripartite Sectoral Working Groups in both countries provide opportunities for increased and improved donor participation in policy dialogue. Donors should use these mechanisms to advocate for pro-rural poor policies, not only with the national governments but also among other donors.

Strengthened and accelerated efforts must be made to maximize the opportunities that these mechanisms present for aligning programmes and policies with national priorities. This implies being flexible in relation to programmes and entering into dialogue and negotiation with the government and civil society.

Efforts must be made to ensure the effective participation of civil society and peasant representatives in the tripartite groups and that they are used for genuine dialogue and consensus reaching between all three sectors rather than the exchange of information. Governments and donors must demonstrate political will in this respect and civil society must improve its capacity to bring alternative proposals to the table.

5.4 Participation

Although the principle of participation is being established, civil society proposals are generally not taken into account. Peasant representatives feel that their demand for increased access to land through genuine and just land reform, as well as access to credit and other support services, have gone unheard.

Participation must move beyond consultation to a genuine process of consensus reaching and joint development of policies. A concrete step in this direction is the articulation and inclusion in the official PRSPs of the regional and local plans drawn up by civil society and local authorities in both countries. These plans were drawn up in consultation with the rural poor and reflect their needs and priorities.

At national level, governments must allow for greater participation of peasant representatives in strategic areas such as trade policies. Donors can contribute to the participatory process by encouraging governments to be open to civil society recommendations, highlighting the negative consequences of the exclusion of civil society from the decision-making process, and supporting the institutionalisation of participatory processes.

In order to improve the capacity of civil society in general, and peasant organisations and women's groups in particular, to participate effectively in the PRSP process, donors must make more resources available for capacity building initiatives in economic literacy, the PRSP, budget work, participatory planning, monitoring, evaluation and advocacy.

In Honduras, national and international civil society have worked together to formulate a common strategy for strengthening local civil society participation. A common fund to support the strategy provides a valuable vehicle for donors to contribute to this process. From the perspective of rural poverty reduction, it is important that significant resources are available for drawing more local level peasant organisations and women's groups into the process and for building the capacity of national level peasant organisations and networks to bring concrete proposals, based on consultation with their constituents, to the political dialogue.

5.5 Decentralization and Participatory Monitoring and Evaluation

Efforts must be accelerated in Honduras in the design of an effective model for the participatory decentralized implementation of the PRS. Civil society's proposals for the creation of regional consultative councils should be considered in the design of this model.

In Nicaragua, it is important that lessons learned through the civil society monitoring exercise of the SGPRS be taken into account in order to improve the future implementation of Nicaragua's new PRSP, ensure that it responds to local needs and priorities and includes civil society and local governments as partners in the implementation process.

In order to facilitate monitoring of the PRSPs more detailed information on programmes, including implementing agencies, location, funding, goals, objectives, indicators, targets and beneficiaries must be provided. The quality of information provided in future Progress Reports must also be improved if they are to serve as genuine monitoring instruments.





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