JANUARY 2008 • GUIMARÃES Y NESTOR AVENDAÑO

Evaluation of Poverty Reduction Strategies in Latin America – 2007
Executive Summary

At last, poverty?

Preface

The PRS Process was a response to widespread concern about persistent and high levels of poverty in many developing countries and about the apparent ineffectiveness of aid in addressing this problem. At the center of the PRS Process was the idea of using a participatory process involving government officials and civil society to develop a national strategy for reducing poverty in each country. Donors committed to support these strategies with aid resources delivered as debt relief and programme aid. They also committed to align their aid programmes with the national poverty reduction strategies.

The Swedish International Development Cooperation Agency (Sida) asked the Institute of Social Studies (ISS) in The Hague to conduct a study to monitor and evaluate the PRS processes in three countries of Latin America that are eligible for debt relief: Bolivia, Honduras, and Nicaragua. The study was conducted over five years, beginning in 2003. Since 2003, the PRS process has taken different paths in the three countries. For example, while the PRS continues to be an important document in Honduras, in Bolivia no one talks about the PRS process anymore. Adapting to these changes, the annual reports have touched on topics beyond the strict confines of the PRS process, also addressing issues of concern for poverty reduction more generally.

Five reports are published each year: three country reports about recent developments in the PRS process, one regional report that presents a comparative analysis, and one thematic report on a topic chosen in consultation with Sida each year. The annual reports and the executive summaries in English and Spanish are available on the ISS website (www.iss.nl/prsp). The ISS website also includes background reports about gender, rural development, and education, which contributed to the analysis in the annual country reports.

All of the reports are based on data analysis, a review of available literature, and interviews with national and local-level actors involved in the PRS process. The ISS team has had complete independence in the process of designing, implementing, and financing the studies. The opinions and conclusions expressed in the reports are those of the authors and are not necessarily the opinions and conclusions of Sida.

The 2007 reports, as the final reports in this series, are somewhat different from the reports of previous years, in which recent developments in the PRS process were presented in great detail. The 2007 country reports and regional report present a longer-term view of the

PRS experience, and thus take into consideration the entire PRS period as well as the years preceding the start of the PRS Process. The goal has been to draw lessons and identify trends in foreign aid during the last 12 years. The thematic report also takes a longer-term view on rural development policies in each country and, as a result, does not discuss in detail all of the most recent developments in this sector.

We hope that the 2007 reports will help provoke and deepen discussions about the limited impact of the PRS process in the region and about how to better attack the problem of persistent poverty in Bolivia, Honduras, and Nicaragua.

Kristin Komives
Project Coordinator
January 2008

Table of Contents

Evaluation of Poverty Reduction Strategies in Latin America

Nicaragua Country Report 2007 Executive Summary

Al last, poverty?

Published by Sida 2008

Department for Latin America

Authors: João Guimarães and Nestor Avendaño,with inputs from Nadia Vado

Art. no.: Sida37192en

ISBN: 91-586-8058-6

This publication can be downloaded/ordered from www.Sida.se/publications

Institute of Social Studies

Executive Summary

The present report has two special themes: The first of these is the *impact of the PRS process upon official development assistance*. Taking advantage of the opportunity provided by the recent change in government in Nicaragua and by newly available information, the second special theme is *an evaluation of the performance of President Enrique Bolaños' government* – and by implication also of the donors who supported it so strongly – *in the fight against poverty*. In addition to these themes, the report reviews the changes introduced by the new Sandinista government in policies and even in the structure of the state apparatus.

The National Political Context

Daniel Ortega, leader of the Frente Sandinista de Liberación Nacional (FLSN), was returned to power in January 2007, after three defeats in previous elections. With 38% of the vote, Mr. Ortega won the Presidency in the first round of voting, benefiting from the Reform in the Electoral Law that had followed the pact with Arnoldo Alemán in 1999. Though legal, Mr. Ortega's victory gave rise to a debate about its legitimacy, since the electoral reform upon which it depended seemed designed specifically for his benefit.

In the first six months of 2007 there were many contrasts in the administration of President Daniel Ortega. Guarantees were given that macroeconomic stability will be preserved by means of a new agreement with the International Monetary Fund (IMF), private property will be respected, bureaucratic barriers that slow business down will be eliminated and the competitiveness of firms will be enhanced through better quality public investment. These guarantees have given confidence to Nicaraguan and foreign investors.

In the *economic sphere*, besides respecting and promoting the DR-CAFTA Free Trade Agreement, the government increased the diversification of external markets and of international cooperation. An important achievement was the formulation of the fourth economic and financial agreement with the IMF, which, if it remains in place over the period 2007–2010, will increase certainty and confidence among Nicaraguan and foreign investors.

In the *social sphere*, President Daniel Ortega has stated that the reduction of poverty will be the main goal of his government, and asserted before the diplomatic corps that neoliberal economic measures have led to deterioration in the living condition of Nicaraguans. In relation to social policy, the structural reform that sought to give autonomy to schools has been definitively suspended and free primary and secondary education has been guaranteed. The 'Hambre Cero' ('Zero Hunger') programme has begun, with the stated aim of gradually reducing the poverty of 15,000 families (or about 100,000 people) each year, by means of help with production, education and health.

In the administrative sphere, President Ortega has created a new superstructure in his cabinet with secretariats for Security and Food Sovereignty, for Communication and Citizenship, for National Policy and for the Development of the Atlantic Coast, all presided over by people with a ministerial status, and parallel to the Councils of the same names. He also carried out a reform of the National Council for Economic and Social Planning, CONPES, increasing the number both of its members and of those who are appointed by the President of the Republic.

Unfortunately, all these actions have been accompanied by others in the *political sphere* which cast a shadow over the president's administration. These include, first, the official secretiveness, the political populism that is expressed in a lack of separation between state actions and party political decisions, and a feeling of improvisation that has done little for the presidential image. There is also concern about institutional erosion, expressed for instance in the excessive power given to the First Lady, the lack of authority and decision-making capacity of ministers, the firing of qualified public servants and the politicization of citizen participation implied by the creation of the Councils of Citizen Power, which have strong links to the Frente Sandinista and compete directly with the participation spaces created by the Law of Citizen Participation.

Thus the government acts in a way that is incompatible with the economic situation of Nicaragua. Populist pronouncements in the presidential speeches that seem to lack real effectiveness and the undermining of institutions are not conducive to a suitable investment climate, capable of contributing towards Nicaragua's economic growth and poverty reduction.

Evolution of the Economy

Between June 2006 and June 2007 the production of goods and services registered an average annual growth of 4.5%, as compared to 4.2% for the preceding year. Average annual growth was 1.2% in agriculture, 5.4% in livestock and 4.9% in fishing. Manufacturing grew by 7.4%, construction fell 9.2%, mining grew by 3.3% and trade grew by 4.4%, on an annual basis. The national financial system grew by 15.8%, government services by 1.8% and the electricity and drinking water sectors grew by 3.2%.

Inflation continued to move at the same rhythm as in 2006: in the first semester of 2007, the cumulative rate of inflation was 6.16%. The average national salary covers 158.8% of the cost of the basic consumption basket, and its purchasing power has fallen by 3.4% in the first semester.

From January to June 2007, domestic FOB exports amounted to US$608 million ($83 million more than in the preceding year), while CIF imports amounted to US$1,370 million, or US$41 million more than in the same semester of 2006. The balance of payments registered a surplus of US$59 million, and the external debt at the end of June was equivalent to US$604 for each man, woman and child in the country. In the first six months of 2007 the debts towards Venezuela, Poland and ICO (Spain) were cancelled, and the country received Multi-Lateral Debt Relief from the Inter-American Development Bank.

In the first six months of 2007, in *real terms* – i.e. without taking inflation into account – the total income of the Central Government increased by 7.6% in relation to the same period in 2006. Real current expenditure of the Central Government in the first six months of the year increased by 4.7% in relation to the same period in the preceding year. On the other hand, real public investment (construction and the purchase of machinery and equipment) fell significantly, by 10.0 per cent, thanks mainly to the delayed implementation of construction projects. In total, foreign aid represented approximately 2.2 per cent of GDP. In the first six months of 2007, there was also a severe monetary contraction and an increase of US$105 in net international adjusted reserves, which is almost twice as much as had been agreed with the IMF for 2007.

The proposed budget for 2007, inherited by the present government, had as the main aim of its fiscal policy the reduction of public debt and of the fiscal deficit, together with the protection of poverty reduction expenditure. The expected expenditure for poverty reduction in 2007 amounts to C$14,570.1 million, which is equivalent to US$790 million or 14% of the expected GDP.

In the real sector of the economy it is expected that the GDP rate of growth will fall to 2.8%, due to the lengthy interruptions in the supply of electricity and water and to the drastic reduction in public investment. Nominal GDP will reach US$5,667 million and per capita GDP is expected to reach US$1,013. The open unemployment rate will grow to 12.2% and the total unemployment rate, which also takes into account underemployment, will be around 24.8%.

Total foreign assistance, including HIPC and MDRI debt relief but not including the aid given by the USA under the "Millennium Development Challenge" or Venezuelan development cooperation within the framework of the Bolivarian Alternative for the Americas (ALBA), will amount to approximately US$611 million in 2007.

The government has made fast progress towards reaching its fourth economic and social agreement with the IMF. The Poverty Reduction and Growth Facility 2007–2010 is expected to be signed at the latest in the fourth quarter of 2007. The structural reforms left unfinished by the previous administration – relating to the strengthening of the social security pensions, municipal decentralization, fiscal responsibility, the independence and solidity of the central bank and the stabilization of energy supplies – are not conditionalities for this agreement.

Current Status of the PRS Process

The government inherited from its predecessor a National Development Plan (PND) with which is has fundamental disagreements, and which it intends to revise. Among the f*actors of continuity* underlying that revision may be mentioned macroeconomic stability; the sustainability of public finance; the territorial and municipal focus of the PND; the continuation of trade agreements put into place by previous governments (CAFTA – DR) and their expansion to new economic spaces, and programmes aimed at providing training and capital to small scale producers in order to take advantage of the opportunities afforded by these agreements. Other factors of continuity include the negotiations of the Central America – European Union Agreement; and the maintenance of suitable conditions and an appropriate climate to attract national and foreign private investment.

The *factors of change* include a renewed pro-poor focus of public policies, especially in relation to education and health; a greater emphasis on replacing a multitude of small projects with sectoral or global budget support that will allow the government greater freedom in its investment for development; the end of the privatization agenda entertained by previous governments, especially in relation to water, electricity and social security; a new productive strategy, together with a reforestation and a literacy campaign; and a new strategic vision of international cooperation, which favours moving forward towards a sectoral rather than a project-based strategy. Without fully rejecting the idea of cluster development, the government prefers to leave clusters to private initiative[1] and assigns greater priority to developing the potential of small and medium producers.

Institutional Strengthening – or the Opposite

There have also been some important changes in the organization of the State. The departure of many civil servants that worked in line ministries but were hired by projects (thus earning higher salaries than permanent ministry staff of a comparable rank) led on the one hand to a greater transparency in public accounts (where those salaries appeared as investment costs, and amounted to 40 per cent of such costs). On the other hand, however, it meant that the State lost competencies in significant amounts, which may, in the medium term, entail a loss of efficiency. The drastic reduction in the size of the SETEC and a certain neglect of monitoring and evaluation systems on the government's side (possibly associated with the departure of that temporary staff), initially caused some concern. However, the reduction in the size of the SETEC seems to be the consequence of a deliberate decision to have a more compact SETEC as the direct advisor of the President for economic affairs, and it seems that the monitoring and evaluation systems are again receiving the attention and maintenance without which they would very quickly become ineffective.

More serious are the political changes that threaten to undermine the still fragile democratic and participatory institutions of Nicaragua. The concentration of political and administrative power in the person of the First Lady, appointed Coordinator of the Council for Communication and Citizenship; the move of the Presidency from its previous venue, the "Casa Mamón", to the General Secretariat of the Frente Sandinista; and the tight control exercised over ministers and higher civil servants caused some concern, partly because they seemed to indicate a nostalgia for the political practices of the revolutionary period. More worrying, however, is the creation of the Councils of Citizen Power (CPCs) and especially their close articulation with the CONPES, which implies the more or less direct subordination of this consultative organization to the Frente Sandinista party and the virtual disappearance of the National Participation System and indicates an attempt to strengthen control of the party over civil society.

In 2007 the new government undertook to promote and ensure the implementation of a State Modernization Programme, which was considered to have decentralization at its core. Now, however, there is a certain dissonance in the government's statements since, for instance, in the document dated August 2007 where government policies are presented there is only one reference to decentralization, and that to connect it with direct democracy and direct participation "through the national creation of the CPCs". On the other hand, however, transfers to munici-

[1] As stated by one of the civil servants working for the present government, we cannot really say that the cluster approach has been abandoned because it has never really been implemented.

palities have been proceeding apace, which the municipalities use to a large extent as their (required) own contribution to investment projects carried out by national institutions in the municipalities. It is expected that in 2009–2010 the fiscal neutralization of these transfers will become complete.

Gender issues also seem to receive greater priority than under the preceding government: there are more women in senior positions, including women that have worked in the development of strategies favouring equal rights; the principle of equal salaries is being implemented and the sexist use of language is being repressed, all measures with which it is impossible to disagree. In certain concrete aspects of policy implementation, such as for instance the "Hambre Cero" programme, addressed to rural people (mainly women), or the "Usura Cero" programme, addressed predominantly to poor women from urban areas, there seems to be a serious attempt to move from discourse to practice, which is very positive. On the other hand, however, here too there are contradictory signals, such as the decision to criminalize therapeutic abortion with the votes of all the Frente Sandinista members of the National Assembly, in a vote that is likely to be remembered for a long time, both for its human consequences and for its political implications. It is easy to express good intentions, much more difficult to implement them in a consistent and systematic manner.

The Previous Government and Poverty

In this report we carry out a short assessment of the poverty reduction strategy process and of the administration of President Enrique Bolaños over the period 2001 – 2006. During this period, Nicaragua received almost all the interim debt relief and the total relief associated with the HIPC initiative. In addition to this, it received most of the debt relief associated with the Multilateral Debt Relief Initiative (MDRI). Besides, both GDP and GDP per capita increased over the whole period, and Nicaragua continued to receive considerable amounts of official development assistance, supposedly to help poverty reduction efforts. Furthermore, emigration continued, both of qualified workers in search of better work opportunities and better wages and of poor people trying to escape from their poverty by finding better paid jobs abroad. Emigration helps reduce poverty statistics both because some of the poor are no longer counted and because remittances further help decrease the poverty (at least when measured in terms of consumption) of those that remain behind. In spite of all these factors working to reduce poverty, however, poverty in Nicaragua became both deeper and more prevalent.

Why has poverty become worse, despite these conditions which seem so favourable to its reduction? A first explanation has to be the inequitable distribution of income and wealth in Nicaragua, one of the most regressive in Latin America. An inequitable income distribution normally implies a similarly inequitable distribution of the benefits of economic growth, especially in the absence of deliberate and systematic efforts to correct those inequities.

A second part of the explanation is that the benefits of both debt relief initiatives mentioned have not been assigned, as they should have been, to poverty reduction, for a variety of reasons. First, not all those benefits were added to the social expenditure that the country already incurred in when it reached the Decision Point of the HIPC initiative; secondly, the fiscal resources liberated by debt relief were not exclusively assigned to poverty reduction purposes, especially in education, health and environmental improvement, but were also used to pay a public internal debt that has already been denounced as illicit by the "Contraloría General de la República" and rejected by most Civil Society organizations and by the population; and thirdly, at least half the supposed poverty reduction expenditure incurred by the government ended up going to people who are not poor, such as high ranking public servants, advisors and consultants hired for institutional strengthening of the public sector, as well as intermediaries in export activities.

Moreover, the incomplete and ineffective assignment to poverty reduction of the resources liberated by debt relief was based on a faulty concept of what constitutes poverty reduction expenditure, especially before this concept was reformulated in 2005. At this time an improved concept was proposed, which distinguished three main types of poverty reduction expenditure: first, primary education, the supply of medicines, public service subsidies, the construction of rural roads, the social protection network, municipal transfers and drinking water; secondly, secondary and technical education, road construction and the exploration and exploitation of natural resources for electricity generation; and third, institutional strengthening, good governance and a business friendly environment, especially for export promotion. This new concept of poverty reduction expenditure is not perfect, but it represents a notable progress in relation to the previous one.

On the other hand, the Bolaños government made significant progress in the modernization of the State, expressed for instance in the strengthening of monitoring and evaluation systems and in the reform of certain public institutions. Developing and making operational all those systems required a great deal of effort and represented a considerable investment. As to the reform of the administration, the government implemented important institutional reforms, partly under pressure from the IMF and other international donors. All this meant that, when it finished its mandate in January 2007, the government of Mr. Bolaños undeniably left "a much tidier house" than it had found at the beginning of that mandate, with well trained public servants and functioning information systems that generated monitoring information which, while not perfect, is of great potential usefulness. These improvements – institutional reforms and monitoring and evaluation systems – are instruments that may be mobilized in the service of poverty reduction, and are, in our opinion, one of the most useful legacies of the Bolaños government and of the PRSP process.

Foreign Cooperation and the PRS Process

From 2002 to 2006, Nicaragua received a considerable amount of international financial support through two main channels: the HIPC initiative, relief of an accounting nature but effective in mobilizing the taxes paid by Nicaraguans for poverty reduction expenditure; and the flow of resources donated and lent by international cooperation actors, which include liquid resources tied to the public investment programme and freely available liquid resources associated both to poverty reduction budget support and to balance of payments support to increase official foreign currency reserves, pay foreign debt and satisfy the private sector's demand for foreign currency so as to guarantee the free convertibility of the córdoba.

Nicaragua has benefited from four cancelations of its foreign debt: (1) the traditional relief granted by the Paris Club, under the 'enhanced Toronto terms' and the 'Naples terms', since 1992; (2) interim HIPC relief since January 2001 and 'full' HIPC relief, under the 'Cologne terms', since January 2004; (3) 'additional' HIPC relief conceded bilaterally by members of the Paris Club beyond what is established in the HIPC rules, that is beyond 90 per cent of the country's debt with these countries (in this case going to 100 per cent of the debt), also from January 2004; and (4) relief under the MDRI initiative, provided by the IMF, World Bank – IDA and IDB in the period January 2006 – June 2007.

In summary, from January 1990 to July 2007, Nicaragua has been granted a reduction in its foreign debt amounting to a total of US$12,843.2 million, of which 48.4 per cent was granted by the Paris Club, 23.9 per cent by multilateral financial institutions, 19.8 per cent by countries which are not members of the Paris Club, 7.7 per cent by commercial banks and 0.3 per cent by suppliers. Despite this, however, Nicaragua remains a highly indebted country in production terms, since its debt with a number of other countries has not yet been restructured in the framework of the HIPC initiative. This debt amounts to US$1,498 million and is owed to the following eleven countries (in order of magnitude of the debt to each of them): Costa Rica, Libya, Honduras, Iran, Algeria, Peru, the PRC, ex-Yugoslavia, Uruguay, Ecuador and India. At the end of June 2007, Nicaragua's total foreign debt amounted to US$3,381 million, which is equivalent to 60 per cent of the expected GDP for 2007, to 2.4 times the value of FOB exports, to the value added in the 'maquila' sector for the current year and to US$604 per inhabitant.

The Conditionalities of Grants and Loans Before and After 2001

Nicaragua has not experienced significant changes in the conditionalities of economic adjustment and structural reform loans of the World Bank/IDA or the IMF since 1991. For the World Bank, Nicaragua remains an IDA (Interamerican Development Association) member, for the IDB it is still an FOE (Special Operations Funds) country, and for the IMF it remains a highly indebted poor country. The conditionalities of concessional multilateral loans, in this case of the WB/IDA and IDB, have been closely related to the structural reforms contained in the IMF programs, while donations of untied liquid resources before 2005 have been conditioned by whether the country's programme with the IMF is 'on track'. As is well known, the IMF has never shown any concern for poverty in the country, leaving those concerns for the WB/IDA, which it sees as the poverty specialist. On the other hand, donations by the Budget Support Group (BSG) in the period 2005–2006 were conditional on the maintenance of the macroeconomic stability targets envisaged in the IMF program and on the achievement of social targets related to progress towards the Millennium Development Goals and to the improvement of governance and democracy.

For Nicaragua to reach the completion point of the HIPC initiative, three successive administrations had to carry out 65 structural reforms required by the IMF.

In its turn, in order to actually deliver its donation of financial resources to support government expenditure, the BSG has given considerable importance to political and institutional conditions such as the respect for human rights, transparency in democratic processes, free and fair elections, good governance, the independence of the judiciary, the fight against corruption, public sector reform and solid macroeconomic and poverty reduction policies, including public financial management. Donors expect that their financial assistance will contribute to improve their coordination with the government, increase the efficiency of public expenditure and decrease transaction costs.

In addition, the BSG also sets conditionalities relating to quantitative targets for economic and social variables, among which are the public sector deficit set in the IMF program, the degree to which central government transfers to municipalities are neutralized, fiscal pressure and its equity, progress in the approval of the Civil Service Law, the demarcation and titling of indigenous lands, road maintenance, the regulation of microfinance, the total surface of protected areas and variables reflecting progress towards the Millennium Development Goals, such as the behaviour of the extreme poverty index, the net enrolment rate in primary education, child mortality rates, the rate of coverage of prenatal check-ups, prevalence of HIV/AIDS, percentage of population with access to drinking water and to improved sanitation in urban and rural areas. Recently, before the agreement with the IMF was signed, the BSG has indicated that, in order to deliver its donations to the government of President Daniel Ortega, the only condition it will apply is the maintenance over 2007 of a low and stable rate of inflation.

PRORURAL, a Donor-Supported Sector-Wide Approach to Rural Development

PRORURAL is a broad-based sector-wide plan that integrates the activities of the public organizations working in the Nicaraguan agricultural and livestock sector (MAGFOR, INTA, INAFOR, IDR and FUNICA), with the explicit purpose of contributing towards poverty reduction in rural areas and improving sectoral competitiveness. Its main aims are to achieve an increase in the production of goods and services by the rural productive sector, with greater productivity, greater competitiveness and environmental sustainability; greater participation in internal and external markets; and the generation of greater incomes for more people.

The relations between Nicaragua and the donor countries and agencies are guided by a Code of Conduct (CoC), signed by the various involved donors on the one hand and MAGFOR, INTA, INAFOR and IDR, on the other. The CoC is considered as an ethical not a juridical document. It sets down good practices and the signatories' commitments aimed at achieving a greater degree of coordination, harmonization and alignment in the actions and interventions that will take place in the rural productive sector. The ultimate goal is to improve the effectiveness of official development assistance in the context of national policies and strategies. The CoC bases collaboration on principles of appropriation, coordination, harmonization, alignment and transparency.

It is not quite appropriate to speak of conditions in relation to the PRORURAL. There have been no strong conditions; rather, the conditions were related to achieving certain values of indicators that were defined together with the donors. The donors had to ascertain whether the government had the necessary capacity to implement a SWAp in practice. This capacity required, among other things, the existence of a sectoral planning process, of monitoring mechanisms (such as the SIGFA), of a Medium Term Expenditure Framework and of a sectoral policy or programme with appropriate targets. The World Bank, which did join the PRORURAL through the PTA2 project, brought into the sector the PTA2 conditions, which were mainly related to the ERCERP. The CoC that has been signed by all concerned creates obligations for the government but also for the donors. In the Memorandum of Understanding concerning the creation of the Common Fund there are also some mutual obligations, which are more demanding than the CoC rules. In addition to this, the code of conduct has not been fully implemented thanks to the weakness of certain institutions. As far as conditions are concerned, the Common Fund is more flexible thanks to the CoC. For project aid, on the other hand, conditions are more rigid and rigorous.

Not enough time has passed to allow us to speak confidently about results, especially expected results mentioned in the programme's POA. There are no visible changes, qualitative or substantive. However, and very importantly, we are witnessing the emergence of an institutional culture based on cooperation, joint planning and dialogue, both among the Nicaraguans that do the 'bread and butter' work of planning and between them and the donors. There is greater institutional, coordination, both centrally and locally. Donors also seem to consider the sector with greater care and attention than they used to.

As for the use of national systems, there has been some progress, but of uneven quality. For instance, the SIGFA is a system of good quality but it has some validation issues, which have recently become more complicated because the government 'swept' away the civil servants who maintained and worked with the SIGFA, which led to a loss of efficiency in the system, at least temporarily. The Common Fund uses the government's planning, monitoring, acquisitions and evaluation systems; projects, on the other hand, do not, but those which are still being implemented have started to align themselves. The European Commission and Austria still give project aid and do not wish to join the Common Fund. As for the World Bank, it wishes to join the Common Fund, but it would like to see stronger systems in place.

Some transaction costs have decreased as a consequence of adopting the SWAp. Most missions are now joint missions, and the government only needs to write a single report for all the donors, something which even the World Bank has accepted. On the other hand, new transaction costs arose with the negotiation of the CoC and the MoU, and also due to the closer relations between donor representatives based in Managua and the national civil servants.

The development of monitoring indicators has experienced significant improvements; it is, however, still difficult to speak of results-oriented planning or to decide whether things really have improved from the point of view of implementation and implementation capacity and results-orientation. It is still too early to evaluate the PRORURAL.

To sum up, PRORURAL has been and continues to be a very positive experience. It does, however, seem to be somewhat threatened by the Food Production Programme (Programa Productivo Alimentario or PPA for short, the productive part of the 'Hambre Cero' programme), which has been entrusted by the new government to the MAGFOR. The threat seems to be related to the way in which it is handled, seen and sold. The 'Hambre Cero' programme is being spliced into the PRORURAL, and the roles of the various public institutions relating to agriculture, livestock and forestry. There is, however, some danger for the PRORURAL, since the whole culture is different, and there are other interests and attitudes. There is a tendency for the PPA to take technical resources away from the PRORURAL, which threatens the achievement of the programme objectives. Also, some of the public servants working in the PRORURAL have reported that, if they do not give all the priority to the PPA, they feel threatened or at least they feel some pressure. This exclusive focus on the PPA risks compromising the idea of a sector-wide programme.

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.

Sida

SWEDISH INTERNATIONAL
DEVELOPMENT COOPERATION AGENCY

SE-105 25 Stockholm Sweden
Phone: +46 (0)8 698 50 00
Fax: +46 (0)8 20 88 64
sida@sida.se, www.sida.se