The Role of the Sector-Wide Approach to Sustainable Rural Development in Central America

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The role of the Sector-Wide Approach to sustainable rural development in Central America

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This paper was prepared for RUTA by Richard Anson (International Consultant), in close collaboration with Peter Pfaumann (Principal Adviser on Rural Development/Rural Unit/Inter-American Development Bank - IDB), under the guidance of Miguel Gómez (Director, RUTA), and with the cooperation of the Technical Secretariat of the Central American Agricultural Council (Lic. Rogier Guillén, Executive Secretary). The authors are grateful for inputs received from Willi Graf (Principal Adviser, COSUDE), César A. Falconi (Chief, Rural Unit, IADB), Nancy Jerusun-Clements (Senior Natural Resources Specialist, IADB), Sybille Nuenninghoff (Natural Resources Specialist, IADB), and Erick Zeballos (Principal Adviser, Department for International Development). The first edition of this paper was prepared by R. Anson (November, 2005). The current document updates several relevant sections, taking into account more recent studies and data from work being carried out in Nicaragua, Honduras and El Salvador. The Department for International Development (DFID) and the International Fund for Agricultural Development (IFAD), both partners of RUTA, co-financed this work, which included a consultation process. The document was prepared in cooperation/consultation with officials of the Ministries of Agriculture and donor agencies involved in different phases of the sector-wide approach in Nicaragua, Honduras and El Salvador. The authors are grateful for inputs and collaboration from people consulted during both phases of the research work, including the 2005 workshops: Honduras (August 5), El Salvador (September 5), Nicaragua (September 8), and Costa Rica/RUTA Headquarters (September 8). And for comments/inputs from RUTA, World Bank, IDB, IFAD, Finland, DFID, MAGFOR (Nicaragua), SAG (Honduras), and MAG (El Salvador).
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## Acronyms

<table>
<thead>
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<th>Acronym</th>
<th>Description</th>
<th>Country/Region</th>
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<tbody>
<tr>
<td>AA&amp;A</td>
<td>Ownership, Alignment and Harmonization</td>
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<tr>
<td>ASIP</td>
<td>Agriculture Sector Investment Program</td>
<td>Mozambique</td>
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<td>CAFTA</td>
<td>Central American Free Trade Agreement</td>
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<tr>
<td>CoC</td>
<td>Code of Conduct</td>
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<tr>
<td>CONAGRO</td>
<td>National Agricultural Council (Nicaragua)</td>
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<td>DFID</td>
<td>Department for International Development (UK)</td>
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<td>DRP</td>
<td>Productive Rural Development (Nicaragua)</td>
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<tr>
<td>FTA</td>
<td>Free Trade Agreement</td>
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<tr>
<td>GDLN</td>
<td>Global Development Learning Network</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GDPRD</td>
<td>Global Donor Platform for Rural Development</td>
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<td>IDB</td>
<td>Inter-American Development Bank</td>
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<tr>
<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
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<tr>
<td>IGP</td>
<td>Internal Gross Product</td>
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<tr>
<td>IICA</td>
<td>Inter-American Institute for Cooperation on Agriculture</td>
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<tr>
<td>MADER</td>
<td>Ministry of Agriculture and Rural Development (Mozambique)</td>
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<tr>
<td>MAG</td>
<td>Ministry of Agriculture and Livestock (El Salvador)</td>
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<td>MAGFOR</td>
<td>Ministry of Agriculture, Livestock and Forestry (Nicaragua)</td>
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<td>MARENA</td>
<td>Ministry of Natural Resources and Environment (Nicaragua)</td>
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<td>MCDR</td>
<td>Rural Development Coordination Roundtable (El Salvador)</td>
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<td>MoU</td>
<td>Memorandum of Understanding</td>
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<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
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<td>NPIS</td>
<td>National Public Investment System</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<tr>
<td>ODI</td>
<td>Overseas Development Institute</td>
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<tr>
<td>PAO</td>
<td>Annual Operational Plan</td>
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<tr>
<td>PBA</td>
<td>Program-based Approach</td>
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<td>PBL</td>
<td>Policy Based Loan</td>
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<td>PEO</td>
<td>Strategic Plan for the Agricultural Sector (Honduras)</td>
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<td>PMA</td>
<td>Plan for the Modernization of Agriculture (Uganda)</td>
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<td>PMGP</td>
<td>Multi-Annual Public Expenditure Plan</td>
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<td>PND-O</td>
<td>National Development Plan (Nicaragua)</td>
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<td>PROAGRI</td>
<td>Agricultural Sector Investment Program (Mozambique)</td>
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<td>PRODECAM</td>
<td>Small-Scale Agriculture Development Program (Honduras)</td>
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<td>PRONAFOR</td>
<td>National Forestry Program (Honduras)</td>
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<td>PRORURAL</td>
<td>Productive Rural Development Program (Nicaragua)</td>
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<tr>
<td>PRS</td>
<td>Poverty Reduction Strategy</td>
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<td>PRSC</td>
<td>Poverty Reduction Support Credit</td>
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<tr>
<td>RUTA</td>
<td>Rural Unit for Technical Assistance (for Central America)</td>
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<td>SA</td>
<td>Sector Approach</td>
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<td>SAG</td>
<td>Department of Agriculture (Honduras)</td>
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<td>SPAR</td>
<td>Public Agricultural and Rural Sector (Nicaragua)</td>
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<tr>
<td>SIBTA</td>
<td>Bolivian Agricultural Technology System</td>
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<tr>
<td>SNITTA</td>
<td>National Agricultural Food Research and Technology Transfer System</td>
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<td>SWAp</td>
<td>Sector-wide Approach</td>
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<td>WB</td>
<td>World Bank</td>
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Foreword

Despite the efforts invested during the last decades by public and private sectors and the international cooperation, poverty remains widely spread in Central America, particularly in rural areas. Such a complex challenge requires a more structured approach by all actors, promoting and facilitating country-level dialogue, both within and between all sectors involved. More effective and efficient methodologies are therefore required in order to attain inclusive economic growth, seeking to reduce negative effects while maximizing the potential benefits of CAFTA, so that Central America can achieve harmonic economic and social development.

The Sector-Wide Approach (SWAp) focuses on a specific sector and program, and it seeks to generate an integration process among all actors, as a means to increase collaboration and development impact. SWAp is based on a multi-sector alliance among public and private sectors, international development agencies and civil society, and it requires ownership and leadership among government institutions, in a coherent, integral and coordinated manner.

As part of the sector strategy, SWAp allows prioritization of policies and multi-annual public expenditures, enabling an integral platform suited to meet the conditions of transparency of public resource use, reducing duplication of actions and maximizing the level of synergy among institutions.

From its very beginning, RUTA has been focused on supporting rural development in Central American countries, leveraging its inter-agency framework to strengthen institutions and contributing to poverty reduction in the region. Given the complex nature of the multi-sector collaboration required in Central America, RUTA finds SWAp as a solid framework towards achieving those objectives.

More broadly RUTA promotes the principles of inter-agency work, transparency, dialogue and multi-sector collaboration, and efficient resource management. Through its strategic actions in knowledge management and communication, RUTA seeks to facilitate the exchange of information and documents, bringing the SWAp approach to the agenda of decision makers.

Pursuing that objective, RUTA is pleased to present this study on Sector-Wide Approach, which summarizes the experience in Central America and other countries. The document compiles the lessons learned and good practices so that key actors in each country can better understand the scope and limitations of SWAp, as well as its challenges and opportunities.

RUTA is grateful to the authors for their dedication, to the Ministries of Agriculture of Honduras and El Salvador and to the Central American Agricultural Council (CAC), for their inputs. We would also like to thank our partner agencies for their technical and financial support, and to all other institutions in the region who contributed to the process with their participation.

Special mention goes to the Global Donor Platform for Rural Development (GDPRD), for their support to PRORURAL in Nicaragua, which is one of the four cases being monitored and evaluated around the world. The international experience shared by GDPRD has been essential to enhance the quality of this study.

Miguel Gómez, Director, RUTA Project
Executive summary

(i) **Strategic context:** Despite financial and technical support from international donors and government actions over many years, in Central America poverty continues to be concentrated in rural areas. This phenomenon has been affected by a series of factors including: fiscal constraints at the macro level, institutional weaknesses, limited and non-sustainable impact of public sector actions, lack of focus, and the limited role played by the private sector. Despite good intentions and adequate designs, there are also concerns regarding traditional projects, which reveal poor alignment and harmonization between them and with national policies.

(ii) **Objectives and target group:** The main objective is to provide a reference framework on the experiences and lessons learned from sector-wide approaches (SWAp). The main target group includes Ministries of Agriculture, other public-sector institutions and decision-makers of CAC member countries, representatives of international cooperation agencies and the private sector. The paper seeks to help them better understand the scope, challenges, obstacles, limitations, opportunities, requirements and capacities of SWAp, so that they are better prepared to lead sector-wide approach processes and its operational implications in Central America, with support from RUTA and other institutions.

(iii) **Structure of the paper:** This document consists of four main sections:

- Synthesis of the sector-wide approach: concepts, elements and modalities.
- Selective summary of some experiences and lessons learned, operational implications of sector approaches, and additional perspectives on several strategic themes: economic justification, incentives and requirements for environmental and social safeguards.
- Status, challenges and application of lessons learned from sector-wide approaches in Central America (focusing on Nicaragua, Honduras and El Salvador).
  - Strategic framework for RUTA’s supporting role, in collaboration with other institutions.

This document also includes four annexes summarizing the experiences of nine SWAp (Annex 1), the current context of poverty and the government strategies and programs, including the origin and components of sector-based approaches in Nicaragua, Honduras and El Salvador (Annexes 2-4).

(iv) **“ABCs” of sector-wide approaches:** Although there are several names and definitions, a commonly accepted definition of sector-wide approach is the following:

SWAp is an approach and a process to integrate in a coherent, integrated and coordinated manner, the collaborative efforts of all stakeholders in support of a sector and program, based on government (and country) ownership and leadership.

(v) The literature generally refers to six key elements of a SWAp that reflect government’s goals and direction:

- Leadership and ownership by government institutions (representing other groups).
- Alliances with international donors, private sector and civil society, and use of formal systems to promote better cooperation and impact, often in the form of sector-based roundtables.
- A sector policy and strategy based on agreed vision and priorities.
- A program and a multi-annual public expenditure framework for the sector, preferably as part of a macro-level multi-annual public expenditure plan.
- Coordination/alignment of all resources within a multi-annual budget framework.
- Harmonized implementation mechanisms and increasing use of national systems and procedures (accompanied by strengthening actions), to reduce the costs of transactions.
between government and international cooperation agencies.

(vi) Although a “pure” sector-wide approach exists in conceptual terms, what matters in practice is that each country and sector develop their own “style”, to eventually address the six elements mentioned earlier. Rural development (and its “sector”) has a different meaning in each country, so it is possible that a single SWAp will not be enough to cover the entire sector in a holistic manner. The literature and preliminary experience show the potential benefits of adopting and implementing sector-wide approach processes and programs. However, given the characteristics of the rural sector¹, the challenges are greater than in other sectors:

- The multi-sector nature of rural development makes it difficult to draw clearly the limits of a “rural SWAp”.
- The multi-sector nature of the rural sector often requires involvement of a large number of government institutions.

¹ Given the lack of a unified definition of “rural sector”, the term “rural SWAp” is used in this document to refer to all SWAps related to agriculture, including livestock, agrifood and rural products. The scope of a rural SWAp should be defined by each country (generally in agreement with international cooperation agencies). For instance, the term “productive rural sector” is being used in several countries (for instance in Nicaragua, and more recently in Costa Rica).

(vii) An important feature of SWAp is the use of the following three types of financial modalities, which can be combined depending on the donor and the agreements with government institutions:

- Project-based and “parallel” financing, with intensive coordination around agreed strategy and program.
- Financing through “common funds” allocated to the sector.
- Budget support: funds are channeled through the Treasury (generally in the context of a previously agreed multi-annual public expenditure plan), linked or not to the sector.

(viii) Among the most important operational aspects to consider for the effective design and execution of sector-wide approaches are the institutional arrangements and coordination mechanisms. Countries that adopt sector-wide approaches often establish some sort of global and sector roundtable system, with various coordination and operational mechanisms. Based on common principles of transparency and representation, each country must develop its own style and modus operandi. The institutional arrangements should be determined not just in terms of national boundaries, but also need to cover implementation mechanisms in each country.

(ix) Selective synthesis of SWAp experiences: This section contains a selective synthesis of the status of nine experiences and lessons learned (positive and negative) from implementing sector-wide approaches, including some experiences in the health and education sectors. The cases presented are the following:
The role of the Sector-Wide Approach to sustainable rural development in Central America

- **Rural/Agricultural Sector:**
  - Zambia: Agricultural Sector Investment Program (ASIP)
  - Mozambique: PROAGRI
  - Bolivia: Bolivian Agricultural Technology System (SIBTA)
  - Uganda: Plan for the Modernization of Agriculture (PMA)

- **Other Sectors:**
  - Ghana (health)
  - Honduras (health and education)
  - Nicaragua (health and education)
  - Nicaragua (ten sectors)
  - India (primary education sub-sector)

(x) Summary of lessons learned: The synthesis of nine SWAp experiences shows how the principles and diversity of sector-based approaches could be implemented, generating thirteen lessons learned for rural development in Nicaragua, Honduras and El Salvador, as well as to other countries.

### General lessons

**Lesson 1:** SWAs involve significant changes of behavior and in the way of “doing business” among representatives of governments and international cooperation agencies. They require trust among participants and commitment to overcoming barriers. Several mechanisms can facilitate such changes (i.e. agreeing and regularly updating the code of conduct; or establishing coordination mechanisms/spaces to improve transparency and joint work).

**Lesson 2:** Rural sector SWAs are far more complex and difficult than traditional projects, they take longer and cost more during the preparatory and early implementation phases.

**Lesson 3:** The combination of PRSC (Poverty Reduction Support Credit), PBL (Policy Based Loan) and/or other types of financial support complemented by a sector-wide approach, increases the likelihood of achieving sustainable results and impact, especially in terms of the required technical and institutional changes at territorial level.

**Lesson 4:** SWAp financing can be made through three different modalities: project-based support (normally aligned to a sector strategy), common funds, and budgetary support. Such modalities can be combined in different ways to maintain administrative flexibility while strengthening national systems.

### Lessons about the process

**Lesson 5:** It is essential to secure effective government leadership by the corresponding sector ministry. Involving other institutions (Ministry of Finance, Ministry of the Presidency) or even the Prime Minister Office is also fundamental to attain integration and participation of other agencies. In order to integrate SWAps into national administrative procedures, it is also important to take advantage of existing budget structures and processes.

**Lesson 6:** Several key components such as institutional strengthening (including necessary reforms) and capacity building to coordinate and lead SWAp design and execution, should be undertaken as part of the process from the very beginning. A lack of timely focus on institutional issues and “architecture” can weaken processes and results.

**Lesson 7:** A careful formulation and consultation of the sector strategy involving key actors should guide the operational formulation of SWAp, as well as the alignment and harmonization process, not the other way around.

**Lesson 8:** The financial modality should be selected only after clearly defining the Sector Program as part of a strategic framework.

**Lesson 9:** From the beginning, it is essential to design and implement effective monitoring and evaluation systems supported by indicators, which can provide strategic information and improve trust, dialogue, and collaboration.

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2 Although no information is yet available, it appears that “transaction costs” among government and cooperation agencies will get lower as SWAp implementation moves forward.

3 Assuming that it will lead to sector changes, several international cooperation agencies tend to focus on budget support at the macroeconomic level. Thus, it is important to find the best way to optimize the complementary use of macroeconomic and sector support.
Lessons from SWAps in the rural sector

Lesson 10: The application of SWAps in the rural sector is more complex than in education or health, demanding greater attention and longer timelines to attain results. The main reasons are the following:

- Private sector participation requires operational public-private models and partnerships, which make SWAp design and execution even more complex.
- The multi-sector nature of rural development programs calls for inter-institutional coordination mechanisms, which need to be strengthened as part of the SWAp process.
- SWAps normally involve a large number of participants from international cooperation agencies, and the lack of internationally approved strategies and modalities renders difficult to unify criteria.

Lesson 11: The scope of the sector approach (sub-sector, sector, multi-sector) can be determined according to strategies, capacities and priorities of the country, and in agreement with the main stakeholders. A broader scope means a more complex design and implementation. Thus, each country needs to define and agree upon the most appropriate coverage.

Lesson 12: Rural SWAps tend to be centralized and government-centered, requiring during design explicit countermeasures to promote decentralization and less concentration. It also requires active participation of strategic groups (especially the private sector), setting the process on the ground with territorial strategies and mechanisms.

Lesson 13: Given the complexity of the process, it is important to seek a gradual integration of existing projects and programs into the SWAp process, in accordance to its objectives and strategic results. During SWAp preparation, it is also essential to assess and formulate adjustment strategies and actions on ongoing projects. Concrete results in the short term can generate greater trust and commitment towards a more effective implementation.

(xii) Status and challenges of sector approaches in Nicaragua, Honduras and El Salvador: This section presents a synthesis of the current situation, challenges and opportunities in applying relevant lessons of sector approaches being prepared and executed in Nicaragua, Honduras and El Salvador. The strategic context of each country is summarized in Annexes 2 – 4. Briefly, although the progress made in the three countries is at various stages and it is generally positive, there are still challenges that require a major joint and coordinated effort by many stakeholders. The role of the private sector and civil society is still limited, and generally lags behind. Their effective and early participation in SWAp processes and programs is a key lesson from the international experience. Those stakeholders contribute to generate sustainable impact, specially the private sector. Each country faces a series of challenges, and the report mentions the recommended priority actions on each one. The recommendations stress the integration and application of the six key elements of SWAps, throughout formulation and execution.

(xiii) Strategic framework for RUTA’s supporting role: This section highlights the major challenges facing each country in designing and implementing sector-based approaches, and shows the importance of obtaining the most appropriate and timely technical and financial support, integrated (with other stakeholders) and adapted to the specific contexts of each country. As part of its inter-agency support program in all three countries, RUTA has played an active role in the initial phases of SWAp design and implementation. In order to continue supporting government adaptation of SWAp processes and programs in the region, it is now essential to strengthen the collaboration between RUTA and other international development agencies. Areas the
need greater attention include:

- Addressing the growing demand (from Ministries of Agriculture) for technical assistance on SWAp processes and programs.
- Inter-agency processes.
- Sharing effective inter-agency experiences and inter-agency practices within and between countries.
- Further assisting countries to improve the effectiveness of poverty reduction programs and public interventions in the rural sector.
- Strengthening the collaboration between RUTA and the Global Donor Platform for Rural Development, sharing knowledge and experiences of “public goods”, and improving inter-agency collaboration through SWAp support.

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5 See www.gdprd.org for more information on the “Global Donor Platform for Rural Development”.
I. Strategic context

1.1. Background and rationale for sector-wide approach in rural development

Although the political, social and economic conditions in Central American countries are varied, there are three common central issues: the urgent need to accelerate overall economic growth to reduce poverty (especially in rural areas), and to generate more jobs; taking full advantage of potential benefits and minimizing possible adverse effects of CAFTA implementation; and adopting more effective and efficient methodologies, according to the needs of each country, to maximize the economic and social development impact of international cooperation.

Despite the financial and technical support from international donors and the actions taken by governments over many years, poverty in Central America continues to be concentrated in rural areas. Several factors contribute to such phenomenon, including macro-level fiscal constraints, institutional weaknesses, limited impact of public sector investment, lack of alignment and limited engagement of the private sector. There is also concern that traditional projects, despite their good intentions and designs, lack harmonization between them and with national policies. In a summary, projects have failed to tackle the structural problems that afflict Central America’s rural sector, and to address the above factors. Given the need for multi-sector interventions and the geographic dispersion of rural families, those challenges are greater in rural areas. Increased attention is given to improving ownership/leadership, harmonization and alignment (AA&A) among public and private sectors and donors; to achieving greater efficiency and sustainable impact; and to reducing isolated interventions based on divergent criteria and strategies.

Around the world, the application of Sector-Wide Approach – SWAP7 is producing promising results in several regions. The sector-wide approach is both a strategy and a methodology (or process) to address the problems mentioned earlier, and to generate better and sustainable results, needed to improve AA&A in the fight against poverty. The sector-based approach is a methodology to better integrate policies and strategies with prioritized investments, supported by a more effective institutional framework, better coordination among public institutions, greater consensus with the private sector, and more efficient use of international cooperation resources. Based on available information, there are around 90 SWAps, mostly in the social sector. Fifteen of them relate to the rural development, and are at different stages of design and implementation8. The most recent study on SWAps in rural development is underway with support from the Global Donor Platform for Rural development (“Platform”). This global study should be completed by March 20079.

In Central America, several countries are using the sector approach in education and health (for example, Nicaragua, Honduras and El Salvador). In Nicaragua, with support from various donors, the first phase of a sector approach is underway on the rural sector (PRORURAL). Its first phase began on September 2005. In Honduras, also with support from several donors, the new administration has formulated an Operational Strategic Plan (PEO) for the agrifood sector (August 2006), and started to prepare four SWAps in

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7 There is no single version of the sector approach, since it is adapted to the specific context of each country and sector. However, the sector approach is characterized by various elements/principles summarized in Section 2.1.

8 An excellent document that summarizes many of the basic concepts and experiences of rural sector SWAps was prepared by IFAD. See: IFAD Policy on Sector Approaches in Agriculture and Rural Development (April 2005).

9 See “Sector Wide Approaches in Agriculture & Rural Development: Phase 1 (A Desk review of Experience, Issues and Challenges)” (April 2006). This document is available at www.gdprd.org

For example, recently the World Bank completed the analytical work, “Engines of Rural Growth” (focusing on the cases of Guatemala, Honduras and Nicaragua). The results and recommendations highlight the need to adopt a comprehensive and multi-sector strategy, aimed at promoting greater access to assets through differentiated strategies.
strategic sub-sectors (Sub-SWAs). Similarly, in El Salvador, a subsector approach process has begun to support the rural sector, based on the recently approved rural competitiveness and job creation strategy. Annexes 1–3 provides further details on the contents and programs of each of the above SWAs.

This set of plans and strategies is generating and shaping sector approaches in various phases of preparation in Nicaragua (PRORURAL), in Honduras (agrifood sector with sub-sector approaches) and El Salvador (rural economic growth and poverty reduction). The initial question raised by many governments and donors is not whether they should adapt and support the design and application of sector approaches, but rather how to do it, and the implications, including the use of project support (aligned and harmonized).

Some conclusions from international experience indicate that:

(a) The development of a sector-wide approach is more complex than the traditional project methodology, and it is worthwhile to look at and adapt relevant lessons from other countries, according to requirements and limitations in each country.

(b) There is sector concentration in health and education (given the more manageable institutional coverage), and greater concentration in Africa (probably due to the high reliance on international aid).

1.2 Objectives, clients and focus

The main purpose of this paper is to provide a reference framework on the experience and lessons learned from several sector-wide approaches (SWAp). It seeks to enable Ministries of Agriculture, other public-sector institutions and decision-makers of CAC member countries, representatives of international cooperation, and the private sector, to better understand the scope, challenges, obstacles, limitations, opportunities, requirements and capacities of SWAs, so that they are better prepared to lead sector-wide approach processes and its operational implications for rural development in Central America.
II. Synthesis of the sector-wide approach: Concepts, elements and modalities

2.1. Origin and definitions

A. Cassels formally proposed the term SWAp at a meeting of WHO’s Interagency Donor Group for health sector development, held in 1997. Cassels consolidated and expanded on previous concepts and practices used in the nineties, known as Sector Investment Programs (SIPs), based on the experience in Zambia and Mozambique. Recently, the term “Program-Based Approach” (PBA), or programmatic approach, is being used on subsectors, multisectors and programs, to expand sector approaches to other types of support, especially those of budgetary nature. Other related terms include comprehensive development framework (introduced in 1999), sector based program and sector support. Although these terms may differ, their basic concepts, principles and elements are very similar. Other terms refer more to particular financing mechanisms such as general budget support (GBS) or sector budget support. Owing to its growing use in Central America, the term “Sector Approach” or SWAp is used in this document.

As the process unfolds, several definitions of sector-wide approach have gradually evolved over time. They are dynamic like the process itself. However, a concise and generally accepted definition of SWAp is the following:

It is an approach and a process to integrate, in a coherent, integrated and coordinated manner, the collaborative efforts of all stakeholders in support of a sector and program, based on government (and country) ownership and leadership.

Some confusion often arises about the SWAp concept, so it is useful to clarify that SWAp is neither a financing instrument nor a financing modality (for instance, common funds). A SWAp does not need to fully use a country’s systems/procedures, it does not have to cover a whole sector, it is not a project, and there is no single version of the sector-wide approach. No country has devised a “pure” SWAp that fulfills all the ideal elements, yet SWAp’s have evolved and matured in each case, based on certain basic principles. The literature on SWAp generally lists the following six key elements that reflect government goals and orientation, and they are highly advisable (see Figure 2.1 for an overview of the elements):

1. Leadership and ownership by government institutions, in collaboration with private sector and civil society.
2. Alliances with international donors, private sector and civil society, and use of formal and informal collaboration mechanisms to promote enhanced cooperation and impact (for instance, using sector-based roundtables).
3. Sector policy and strategy (at least mid-term), based on agreed vision and priorities, and preferably a differentiated strategy, according to the typology of rural households and territories.
4. A sector program and multi-annual public expenditure framework, preferably, as part of a macro-level or multi-annual public expenditure program, i.e. “Medium Term Expenditure Program”/MTEP, incorporating territorial issues.
5. Increasing alignment and coordination of resources, within an multi-annual sector budget framework, with attention to

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12. For a discussion of the basic concepts and practices see: “CIDA Primer on Program- based Approaches” (February, 2003). PBA is the term used by the “Learning Network on Program-based Approaches”/LENPA), integrated by international cooperation experts.
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territorial aspects.

6. Harmonized implementation mechanisms and increasing use of existing national systems and procedures; especially for disbursement, procurement, reporting and fiduciary aspects (generally accompanied by capacity-building actions), emphasizing reduction of transaction costs among government and international cooperation agencies.13

Figure 2.1.

Key features of SWAPs Goals and Directions

- Harmonized Implementation Mechanisms & Use of Local Systems/Procedures
- Coordination/alignment of all resources
- Common Sector Program/Expenditure Framework
- Sector Policy Framework and Strategies Based on a shared vision and priorities
- Alliances with International Donors and Private Sector
- Government Ownership and Leadership (rep. others)

Varies as SWAP evolves and matures with each case

Based on the above definition and principles, the sector approach may be summarized as a PROCESS, not an instrument, initiated by decision among main stakeholders (government and donor agencies, with private-sector collaboration), adapted to the country conditions, and progressively advancing towards full national leadership and management, making use of the country’s own policies, plans, budgets, procedures and control mechanisms.14 Countries that undertake SWAp processes should have a strategy to establish the above elements in a progressive manner, according to national and/or sector conditions and constraints.

GDPRD’s global study on SWAp presents both a model and a logical framework, which can be useful to guide design and monitoring of sector-wide approaches, helping to focus design and interventions on the generation of products and strategic and sustainable results and impact, according to the situation of each country. The model is shown in Fig. 2.2, and there are five key elements where SWAp seeks to improve development impact and performance of government and international cooperation agencies:

- Improved management of international cooperation, through harmonization and alignment.
- Better policy coordination and implementation.
- Strengthened institutional capacity and government ownership.
- Improved public expenditure management and more equitable service delivery.
- Improved public-private partnerships.

2.2. Sector coverage

As shown by the examples from several countries, SWAp generates diverse options in terms of coverage:

- A conventional sector: for example health (including population and nutrition), as in the cases of Ghana, Uganda, Tanzania, Bangladesh, Nepal; agriculture (Zambia, Mozambique); or roads (Tanzania, Uganda).
- A priority sub-sector: primary education (Zambia, Nepal, Bangladesh); rural water and sanitation (Uganda); or agricultural research and extension (Bolivia).
- A multi-sector and/or crosscutting program or issue: for instance the AIDS program (Malawi); the public sector reform program (Tanzania); or the universal education program (India).

It must be noted that many SWAPs applied to social sectors barely have sub-sector coverage, and generally do not include all the sub-sectors managed by the corresponding ministry.

13 No information is currently available on transaction costs. However, it is agreed that initial costs of SWAp are higher when compared to projects, yet a cost reduction is expected in the future.

14 This definition is described in a helpful document being used to support SWAp training (focusing on the health sector): “Definition and use of sector approaches: A path for Official Development Aid Harmonization”, prepared by Elisabeth Jane et al (HLSP Ltd. 2005).
In education for instance, SWAps commonly cover primary education and possibly secondary education, but not higher education. In the health sector, SWAps are more focused on the first level of public health care; however, they do not necessarily include the third level of specialized hospitals.

In rural development, most sector approaches are focused on agriculture, including livestock and agrifood, commonly known as “productive rural sector” or simply rural or agriculture sector. Adopting a broader inter-sector approach, some initiatives place this sector beyond the realm of the Ministry of Agriculture. A wider approach is however more complex to manage, so in practice there is a trend to design and implement a phased sector approach, beginning with a focus on the Ministry of Agriculture, and strengthening inter-institutional coordination mechanisms to prepare the ground for future phases.

Another approach being used in Latin America is the sub-sector approach. Based on a broad rural development strategy, the alignment and harmonization process starts with the prioritization of the most important sub-sectors (for example, technology transfer). Structuring and implementing the SWAp is a complex process, which requires a clear definition of coverage. Therefore, its scope should be analyzed carefully prior to getting into the process. There is a basic principle to bear in mind: the broader the coverage, the greater the complexity of a SWAp.

### 2.3. Rationale for adopting a sector approach

The rationale for adopting a sector-based approach in all sectors is based on the high transaction costs involved in managing international aid, and on the growing demand (from governments and donors alike) for achieving sustainable impact. Rural development has several characteristics that set it apart from other sectors. These features reinforce the rationale for adopting the sector approach in countries committed to formulating and implementing a comprehensive sector strategy\(^ {15} \), but at the same time make its design and application more difficult.

First, contrary to the case in health and education, the state is not the main service provider; its role is rather to create an environment to foster agricultural growth, mainly through

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\(^ {15} \) A relevant background document on features of the sector approach in agriculture can be found at: Foster, Brown, and Naschold: What’s different about Agricultural SWAps?, London, ODI, 2000.
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producers and other private sector players. Second, the rural development is not a traditional sector; it demands a multi-sector approach with coordinated interventions, not necessarily within the same SWAp. Third, contrary to public health and primary education, there is no standardized model for SWAps in rural development, which requires an in-depth discussion of sector strategies. This complexity demands better coordination strategies among government, international development agencies, private sector and civil society. It also requires a thoughtful discussion about SWAp coverage, bearing in mind institutional capacities, and paying particular attention to developing implementation mechanisms.

The sector approach in the rural sector is closely linked to decentralization strategies and to territorial development. The territorial approach should go beyond designing isolated projects, centered on a given geographic area or sector. It should seek to promote territorial integration beyond administrative or sector boundaries, responding to natural social constructions defined by river basins, common social patrimony, homogeneity of natural resources, production processes, etc. A multi-sector approach links the main stakeholders (local governments, producers, civil society, decentralized sector authorities) through local decision-making structures connected to regional and national government levels. In this context, a “sector” approach should complement the “territorial” approach, with urban-rural links to support production, generate greater diversification and value added, and to stimulate demand.

Table 2.1 summarizes the disadvantages of traditional project and budget support mechanisms (although these modalities also have certain advantages), which apply to projects in the agrifood sector.

Several donors (especially the World Bank) tend to focus more on PRSC as an instrument or budget support to achieve macroeconomic reforms and sector level dialogue, rather than complementing it with more extensive technical and institutional support in the agriculture sector. Often, external aid constraints (on the part of donors and/or governments), and the pressure to disburse large sums of money, contribute to this situation. Thus, there tends to be a bias in using PRSCs as a single instrument. However, there are positive examples.

16 IFAD is the only cooperation institution that has prepared a policy document on SWAp to guide its interventions in the agricultural sector. See: IFAD Policy on Sector Approaches in Agriculture and Rural Development (April 2005).

17 Comment made by R. Pena-Montenegro on the draft document (IFAD, August, 2005).

18 A document with a good analysis and perspective was written by Land and Hauck, “Building Coherence Between Sector Reforms and Decentralization: Do SWAps provide the missing link?”, European Center for Development Policy Management, 2003.
showing the complementary use of PRSCs and sector reforms, leveraging the sector approach to support strategic areas such as the rural sector.

### 2.3.1. A Paradigm Shift

Sector approaches, especially in agriculture, represent a paradigm shift in the way of doing development work. It changes the approach, the working relationships and the behavior in promoting sustainable rural development. Table 2.2 shows a brief comparison between projects and SWAps.

### 2.3.2. SWAp benefits

One of the most important benefits of using SWAps is the improved impact on development through the following actions:

- More effective government ownership and leadership.
- Coordinated and open dialogue on the global program, not only on “protected” or “privileged” projects, which leads to genuine alliances.
- Extending the benefits by focusing on the global program, and seeking to standardize fiduciary criteria/arrangements and safeguards (environmental and social).

- More efficient and transparent allocation of resources to support strategic areas among bi and multi-lateral institutions, allowing greater flexibility to external resource management.
- Strengthening and modernization of national capacities, systems and institutions, at a feasible level and pace.
- Minimizing the duplication of supervision, reports and transactions.
- Increasing focus on results (instead of inputs and transaction controls).
- Reduction of parallel structures financed by international donors (implementation units, NGOs), and the corresponding parallel labor markets.
- Unification of implementation criteria, and reduction of contradictory initiatives (e.g. different criteria on subsidies and co-financing).
- Improved opportunities for negotiation and participation of private sector and civil society.

Given that SWAps are relatively recent, there are very few independent studies analyzing their impact to verify

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**Table 2.2: Comparison between Project-based Approach and SWAP**

<table>
<thead>
<tr>
<th>Project-based approach (a)</th>
<th>SWAp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus limited to projects and objectives</td>
<td>Overall view of sector-wide strategic and systemic issues</td>
</tr>
<tr>
<td>Performance and results at project level (a)</td>
<td>Performance and results at sector, sub-sector or program level</td>
</tr>
<tr>
<td>Negotiation and bilateral agreements</td>
<td>Donor coordination and collective dialogue</td>
</tr>
<tr>
<td>Recipient-donor relations, with non-balanced power</td>
<td>Alliances based on mutual trust and shared accountability</td>
</tr>
<tr>
<td>Parallel implementation arrangements and little investment in institutional capacity-building (b)</td>
<td>Harmonization and strengthening, increased use of local procedures</td>
</tr>
<tr>
<td>Disbursements and success of projects with short-term perspective (b)</td>
<td>Long-term orientation to strengthen capacity/systems of the sector</td>
</tr>
<tr>
<td>Model, with emphasis on design phase (b)</td>
<td>Focus on processes through “learning by doing”</td>
</tr>
</tbody>
</table>

(a) Valid for projects from bilateral agencies
(b) Valid for projects from multilateral agencies

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19 All international cooperation agencies demand compliance with safeguard requirements. Since these requirements might hamper the use of SWAps, the World Bank is undertaking a “pilot” exercise in six countries, trying to simplify environmental safeguard requirements in order to facilitate support for SWAps, without compromising the core elements of safeguard criteria.

20 However, since the entire negotiation takes place between government and international cooperation agencies, experience shows that SWAps may constitute a step back to private sector participation.
the above benefits. In Zambia, an analytical framework designed to evaluate the impact of the Agriculture Sector Investment Program - ASIP, however owing to project discontinuation it was not possible to assess results. In Uganda, a comprehensive impact evaluation of the Plan for the Modernization of Agriculture - PMA was conducted in 2005. In Mozambique, partial results are available on the PROAGRI I program. Further details on those studies are included in the section on experiences and lessons learned.

2.3.3. Basic conditions and risks related to government and donors

Although benefits are expected from adopting a sector-wide approach, there are also several conditions and risks that need to be considered from process start, including:

**Risks related to government institutions:**

- Capacity to implement and manage a highly intensive process.
- Executive capacity to negotiate with other decision makers of the public sector, including the parliamentarians who approve national budgets.
- Lack of adequate capacity to ensure accountability, particularly during the initial phase.
- Political risks, due to change of administration, leadership or strategy, especially during elections and government transitions.
- Paralysis of priority activities under implementation.
- Possible reduction of public expenditures in the sector, especially if there is budget support and a fading role of the state in the agricultural sector.
- Not receiving donor funds for a key sector, in cases of non-compliance with conditions.
- Process centralization, which hinders territorial implementation.

**Risks related to international cooperation agencies:**

- Willingness to discuss and accept different political and technical criteria among cooperation agencies.
- Willingness to adjust the ongoing project portfolio, and to shorten the project cycle.
- Establishment of different legal requirements by each agency (e.g. concerning common fund participation).
- Different degrees and styles of decentralization, especially with regard to decision-making.
- Frequent rotation of key staff among international cooperation agencies, accompanied by uncoordinated transition processes.
- Political and economical competition among bilateral and multilateral cooperation agencies.

2.4. Financial modalities

According to cooperation agency, sector and government agreements, the following three types of financial modalities can be used and combined:

- **Project-based financing**, in parallel, with intensive project coordination around a common strategy and program (generally agreed through joint missions and policy dialogue).
- **Common funds**, assigned to the sector or sub-sector (see additional details below).
- **Budget support**, channeling funds to the Treasury (generally within a multi-annual public expenditure plan/ MTEF and with other conditions), linked or not to the agricultural sector or ministry.

**Common funds**

Given their importance as financial instruments for SWAps, this section describes in detail the different types of common funds and their main characteristics:

(a) **Coverage**

- Specific sector sub-programs and/or activities: e.g. municipal plans, technological innovation, animal health issues, or technical assistance.
- Sub-sector or sub-program budget: e.g. reform and/or investment program, technology transfer service,
sanitation service.
• Budget for the entire sector and all programs, within the Ministry of Agriculture and/or other public agencies.

(b) Partners

• Multi-donor fund: Donors finance a percentage of agreed activities/subprograms (without participation of national treasury funds).
• Government - donors fund: Several donors contribute a percentage of the program through a fund established with resources from the national treasury.
• Government - single donor fund: A donor finances a fixed percentage of the government’s sector sub-program (used mainly for mid-income countries).

(c) Localization and management arrangements

• Sector-specific ministry.
• Central Bank or Ministry of Finance, through a sector account or funds through budget processes.
• Leading donor. Based on agreement, donor funds are delegated to a single donor who disburses them directly to the government.

(d) Financial and budgetary mechanisms

• Mechanisms agreed among participating agencies, generally outside the government budget and with own administrative arrangements.
• Partial or full use of government channels and procedures, according to donors requirements.
• Use of the public sector regular budget and administrative procedures, accompanied by strengthening activities.

(e) Disbursement arrangements

• Quarterly, semiannual or annually.
• Advance or retroactive disbursements, reimbursements.
• Disbursements based on financial progress reports or operational plans.
• Disbursement based on fulfillment of certain conditions or milestones.
• Cutting disbursements from expenditures, with delayed reconciliation (using advances or transfer statements).

Comparison of financial modalities

Each financial option have advantages and disadvantages and should be evaluated by each country/sector, with attention to their respective vision and capacity. Table 2.2 shows a summary of some operational experiences.

In the context of this paper, the assessment of financing options implies that a SWAp should preferably try to adopt at least the common fund modality, in addition to using aligned and harmonized projects. In cases where pre-requisites are met, the budget support modality should be adopted, ensuring a technical dialogue and a collective monitoring of strategy implementation, altogether with an updated multi-annual public expenditure plan.

Using only budget support might limit the implementation of reforms, both at sector and territorial level, which could be covered with complementary parallel financing. Table 2.3 shows the potential role and risks of the three modalities in the context of sector program implementation21.

One conclusion on financing options is that there is no single version of financial modalities, including the common fund, especially during the initial phase. Although it seems preferable to have a single common fund, with same procedures for all donors, in practice this could lead to serious operational problems, particularly when common fund rules are driven by criteria of the least flexible participant. Moreover, there are important rural development intervention areas, which could hardly be addressed by a common fund managed by a public entity, such as for instance, strengthening of local organizations (empowerment). However, having a common fund is important for carrying out a SWAp. Yet, it seems that a smart combination of different financing modalities constitutes in practice the best solution, especially during the initial phase.

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21 This table was prepared by Tina Huvio (Embassy of Finland, in Nicaragua). It was presented and discussed at the SWAP workshop held on September 8, 2005.
Table 2.3: Summary of advantages and disadvantages of SWAp’s financial modalities

<table>
<thead>
<tr>
<th>Financial Modality</th>
<th>Advantages/Potencial</th>
<th>Desadvantages/Challenges</th>
</tr>
</thead>
</table>
| 1) Project Financing (in parallel) | • Useful when joint fundraising is costly or difficult.  
• Useful in countries where public fund transfers to private sector face hindrances, and where disbursement procedures of public funds are generally complicated.  
• Accommodates donors who have restrictions to contribute to common funds.  
• Decreases the risk of total disruption of financial flows. | • Makes difficult to harmonize procedures among donors  
• Weakens common interests and the incentives to harmonize  
• Higher transaction and coordination costs- Risk of reverting to a project modality  
• Does not promote public sector control and strengthening |
| 2) Financing through Common Funds (pooling, with variations) | • Disbursement is simpler and faster  
Single implementation mechanism and reporting of common fund- Loss of attribution within the program, allows focus on results and impacts | • Requires prior fiduciary evaluation work, increased capacity, and risk reduction mechanisms  
• Use of local systems (in their present state); possible only when a good system and local capacity exist  
• Risks related to complexity of design and implementation  
• Risk of achieving administrative procedure agreement at the least flexible level among participants, preventing a smooth implementation |
| 3) Budget Support (or a variation: Pooled financing, not allocated or not to sector programs) | • The simplest disbursement mechanism- Full integration into government budget process and cycle  
• Full use of local systems  
• Greater focus on local systems  
• Greater focus on results | • Defining a matrix and appropriate and realistic policy milestones  
• Requires commitment by the State not to change the use of funds for other purposes  
• Requires strong and reliable public financial management (e.g. having a Multi-annual Public Expenditure Plan/ MTEF, solid budget priorities, good budget execution, good accountability) |
To achieve an efficient implementation it is essential to discuss not just the financial flows toward SWAp (how to fill the basket), but also the SWAp’s own internal financial flows (e.g. how to prioritize and finance all the activities). On the other hand, bureaucratic procurement procedures or obstacles for making public fund transfers to private implementers can hinder SWAp implementation. Therefore, while supporting technical strengthening activities, it is also important to involve the Ministry of Finance to assist, coordinate and choose the best financial option.

Table 2.4 Potential role and risks of the three modalities

<table>
<thead>
<tr>
<th>Financial Modality</th>
<th>Potential Role</th>
<th>Risks</th>
</tr>
</thead>
</table>
| (1) Project Financing (in parallel) | May be used to:  
- Test innovations and methodologies; pilots  
- Act as information channel on working conditions and bottlenecks at territorial level  
- Have rapid impact on specific problems  
- Implement activities to empower producers and/or civil society, and to improve demand for SWAp improved services  
- Implement politically sensitive activities to support SWAp implementation, which might require a degree of independency  
- Cover administrative failures of the public sector, having more flexibility in fund transfers to the private sector. |  
- Hinders the standardization of methods and techniques being used  
- Generates fragmentation of efforts  
- Employs the most qualified human resources |
| (2) Common Funds (Pooling) |  
- Facilitates sector coordination, particularly with regard to unified reports and audits; also helps create a follow-up and monitoring system and common procedures in the sector.  
- Keeps disbursements under a common system, and helps maintain an uninterrupted flow for SWAp. |  
- Insufficient availability of required human resources.  
- Slow execution of activities  
- Centralization of activities  
- Risk of fully blocking funding flows when donor problems or administrative failures arise |
| (3) Budget Support       |  
- Guarantees sector funds and incorporates the sector support at the macro-economic level. |  
- Kept far from the sector and its institutions, and from the execution of its operational plans, especially at territorial level. |
III. Sector approaches: Synthesis of several experiences, lessons learned and operational implications

3.1. Context of different experiences

The previous section summarized the basic concepts of sector approaches, their rationale, and the particular design and implementation challenges in the rural sector, including the financial modalities. This section presents a selective synthesis of the status and performance of some experiences and lessons learned (positive and negative) from implementing sector approaches. The comparison with other countries/sectors implementing a growing number of SWAps also includes some experiences in health and education. Recently, the Government of Nicaragua organized the Fourth International Cooperation Coordination Forum, which reviewed the design and implementation experience of ten programs and sector approaches. The main selection criterion was the breadth of experience in terms of design, results/impact, available information and relevance for Central America. The following section focuses on lessons learned and some operational implications for possible future sector-wide approaches in Central America. Summarized details of each case by country/sector are presented in Annex 1.

The ten cases presented are the following:

- **Rural/Agricultural Sector**
  - Zambia: Agricultural Sector Investment Program (ASIP)
  - Mozambique: PROAGRI
  - Bolivía: Bolivian Agricultural Technology System (SIBTA)
  - Uganda: Plan for the Modernization of Agriculture (PMA)

- **Health and Education Sector**
  - Ghana: Health
  - Honduras: Health and education
  - Nicaragua: Education and health
  - Nicaragua: Ten sectors
  - India: Primary education sub-sector

3.2 Status of sector approaches

Originally, sector approaches were designed in the health and education sectors. Not surprisingly, around 56% of ninety sector approaches approved were carried out in health and education, and only 13% in the rural/agricultural sector, 85% of them in Sub-Saharan Africa and 9% in Asia. The first agricultural sector SWAp in Latin America was carried out in the Bolivian Agricultural Technology System - SIBTA (which has a

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22 See two excellent documents prepared for the Fourth International Cooperation Coordination Forum, November 2005, which evaluate the experience of sector programs and approaches in 14 sectors: (a) “Assessment of Sector-wide Approach Implementation in Nicaragua”, and (b) “Guidelines for Developing Sector Approaches in Nicaragua”.

23 See the two previous documents of the Fourth Forum, with valuable experiences (yet all at the initial stage of implementation). The ten sectors are: water and sanitation; environment and natural resources; decentralization; education; justice; micro, small and medium enterprises; social protection; agriculture, livestock and rural areas; health; and transport.

sub-sector approach)\textsuperscript{25}. Brazil has developed a SWAp related to environment (Pilot Program for Tropical Forest Protection, or PPG7). The current emphasis on the systematic promotion of ownership, alignment and harmonization of international cooperation, seems to be generating a new trend and a number of sector approaches\textsuperscript{26}. However, it appears that the proportion in the rural sector has not grown much, which is also happening in other sectors. This pattern is probably due to the characteristics and challenges of implementing sector approaches in the rural sector.

3.3 Summary of lessons learned from SWAps

The synthesis of experiences (Annex 1) of nine SWAps shows how the principles and diversity of sector approaches may be applied, and the lessons learned applicable to rural sector SWAps in Nicaragua, Honduras and El Salvador.

**General lessons**

**Lesson 1:** SWAps involve significant changes of behavior and in the way of “doing business” among representatives of governments and international cooperation agencies. They require trust among participants and commitment to overcome barriers. Several mechanisms can facilitate such changes (i.e. agreeing and regularly updating the code of conduct; or establishing coordination mechanisms/spaces to improve transparency and joint work).

All the key international cooperation agencies have signed the Paris Declaration (on Aid Effectiveness), making a major commitment to accelerate development aid alignment and harmonization\textsuperscript{27}. One of the key targets to achieve by 2010 is to implement 66% of aid flows in the context of sector-wide approaches. Despite their political commitment, in practice donors exert some level of care before venturing into SWAp processes. The lack of trust in government, the competition and coordination among agencies, the lack of internal incentives and the fear to loose projects, are all important issues that need to be addressed down the road. Such problems were reflected in the extensive theoretical and defensive discussions that took place over the years at many coordination roundtables, turning into very little joint work. SWAp demands a core group of actors committed to overcome that type of routine and to take a more proactive role.

Similarly, in order to implement SWAp successfully, there are routines among sector ministries that also need to be broken. SWAps require coherent action in the short, mid and long term, altogether with state policies that span beyond elections, and sustainable institutional solutions. Elections are normally followed by key policy and staff changes among ministries, which can be kill the SWAp process. Likewise, governments should be more consistent and decline “inconvenient” offers from international cooperation agencies, which might become counterproductive projects to SWAps being designed or implemented. This means a high political cost to the government, in terms of investment, for carrying out a SWAp, especially if the next administration is more likely to reap its benefits.

**Lesson 2:** Rural sector SWAps are far more complex and difficult than traditional projects, they take longer and cost more during the preparatory and early implementation phases\textsuperscript{28}.

The preparation of ongoing SWAps has required 2 to 4 years. It is a long, difficult, and expensive process, often disrupted by administration changes. Since rural SWAps are far more complex than those in the social sector, it is very important to make several decisions before moving ahead

\textsuperscript{25} In addition, other multi-donor efforts utilizing SWAp elements were done previously, such as the National Seed Program in Bolivia, or the Agriculture and Livestock Research System in Uruguay.

\textsuperscript{26} For instance, the declaration (and ten results indicators) between governments and donor agencies, agreed during the high-level forum held in Paris (March, 2005), reflects most of the sector approach principles. Given the emphasis on implementing country-level action plans, it seems that countries implementing sector approaches will probably achieve more quickly the agreed indicators.

\textsuperscript{27} For more information on the Paris Declaration, see http://www.oecd.org/document/18/0,2340,en_2649_3236398_35401554_1_1_1_1,00.html

\textsuperscript{28} Although there is not much information available, transaction costs among government and donor agencies are expected to be lower through SWAp implementation.
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with the process. This includes a clear definition of the sector and sub-sector coverage, as well as limiting the number of participating agencies. Each additional agency makes discussions even more difficult. Thus, in order to simplify alignment and harmonization processes, international agencies are advised to focus their portfolio on a smaller number of sectors.

**Lesson 3:** The combination of PRSC (Poverty Reduction Support Credit), PBL (Policy Based Loan) and/or other types of financial support complemented by a sector-wide approach, increases the likelihood of achieving sustainable results and impact, especially in terms of the required technical and institutional changes at territorial level\(^{29}\).

**Lesson 4:** SWAp financing can be made through three different modalities: project-based support (normally aligned to a sector strategy), common funds, and budgetary support. Such modalities can be combined in different ways to maintain administrative flexibility while strengthening national systems.

The pros and cons of SWAp financing modalities are explained in section 2.4. Financial flow arrangements are essential to ensure an efficient execution of SWAps; and conversely, heavily bureaucratic financial and administrative rules can hamper it. It must be noted that, for a particular fund, generally the prevailing administrative rules are those of the least flexible participating agency. Although theory favors either the common fund or budget support (“full pooling”) modality, the combination of different modalities with a common fund and several parallel funds, known as “mixed pooling”, has proven in practice to have many advantages in terms of flexibility and efficiency. Therefore, to promote trust and improve capacity, it is better to start with a “mixed pooling” arrangement, integrating all key agencies of the sector, including those who, owing to their own rules, might not be able to participate in a “full pooling” type of solution.

**Lessons about the process**

**Lesson 5:** It is essential to secure effective government leadership by the corresponding sector ministry. Involving other institutions (Ministry of Finance, Ministry of the Presidency) or even the Prime Minister Office is fundamental to attain integration and participation of other sector agencies. In order to integrate SWAps into national administrative procedures it is also equally important to take advantage of existing budgetary structures and processes.

Behind every successful SWAp there is a key government officer strongly committed to the process, at least at the Vice-Minister level (or equivalent, such as Secretary General). The long duration and complexity of the process have a high political cost, so it needs to be endorsed at the highest level within the sector. In addition, during SWAp preparation, important decisions need to be made in areas where consensus has not been reached among participants, which often requires direct involvement of sector authorities. In addition, in order to ensure SWAp integration into budget structure, it is important to keep a close relationship with the Ministry of Finance.

**Lesson 6:** Several key components such as institutional strengthening (including necessary reforms) and capacity building to coordinate and lead SWAp design and execution, should be undertaken as part of the process from the very beginning. A lack of a timely focus on institutional issues and “architecture” can weaken processes and results.

The speed and quality of SWAp development are highly dependent on the technical capacity of the ministry guiding the process. Specifically, in countries where international cooperation plays a strong role, such capacities are often broken up to meet counterpart requirements, rather than sector needs.

**Lesson 7:** A careful formulation and consultation of the sector strategy with key actors should guide the operational formulation of SWAps, as well as the alignment and harmonization process, and not the other way around.

SWAp is not just about putting together different international cooperation projects under a single program. A basic SWAp principle is that it is based on a sector strategy and/or a state policy, which goes beyond intervention and financing from

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\(^{29}\) Seeking to accomplish sector changes, several cooperation agencies tend to focus on budget support at the macro-level. However, it is also necessary to find out a better way to optimize the complementary use of macroeconomic and sector support.
international cooperation. SWAp requires a clear sector vision and harmonization of all conceptual and institutional aspects, and of key processes and actors (including the private sector), so that they can become sustainable and independent of external financing.

**Lesson 8:** The financial modality should be selected only after clearly defining the Sector Program as part of a strategic framework.

First, SWAp formulation requires harmonization of conceptual, technical and institutional aspects with implementation processes, altogether guided by a sector program (technical harmonization). Second, financial arrangements (financial harmonization) should be prepared according to technical and strategic needs. Unfortunately, quite often SWAps are seen as equivalent to common funds, which triggers a discussion about financial modalities before having a clear sector strategy. This can create frictions in internal processes among international cooperation agencies, particularly:

(a) Before making any disbursement, internal processes among all agencies require a series of programming, conceptualization, and approval steps.
(b) Each agency requires a set of safeguard requirements (environmental, social, gender or indigenous population), which need to be reflected in program design.
(c) Country legal frameworks of several donor agencies can prevent them from contributing to common funds or from providing budget support.

**Lesson 9:** From the beginning, it is essential to design and implement effective monitoring and evaluation systems supported by indicators, which can provide strategic information and improve trust, dialogue, and collaboration.

On one hand, SWAp participants need to demonstrate, in a timely manner, that the sector approach can help achieve higher development impact than projects. On the other hand, the political cost to government and international cooperation institutions increases as opposing forces gain ground and SWAp loses political and financial support. Such risk is quite real, given that SWAp development can take several years to achieve results and impact.

**Lesson 10:** The application of SWAps in the rural sector is more complex than in education or health, demanding greater attention and longer timelines to attain results. The main reasons found are the following:

- Private sector participation requires operational public-private models and partnerships, which make SWAp design and execution even more complex.
- The multi-sector nature of rural development programs calls for inter-institutional coordination mechanisms, which need to be strengthened as part of the SWAp process.
- SWAps normally involve a large number of participants from international cooperation agencies, and the lack of internationally approved strategies and modalities renders difficult to unify the criteria.

It is not a coincidence that there are less rural SWAps than in social sectors. One of the fundamental differences is the uncertainty on the role of the state. In health or education, it is usually about improving services where the whole responsibility falls into the hands of the state. In public health or primary education, there are no ideological differences about the role of the state. In addition, there is broad scientific consensus on how to conceptualize a sector program for education or health. The case of rural SWAps is very different. First, there is no consensus on the role of the state, but rather varied visions. From a vision of the state as a provider of all services (for instance, in agricultural technology transfer), to a vision of a facilitator state that privatizes all the services, there are all combinations in the opinion of politicians, scientists and members of international cooperation agencies. The challenge for developing rural SWAps is to overcome the ideological barriers and to reach a common operational solution. In general, the role of the private sector is even more important than in the social sectors, and therefore it must be a key part of the process.

Similar to the state - private sector role and other questions related to the institutional model, along SWAp development it is necessary to address a large number of open questions, such as: Should SWAp beneficiaries be the poorest or the “poor with potential”? Will SWAps have national coverage or does it cover just the poorest regions? Should beneficiaries pay for services or should they be provided for free? How should costs be shared? How to make sure that crosscutting aspects (e.g. gender, generational and indigenous people) are fully integrated? How could environmental and social safeguards be unified and integrated? The list can be longer,
yet it gives an idea on the complexity of the process.

Such complexity can be either reduced or increased, depending on two fundamental decisions: What is the scope of SWAp, and how many international agencies participate. Rural development is a multi-sector and multidimensional process that considers access to land, water, financial and non-financial services, markets, information, productive and social infrastructure, etc. All are important aspects for development. In fact, it would be desirable to integrate all sectors and sub-sectors in a “holistic” SWAp. However, there are serious doubts about the feasibility of this type of SWAp, particularly during their implementation.

Lesson 11: The scope of the sector approach (sub-sector, sector, multi-sector) can be determined according to the strategies, capacities and priorities of the country, and in agreement with the main stakeholders. A broader scope means a more complex design and implementation. Thus, each country needs to define and arrange upon the most appropriate coverage.

Section 2.2. explains the fundamental importance of defining (ex-ante) the scope of SWAP. There is a conflict of objectives between the strategically desirable (broader scope) and the practically manageable approach (limited coverage). In fact, no single multi-sector SWAp is under way covering all aspects of rural development.

Lesson 12: Rural SWAp tends to be centralized and government-centered, requiring during design explicit countermeasures to promote decentralization and less concentration. It also requires active participation of strategic groups (especially the private sector), setting the process on the ground with territorial strategies and mechanisms.

A centralist tendency has been observed in SWAp, caused by a predominant role of public sector and international cooperation agencies in roundtable discussions and SWAp formulation. A private sector representative summarized the above situation as follows: “SWAp solves problems of the Ministry of Agriculture but it does not solve the problems of the sector.” Private sector participation in institutional design (at national and territorial level), and in SWAp design, implementation and internal funding mechanisms, are very important factors to respond to that challenge.

Lesson 13: Given the complexity of the process, it is important to seek a gradual integration of existing projects and programs into the SWAp approach, in accordance to its objectives and strategic results. During SWAp preparation it is also essential to assess and formulate adjustment strategies and actions on ongoing projects. Concrete results in the short term can generate greater trust and commitment towards a more effective implementation.

Usually, SWAp formulation and execution take several years, so it would be a disaster for the sector and the government to freeze all projects while waiting for the process to be established. Therefore, it is important to seek a gradual and smart integration, particularly with “large” projects, adjusting projects that are not consistent with SWAp components and outcomes. It is also advisable to define guidelines and to design new projects.

3.4 Further perspectives on key issues: Economic justification, incentives and compliance with environmental and social safeguards.

The initial experience and lessons learned show that there are three key aspects that shape commitment and progress (by government and cooperation agencies), as well as SWAp approach or style:

- Economic justification.
- Incentives for stakeholder participation.

30 Often, by the time of SWAp formulation, up to 50% of public expenditures in the rural sector, including donor funds, are represented by projects under implementation.

31 On March 2006, an international conference was held in Bamako (Mali) to review and discuss the implications of executing the Paris Declaration. Many of the themes discussed in Bali correspond to the lessons being summarized in the previous section. Some of the themes discussed are: national action plans, collaboration on assistance strategies, strengthening, limitations and challenges of donor agencies, development and use of common procedures, mutual accountability, and mutual learning initiatives. For more details on the workshop, see the following web sites: www.aidharmonization.org or www.mfdr.org
Commitment and capacity (of countries) to meet environmental and social safeguard requirements of donors agencies.

With regard to the above factors, several key points and lessons obtained from experience in other countries are indicated below.

**Economic justification**

SWAp justification should not be merely conceptual; it needs to be subject to an economic quantification, appropriate for each country. It is recognized that SWAp has a broader coverage than a project (be it either multi-sector/sector/sub-sector), thus a traditional analysis is simply not possible. Therefore, it is important to include an economic analysis of components that generate quantitative benefits, as well as value added. It seems however, that in practice many SWAps lack this type of economic analysis, supposing that benefits are generated automatically. The logical framework of SWAps includes such assumptions, yet its design must undergo a solid economic analysis, and make the case for economic justification (based on current net value and return rate criteria). Monitoring and evaluation systems also need to be adjusted to assure that they generate and analyze relevant data, seeking to ensure that SWAp generates the expected benefits. The results of the economic analysis can help to assure greater participation of cooperation agencies, as well as the support from Ministries of Finance and Public Credit.

**Incentives**

An emerging conclusion of SWAp processes is that the lack of “adequate incentives” (for government and international cooperation agencies) is one of the main obstacles to achieve greater commitment in formulation and execution of sector approaches. The OECD study concluded that one important reason for the limited progress in alignment and harmonization (A&H) is the lack of consistency and the contradictions in internal incentive systems among cooperation agencies. It also concluded that there are discrepancies between high-level statements such as the Rome and Paris Declarations, and the challenges to turning such intentions into additional signals at the operational levels of the organizations. There are also discrepancies on incentives between headquarters and country offices. In that context, several institutions are currently making efforts to close the gaps and achieve the goals set forth in the Paris Declaration.

Some of the main challenges with respect to incentives at the level of cooperation agencies include the following (OECD study):

- Organizations with a management culture that promotes and rewards innovation in alignment and harmonization, and invites to change the status quo, are more likely to make progress in harmonization, compared to organizations which mostly reward compliance with existing (and traditional) procedures and rules.
- In order to achieve concrete progress in alignment and harmonization, cooperation institutions and governments need to strengthen their incentives at three levels: political, institutional, and individual.
- Organizations need to strengthen the links between headquarters and country offices, in order to make better use of the wealth of experience on harmonization available at the country level.
- SWAps and budget support programs promote greater alignment and harmonization; but they also need to acknowledge the importance of A&H support through projects.
- Individuals, with their own characteristics and styles, are fundamental factors in the success or failure of A&H efforts, especially at country level. Cooperation agencies need to consider them as well.
- Interactions between cooperation agencies are an important source of change in internal incentives systems.

For more details, see the OECD report (2004), which can be found at their web site: www.oecd.org
The role of the Sector-Wide Approach to sustainable rural development in Central America

The challenge is to make existing mechanisms more effective in the adoption of common practices and monitor their implementation (for instance, implementing the twelve key actions of the Paris Declaration).

- A&H has many benefits, but its transaction costs are also high. Therefore, in order to avoid obstacles and conflicting incentives, headquarters management needs to recognize and accept such costs (in terms of time and finance).

The same study found some effective practices and makes recommendations on how to improve incentive systems among international cooperation agencies. They are summarized in Table 3.1.

**Table 3.1 Summary of Incentives for SWAps (donor agencies)**

<table>
<thead>
<tr>
<th>Political Level</th>
<th>Current Incentives</th>
<th>Additional Incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Statements from senior management • Introduction of new legislation</td>
<td>• Public information campaigns • Support governments in A&amp;H • Strengthen international mechanisms</td>
</tr>
<tr>
<td>Institutional Level</td>
<td>• Decentralization • Creation of A&amp;H Units • Adoption of A&amp;H Action Plans • Review of procedures • Introduction of more flexible aid modalities</td>
<td>• Formulation of policies and guidelines • Improve M&amp;E systems • Actions to deal with resistance to change (A&amp;H)</td>
</tr>
<tr>
<td>Individul Level</td>
<td>• Recruitment policies • Training initiatives • Peer recognition</td>
<td>• Improve formal and informal incentives (e.g. annual performance evaluations, salary increase, promotions, assignment of new responsibilities)</td>
</tr>
</tbody>
</table>


Incentives continue to call the attention of cooperation agencies, and it is recognized that progress on the strengthening of incentive systems inside the institutions has been low.\(^{35}\)

The same study recognizes the importance of incentives among countries (and between government institutions). Consequently, the OECD is developing a second phase of the research, exploring this important subject even further, with a focus on incentives at the country level. Its discussion is expected to generate a more constructive attitude towards promoting SWAps among government and cooperation agencies. This study, currently underway, also recognizes that there are limitations in terms of government capacity, and points out that the current structure of political incentives becomes and obstacle to accomplish greater A&H. In fact, very few countries show enough government ownership required to assume a strong leadership of SWAp processes.

The following are some of the main questions being addressed by the study:

- What are the main factors that promote or prevent A&H efforts among government institutions? Who are the main stakeholders? What are their incentives to promote greater A&H among cooperation agencies? How do incentives differ from one agency to another?
- What are the local incentives for country office staff? What is the relative importance of the local context, compared to headquarters policies, for shaping individual incentives?

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behavior? What incentives apply to promote coordination among cooperation agencies? What could be done when government shows no commitment to achieve A&H?

- How do government and international cooperation policies affect the selection of assistance modalities to generate incentives in support of A&H?
- How could cooperation agencies achieve a better understanding of opportunity factors for greater A&H in different country settings?

The results of this study will be very relevant for all three Central American countries currently executing SWAp processes.

Meeting environmental and social safeguard requirements

Environmental and social safeguard requirements have become a challenge for supporting SWAp processes and programs among most cooperation agencies. It is generally demanded that any SWAp support has to meet all the safeguard requirements that apply to the entire sector (or sub-sector). In most of the cases, however, existing national systems are not recognized by international cooperation agencies. Quite often, additional steps are needed in order to meet such requirements, inducing institutional (and individual) disincentives for SWAp participation.

The World Bank has acknowledged the contradiction between its statements in favor of the Paris Declaration (and of national processes and systems), through SWAp support, and the actual compliance with environmental and social safeguard requirements. In 2005, the World Bank launched a pilot program to support fourteen projects over two years. Instead of using World Bank systems, those projects will use (for Bank-supported operations) the existing national systems to meet safeguard requirements\(^{37}\). This approach seeks to extend program impact, increase country ownership, strengthen national capacity, facilitate A&H, and reduce transaction costs. Pilot countries will be subject to World Bank operational policies, which consider the country’s environmental and social systems as equivalent to World Bank’s systems. Prior to that, the World Bank will assess government performance with regard to implementation of its own programs (and of World Bank portfolio as well), and the institutional capacity to meet national requirements. Rumania (transport sector SWAp), Jamaica and Egypt are among the countries selected for the pilot.

This initiative is just starting, and although its positive results in all countries are just preliminary, it is expected to generate lessons for other countries. Nicaragua, Honduras and El Salvador will certainly benefit from the information and experience being generated through the pilot. The above policy however covers only World Bank requirements, and it does not necessarily mean that other agencies adapt their own rules with respect to safeguard indicated by World Bank procedures.

IV. Status, challenges and application of lessons learned of sector approaches in Central America (Nicaragua, Honduras and El Salvador)

Bearing in mind the experience and lessons learned from SWAps (summarized in previous section and Annex 1), this section presents a synthesis of the status in the three countries, based on information available as of October 2006. It also summarizes the challenges and opportunities of applying relevant lessons learned from sector approaches being launched in Nicaragua (PRORURAL), Honduras (four Sub-SWAps), and El Salvador (Sub-SWAp on technology transfer). The strategic contexts of each country are summarized in Annexes 2 and 4. Briefly, all three countries are progressing at different stages, yet there are challenges that require a major joint and coordinated effort by stakeholders, under government leadership, especially the Ministry of Agriculture or equivalent). Although Nicaragua’s SWAp is the most advanced, Honduras and El Salvador are also moving forward.

Government institutions and donors show varying levels of understanding and support of SWAps. Among the donors most willing to support sector programs, there is a growing understanding of the basic concepts and their application to proposals. One lesson learned in all three countries is the importance of taking enough time at all stages to ensure that all main stakeholders fully understand SWAp concepts and processes. Participatory workshops, focusing on training, may contribute to accomplish that goal. In all three countries, there is a need to get more involvement of key personnel from the Ministries of Finance (or Public Credit). Private sector and civil society participation has been weak in all countries, under the argument that they can get involved during the implementation phase. Although the Ministry of Agriculture (MAG) of El Salvador has a proactive relationship with the private sector, it is facing challenges to secure active engagement of private sector and civil society stakeholders. A key lesson of international experience is that the private sector and the civil society should have an early and effective participation in SWAp processes and programs. They are the stakeholders more likely to generate sustainable impacts, so it is worthwhile making the effort to secure their continuous involvement from the very beginning.

4.1 Nicaragua: PRORURAL

4.1.1. Current Status

On September 2005 MAGFOR launched the PND-O/PRORURAL proposal, in collaboration with other agencies from the Public Agricultural and Rural Sector (SPAR, for its acronym in Spanish) and with support from the President. This proposal includes a draft of the multi-annual public expenditure plan (2005-2009) for the agriculture sector and its institutions. PRORURAL’s central objective is to promote increased
production of goods and services in the rural sector\textsuperscript{38}, with greater productivity, competitiveness and environmental sustainability; seeking to achieve greater participation in internal and external markets and higher incomes for more people. By 2009, PRORURAL aims to attain an average 6.2% annual growth rate in the Gross Production Value and a 20% annual increase in agricultural and forestry exports. The seven components include:

1. Technological innovation
2. Agricultural health and food safety
3. Sustainable forest development
4. Production support services
5. Investments in infrastructure
6. Institutional modernization and strengthening
7. Agricultural-forestry policies and strategies

The proposal has undergone a process of continuous discussion and review since the initial version (October, 2004). This process began early in 2004, with the 2003 Rural Development Strategy. Although it has been delayed several times and its launch still faces many challenges, in general, the PRORURAL process reflects the principles and good practices of formulating and designing sector approaches. The final version of the PRORURAL document (September 2005) has been discussed at various levels, facilitated by the Production and Competitiveness Cabinet, particularly the Rural Development Roundtable – RDR, headed by MAGFOR (Minister and Vice-Minister). It has received support of strategic groups such as the government (through the National Agrifood Council - CONAGRO, which approved the proposal on August 2005), donors (especially the five donors planning to finance PRORURAL in the short term), and the private sector (particularly the National Production Council)\textsuperscript{39}.

There are two important aspects related to the efforts to support PRORURAL. First, Nicaragua has access to the Millennium Challenge Account and the Debt Relief fund. The resources obtained from these two important sources may eventually help the central government to finance PRORURAL. Secondly, parallel discussions are under way regarding the preparation of a sector approach for environment (PROAMBIENTE), under the leadership of the Ministry of Natural Resources and Environment - MARENA. Learning from the experience of PRORURAL, the Natural Resources and Environment Roundtable is facilitating discussions to conceptualize this program. Furthermore, cooperation between MAGFOR and MARENA is now increasing, largely due to sector-wide efforts and the work of the roundtables. For instance, with support from MARENA, PRORURAL has incorporated a comprehensive environmental approach into all its components. This shows the potential benefit of having various parallel approaches and sector programs in a coordinated manner, in this case by the Technical Secretariat of the Production and Competitiveness Cabinet.

### 4.1.2 Summary of achievements

In collaboration with the public agricultural and rural sector, MAGFOR has take important actions and established mechanisms to jumpstart the initial phase (first year) of PRORURAL. It has also identified future challenges to attaining sustainable impact. The following are some of the achievements and challenges of PRORUAL, including the key results of the joint mission between government and donor agencies (September 2005)\textsuperscript{40}:

(a) **Multi-Annual Public Expenditure Plan (PMGP):** The formulation of the Multi-Annual Public Expenditure Plan for the Rural Productive Sector (2005 – 2008), involves five institutions of the Public Agricultural and Rural Sector – SPAR\textsuperscript{41}. This Plan will be updated annually, depending on improvements prepared

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\textsuperscript{38} The terms “rural productive sector”, “agricultural sector” and “rural sector” in Nicaragua include: agriculture and livestock, forestry, fishing, related agro-industry (conglomerates and chains), related goods and service providers, and non-agricultural activities (ecotourism, crafts and others).

\textsuperscript{39} The National Production Council is integrated by private agricultural sector representatives, and serves as a mechanism for dialogue with the government, seeking to support the design and implementation of policies and programs for the agricultural sector. This Council was established at the beginning of 2005 to strengthen the private sector role in the Production and Competitiveness Cabinet.

\textsuperscript{40} More details on PRORURAL, including achievements, reports and calendar of activities, are available at www.prorural.net.ni. The final report of the joint mission (September 18 – 22, 2006) provides other important details.

\textsuperscript{41} SPAR institutions are: The Nicaraguan Institute for Agricultural Technology – INTA, Nicaraguan Foundation for Technological Development of Agriculture, Livestock and Forestry – FUNICA, General Department for Agricultural Protection and Farming Health – DGPSA, National Institute of Forestry – INAFOR, and the Institute for Rural Development – IDR.
by each institution, and it will be coordinated and facilitated by MAGFOR, as part of a coherent PRORURAL framework. In 2006 the Ministry of Finance and Public Credit introduced a new process requiring each ministry to formulate a tri-annual plan. MAGFOR, in coordination with other SPAR institutions, and with the 2007 Annual Operational Plan, prepared its first tri-annual plan (2005-2007) for the sector (see more details below).

(b) AA&A Action Plan: By mid 2005, an AA&A Action Plan (2005-2007) was adopted, approved and started. The Plan seeks to promote ownership, alignment and harmonization of international cooperation. The main goal is to promote a more coherent and sustainable support in the rural sector, with assistance from the Global Donor Platform for Rural Development – GDPRD (“Global Platform”). There are national and international facilitators, who, under the supervision of MAGFOR’s General Secretary, make regular visits and support the action plan. The achievements and lessons learned are documented in monthly reports, which are available at the GDPRD website.42 In early 2006, MAGFOR updated the AA&A Action Plan with support from the facilitator team, building on the experience, and differentiating the program’s own implementation aspects from the AA&A work processes in PRORURAL. On April 2006, the Working Group # 2 (Code of Conduct/AA&A), with support from Platform’s facilitators, took on the responsibility for coordinating and promoting the AA&A Action Plan, as a key instrument of the Rural Development Roundtable. A self-assessment of the progress made on the AA&A Action Plan was carried out between June-September 2006, which included a discussion during the joint mission43. The results and recommendations provide inputs for strengthening the processes and results of the AA&A plan. Getting ready for the transition to the new administration, the Working Group #2 prepared an updated framework of the AA&A plan, which would be completed in collaboration and agreement with the new administration in early 2007.

(c) PRORURAL proposal approval: After a joint mission with SPAR institutions (August 2004), donor agencies reviewed and approved the updated draft of the PRORURAL proposal. On September 2005, the government, through the National Agricultural Council – CONAGRO, formally approved the proposal. The Technical Commission for Investment – CTI made it official by declaring that it was consistent with the National Development Plan. On March 2006, MAGFOR presented PRORURAL (including the Multi-Annual Expenditure Plan) to the Commission on Agriculture of the National Assembly, which endorsed it. The document provides a strategic framework for the preparation of annual operational plans, depending on budget availability.

(d) Spaces and mechanisms for coordination and dialogue: The government proposed and led a roundtable system (global and sector-specific), which, in response to the needs of PRORURAL, enabled MAGFOR to play an active role and to strengthen and make effective several coordination and dialogue spaces. This was done in collaboration with donor agencies and the Technical Secretariat of the Production and Competitiveness Cabinet – GPP. Those spaces and mechanisms include:

- In 2005, the Technical Secretariat of GPP, with an increasing role of MAGFOR, established the Rural Development Roundtable (RDR), as a key mechanism to review and coordinate important aspects of PRORURAL. By November 2005, MAGFOR, with support from donor agencies, adopted and approved a substantial improvement to RDR’s operational rules.
- The rural sector roundtable system (RDR, CONAGRO, and Production Council) has taken on an active role in promoting the process and has organized at least 22 meetings since the start of the AA&A plan. The challenge is to translate those processes into strategic results.
- By the end of 2005, MAGFOR’s senior management established a Monitoring Committee, to enable public agricultural sector institutions, accompanied by donor agencies assisting the sector to follow-up on PRORURAL progress. The Committee was strengthened in 2006 and it is now called PRORURAL’s Coordination and Monitoring Committee.
- On March 2006, MAGFOR, in collaboration with donor agencies, established three working groups under RDR. The terms of reference were agreed upon and aligned
with the new operational rules. These groups provide support and follow-up on diverse themes as follows:

- Working Group 3 (WG3): Studies/technical issues (which now includes the topics of public-private alliances and access to rural financing).

It is expected that the above groups, integrated by representatives of SPAR and donor agencies, will help improve the participation, efficiency, and substance of the joint work. As to date, WG2 is the most active.

(d) **Code of conduct:** On September 2005, the five SPAR institutions and eleven cooperation agencies signed the Code of Conduct, as a mechanism to improve joint work, focusing on the implementation of PRORURAL. Four additional donor agencies joined in 2006, and it seems that the implementation of the Code of Conduct is progressing well. Nevertheless, there is a need for deeper behavioral changes, which are expected to occur later on as trust among stakeholders grows. In fact, the self-assessment of the Code of Conduct and the Action Plan (completed October 2006) highlights some improvements.

(e) **Portfolio review:** PRORURAL design takes into account that the current project portfolio (with a total cost of approximately US$200 million, or 50% of PRORURAL’s total cost), is an integral part of PRORURAL implementation. As those projects started prior to agreeing on PRORURAL, MAGFOR hired two consultants to undertake a review and adjustment of the portfolio, seeking to improve alignment and harmonization with PRORURAL’s components and institutional arrangements. Such exercise was delayed due to a series of factors; however, the report and recommendations were completed on November 2006\(^4\). The current challenge is to implement the recommendations, with participation and support from WG2. Another important aspect is to ensure that the design of SWAp/Sub-SWap formulates a framework and operational plan to adjust the current portfolio, as a proof of commitment to move on to the next phase.

(g) **Memorandum of Understanding (MoU):** On March 2006, the government/SPAR and two donor agencies (Finland and Sweden) signed the MoU for the common fund. Other donors are expected to sign the MoU, agreeing on the use of the common fund modality to finance PRORURAL. On October 2006 Sweden signed the MoU as another partner. The Swedish agency is actively exploring their financial support to PRORURAL, with a focus on strengthening the linkages between components and interventions of the Poverty Reduction Strategy.

(h) **Sector’s Annual Operational Plan (POAS):** SPAR institutions, through a working group established by MAGFOR, began a budget exercise (January 2006) on the 2006 Annual Operational Plan of PRORURAL. The exercise was based on official PRORURAL budget data for 2006. At the same time, MAGFOR carried out the procurement of technical assistance to facilitate SPAR review of PRORURAL POA 2006, and the formulation of a methodology to start sector planning at territorial level, beginning with fiscal year 2007. The team prepared a POA for 2006, and the lessons learned from that process were summarized during the joint mission (May 2006). This was done to improve the methodology and the contents of the POA 2007, aiming at obtaining greater synergy. One of the key lessons is that it is better to integrate the common fund into the budget structure of 2007. An important issue that needs to be addressed however is to ensure approval by the Ministry of Finance, so that the PRORURAL team, led by MAGFOR, can prepare a POAS (not limited to each institution). However, little progress is happening in this area, but more improvements are expected to occur during the formulation of the POA 2008.

(i) **Territorial aspects of PRORURAL:** Early in 2006, MAGFOR initiated an operational planning process of PRORURAL, which required an analysis of donor pledges to support PRORURAL, and of the pilot coordination experiences (at territorial level), gained through some SPAR projects. This subject was discussed within the monitoring framework of rural sector institution, through PRORURAL’s Monitoring Committee (PMC)\(^4\). An intensive effort is being made to assist institutions to clarify and align their roles and mechanisms.

\(^{4}\) Review of Project Portfolio of Public Agricultural and Rural Sector Institutions (SPAR), by Atilio Bravo (Consultant) and Vagn Mikkelsen (MAGFOR Adviser), November 2006.

\(^{45}\) The PMC is a monitoring framework of SPAR institutions, accompanied by some donor agencies assisting the sector
as to better integrate their programs into PRORURAL, in a coherent manner at the territorial level. This is an important step to help implement PRORURAL outside Managua, and it shows the operational focus on territorial implementation, with genuine participation of donor agencies and local communities, specially the private sector.

Achieving a territorial implementation is an important challenge to SWAps, and it could be one of the most important achievements of PRORURAL. Donor agencies are also facing the challenge and responsibility of engaging local authorities and communities in further program decentralization through PRORURAL. To keep implementation on the right track, on March 2006, CONAGRO approved the creation of regional CONAGROs (CODEAGRO), as the regional drivers of PRORURAL. This step will help ensure consistent modalities that are supported at the highest level. The joint mission of May 2006 saw the launching of CODEAGRO in Leon and Chinandega, as two pilot regions. Regions are expected to undertake a greater role in both AOP 2007 implementation and AOP 2008 formulation.

(j) Institutional architecture and strengthening: On March 2006, SPAR institutions prepared a proposal to undertake an institutional and organizational analysis of the public agricultural sector, which is currently under review process. It is expected to produce a diagnosis, a strategy with a road map, and reform proposals to achieve, in a timely manner, the institutional architecture and strengthening required for the effective implementation of PRORURAL, within the framework of Law 290. Another important lesson of PRORURAL is the importance of proactively promoting greater understanding of institutional roles and capacities. The joint mission (May-June 2006), agreed on the urgency to prepare, discuss and implement an operational plan for strengthening SPAR institutions, closely linked to its legal framework of mandate execution. This was also emphasized during the joint mission of September 2006. It was clear that to be effective, the process of reform formulation and action taking, must be participative and interactive (and not simply “a traditional” consultation). A proposal is being prepared, and it should be ready for discussion and decision making in 2007, under the new administration.

(k) Strengthening public-private sector alliances: The joint missions of May, June and September 2006, acknowledge that PRORURAL has not given enough operational importance to the strengthening of alliances between the public and private sectors. Therefore, the mission agreed on the following actions:

- Formulate, agree and implement operative strategies at central, regional and local level to attain greater and genuine involvement of the private sector in PRORURAL.
- Integrate the private sector as a member of CODEAGROs (Regional Production Councils).
- Provide more attention to private sector interests when formulating the PAOs.
- Propose and agree on objectives and joint operational strategies with the private sector and SPAR, contributing to reach global goals.
- Integrate government actions that are outside PRORURAL, with the private sector in the regions, making use of several mechanisms (for instance, Cabinet of Production and Competitiveness, CONAGRO, Council of Production, CODEAGRO).
- Activate one of the working groups (WG3: Technical issues) of the RDR, to promote an operational agenda for private sector participation in PRORURAL implementation.

(l) Monitoring and evaluation system (M&ES): During 2005, the PRORURAL team initiated a process to design its own M&ES to support program implementation. It was reviewed during the joint missions of May and September 2006. However, since their main focus has been on preparing a conceptual framework, there has been limited operational progress. In a summary, each institution of SPAR has the following M&ES, which will be the basis for PRORURAL’s system:

- The Nicaraguan Institute for Agricultural Technology - INTA is compliant with the logical framework of the component, but the results are only institutional.
- The Nicaraguan Foundation for Technological Development of Agriculture, Livestock and Forestry - FUNICA has its own logical framework. It is willing to

incorporate the indicators.

- The General Department of Agricultural Protection and Farming Health - DGPSA is reframing its action lines and results to make them compliant with their structure.
- The National Institute of Forestry - INAFOR is reframing its action lines to make the institutional programming compliant with the Ministry of Finances and Public Credit - MHCP.
- The Institute for Rural Development - IDR has defined its action lines and the logical framework. It cannot align its 22 projects, which are tied to their own agreements. There is however a uniform format for data centralization.

The M&ES is expected to generate concrete products over the next few months, and to play an increasingly important role in PRORURAL management and implementation.

(m) Transition to a new administration: Some of the most important challenges facing PRORURAL is the change of government in 2007, and ensuring continuity of PRORURAL as a country-wide program. The joint missions (May-June and September 2006) agreed on several actions to contribute to this process, including the presentation of PRORURAL to the main candidates, and the formulation of an action plan for the transition period.

4.1.3 Challenges, lessons learned and next steps

The PRORURAL process has not been easy for all stakeholders, and other challenges are expected in future phases. The next stage is the transition to the new government. The following are some of the main challenges and lessons learned so far:

(a) During the preparatory phase of PRORURAL there was a lack of regular communication between MAGFOR and related ministries, especially the Technical Secretariat of the Presidency – SECEP, the author, the coordination of the PND-O and the Ministry of Finance and Public Credit, which delayed the preparation of realistic budget ceilings. This temporary communication gap resulted in some misunderstandings of PRORURAL concept and how to approach it within the PND-O framework, delaying the preparation of a consensus-based document.

(b) One of the most important agencies in the sector is the Rural Development Institute (IDR), which executes around 60% of public expenditures in the rural sector. IDR is under the jurisdiction of the Presidency, and this implies a challenge to ensure IDR’s active participation in PRORURAL. One critical factor was the replacement of IDR’s director general and other key directors during the preparation of PRORURAL, which required additional efforts to involve it as a key player. Recently, IDR management is more actively supporting the PRORURAL process and its launch.

(c) There have been limited opportunities for government and donors to discuss the substance of the PRORURAL proposal document and the PMGP. Although donors prepared a document with comments and suggestions in October 2004, to date there has been no discussion to address the issues raised (including prioritization criteria of the PMGP and the annual budget proposal). This lack of discussion on the substance of PRORURAL proposal jeopardizes the efforts to increase donor commitment to the program. The improved functioning of the RPD Roundtable, resulting from the recently agreed manual, will provide an opportunity to prepare an agenda of regular meetings needed to generate a substantive dialogue.

(d) One of the main challenges to ensure a smooth start of PRORURAL is to agree upon and implement an institutional reorganization plan (of SPAR agencies), and to agree on institutional coordination arrangements and mechanisms at the operational level, between government and donors. Although the Rural Development Roundtable provides a good framework, it will be necessary to clarify the operational aspects of PRORURAL coordination (for instance, the role of liaison with donors, consolidation of “clusters”/working teams between government and donors, and the joint work). This issue is currently being addressed through the design of an action plan to improve AA&A in the sector. The recent agreement on a code of conduct and the operating manual for the roundtable are important steps towards executing these improved arrangements.
It is important however to review and implement relevant proposals for institutional strengthening and reorganization, with a territorial approach. Completing the MoU for PRORURAL has been useful to link institutional aspects to key processes. The proposal for institutional reform will play an important role during the transition.

(e) An important aspect of sector approaches that rarely receives adequate attention is the early implementation of adjustments to the current project portfolio. Such adjustments are needed to ensure that projects are consistent and coherent with PRORURAL’s new strategies and guidelines, and the AA&A action plan. MAGFOR designed a methodological plan and executed a portfolio review, and the recommendations are now being implemented.

(f) It has been important to establish a close relationship between MAGFOR and MARENA with regard to the “PROAMBIENTE” sector approach, which is in the initial design stage. The Technical Secretariat of the Production and Competitiveness Cabinet plays an important role of synergy between these two roundtables.

(g) A key lesson is the importance of attaining effective leadership among officers and institutions leading the program. Generally, this leadership includes officers of government and donor agencies carrying out joint work and the institutional leadership as well. Once the government transition is over, it is important for new actors to continue and strengthen the leadership of PRORURAL.

(g) The main challenge in the short term is to ensure a smooth and effective transition with the new government. The current stakeholders have prepared a transition strategy to ensure process continuity, and have created a space to facilitate ownership by the new authorities.

4.2 Honduras: PESA, Strategic Plan and Sub-Sector Approaches

4.2.1 State Policy for the Agrifood Sector

During 2003 and 2004, the Department of Agriculture (SAG), working in close collaboration with members of the agroforestry roundtable, formulated a “State Policy for the Agrifood and Rural Sector 2004-2021” (PESA). This policy has four fundamental components or proposals:

(i) A sector diagnosis looking at the current challenges and opportunities of market globalization and liberalization.

(ii) A sector development strategy based on two pillars: transformation of production, and rural poverty reduction (shared agenda).

(iii) Eight sector and three multi-sector policies, with specific measures defined inside each policy, guiding sector development in the long term.

(iv) A modern, small, facilitating and promoting institutional design, based on five national services and programs that ensure execution of eleven policies and a sector management structure.

To implement PESA, on March 2005 SAG made the decision of preparing three Sub-SWApS in strategic sub-sectors, and agreed on the formulation and approval of the institutional reform. However, for several reasons little progress was made to come up with concrete proposals. The first six months of the new government (2006) were a time of transition for the new minister and his team at SAG, dedicated to preparing for intensive work over the remaining months of 2006. In that period, SAG made progress in the following activities:

• Preparation and launching of an Operational Strategic Plan (PEO) for the Agrifood Sector (2006-2010), within the PESA framework. See Annex 3 for a summary of the

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47 For instance, the Ministry of Foreign Affairs – MINREX has taken on a very important leadership role, with proactive support of Vice-Minister Mauricio Gómez, who has promoted SWApS in various sectors. There are other examples in various ministries, including the Ministry of Finance and Public Credit - MHCP, Ministry of Trade and Industry - MIFIC, and MAGFOR.
key elements.
• Starting the preparation of four SWAps in strategic subsectors, with four working teams.
• Launching the agroforestry roundtable, to support and advance the implementation of PEO and SWAps.
• Preparation for the institutional reform in the agrifood sector, also needed to support the implementation of PEO and SWAps.
• Formulation of program and budget of SAG’s Working Plan, within the PEO framework and the new institutional settings (currently underway).

4.2.2 The strategic plan

The general objective of PEO 2006-2010 is to promote and consolidate a modern, diversified, efficient, competitive and environmentally sustainable agrifood sector, which drives value adding processes, a key factor for poverty reduction and food safety. To reach that goal it is necessary to reach an adequate production level and a structure that leverages its comparative advantages and the internal demand for foods and raw materials, which, on one hand could generate jobs and lead to significant increase of income among the rural population, contributing on the other hand to trade balancing with high value exports.

The sector goals of the PEO include:

• Achieve a more equitable growth of the value added in the agrifood sector, of at least 4% per year during 2006-2010.
• Reduce extreme poverty in the rural population at a rate of 2 percentile points per year.
• Create around 50 thousand productive jobs per year, and reduce underemployment in rural areas.
• Contribute to reduce child malnutrition from 29% to 22%.
• Increase the value of exports of the agrifood sector in at least 6% per year (in real terms).

The strategic results proposed in the PEO are:

• Increased production and productivity, especially among small producers.
• Human resource development, especially among small producers.
• Integration and development of the agrifood chain at different levels.
• Qualitative advances in terms of competitiveness to reach a positive adhesion to Free Trade Agreements, especially the DR-CAFTA, which could lead to a significant increase of exports.
• Development and strengthening of agriculture as an integral part of the Honduran economy.
• Improvement of the rural population well-being.
• Strengthening of producers and ethnic groups organizations.

4.2.3 Subsector approaches

The PEO will be executed through a series of SWAps in strategic subsectors. The government is supporting them under the “Governance Program”, seeking to improve appropriation, alignment and harmonization of international cooperation, and to attain sustainable results and impact. Four Sub-SWAs are being formulated in strategic areas of potentially greater impact:

1. National System for Agrifood Research and Technology Transfer (SNITTA): SNITTA is conceived as a functional, inclusive, transparent, democratic and decentralized system, with administrative and financial autonomy. It interacts with all public and private research and technology transfer systems of the country and outside, and with international cooperation agencies, promoting the development of science and technology, based on supply and demand of services. Its purpose is to increase the income of agrifood producers.

2. National Service for Food Health and Quality (SENASA): It applies phytosanitary norms, procedures and regulations to the agrifood products supply, including the inspection and certification of relevant products, ensuring food health and quality, in order to preserve the national agrifood patrimony and to ensure increased access to national and international markets. It is responsible for
guiding the execution of activities to ensure animal health, phytosanitary conditions, and agrifood quality activities, with the highest ethical, organizational and technical principles. SENASA benefits the national and international population, by exerting phytosanitary control on imports and exports of the country, preventing the introduction and dissemination of plagues and diseases that can affect the agricultural sector, and ensuring hygienic quality of foods.

3. National Forestry Program (PRONAFOR): It proposes to consolidate the competitiveness of forestry resources for fulfilling three primary functions:

i) On the social field, to consolidate the development of forestry product chains, especially in the context of the Social Forestry System for management of national and communal forests, including the strengthening of ownership and forestland regularization.

ii) On the economic side, to incorporate increased wood volumes to the productive forestry base.

iii) On the environment, to harness the protective capacity of forestlands, as well as the regulatory action of water resources, promoting the conservation and sustainable use of protected areas and other environmental goods and services associated to the subsector.

4. National Agrifood Development Program (PRONAGRO): Responsible for promoting production modernization processes and development of sector competitiveness in territories of agricultural potential, especially valleys and plateaus. Their actions are directed towards two areas:

- To support agribusinesses.
- To develop and integrate value chains in the agrifood field, according to Sector Policy.

SAG launched the National Agrifood Development Program (PRONAGRO), as an instrument to promote production modernization processes and development of competitiveness among selected production chains from 7 valleys: Aguán, Sula, Guayape and Lepaguaré, Comayagua, Leon, Choluteca and Jamastran; as well as 6 specific plateaus: La Esperanza, Lepaterique, Siguatepeque, Tatumbla, Yarula and Santa Elena.

PRONAGRO’s operational strategy is carried out through the integration of product chains.

The creation of a National Agribusiness Center was proposed through PRONAGRO, as a vehicle to play a major role in business development and agricultural policy adoption, seeking to strengthen the development capacity of markets and agribusinesses. The market development component is one of the decisive elements of business development, and it should have the same strength and relevance given to SNITTA. It is very important to engage related public and private institutions, to establish the National Marketing and Commercialization System, which will be promoted through the National Agribusiness Center.

The criteria to establish priorities in the PEO framework are:

- Review, adjust and promote the implementation of projects in the pipeline, in agreement with PEO.
- Priority to investments that support PEO’s strategic goals and results and to larger investments selected and justified by economic and financial analysis.
- Priority to investments that benefit the maximum number of small producers, with potential in the short and mid term (2-5 years).
- Priority to investments enabling the private sector to play an active role, including investments to increase value added.
- Priority to infrastructure investments that benefit the maximum number of small producers.

With respect to costs and implications of PEO, there is an initial estimation of costs and a financial plan, which require major work. Some of the challenges in this field are:

- Completing the budget information gaps.
- The significant investment deficit in the agrifood sector.
- The significant financial gap, which requires several actions, including:
  - Prioritization.
  - Increase in the allocation from National Treasury and international cooperation.
  - Establishing clear guidelines to raise and align fresh
resources from international cooperation agencies.

- If the above fails, then it will be necessary either to reduce the goals or to extend the timeframe to reach them.
- Make sure that the public investment available catalyzes higher levels of private investment.

4.2.4 Action plan (short term)

In order to advance the PESA, PEO and SWAs, Honduras requires the following short-term actions:

- Agree upon and implement the PEO with main stakeholders at territorial level, and with the international cooperation (it includes the joint formulation of medium and long term actions).
- Agree upon and facilitate the official restructuring of SAG.
- Plan and budget programs and services, in agreement with the new institutional settings and guidelines of the PEO (starting with a series of workshops held on September-November 2006).
- Review and prepare an adjustment plan for the agrifood portfolio, according to PEO guidelines.
- Formulate and agree operational guidelines for prioritizing new projects.
- Strengthen the Management Planning and Evaluation Unit - UPEG, to support the effective implementation of PEO.
- Prepare and agree upon Sub-SWAs, each one with 3 phases:
  - Conceptual note (2-4 months)
  - Implementation plan (4-6 months)
  - Execution (4 years)

4.2.5 Lessons learned and recommendations

The case of Honduras provides the following lessons learned (LL), guidelines (G) and recommendations (R), to advance the process in the country and elsewhere:

- Emphasize the preparation of a long-term sector policy in a participatory manner, followed by a mid-term work plan, using policy to guide sector approach design. (LL)
- Develop a gradual and prioritized process to move on with the extended agro-alimentary process, commencing with a well-selected and less complex subsector approach, where SAG has greater autonomy. However, a partial approach would hinder public expenditure monitoring in the sector, which would affect its capacity to assess public management. Encompassing four subsectors (by the end of 2007 or 2008) could help to prioritize the subsectors in the broader sector context. (LL, R)
- Integrate sector policy into the Poverty Reduction Strategy framework, and make use of instruments such as support operations (e.g., PRSCs I and II), focusing actions on strategic elements to ensure that these programs are designed in a complementary manner. (LL, R)
- Integrate, early in the process, territorial aspects into sector policy and institutional reforms and into program implementation. (R)
- Formulate, approve and implement new institutional structures, supported by budget structures, at kickoff of sector and subsector programs. (G, R)
- Involve, in a genuine form, the private sector and civil society (representing a broad base of groups with diverse perspectives). (LL)
- Expedite the formulation of a multiannual public expenditure plan, establishing a coherent framework and budget ceilings for sector approaches. (R)
- Formulate a strategy and action plan to strengthen institutional capacities, and to smooth the transition among agencies, from using consultants to staff assignment, consistent with public sector wages, and hiring consultants to carry out specific tasks. (LL, R)
- Orientation towards public-private service models, with emphasis on service provision by the private sector. Taking advantage of previous experience and lessons (e.g. registries of private suppliers, successful contracts) and limiting the direct participation of public sector in execution. (LL, R)
- Willingness of international donors to become involved in sector approach processes, which would facilitate the negotiation of agreements, and especially the technical
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- Availability of matching resources or SAG’s own contributions; including specialized professional staff, office facilities and equipment, materials and related inputs. (LL, R)
- Setting up work teams. Each SWAp has a work team supported by consultants as needed. The teams should work efficiently and consult with stakeholders at strategic moments. (R)
- It is important to allocate resources and experts to provide technical and administrative assistance, preferably facilitators working with each SWAp team, who would be independent from government and donors. This would help ensure a “neutral” design to maximize joint participation and interagency support. (LL, R)
- Full consideration to policy description, methodological approach and financial management of thematic areas identified in the PESA 2004-2021, as well as to the background paper for policy implementation and to recent consultancy reports. (R)
- Early preparation of a Code of Conduct between the government and donors in the agrifood sector, defining principles and joint work. It should be followed by a Memorandum of Understanding to define the technical and administrative aspects of programs, and to help achieve a common operational framework between government and participating donors. The case of Nicaragua/PRORURAL has shown the usefulness of these two documents as instruments to facilitate cooperation. (LL, R)
- Strengthen the operational mechanisms and coordination aspects between the government (according to executive decrees), the agroforestry roundtable of cooperation agencies, and the joint work through the Honduran Agriculture Roundtable. This may improve working groups, such as the donors support group assisting the SAG/UPAG team. This group may also receive assistance from a consultant or facilitator. (LL, R)
- Prepare and carry out an action plan to adjust project portfolio, upon drafting of subsector SWAp proposals, and once the new government is elected. It would seek to make them more coherent and integrated with long-term policy guidelines and with subsector strategies, increasing the ownership by the new government. (LL, R)
- Formulate an action plan to improve appropriation, harmonization and alignment of international cooperation in the agrifood sector, supported by existing coordination mechanisms (e.g. agroforestry roundtable) to assist all Sub-SWAp’s more effectively (similar to PRORURAL in Nicaragua)\textsuperscript{48}. (R)

On September 2006, a Honduran delegation visited Nicaragua to take part in a joint mission to PRORURAL. Its goal was to learn and apply the lessons of PRORURAL to support PEO and SWAp’s in Honduras. The mission report included the following conclusions:

- Technical staff of SAG’s OSEP-UCAI-INFOAGRO/UPEG should become aware of the successful experience on the Monitoring, Evaluation and Learning System of PRORURAL (SISEVA), especially the monitoring of indicators for activities, products and results at territorial level. Other aspects include the causality chains when evaluating by results, the relationship with project portfolio and the availability of information through a web page, among other aspects.
- The Honduran Agroforestry Roundtable needs to be more active and strengthened with support from working groups (members of government, cooperation agencies and private sector), established to address strategic themes as prioritized by the government.
- The Honduran Agroforestry Roundtable should know and support the implementation of PEO/PESA, and coordinate in the short-term the formulation and agreement of a Code of Conduct (CoC) for the agrifood sector. The CoC would regulate the relationships between the government and international cooperation agencies, seeking to agree on principles for a joint and effective work. The CoC can include the agreement on an action plan to promote appropriation, alignment and harmonization (AA&H) of international cooperation in the agrifood sector. It would be effective to coordinate this process with UNAT (President’s Office) and the G-16, to ensure a broader framework and endorsement at the highest possible level. This CoC and AA&H Action Plan with indicators can facilitate processes during the operational phase of the

\textsuperscript{48} In Nicaragua for example, the Global Donor Platform for Rural Development supports MAGFOR on the formulation and execution of an action plan to improve AA&A in the rural sector, focusing on PRORURAL. Many concepts and lessons learned in Nicaragua can be adapted and applied in Honduras.
PESA/PEO and the agreed SWAps.

• To complement the CoC, it will be useful to have a memorandum of understanding among participating agencies, as part of the SWAp design.

• Technical personnel of agroforestry sector institutions need to know the advances in design and implementation of prioritized SWAps: PRONAFOR, SNITTA, SENASA and PRONAGRO, which are underway under the PESA/PEO framework of the Agrifood sector.

• Regarding agrifood chains, technical personnel of institutions integrating PRORURAL in Nicaragua and the agrifood sector of Honduras, should look at the progress made in agricultural chains already operational in Honduras, such as African palm, beef, apiculture and vegetables.

• In the case of Honduras, it is important to ensure a strong relationship between management and planners of programs and services, throughout the planning and budget formulation processes.

• Honduras needs to complete the formulation and agreement of the institutional reform for the agrifood sector under the PESA/PEO framework, with active leadership of the SAG minister, and presidential endorsement.

• PRORURAL should look at the Honduran experience on the organizational structuring required by PESA/PEO, and the relationship between programs (with investment projects) and services. It would be helpful to use the approach of public responsibilities that define the scope of each program and service, as well as of the private sector.

• It is important to highlight the Honduran effort to ensure linkages and coherence with PEO and PESA, and the advances in SWAp design and implementation.

The challenge to Hondurans is to maintain and extend the momentum of the work done over the last few months, increasing the appropriation and endorsement by SAG’s management, helping face key decisions in agrifood sector institutions, and endorsing and guiding the scheduling and budgeting adjustments to programs and services.

4.3 El Salvador: Towards a Sector-wide approach

4.3.1 Status

El Salvador is the most economically developed country of the three Central American nations covered in this paper, with a unique commitment to promoting the role of the private sector. Its macroeconomic strategy also reflects a greater capacity and coherence, which will possibly enable the country to adopt a sector-wide approach in a first phase, consistent with many of the good practices summarized previously. In 2006, MAG started to prepare a SWAp in the agricultural sector including livestock and agricultural industry, with support from several cooperation agencies. At the same time, El Salvador relies less on international cooperation, so the need to adopt a sector approach is rather internal than external. An extremely important mechanism to achieve this objective is the Rural Development Coordination Roundtable (MCDR), which until recently was under control by cooperation agencies. The government is now taking the lead, promoting broad participation of donors, the private sector and civil society. The following section describes the current role of the MCDR and its short and mid term challenges.

MCDR is part of the sector roundtable system restructured by the government on March 2005. It is a consultative body of technical nature, with participation of national and international public and private institutions, along with NGOs and cooperation agencies working on rural development. MCDR vision is to have (by the end of 2009) all policies, programs and projects promoting competitive rural development in El Salvador, carried out in a coordinated and effective manner, increasing their impact on rural sector priorities, using the Millennium Development Goals as reference framework. MCDR mission is to lead coordination efforts and resources, promoting joint discussion and implementation of strategic

49 On September 5, the author (R. Anson) presented a summary of this SWAp paper, at a workshop on SWAp in rural development, in San Salvador (Hotel Presidente). There was good representation on the part of various agencies, private sector, and civil society, including the Vice-Minister Dr. Jose Emilio Suave (of MAG).
actions to articulate rural development stakeholders at local, national and regional level. To accomplish its mission, MCDR meets on a monthly basis, guided by an agreed agenda.

Most of its strategic objectives for 2004 were met, and further progress was made in 2005, including the following efforts:

(a) Define and implement a national strategy for rural development.

(b) Establish and execute effective mechanisms to improve the impact of rural development investments. For example, the common project information system; the common monitoring and evaluation mechanism, and mechanisms to articulate and optimize investment and resource management, all of which are currently operating.

(c) Provide advisory services to public and private institutions on rural development policy, strategies, programs and projects. For example, the advisory and monitoring program for designing and implementing strategic policies and projects; the training plan; and the systematization of good practices.

(d) Promote a major effort to decentralize public services towards the rural sector.

4.3.2 Achievements

The MCDR has clearly defined its functions, including the following points:

- Multi-sector composition of MCDR, coordinated by MAG
- Coordination mechanisms
- Working arrangements
- Integration of three roundtables to facilitate MCDR work in the following areas:
  - Development of a conceptual and institutional framework for the rural sector
  - Territorial investments
  - Other rural development policy issues. For example, food security, forestry and systematization of experiences.

In 2006, with support from RUTA, MCDR moved the process forward. A MAG’s official mission visited Nicaragua to look at PRORURAL operation. On June 2006, MCDR defined basic aspects of the SWAp conceptual framework, and the most important decision was on SWAp coverage, by selecting a sub-sector approach (technological innovation). The National Innovation System for Agricultural Production Chains (SINAICA, for its acronym in Spanish), will set the foundations for this SWAp. MCDR also defined the basic principles to guide SWAp implementation and the participation of public and private sector stakeholders, using a technology innovation model driven by a country vision. The following are the main principles governing SINAICA, which are necessary for the construction of the system.

**SINAICA’s Guiding Principles**

- **Approach by Agricultural Production Chain.** It will help focus some efforts on harnessing the competitiveness of producers, making more efficient use of institutional resources (and time) dedicated to delivering training and technical assistance services, among others.

- **Value added approach.** Global market trends indicate that valued added products of highest quality have higher market prices. In some cases, depending on the market niche, those products can capture price bonuses or “premium” standards, which consumers are willing to pay for different reasons, including health and environmental concerns, and potential improvements to the living conditions of producers and their communities.

- **Public-private approach.** Currently, the role of the state is to promote and support private sector initiatives. Public-private partnerships may increase the effectiveness of policies and investments, which could translate into optimal use of scarce resources and time.

- **Market demand approach.** Years ago, a prevailing idea was “sell whatever could be produced on the farm”. However, this paradigm has changed to “produce whatever is sold”. This means paying more attention to market signals and emerging opportunities. For instance, the large number of immigrants in United States who demand foods from El Salvador.

- **Approach by private sector demand.** As promoter and
supporter of private sector initiatives, the state needs to be prepared to satisfy private sector demand for goods and services. The private sector is the one who decides the where, how much and when of its own investments.

- **Co-investment approach.** State actions aim at financing essential services not delivered by the private sector. Producers are asked to participate in investment schemes where, although the state plays a role, they are the ones who make investments and generate profit. This approach means a real commitment from producers, leaving in the past the use of public investments that would normally be abandoned without multiplier effects.

- **National coverage with regional differentiation.** Although the technological innovation system can have national scope, it needs to set regional priorities based on ground typology, weather conditions, appropriate varieties that increase productivity, existing social and trade union organizations, local actor participation and, finally but not less important, the “social capital” available within the communities. In this case, it is important to involve local authorities in decision-making, action coordination and execution.

**Principles for the construction of SINAICA**

- **Long process with short-term actions.** The development of a SWAp on technology innovation involves a number of steps that need to be taken in a coordinated and collaborative manner (government, private sector, academy, unions and civil society, among others), possibly encompassing a long-term process. However, it is necessary to find mechanisms that allow short-term results.

- **Stakeholders flexibility for collaboration.** This refers to the approach by government, private sector and international cooperation. Adopting a technology innovation system may turn out tedious and sometimes uncomfortable to participants. Therefore, it is important to keep an open mind to changes, tolerance to adapt to the process, and willingness to undertake teamwork.

- **Build on existing resources.** Owing to the limited availability of resources, it is important to avoid reinventing the wheel, and to leverage existing institutional experience and investments, seeking to maximize their use and effectiveness. For instance, the experience of the Partnership for Agriculture and Forestry Technology System (SINALIT) is an important asset.

- **Change of attitude.** Entrepreneurship is essential to allow technology innovation, both at small and large scale, along with a change of attitude among participants, so that all stakeholders learn to develop better change processes integrated to the demand, and possibly with new strategies for market participation. An example is the production and commercialization agreements reached between national and foreign producers.

Besides the definition of the above basic principles, other advances include:

- **Designation of process leader:** MAG’s Director of Public Policy.

- **Identification of key national institutions to join the process:** members of the Rural Development Coordination Roundtable and the National Council of the Partnership for Technology Innovation System (COSINALIT). In addition, there are ongoing efforts to establish close coordination and collaboration with the Ministries of Finance and Foreign Affairs and the Technical Unit of the Presidency.

- **Identification of cooperation agencies:** USAID, USDA, European Commission, COSUDE, Government of Taiwan, FIDA, AECI, JICA, Government of Israel, FAO, IICA, Millennium Account and IDB.

### 4.3.3 Challenges, lessons learned and recommendations

In addition to the above achievements, there are several challenges and recommendations based on lessons learned from other experiences:

- **The conceptual document for the National Innovation System for Agricultural Production Chains,** needs to be prepared and discussed at the MCDR, taking into account

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50 For a good document summarizing many of the recent operational lessons learned from thematic roundtables in El Salvador, see “Thematic Roundtables: Next Steps” (2005). (unknown author)
the subsector SWAp and the following criteria:

- Integrate the international cooperation identified during the discussion, and draw a map of their current and planned activities in this subsector.
- Present at the Donors Roundtable a progress report on the subsector SWAp.
- Invite other national authorities and donor agencies to the kickoff workshop. This event seeks to: initiate the SWAp process officially with participating institutions, to show the leadership of the Ministry, and to create a spirit for active participation. It will serve to present and initiate the discussion of the conceptual document and to know related activities carried out by international cooperation agencies. The products of this workshop can be: (a) an agreement on the basic criteria mentioned earlier, (b) a map of activities of international cooperation agencies and their current commitment to participate, and (c) a work plan and definition of the working group.
- In similar processes, it has been useful to agree upon and sign a memorandum of conduct among participants at the beginning of the process, to formalize commitment and collaboration.

During the next phase, a series of workshops and activities is proposed to improve the conceptual document, adding other concepts and key aspects agreed among participants. It is important to ensure active participation and appropriation of results by all institutions involved. The final product of this process would be the document “Implementation of the Innovation System for Agricultural Production Chains”, which would serve as Memorandum of Understanding to be signed by government, private sector and international cooperation agencies. The most important aspects of this document are: (a) logical framework, (b) legal framework, (c) institutional framework, (d) implementation procedures, and (e) monitoring and evaluation.

- As indicated in the basic criteria, it is fundamental to take into account the positive experiences in El Salvador, especially those of SINALIT.
- Throughout the process, it may be necessary to carry out studies to deepen understanding on key aspects, and to know the experience of other countries with similar systems. Such studies may be financed by several cooperation agencies. Joint missions are good opportunities to improve trust and formalize commitments between donors and government.
- Once the conceptual/technical base is ready, it is necessary to begin the administrative harmonization of the system. This process involves only those institutions providing resources to the system. Other important aspects for discussion and agreement are:
  
  (a) Administrative procedures (e.g. procurement of goods and services) to be used, and activities to strengthen them.
  (b) Financing (common account, parallel financing, other contributions), financial flow and operational manuals.
  (c) Control and reporting systems.

Furthermore, MAG must clarify budget aspects with the Ministry of Finance; and with each participating agency the possibilities for reorienting planned and ongoing programs. Once ready, these administrative harmonization aspects will be part of the Memorandum of Understanding among institutions.

- To support this process, MAG would provide periodic progress reports to the Ministry of Foreign Affairs, the Secretariat of the Presidency and the Donors Roundtable.
V. STRATEGIC FRAMEWORK FOR RUTA’s SUPPORTING ROLE

5.1 RUTA’s role and mandate

The previous sections described the different advances achieved in three Central American countries (Nicaragua, Honduras and El Salvador), towards establishing operational models for sector approaches and programs in the rural sector, with some variations according to each country’s context, characteristics, strategies, institutional capacity and political commitment. They are part of a broader strategy promoted by government and donor agencies, seeking to improve the effectiveness of international aid through greater appropriation, alignment and harmonization. The options are varied, so for instance, some countries are implementing SWAp processes in phases or subsectors. For example, Honduras is adopting a subsector approach, Nicaragua a public agricultural sector approach and El Salvador is in the initial phase of conceptualizing its operational vision for a subsector approach to technology innovation in agriculture, focusing on the private sector.

This paper described the significant challenges facing each country in formulating and executing rural strategies and the operational vision of a sector approach. It underlines the importance of ensuring the most appropriate and timely technical and financial support, integrated with other actors, including the private sector and civil society, and adapted to the specific context of each country. RUTA has played a varied role in all three countries, being more actively involved during the initial phases. In some countries, such as El Salvador and Nicaragua, due to personnel rotation and to agreements with its clients RUTA has reduced its presence and participation in these processes for a period. Some factors include the appointment of a new Director of RUTA at the beginning of 2005, the delay in replacing the coordinator of the National Technical Unit in El Salvador, RUTA’s limited role in the preparation of PRORURAL in Nicaragua and during the initial phase of Honduras (which has intensified over the last few months).

The adoption of AA&H processes and programs by some Central American Governments has an important operational significance to the joint work carried out in the region by international cooperation agencies. RUTA represents a collective initiative supported by seven countries and seven donor agencies, thus this section of the paper outlines a strategic framework to illustrate the type of support that donor agencies can provide to SWAp processes in the region. This framework is consistent with its mandate of promoting and supporting the interagency work on sustainable rural development in Central America. RUTA, in collaboration with other agencies, is prepared to:

- Respond to the growing demand from Ministries of Agriculture of the region for greater technical assistance on SWAp processes and programs.
- Promote and support inter-agency processes, which are...
at the core of RUTA’s mandate.

- Share effective experiences and inter-agency practices at country, regional and international level\(^{52}\).
- Strengthen operational efforts to help countries increase the effectiveness of poverty reduction programs and public interventions in the rural sector, underlining collaborative efforts, and using interagency mechanisms (e.g. sector roundtables).
- Strengthen the alliance between RUTA and the Global Donor Platform for Rural Development by sharing knowledge and experience on SWAps, and continuing efforts to promote greater appropriation, alignment and harmonization, seen as a public good. This alliance begun in 2006, during the preparation of four subsector SWAps in Honduras. On that occasion, RUTA and GDPDRD provided technical support on SWAp preparation and facilitated the exchange of experiences, including a Honduran mission to Nicaragua’s PRORURAL. The alliance is willing to continue this type of collaboration and exchange in other Central American countries.

5.2 Elements for an Operational Framework

Three key elements integrate the operational framework for RUTA’s role in supporting the demand and opportunities of partners in SWAp processes and programs in collaboration with other stakeholders (Annex 5):

(a) A transparent process to define RUTA’s role in SWAp processes and programs (the demand side), mainly through the preparation of its Annual Work Plan (PAT), building on PAT 2006 and PAT 2007.

(b) A strategy to strengthen RUTA’s capacity and role in SWAP aspects (the supply side), to better respond to the demand and opportunities for joint work, consistent with its mandate\(^{53}\).

(c) A flexible set of operational options to support rural sector SWAp processes and programs in Central America. This framework may provide a foundation to design and agree upon an operational technical assistance and training strategy with RUTA’s partners, aimed at promoting and supporting the effective implementation of SWAps in the region, according to the needs of each country/partner. The following are some of the priorities for technical and interagency support that RUTA can provide to its partners in the short term:

- Gain deeper understanding of some of the most relevant SWAp experiences (e.g. Uganda, Mozambique and Bolivia), and contribute to disseminate and apply that knowledge in other countries and regions, especially in Central America.
- Increase the exchange of experiences between the three countries, with other countries in the region, and extra-regionally. SWAp processes are at initial stage, thus it is worth sharing relevant experiences for operational use by each country. RUTA took two actions along this line: A regional conference on SWAps (Managua, January 2006), with good participation of partner countries; and a Honduran delegation mission to PRORURAL (Nicaragua, September 2006).
- Provide specialized services in RUTA’s areas of expertise and comparative advantage (e.g. Monitoring and Evaluation, promoted through SISEVA in Nicaragua/PRORURAL).
- Explore the possibility of a regional SWAp, in collaboration with CAC’s Technical Secretariat (e.g. CAFTA related programs, phytosanitation, other topics)\(^{54}\).

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52 In 2006 RUTA established an alliance with Global Donor Platform for Rural Development, which began supporting the formulation of a subsector SWap in Honduras, and coordinating the visit of a Honduran delegation to visit PRORURAL in Nicaragua. This is part of the efforts to promote the exchange of experience and good practices between countries.

53 As its Phase V is near completion, the level of resources and efforts to strengthen RUTA will depend on its future status. With or without RUTA, an important lesson is the need to establish an appropriate mechanism to facilitate the exchange of experiences and processes on each phase, ensuring the achievement of sustainable results.

54 There are several initiatives to promote harmonization and alignment or international cooperation in the region: the Regional Agricultural Policy, and an AA&A proposal for Central America (by the Central American Integration System).
Annex 1

Synthesis of some SWAp Experiences: Rural and social sectors

Rural Sector

1. Zambia Agricultural Sector Investment Program (ASIP)

(a) Basic information
Zambia carried out one of the first sector-wide approaches: Agricultural Sector Investment Program. The “project” was prepared during 1993-95 and it was launched on mid 1995. ASIP sought to assist a government program intended to endorse the medium and long term objectives of the agricultural sector: improve food safety, promote a better use of the natural resources, generate income and jobs, increase export currency and contribute to the payment balance. The approach was “wide” for the agricultural sector, with a 4-year program, a total cost of around US$400 million, 17 subsectors, and 14 cooperating agencies (who were financing 180 different projects, many executed by project units).

(b) Main results and lessons learned
Given the serious implementation problems in the mid term, the objectives of the program were redefined in a more focused way. The government did not manage to fulfill the institutional reform which was a key requirement of the program. The independent evaluation of the program concluded that the results were not satisfactory and that its sustainability was uncertain. There are six learned lessons from this program:

(i) Strong commitment along with broad and sustained ownership of proposed reforms are key to the success of a complex institutional reform program. One weakness of ASIP was the appropriation by only a few civil servants who were changed as implementation started. The level and extent of engagement needs to be properly assessed to avoid the loss of commitment as happened to this program.

(ii) The sequence of institutional and political reforms must be carefully planned and executed. The attempt to carry out political (credit, trade of goods and products, land) and institutional reforms (restructuring and decentralization), while implementing a sector-wide approach, was very difficult for a weak agency such as the Ministry of Agriculture and the cooperatives. The reform strategy should have focused on the sequence of reforms and based on successful results, delaying those reforms that were most difficult to carry out.

(iii) Transition measures and expected results need to be clearly defined. A transitional period was necessary to put in place the institutional framework and to pilot some initiatives. The expected results of these activities need to be defined clearly in order to avoid unrealistic expectations. Institutional development takes time, similarly as realizing the responses to stimuli generated by the reforms. Consequently, the expected results of this type of programs need to be realistic.

(iv) Complex projects and programs need to have a unit responsible for daily management of the operation. Concerned about the sustainability, ASIP avoided the creation of a project implementation unit and decided to use the existing structures to implement the program. The weaknesses of project units were identified in the project document, but the experience on the implementation of complex programs such as ASIP was not mentioned. Thus, the criterion to choose the implementation arrangement was not clear. As a long term program, it would have been prudent to begin with a small implementation unit during the initial phase, and to transfer responsibilities to new or existing structures in future phases, according to the required capacity.

(v) Realistic mitigation measures for risks and interventions need to be identified. During the preparation of ASIP, and

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55 Implementation Completion Report for Agricultural Sector Investment Program. World Bank, June 2002
while it was being approved by several donors, many risks were identified, especially with respect to implementation as the restructuring of MAC had not been completed. As a result, no preparations for a delay in MAC restructuring were made. In addition, there were no arrangements to prevent the risk of the Government adopting and implementing a Sector Policy Letter (which happened with the new government).

(vi) Risks of a dominant donor. Other assessments (i.e. the evaluation of Finland) noted that the World Bank played a very “dominant” role, limiting the commitment of other agencies. This lack of broad support from donors was a major roadblock for attaining larger support from the government.

It is remarkable that as of date, the Government of Zambia and the donors have not tried to prepare “a new” phase of ASIP based on the lessons learned. Zambia indeed is implementing sector approaches in the education and health sectors, which apparently are generating good results.

2. Experience and lessons of Mozambique: ProAgri

(a) Basic information
Mozambique had many similar characteristics to Zambia, which led to the sector-wide approach: large number of fragmented projects using different systems/processes from donors, lack of country-led strategy and processes, and little impact. In addition, Mozambique had left a civil war and was striving to focus on socioeconomic development. The government of Mozambique with support from several donors (initially two agencies and then ten agencies by 2001), prepared, approved and launched the Public Expenditure Program for the Agricultural Sector (ProAgri) in early 1999. The original goal of ProAgri, as a sector-wide approach, was to improve the public agricultural sector expenditure program seeking to attain a conducive environment for sustainable and equitable growth in the rural sector. The initial phase of the program lasted five years with a total cost of US$216 million and eight components of the Ministry of Agriculture (MADER): institutional development, livestock, forestry and wildlife, extension, research, land, irrigation and crop production. The approach of the initial phase was based on the reform and strengthening of institutions.

(b) Main results
Some major achievements of ProAgri include the following:

- Strengthening of MADER’s institutional capacity.
- Significant improvement of financial systems performance in the agricultural sector.
- Positive developments in financial decentralization, as MADER’s services at provincial level receive more from 50% of ProAgri’s resources. In the last few years, several evaluations have also shown good progress in terms of decentralization.
- Improvement of coordination among donors.
- Improvement of transparency.
- Improvement of the work environment and ethics.
- Substantial improvement of MADER’s ownership.
- Advances in planning, budgeting and accountability, despite challenges to integrate planning with the sector accounting system.
- All territorial management units (districts) are well equipped with offices, transportation, computers and radios.
- Strengthened MADER’s local personnel with a more qualified team (many of them hold university degrees).

(c) Some lessons learned
Several evaluations of ProAgri have identified many weaknesses and lessons learned. In summary, five of them need to be emphasized, which might contribute to improve impact in poverty and food security:

(i) Multi-sector approach and coordination: The sector approach, centered on the Ministry of Agriculture, is too restricted. It is clear that in order to attain impact, agricultural policies need to have linkages with other sectors affecting rural productivity (for example, investments in infrastructure, markets of goods and products, access to finance/credit, health and education). Besides having a
sector approach it is also necessary to have linkages and “strategic coordination” with other sectors.

(ii) Integration of support: Not all donors finance ProAgri through government budget. All donors must rather commit themselves to integrate their support into the government program. Project support, if not properly managed with clear rules can generate friction, which can hamper the sector program.

(iii) Participation of beneficiaries and the private sector using a differentiated strategy: Participation of beneficiaries in the original design of ProAgri was not adequate. In is necessary to improve the differentiated participation of farmers and other actors, and more generally the private sector, in establishing priorities and supervising budget planning. The strategy must differentiate types of farmers, industrial processors, retailers and entrepreneurs.

(iv) Strengthening of human resources: A key obstacle has been the lack of attention to human resource development in MADER. This ministry has around 6,600 employees from civil service, out of which around 5,000 have just primary or a smaller level of education. Many qualified employees reside in Maputo (the capital), receiving such a low wage so that they seek other jobs. Unless human resources (and their incentives) are substantially strengthened, little or no improvement in efficiency is likely to be attained.

(v) Importance of monitoring and evaluation: ProAgri has had a weakness in its monitoring and evaluation system, especially on impact at sector level. Therefore, there is little feedback towards decision makers regarding program results and policy adjustments, which are needed to improve sector performance.

(d) Collaboration principles for ProAgri II

By the end of 2004 several donors met to discuss the experience of ProAgri and the nature of donor support for ProAgri’s Phase II. The agreements reflect a good application of lessons learned relevant to sector approaches, especially for those carried out in several phases:57

(i) Ownership is fundamental. The country and its government, in collaboration with donor agencies, need to take the responsibility for establishing the development vision and objectives. On the other hand, donors must be ready to help strengthen capacity as needed.

(ii) Strengthening of alliances. It is very important to strengthen alliances between donors by combining different modalities: dialogue, coordination, harmonization, alignment and knowledge sharing. It is important to promote consultation mechanisms and processes that serve better the interests of Mozambique.

(iii) Common framework and strengthening of MoU. Donors decided to limit their conditions to an agreed common framework, which will guide individual operations. It is important to review, update and strengthen the Memorandum of Understanding (MoU) of ProAgri.

(iv) Multiannual financial programming and support. Based on the Declaration of Rome (2003), donors decided to establish a financial and support program in the medium term (including disbursements based on transparent and coherent rules).

(v) Aligning financial aid with the budget cycle. Donors must adjust commitments and financial disbursements according to the budget cycle and calendar.

(vi) Strengthening public sector institutions. Strengthening government systems is an integral part of international cooperation, and the government systems and structures (strengthened as needed) should be used for the external aid.

(vii) Alliances with the private sector and the civil society are fundamental. Donors recognize the strategic role of the private sector and civil society (including NGOs) in the promotion of agricultural development.

(viii) Reporting and monitoring are key functions of effective cooperation. These processes are essential to draw lessons, to establish priorities and planning, and to assure that funds are used for the expected objectives. The importance of rationalizing the number of missions and having joint missions as possible was also underlined.

(ix) Importance of synchronizing ProAgri’s processes with the Poverty Reduction Strategy (PARPA). Procedures, timeframes, indicators and annual assessments of ProAgri need to be in sync with those of PARPA (macro level instrument for budget support), maximizing their synergy and using ProAgri to advance poverty reduction.

(x) Strengthening of MADER’s information management capacity. It is key to generate accurate, reliable, timely, and accessible information and data for monitoring organizational performance and for policy analysis.

57 See document by Oliver Saasa (2004).
3. Bolivia: SIBTA

(a) Basic information
The Bolivian Agricultural Technology System - SIBTA is one of the first practical experiences of rural sector harmonization in Latin America. This SWAp covers the Research and Agricultural Extension subsector as part of the Bolivian Poverty Reduction Strategy (EBRP/PRSP) and the National Rural Development Strategy (ENDAR). The creation of SIBTA began in 1999 under a joint effort among nine international cooperation agencies, the private sector and the civil society, under leadership of the Ministry of Agriculture. SIBTA's logical framework and quinquennial plan and budget, as well as its Supreme Decree were approved in 2000. The agreements with international cooperation agencies were signed between 2000 and 2002, which means that the whole process took three years. A total of 60 million dollars were contributed, including funds from IADB (18 M), USAID (12 M), DFID, COSUDE, Netherlands, DANIDA (18 M Euro in a common basket fund), Japan (1 M) and Germany (2 Mi), besides a counterpart from the National Treasury of Bolivia. The funds from IADB and the European bilateral agencies are managed by an Implementation Unit supervised by the Ministry and using IADB regulations. USAID, Japan and one part of the German funds are managed through a parallel financial arrangement, which uses the same regulations applied to the remaining funds. All funds are reflected in SIBTA's total budget.

The Supreme Decree created a “Supervisory Committee” of SIBTA, where donors and other international agencies such as FAO, IICA and the European Commission participate under the leadership of the Minister, to discuss SIBTA development and to correct design errors.

(b) Main results
The system has been in operation for a short time so it is still very soon to measure its impact on beneficiaries. There is however a Monitoring and Evaluation System that will allow this assessment in the future. The most important outcomes so far are:

- SIBTA's new institutional framework, with a strong participation of the private sector and the civil society, has survived all political changes over the last three years characterized by a very unstable political environment.
- The agencies that participate in SIBTA have finished their projects in the subsector and have unified their criteria under a single national system.
- Research and extension providers (especially NGOs) have oriented their supply towards producers demand, rather than to financial agencies, which used to be the trend.
- Under the new system, nearly 10% (60 thousand) of productive units of Bolivia have received technical assistance.

(c) Lessons learned
(i) A subsector approach (“SubSWAp”) can be more feasible than covering the entire sector or a multi-sector SWAp, specially given the institutional weakness and the high uncertainty in the public sector (the average duration of ministers in Bolivia is less than a year). A single viceministry is responsible which reduced the complexity of the approach. In addition the approach has served to increase trust among participants.

(ii) Putting together a sector approach is a slow process. Despite being a subsector approach it took three years to set it in motion. Unifying the criteria of nine donors was an extremely complex process, especially with regard to several crucial aspects of SIBTA.

(iii) In order to achieve the goals, SWAp implementation demands supporting measures. Although SIBTA is driven by producers needs, many producer groups lack the capacity to formulate their demand. This limited access to improved services is a fundamental challenge to SWAps. In many cases complementary measures are needed, especially when there is social exclusion and beneficiaries who need to be empowered so that they can benefit from services.

(iv) Government leadership is fundamental. Without decided leadership of the then vice-minister (and later minister), SIBTA would have not been established. He refused to negotiate separately with each cooperation agency and...
called for a joint process to build the new system. A huge advantage was the fact that no commitments with the previous State Technology Transfer System (IBTA) existed any longer. IBTA had been dissolved the previous year.

(v) Civil society and private sector participation are fundamental to sector approach sustainability. In Bolivia, changes of administration come along with abrupt changes of policies. Thus, it was important for SIBTA’s sustainability to have Ministry leadership along with a strong commitment from the private sector and the civil society. Both sectors have played a key role in system development and implementation, and consequently they have defended it against several attempts of profound changes by later administrations.

(vi) Technical harmonization is more important than administrative harmonization. Building SIBTA has been an extremely important process for aligning international agencies with the system. Despite having highly controversial discussions on different concepts of technology transfer, a final consensus was reached among all of them. The harmonization of “technical” criteria (private sector involvement, institutional model, producers counterpart, and the treatment of crosscutting issues such as gender, environment, indigenous population) established an extremely solid supporting basis.

(vii) The administrative harmonization does not necessarily increase implementation efficiency and can actually exclude important actors. The European bilateral funds were put together under a “basket fund”, in compliance with IADB’s administrative regulations (at that time IADB did not have a policy for participating in SWAps and was not able to use regulations from other donors or the country, this changed in 2004 with the approval of new policies). The agreed administrative regulations were extremely rigid, almost collapsing the system by the first year. Ironically, the components of SIBTA that received parallel financing from USAID have advanced faster than those funded through the “basket fund”. The combination of bilateral resources (with more flexible regulation) with basket funding was the key to success. Allowing the integration of parallel financing has made possible to include other agencies that could not otherwise participate in basket funding or budget financing.

(viii) The participation in sector approaches requires some changes in international cooperation agencies. Despite the political commitments to support SWAps (i.e. DAC High Level Meeting) and the approval of new instruments, all international agencies still face many problems when it comes to implementation. Lengthy project preparation processes, lack of flexibility in administrative instruments, insufficient internal decentralization and lack of decision making power in country offices are some of the main obstacles.

(ix) The sector approach also demands changes in government performance. SWAp demands deep changes at national government level. For the (vice-) minister of Agriculture of Bolivia it was a challenge to wait for three years before being able to implement the new system. It has been difficult to obtain political support within the government and outside, especially in a country that constantly demands emergency actions from the government. It has also been a challenge for subsequent ministers to assume that SIBTA was established by a previous government and that international cooperation demanded its sustainability, yet it had achieved only very limited results during the first year. It is also difficult for a minister to refuse project offerings from agencies not willing to participate in SWAps.

(x) Attitude and trust among all involved actors are fundamental. Overcoming the lack of trust among agencies and between agencies and the government has been the most difficult challenge. The creation of a constructive and proactive spirit encouraged all participants to minimize regulatory constraints and procedures inside each organization, making it possible for nine agencies to participate in this SWAp.
4. Uganda: Agricultural Modernization Plan

(a) Basic information
One of “the most successful” cases of multi-sector approaches in the rural sector is the Agricultural Modernization Plan (PMA) of Uganda. PMA is a national initiative aiming at turning down restrictions faced by agricultural producers to increase their income and overcome poverty. PMA is a component of the country’s Poverty Eradication Action Plan (PEAP). PMA, with a total cost of 400 billion Shillings (around 16% of public spending), has seven “pillars” (or components):

- Agricultural research and technology development
- Agricultural extension services
- Rural financial services
- Trade and agricultural processes
- Agricultural education
- Sustainable use and management of natural resources
- Physical Infrastructure

(b) Main results and emerging impact
As part of strategic macroeconomic and sector frameworks, PMA has made good progress in each one of the components from its very beginning (end of 2000), It established and strengthened institutional frameworks, systems and mechanisms to obtain a participatory coordination of PMA at national and territorial level. They include the Interinstitutional Steering Committee, the Technical Secretariat, technical subcommittees, and a group of PMA donors (to coordinate alliances with the government). PMA uses government systems and procedures that are consistent with national public spending priorities (and within a Medium-Term Expenditure Framework – MTEF at national level). Most donors have supported PMA through the budget support modality.

The following are the main conclusions of an independent evaluation performed in 2005 to evaluate program’s design and impact:

(i) PMA concept and vision: Its conceptual framework remains valid. There is however some confusion about its function, and there is very little emphasis on the restrictions and weaknesses identified during implementation that must be addressed. For instance, it is necessary to improve differentiation between target groups. Major emphasis is required on improving the food value chain, a key activity for poor farmers (especially women). Access to land is a major obstacle, especially for women. It is necessary to increase training support for private service providers and local government officials. It also needs to update its goals and success indicators, and its approach to reduce poverty.

(ii) Implementation of PMA pillars: The performance of the seven pillars has varied. The marketing of pillars needs to be improved, differentiated strategies are needed to reach out target groups, and better coordination of pillars at district level is also essential. It also needs to improve environmental aspects and the strategies inside the pillars.

(iii) Institutional and policy reforms: Policy reforms are moving forward but there have been delays in their implementation. In the short term, the land policy needs to be completed as well as the implementation of functions at the Ministry of Agriculture. The reforms that have been carried out are generating more equitable benefits to farmers.

(iv) Implementation structures: Implementation arrangements are working smoothly but some areas need to be improved. The Technical Secretariat is offering a high quality service, yet the Steering Committee needs to review the roles of several working groups. Better institutional arrangements at territorial and local government are needed to improve coordination. The monitoring framework is improving; however impact surveys are needed to have a better basis on which to evaluate changes on commercialization, and the effects of PMA on poverty reduction.

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59 In 2005 carried out a comprehensive and independent evaluation of the PMA, with a focus on the socioeconomic impact. More details on the approach and methodology of this evaluation are provided in the “Plan for the Modernization of Agriculture: Inception Report”, Oxford Policy Management, April 2005.

Impact evaluation: PMA’s main goal is to gradually reduce poverty by 2017. The household survey showed significant progress. Although qualitative, the evaluation showed advances in technology adoption and increased commercialization of products, yet it was difficult to attribute these effects directly to PMA. The group discussions also showed improvements on assets, attributed to participation in organized groups. Where technologies were appropriate, adoption rates were also very positive, having positive impact on household income. Nevertheless, the monitoring of results and impact of PMA requires greater attention.

Other major issues:
- Communication strategy: This area requires greater attention, especially at territorial level.
- Cross-cutting issues, particularly women participation.
- Financial resource allocation: More attention is needed to integrate PMA expenditures into the budget process. There is no global common fund for PMA, although several donors established a common fund for some of the components. In the case of Uganda there seems to be a trend towards budget support.
- Alliances with donor agencies: PMA provides a more harmonized framework to support projects. There is a group of donors and a subcommittee for programs and projects that need to continue their role to promote greater harmonization and alignment.

Main challenges
The joint evaluations of the PMA (2004 and 2005) showed good advances in the program, and identified the following challenges to improve its operation and impact (along with some of the recommendations indicated in the previous section):
- Slow pace of reforms in the functional analysis, sector strategy and investment plan of the Ministry of Agriculture.
- Need to include water in the production strategy.
- Education policy and strategy.
- Lack of appropriation by some key institutions.
- Lack of evidence of program success in the field.
- Limited budget ceilings for public spending in the medium term, causing delays to the implementation of some programs (such as NAADS).

Lessons learned during the initial phase
(i) Implementation of PMA’s high-priority areas: PMA’s success depends on the harmonic development of all the high-priority areas, working in a multi-sector manner. Actually, some areas have been developed more quickly than others, with the potential effect of unbalancing the implementation process. Consequently, the Steering Committee needs to monitor progress to assure uniform implementation.

(ii) Attitudes towards PMA: PMA is being understood by most target groups. PMA introduces reforms and new ways of providing services to the poor. It requires changes in organizational culture, new ways of thinking and making business, and new institutional arrangements. However, the response to these changes at PMA ministries and their agencies has been generally low, indicating that many stakeholders still need to gain deeper understanding of PMA. The communication strategy must go beyond merely explaining PMA components; it needs to include mechanisms and processes to gather feedback from all stakeholders on implementation progress, experiences, good practices and challenges.

(iii) PMA financing: The funding of the PMA has been made through government structures and within the Medium-Term Expenditure Framework. However, since many competing requests for resources have already reached the sector’s budget ceiling, many PMA priorities remain either without funds or inadequately funded. The participation of the PMA Steering Committee, the subcommittees and the Technical Secretariat, has increased the level of understanding and inclusion of PMA priorities in the national agenda. However, the working groups operate only during the first four months of the budget planning process, so they do not provide continuous inputs nor monitor the performance of the sector’s budget. This reduces their influence in the budget cycle and the budgeted cost. On the other hand, some of the activities related to PMA have not been executed,

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62 This section is a synthesis of points extracted from a PMA Progress Report (2000 – 2002). All points are relevant to most sector approaches in their initial phases.
even though they have been budgeted.

(iv) Conditional grants and disbursements: Although conditional grants (prior conditions need to be met) have improved with time, there are some concerns as disbursement delays continue to occur, especially for NSCG and NAADS (two major PMA components). This continues to be a challenge. These delays take place at the disbursement center and at the local government level, and they occur because progress and accounting reports are not submitted in a timely manner. The effect is that local governments change work plans and goals, and some activities are affected by these discrepancies between budgets and work plans. By expanding PMA, a stable flow could improve the effective implementation of its activities at local level. In the case of the NSCG program, local governments complain that grant fund allocations to the communities are too small to generate any impact.

(v) Weak capacity of local governments: The role of local governments in PMA implementation emerges from their responsibility to provide public services, and especially from the focus on deepening the decentralization process. The capacity of local governments to implement PMA is vital. However, despite the availability of capacity building programs they still lack adequate capacity to effectively undertake planning, financial management, poverty reduction, and local income generation activities.

(vi) PMA monitoring: PMA is a multi-sector wide approach and the challenge is to join and integrate all the monitoring and evaluation systems to generate harmonized information about the program. Although a monitoring and evaluation framework with indicators and milestones is being established to help assess implementation progress, the reporting system is facing challenges to identify restrictions and to monitor the impact. Another important question is whether results and changes can be attributed to the program itself. Answering this question is not an easy task, yet it is necessary. When there is progress in terms of inputs, PMA and its institutions have less control on ongoing changes. This seems to happen when changes occur as a result of collective efforts among many managers, programs and institutions; thus identifying and measuring all relevant changes generated by PMA is not feasible.

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**Sector approach in health and education**

5. Case of Ghana: Health sector: 

(a) Basic information

Ghana has a successful experience in carrying out a SWAp in the sector health and its lessons are applicable to other countries and sectors. In 1995, the government of Ghana decided to implement a sector reform and to overcome projects among dispersed cooperation agencies. The government, with support from several donors, assumed the leadership to develop in a participatory manner a common policy framework, leading to the adoption of a strategic plan in the medium term. This plan was the basis for a work plan (1997-2001) that formulated a comprehensive sector policy and defined a budget framework. The strategy aims at improving the health of Ghanaians by providing universal access to basic health services, improving the quality and efficiency of the health services, and promoting linkages with other sectors.

Some important characteristics of design and implementation include the following:

- The Ministry of Health has taken the leadership in all aspects and phases.
- Donor coordination has received a lot of attention, and through the sector approach all cooperation agencies have been able to focus on harmonizing implementation and on strengthening the capacity of the Ministry for the efficient use of the resources. The mechanisms include the sector framework, the memorandum of understanding and the negotiation of common administrative arrangements.
- Financing through a common fund (which is growing), now representing more than 60% of external aid to the health sector (five donors and twelve other cooperation agencies participate outside the common fund). During the program’s second phase, several donors simplified their requirements and disbursements were made after a single financial report was prepared and submitted by the

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63 This section is a synthesis of the recent note: “World Bank Support for Sector-Wide Approaches: Ghana Health Sector”, World Bank, June 2005.
Ministry of Health.

- The program, throughout its two phases (2nd Phase: 2002-2006), has focused on strengthening health sector management.
- The program increased the harmonization of procurement procedures, strengthening them.
- The program has counted on joint monitoring and evaluation, including a list of 25 common indicators and an annual meeting to evaluate the performance in the previous year and to arrange the work plan for the next year.
- The evaluations show positive results and impact (i.e., phase 1 evaluation showed satisfactory results and probable sustainability).

(b) Challenges and lessons learned

Despite its successful results, the following challenges and lessons learned need to be highlighted:

(i) Sector approaches require continuous and sustained commitment from government and donors. Their preparation and implementation require time, patience and involvement of a strong team (including government agencies and the most active donors). It is essential to establish strong relationships and provide constant support to assure program continuity, especially during government transitions.

(ii) Ensuring support from each donor is needed to ensure an effective implementation. In the initial phase, many practical details related to disbursements, procurement and financial management could have been solved throughout implementation. For instance, disbursement delays could have been avoided at certain degree if experts (legal, disbursement, procurement, financial management) had been involved during preparation and design.

(iii) The sector approach managed to obtain external funding, yet its needs have increased. Donor contribution to the common fund increased in the 1997-2001 period, as well as the support for the basket fund. However, the public budget for non-wage recurring expenses did not reach the agreed levels.

(iv) Additional improvements are needed in financial management and procurement aspects. Although there have been improvements in these areas, some problems remain especially at central level. Capacity limitations need to be addressed, especially with regard to internal audit functions.

(v) Donor coordination requires negotiation skills, acknowledgment of technical advantages, country presence and leadership. Reaching policy agreements among donors has been easier than attaining the internal policy changes needed to facilitate the sector program. Further efforts are thus needed to maximize the sector approach by extending alliances to other donors and increasing civil society and private sector participation.

6. Case of Honduras: Education and health

(a) Basic information

As part of the poverty reduction strategy, the Government of Honduras decided to prepare SWAps for two strategic sectors. There are similarities between the processes, lessons learned and challenges of these two sectors. A synthesis on them will be made combining the points that are most relevant for rural development, building on a note prepared in 2004 that focuses on key factors for a well founded sector approach.64

After the Forum of Rome, the Government of Honduras introduced the sector approach in education and health. Donors responded positively and have participated actively in this process. Over the last two years positive developments have been done in both sectors, such as the preparation of a comprehensive strategy and a multiannual public expenditure plan for each sector.

(b) Main results

Although the education sector has attained more solid "structural" conditions, rapid progress is also being made in health. A major result in health is the adoption of a code of conduct, which sets donor regulations and their acceptance of a single sector plan. The monitoring mechanisms are formulated as integral part of the ministries of health, led by managers under the Ministry’s planning unit. Another major achievement is the preparation of dialogue mechanisms.

64 SWAp in Honduras and Nicaragua: What is needed?, by Stefan Sjolander (Swedish consultant), June 2004.
with donors, who play a key role in decision making during implementation.

A substantial weakness in these sector approaches is the absence of a medium term public expenditure plan (at macroeconomic level), which is just being formulated. This makes difficult the efforts to elaborate a medium term plan for both sectors. Both approaches count on a partial methodology, which covers only key subsectors rather than the entire sector. It seems that the goal is to achieve a phased, yet more manageable implementation and to extend its coverage if successful. The document identifies many of the challenges to consolidate a successful experience in both sectors, including the need to strengthen processes and capacity in a broad range of areas including: planning, coordination and dialogue (intra and inter-ministerial, especially with the Ministry of Finance), budget and financial management, accounting, external auditing and other structural and organizational aspects.

(c) Lessons learned

A positive lesson in Honduras refers to the efforts to integrate sector approaches with the Poverty Reduction Strategy, and a series of Poverty Reduction Credits financed by the World Bank and other agencies. The progress achieved in diverse fronts such as the process, the macro content, the cross-cutting themes (civil service reform, budget procedures, procurement systems and governance), complemented with SWAp oriented reforms and programs, constitute sound actions to achieve strategic and sustainable results.

7. Case of Nicaragua: Health and Education

The first sector approach in Nicaragua was in health, and there are similarities and differences between the SWAp in these two sectors in Honduras and Nicaragua. In the case of Nicaragua, the Coordination Secretariat of the Presidency (SECEP) prepared the National Development Plan (2004) providing a constructive multi-sector framework for SWAp in main areas. SECEP and the Ministry of Finance have a financial instrument (SNIP - National Public Investment System) to assure good management and allocation of financial resources. This system is being strengthened to support sector approaches. However, as in Honduras, the absence of a medium term public expenditure plan (implying the lack of a resource allocation framework at multi-sector level) is a limiting factor. Another positive aspect in Nicaragua is the Integrated System for Financial, Administrative and Audit Management (SIGFA), whose quality and degree of implementation across all public sector institutions have enabled transparent progress in implementation, monitoring and reporting.

The Case of Health: Basic data, results and lessons learned

In 2005, progress was made in the formulation of a SWAp in the health sector. A step forward was the agreement of a code of conduct between government and donors, and the agreement on a comprehensive health sector plan (one of the most important steps according to SWAp criteria). The following institutional aspects (some of which were solved in 2005) have been identified as essential factors:

- A Steering Committee should be established to guide the formulation, planning, execution and monitoring of the sector plan, under the political and administrative leadership of the Ministry of Health. This Committee can include donor representatives and should meet frequently (monthly).
- A Working Group with high-level linkages (Ministry’s administrative and planning units) needs to be established. To address operational issues, this group should be able to meet with representatives of diverse groups.
- To establish the basis for a technical assistance program, the ministry and donors need to agree on a functional analysis of public sector institutions.
- Based on findings of the functional analysis, the donors and the ministry should put together a training program, for which a common fund should be established based on agreed criteria and managed by the Ministry.
- In order to support the planning process, it is essential to provide technical assistance to the ministry.
- A code of conduct between government and donors needs to be adopted.
- A sector plan should be formulated under the leadership of the Ministry’s planning unit, and supported by technical assistance. The proposals must be discussed and adopted by the Working Group and the Steering Committee.
• All organizations of the Ministry, including those in the territories, must be involved in the formulation of a sector plan. These organizations must be represented in the Working Group and Steering Committee meetings.

The case of education: Basic data, results and lessons learned

Since 2003, the Ministry of Education, Culture and Sports (MECD) has been working to create the conditions for a sector-wide approach. The SWAp builds on a clear definition of sector policies and financial gaps, collaboration and coordination agreements between donors and government, and a work plan establishing the goals to be met according to previously defined policies. All these actions have created the conditions for greater articulation and alignment of international aid, abiding key requirements of each donor, yet focusing resources and actions on achieving the proposed goals. Thus, although it does not cover yet the entire education sector, this Nicaraguan experience fulfills the general criteria of a sector approach.

The following are some emerging challenges and difficulties:
• It has been difficult to articulate efforts to attain simultaneous progress on the proposed goals (as per the National Education Plan – PNE) among subsectors (primary, secondary, higher and technical education).
• MECD’s General Division of Investment and Cooperation requires additional human resources to support this complex coordination process.
• In order to achieve optimal results, it is crucial to coordinate all efforts and actions with the civil society.

So far, the main achievements and lessons learned include:
• Strong leadership by MECD and positive response of donors.
• Formulation of a Common Work Plan and the Annual Operational Plan 2005 agreed with donors.
• Agreement on a Declaration of Intentions for Cooperation between MECD and the donors.
• An effective Coordination Roundtable that facilitates fluid communication and coordination.
• Budget support and other financial mechanisms for education (provided by some donors).

8. Case of Nicaragua: Ten Sectors (programs and processes)

The Ministry of Foreign Affairs of Nicaragua prepared an evaluation note on these experiences as a source document for the Fourth Donors Coordination Forum. It is useful to summarize the lessons learned of all ten sectors included in the evaluation. The findings are organized according to strategic themes (focusing on aspects of national relevance).

(a) Lessons learned on ownership, leadership, policy, plans and monitoring
• The sector approach does not work without strong country-wide political leadership.
• Sector institutions must know well what a sector approach is and be prepared to lead it.
• It is essential to have a dissemination process that promotes ownership within institutions.
• Donors need to participate with the same level of commitment and preparation required to the government.
• A sector approach should start by conviction at the management level of involved institutions.
• Result evaluations need to be disseminated, planning of new initiatives should be based on such experience.
• To exercise leadership, the sector needs to hold coordination meetings and count on well sustained and coherent government standings.
• Ownership of sector programs and approaches requires a good understanding of them and of the relationship between them and the daily work. Such understanding among public servants is more likely to lead to ownership, both at central and local levels.
• Program instruments should be developed by the public servants likely going to use them. It is helpful to provide support and methodology to that process.
• The timing for developing program elements should be determined according to capacities and priorities of the sector.
• Policies and plans need to be shared with donors, however it is also essential to establish limits to their requests for additional changes.
• Greater progress could be made if donors agree prior to starting negotiations with the government.

65 This section is based on the report “Education sector: Alignment and harmonization. Case study”. MECD, September 2004.
(b) Lessons learned on institutional aspects and decentralization

- Prior to initiating a sector program and approach it is crucial to define clearly the sector and functional organization that is going to lead the process.
- Government structure adjustments, Civil Service Law and related strategies, including institutional plans, are vital for ensuring institutional ownership, leadership and strengthening.
- It is fundamental to synchronize sector programs and approaches with decentralization initiatives.
- Besides government institutions, other state powers need to be involved in sector programs and approaches.

(e) Lessons learned on donor coordination

- Short term results are key for the successful continuity of SWAps.
- For SWAps to move forward, political and executive leadership need to be exercised from the very beginning.
- SWAps normally cover the entire sector. Subsector programs or projects are not SWAps and do not contribute to strengthen national capacities.
- Adding planning and monitoring deadlines to the roundtable calendar facilitates the adaptation to the national budget cycle and the decision making process.
- Roundtable’s working groups are capable of preparing sound alignment and harmonization proposals.
- Prior to negotiating a commitment document (CoC or MoU) it is necessary to identify clearly the value added to alignment and harmonization.
- Do not accept any commitment whose achievement is beyond the control of signers.
- Program support modalities need to reduce the requirements that agencies make to the sector.
- Owing to their internal rules, some agencies cannot align with national procedures. In this case there is no value added in participating in support modalities which are already aligned.
- Establish a single framework of conditions for the country and all public entities.
- International cooperation needs to be harmonized.

9. Case of India: Design aspects in the primary education subsector

In 2002, the Government of India approved a constitutional amendment establishing eight years of primary education as a fundamental right for all youth. India prepared and approved a national program establishing goals, regulations, central and territorial plans and a national subsector program with a total cost of US$3.5 billion. The 2004-2007 period of the program is cofinanced by the central government (45%), the states (25%) and three donors (30%). It is widely recognized that this program incorporates good practices of sector approaches, including the following design characteristics:
• It is based on government ownership and on a decentralized approach.
• Provides financing through a common fund to support the agreed program.
• Formulates and adopts a single expenditures and accounting format, a common monitoring and evaluation framework, and a common format for reporting performance and impact.
• The agreement made on the sector approach program was based on previous assessment of the following:
  • Financial management capacity (including action plan and common fund)
  • Environmental analysis (and compliance with safeguard requirements).
  • Social analysis (plan for indigenous communities, strategies for special groups).
  • Biannual audits, aligned with the government’s budget process and cycle.
Annex 2

Nicaragua: Strategic role of productive rural development in poverty reduction

Poverty in Nicaragua
Nicaragua is one of the countries in Latin America whose economy depends largely on agriculture; in fact the contribution of this sector to the Gross Domestic Product (GDP) is around 20% and generates nearly 40% of jobs. Around 50% of the population lives in rural areas and 65% of rural households are under the poverty line, compared to 33% in urban areas.

Contribution to economic growth
Several studies show that the agricultural sector has made a significant contribution to economic growth and poverty reduction over the last fifteen years. They also indicate that given the current structure of the Nicaraguan economy, a profound transformation of the agricultural sector is fundamental to achieve sustainable economic growth.

The challenges of CAFTA
CAFTA opens potential opportunities to stimulate the agricultural sector. At the same time CAFTA poses important challenges that demand better policies and programs, to allow the transformation of a sector currently focused on traditional products (with little value added, lack of diversification and poor penetration in foreign markets), into a sector aiming at higher value added, diversified and nontraditional products.

Strategic programs
Seeking to address the current challenging conditions of poor and unstable economic growth, unequal distribution of resources and income, and high poverty levels, the government prepared a “Strengthened Strategy for Economic Growth and Poverty Reduction (ERCERP): 2001-05”. This strategy proposes ten goals and fourteen indicators aligned with the Millennium Development Goals (MDGs). It must be noted that a key objective during the preparation of the document was meeting the conditions of the debt relief initiative of the Highly Indebted Poor Country program (HIPC). A recent report (2005) makes three important observations on ERCERP with regard to the rural sector:

- The goals are closely linked to the MDGs, most of which are to be met by 2015. Therefore, the 2005 indicators represent intermediate points towards those goals.
- Programs are more explicit on social sectors that on economic growth. In fact, most MDGs refer to social rather than economic indicators, showing a certain bias towards social sectors.
- It must be noted however that priority is given not only to economic growth and job creation in rural areas, but also to leverage production factors yet underutilized, including the labor force. A program is being proposed to:

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67 See “Nicaragua: Promoting Competitiveness and Stimulating Broad-based Growth in Agriculture”, World Bank, 2002. The PND-O 2004 emphasizes the urgent need to transform the agricultural sector to achieve growth and reduce poverty. However, one of the most recent macroeconomic reports on Nicaragua (Development Policy Review for Nicaragua, World Bank, 2004) does not make reference to the role of the agricultural sector on economic growth and poverty reduction. This “bias” can reflect a pessimistic perception of the country capacity to accomplish the required transformation of the sector.
remove existing distortions related to costs and prices, invest in human capital and rural physical infrastructure, and promote technology appropriation. The program indicates that the most promising activities are coffee, tourism, textiles and apparel, and forestry products.

On early 2002 commenced the mandate of President Enrique Bolaños. The government prepared a National Development Plan/plan (PND), basically to stamp his personal seal and focus on ERCERP themes. Owing to the lack of operational details, the government prepared a new version entitled the “Operational Plan for National Development 2005 – 2009 (PND-O)”, which was made public on September 2004. The PND-O focuses on three major goals:

- Job creation and sustainable economic growth.
- Increased exports and investments.
- Increased income to poverty reduction.

To accomplish the above goals, the PND-O proposes several strategic measures including:

- Promote private investment and limit the role of the state, which should rather focus on creating the conditions for promoting such investments.
- Attract foreign direct investments, including capital and know-how to establish value chains that are better prepared to compete in global markets.
- Increase exports, bearing in mind the limited size of the internal market.
- Increase economic competitiveness, emphasizing the role of industrial clusters that are capable of attaining economies of scale.

With regard to rural development, the PND-O acknowledges the importance of the agricultural sector in each one of the above strategies. Several PND-O components focus on the transformation of the agricultural sector by stimulating private and foreign investment and diversification of production aiming at external markets. The content and viability of the PND-O strategy has been subject of intense debate68, so the government is using the PND-O to announce an ERCERP II (to satisfy several conditions for obtaining additional external aid).

Recognizing the high level of reliance on external aid (around 90% of public investment), and responding to the Rome Declaration (2002) and the Paris Declaration (2005), calling for improved efficiency of international aid by increasing alignment and harmonization, the government promoted a series of sector approaches for the most strategic sectors (commencing with health, education and agriculture), to be implemented in a phased manner. These sector approaches are being used as prioritized investment processes and programs to carry out the PND-O. In the case of the agricultural sector, MAGFOR is completing the formulation of PRORURAL (more details are provided below).

**Strategy for productive rural development**

Along with the PND, MAGFOR prepared a Development Strategy (2003). This document indicates that the core problem of the agrifood sector is the lack of competitiveness. The proposed solution is to promote “higher competitiveness of production, distribution and consumption of agrifood goods and services, expanding in a sustainable manner its participation in national and international markets”, reducing its vulnerability by creating a favorable institutional framework. This process could lead to economic growth, increased income and job creation, increased food security and lower rates of migration to urban areas.

**Role of PRORURAL**

The importance of implementing the PND-O using a sector approach to improve the effectiveness and impact of international aid led MAGFOR to prepare a National Program for Productive Rural Development (“PND-O/PRORURAL”), in close collaboration with 17 donors. It sets forth a series of prioritized policies and programs for agricultural and forestry sector institutions, using a sector approach adapted to the country. PRORURAL aims at ensuring that productive rural development generates opportunities for poverty reduction in rural areas. Its key goals include an average agricultural GDP growth rate of 6.75%, and 100% increase of export value. PRORURAL is a process (based on SWAp principles) that sets priorities for public investment according to a multiannual public expenditure plan for the rural sector.
PRORURAL consists of the following seven components, with a cost of around US$350 million for the initial phase (2005-2009):

- Technological innovation
- Agricultural and forest sanitation and food safety
- Sustainable forestry development
- Financing and other services
- Investments in infrastructure
- Institutional modernization and strengthening
- Agroforestry policies and strategies
- The institutional aspects of PRORURAL, including roles and capacities of public agricultural sector institutions and coordination mechanisms, are the greatest challenges in the preparation and agreement of PRORURAL. The nature of these challenges and issues and the adjustments required by SWAp principles in the Nicaraguan case, are summarized in the following diagram:
Annex 3

Honduras: Strategic role of the agrifood sector in poverty reduction

Poverty

En Honduras, la pobreza está altamente correlacionada con vivir en áreas rurales. La situación de pobreza afecta al 62% de la población nacional y al 70% en el medio rural, de la cual el 64% se encuentra en condición de pobreza extrema. Para familias que viven en áreas rurales, las causas de pobreza y desigualdad incluyen falta de acceso a activos y recursos (especialmente tierra, forestal), y falta de acceso a factores que apoyan la producción y comercialización. Varios estudios muestran que la pobreza también está ligada a presiones demográficas y a sus efectos en los recursos naturales, la corrupción y la débil gobernabilidad, y la falta de acceso a activos que puedan generar mayores ingresos y empleo.

Poverty Reduction Strategy

After Hurricane Mitch (1998), which had significant negative impact on the country, the government launched an ambitious strategy to reduce poverty and inequality. In 2001, a Poverty Reduction Strategy (PRS) was prepared with the main objective of reducing poverty in 24% by 2015, and to achieve the Millennium Development Goals. The new administration reaffirmed the commitment to implement the PRS, turning it into the foundation for the Government Plan 2002-06 and the objectives of the Country Vision, as defined during the National Dialogue. The PRS is based on six pillars:

- Accelerate equitable and sustainable economic growth
- Reduce poverty in rural areas
- Reduce urban poverty
- Increase investments in human capital
- Strengthen social protection of vulnerable groups
- Attain sustainability of the strategy through improved governance, institutional reforms and environmental protection

These pillars are complemented by three cross-cutting themes: gender equity, sustainability and decentralization.

Although the PRS includes a coherent strategy focused on poverty reduction, and despite government commitment to related reforms, it seems that its implementation during the first four years (2001-2004) did not meet the expectations. There has been deterioration in public financing, combined with a lack of progress in key structural reforms owing to institutional weaknesses and political opposition. For these reasons, the government has made an important effort to reestablish a healthy macroeconomic environment. An instrument being used to promote PRS implementation in the medium term is a series of support credits for poverty reduction, funded...
by the World Bank and other donors\textsuperscript{71}. The “political year” in Honduras (2005) posed however new challenges to attain fiscal and macroeconomic balance, and to advance sector and institutional reforms, affecting all sectors including the rural sector.

According to the PRS, the Ministry of Agriculture (SAG) has the responsibility to lead the fight against poverty in rural areas. SAG heads the Agroforestry Sector Roundtable of the PRS, which is an instrument based on agreement between public sector, civil society and donors. The challenges of combating poverty are huge, but Honduras has potential and options for achieving development based on the availability of natural resources and its strategic geopolitical position. The agrifood sector, which holds the greatest social and economic importance, can be transformed into an extended, diversified, and profitable agriculture, which can be positioned to compete successfully in a globalized economy and free markets\textsuperscript{72}. A lesson learned in the case of Honduras is that primary agriculture generates little impact on development and creates poor linkages among economic agents. Clearly, there is a need to establish an “extended agriculture”, where agribusiness chains are more likely to achieve economic growth and rural poverty reduction. The challenge is how to realize this potential.

To support PRS implementation and the Government Plan (2002 - 2006), SAG set in motion a participatory process and prepared a “State Policy for the Agrifood and Rural Sector 2004-2021” and a “Strategic Plan for the Agroforestry Sector 2004-2006”, focusing in the short term on 58 high-priority actions. The Strategic Plan consists of Priority Public Measures for each sector policy. Overall, both aim at reaching the following strategic objectives:

(a) Transformation of the agrifood sector through the application of eight sector policies.
(b) Reduction of rural poverty and improvement of well-being in rural areas, through the execution of three multi-sector policies (food security, gender equity and sustainable rural development).

Against this background, a modern institutional framework has been proposed, building on national services and programs, and involving policy makers, promoters and facilitators of investment and producers. The diagram below shows the relationships between key elements of the extended sector strategy.

\textbf{Strategic Plan}

The Operational Strategic Plan (PEO) of Honduras was based on a synthesis of problems found in the agrifood sector:

- Inadequate policies and strategies.
- Poor and unequal growth.
- Inadequate production structure characterized by poor competitiveness and small value added.
- Institutional weakness, including poor coordination and inadequate delivery of services.
- Low investment levels, especially from the private sector.

The framework and guidelines of the Strategic Plan have two main elements:

1. Citizen Empowerment Plan of the Government 2006-2010, that focuses on:
   - Adequate interaction between the state and citizens.
   - Results-driven management to strengthen the next phase of the PRS.

2. State Policy for the Agrifood and Rural Sector 2004-2021 focusing on:
   - Long-term policy and strategy framework to assure continuity of joint efforts.
   - New institutional framework aimed at addressing sector and multi-sector aspects.
A key aspect of PEO is that it makes operational the State Policy for the Agrifood and Rural Sector (PESA), providing more clarity on government and private sector coordination to attain sector modernization in a more equitable manner. The following points underline this aspect:

1. A virtuous and coherent circle between objectives, policies, strategic goals, new institutional framework and linkages with an operational budget.
2. An approach with participatory consultation processes with diverse actors.
3. Clearly defined coordination and implementation mechanisms for achieving goals and strategic results.

The general objective of PEO 2006-2010 is to promote and consolidate a modern, diversified, competitive and environmentally sustainable agrifood sector that drives value aggregation processes, and becomes a key factor in poverty reduction and food safety. Thus, it is necessary to reach production levels and a structure that builds on comparative advantages and responds effectively to the internal demand of food and raw materials, generating jobs and increasing rural income contributing to trade balance by exporting products of high economic value.

The sector goals of PEO include:
- Attain growth in the agrifood sector at a rate of 4% or more per year during the 2006-2010 period, with fairer distribution of value added.
- Reduce extreme poverty in rural areas at a rate of 2 percentile points per year.
- Generate 50 thousand productive jobs per year and
reduce underemployment in rural areas.
- Contribute to reduce children malnutrition from 29% to 22%.
- Increase the value of agrifood sector exports at an annual rate of 6% or more.

The strategic results set forth by PEO are:
- Increased production and productivity, giving priority to small producers.
- Human resource development, especially among small producers.
- Integration and development of agrifood chains in different products.
- Qualitative advances in competitiveness to attain benefits from Free Trade Agreements, especially DR-CAFTA, leading to a significant increase of exports.
- Development and strengthening of agriculture in the broader context of the Honduran economy.
- Improvement of well-being of the rural population.
- Strengthening of producers and indigenous groups organizations.

The policy guidelines include:
- Access to technological innovation.
- Efficient and equitable trade.
- Continued improvement of food sanitation and safety.
- Generation and dissemination of strategic information.
- Capitalization of human resources for agrifood and forestry sector development.
- Public and private sector alliances for promoting competitive investment.
- Sustainable access to agricultural credit and rural financing.
- Access to land: Rule of law and social fairness.
- Sustainable management of natural resources.
- Institutional reform of the agrifood sector, including decentralized organizations and regional decentralization of SAG.

The strategy guidelines include:
- Multi-sector action for the integration of transversal axes.
- Support to small-scale agriculture.
- Gender equity.
- Public administration with greater harmonization capacity, efficient management, transparency, decentralized and driven by results.
- Promote an alliance between the private and public sector committed to achieve the goals and objectives set forth in the plan.
- Promote modernization of rural infrastructure.

The components of the new institutional framework are:

(a) National System of Agrifood Research and Technology Transfer - SNITTA

(b) Services
- National Service of Agricultural Education, Training and Agribusiness Development - SEDUCA
- National Service of Rural Infrastructure and Irrigation - SENINFRA
- National Service of Agrifood Sanitation and Safety - SENASA
- Directorate of Agricultural Science and Technology - DICTA
- Agricultural Information Service - INFOAGRO

(c) Programs
- National Agrifood Development Program – PRONAGRO
- National Program for Sustainable Rural Development – PRONADERS
- National Forestry Program – PRONAFOR
- National Fisheries and Aquaculture Program - PRONAPAC

Building upon the new structure, services and programs of SAG, the PEO will be implemented through a series of SWAps (one for each national service and program).

The government is supporting these SWAps as part of the “Governance Program”, to improve ownership, harmonization and alignment of international aid, and to attain better results and sustainable impact. Four Sub-SWAps have been identified, prioritized and formulated in strategic subsectors of potential
1. **National System of Agrifood Research and Technology Transfer (SNITTA):** SNITTA is conceived as a functional, inclusive, transparent, democratic and decentralized system, with administrative and financial autonomy. The system interacts with all research services and technology transfer systems, public and private, internal and external, and with international cooperation agencies for promoting the development of science and technology, based on supply and demand of services. Its main goal is to increase the income of agrifood producers.

2. **National Service of Agrifood Sanitation and Safety (SENASA):** It applies phytosanitary norms, procedures and regulations to the supply of agrifood products, including the inspection and certification of relevant products, ensuring food health and quality in the country, in order to preserve the national agricultural patrimony and to obtain increased access to national and international markets. It is responsible for guiding the execution of the above activities with the highest ethical, organizational and technical principles.

SENASA benefits the national and international population by exerting phytosanitary control on import and exports of the country, preventing the introduction and dissemination of plagues and diseases that can affect the agricultural sector and ensuring the hygienic quality of foods.

3. **National Forestry Program (PRONAFOR):** It seeks to consolidate the competitiveness of forestry resources for fulfilling three primary functions:

   i) In social aspects, to consolidate the development of productive forestry chains, especially in the context of the Social Forestry System for management of national and communal forests, strengthening ownership and forestland regularization.

   ii) In the economic front, to incorporate increased timber volumes to the productive forestry basis.

   iii) On the environment, to harness the protective capacity of forestlands, as well as the regulatory action of water resources, promoting the conservation and sustainable use of protected areas and other environmental goods and services associated to the subsector.

4. **National Agrifood Development Program (PRONAGRO):**

   SAG launched PRONAGRO as an instrument to promote production modernization and competitiveness on selected product chains of the following seven valleys: Aguán, Sula, Guayape and Lepaguaré, Comayagua, Leon, Choluteca and Jamastran; and six plateaus: La Esperanza, Lepaterique, Siguatepeque, Tatumbla, Yarula and Santa Elena. PRONAGRO’s operational strategy is carried out through the integration of product chains.

   The creation of a National Agribusiness Center was proposed through PRONAGRO to play a major role in business development and agricultural policy adoption, seeking to strengthen markets and agribusinesses. Market development is a key factor to business development, and it should have the same strength and relevance as SNITTA. It is also very important to engage related public and private institutions to establish the National Marketing and Trading System promoted through the National Agribusiness Center.

   The mechanisms of the new institutional framework are based on two pillars:

   (a) Coordination entities:

   - Economic cabinet
   - Social cabinet
   - Agroforestry Sector Roundtable
   - Agrifood Development Council (CODA)
   - Technical commissions
   - Territorial mechanisms (Terr. Dev. Law)

   (b) Organizational structure based on investment programs and support services.
The role of the Sector-Wide Approach to sustainable rural development in Central America

SAG: Organizational Structure (other reforms are in progress)
The Operational Plan consists of two aspects:

a) Multiannual Plan 2006-2010
   - Macroeconomic framework and guidelines (Ministry of Finance – SEFIN)
   - Priorities of the Government Plan and PRS

(b) Criteria to establish priorities:
   - Review, adjustment and implementation of projects in the pipeline, according to the PEO.
   - Priority to investments that support PEO’s strategic goals and to larger investments selected according to economic and financial analysis.
   - Priority to investments that benefit the largest number of small producers, with potential in the short and medium term (2-5 years).
   - Priority to investments where the private sector plays an active role, including investments to increase value added.
   - Priority to infrastructure investments that benefit small producers.

The following are some of the challenges to costs and implications of PEO’s financial plan:

- Completing the current budget information gaps.
- Significant investment deficit in the agrifood sector.
- Considerable financial gap, which requires several actions including:
  - Prioritization.
  - Major increase of National Treasury allocation and engagement of international cooperation agencies.
  - Establishment of clear guidelines to raise and align fresh resources from international cooperation agencies.

- In case of failure to raise funds, it will be necessary to reduce goals and/or to extend the timeline to achieve them.
- Ensuring that available public investment catalyzes higher levels of private investment.

The monitoring and evaluation component of the Plan includes the following activities:

- Design of a monitoring and evaluation system for the agrifood sector, identifying relevant indicators.
- Establish adequate information systems and processes, baselines for programs and services, and linkages with the relevant institutions.
- Begin the implementation of an improved system and support the budget process as part of the agrifood sector policy framework.

Action plan (Short term: 2006 - 2007):

- Agree upon and implement the PEO with main stakeholders at territorial level and with international cooperation agencies (including the joint formulation of medium and long term actions).
- Agree upon and facilitate the official restructuring of SAG.
- Make plans and budgets for programs and services, according to the new institutional settings and guidelines of the PEO (starting with a series of workshops which commenced on September-November 2006).
- Review and prepare an adjustment plan for the current agrifood portfolio, according to PEO guidelines.
- Formulate and agree upon operational guidelines for prioritizing new projects.
- Strengthen the Management Planning and Evaluation Unit - UPEG, to support the effective implementation of PEO.
- Prepare and agree upon the four Sub-SWAPs, each one in the following phases:
  - Concept note (2-4 months)
  - Implementation plan (4-6 months)
  - Execution

### Preliminary Estimates of Costs and Financing of PEO (mill. of Lempiras)

<table>
<thead>
<tr>
<th>Item</th>
<th>Total Cost</th>
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<td>Otros</td>
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<td>TOTAL</td>
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US$1 = 17.50 Lempiras
Annex 4


Persistencia de la pobreza rural

In the 1990s the government of El Salvador took measures to achieve a significant reduction of poverty\textsuperscript{73} however the pace of advances decreased due to the coffee crisis, the earthquakes of 2001 and the low rates of national and global growth. The proportion of the population under the poverty line decreased from 65% in 1991 to 37% in 2002, and the proportion of extreme poverty decreased from 31% to 15% during the same period. The inequality of income has however increased slightly since the 1990s. Poverty also continues affecting gravely the rural population. Approximately 50% of the Salvadorans who live in rural areas are poor, and a quarter of them live in extreme poverty, while 28% of the urban population are poor and 9% live in extreme poverty. Altogether, the rural poor constituted approximately 55% of the poor of El Salvador in 2002. In 2002, for each person living in extreme poverty in urban areas, almost ten lived in the same conditions in rural areas. Clearly, extreme poverty\textsuperscript{74} is concentrated in rural areas.\textsuperscript{75}

The structural changes that took place in employment and household income improved poverty reduction during the 1990s. The majority of households now have multiple sources of income, and the proportion of people whose household income depends on agriculture as the main source of income fell dramatically during the 1991-2002 period, from 39% to 18%. Today, less than one fifth of all households rely on agriculture as the primary source of subsistence. However, still for more than 33% of the poor in El Salvador, agriculture continues to be the main source of income.

Strategy and development plan of the government

After the Peace Agreement of 1991, El Salvador has made good progress on the consolidation of peace and democracy, and on the formulation and implementation of macroeconomic and political reforms. Overall, during the 1990s a positive economic growth was attained with positive impact on poverty reduction. However, due to external factors mentioned above, since 2000 the economic growth rate has decreased.


\textsuperscript{74} A recent report with a good analysis is “Poverty Study: Towards a National Social Policy”, World Bank, 2004

\textsuperscript{75} There is an ongoing debate on the criteria to define rural areas, especially for countries such as El Salvador, which has important human settlements around urban areas, characterized as semi-urban populations. Using a new criterion (according to their distribution and distance to urban centers), only 10% of the population of El Salvador is rural (rather than 40% as shown by traditional indicators). See the report “Beyond the city: The rural contribution to Development in Latin American and the Caribbean”, World Bank, 2005.
Approach of the incoming administration

The incoming administration of President Saca (commenced on mid 2004) is promoting market oriented policies and reforms introduced since 1991. The Plan, entitled “Safe Country 2004-2009”, concentrates on attaining solid macroeconomic management, promoting foreign investment, free trade (and strong support to DR-CAFTA), private sector led development and a business environment free of risks associated to currency exchange (using dollar as main currency). These principles are reflected in three pillars of the government plan: (a) accelerating growth, broadly and equitably, with job creation; (b) greater equity through the promotion of human capital and the expansion of access to basic infrastructure, assets and markets; (c) improvement of security and reduction of vulnerability. The content and priorities of these pillars emphasize the importance of a more integrated growth and policies that favor the poor and give highest priority to promoting agreements on public policies with the legislative opposition, and to carry out consultations with the private sector and the civil society. The vision of a “Safe Country” is based on a broad definition of security, that includes better food security and reduction of vulnerability for the poor, and social protection interventions for the poorest families. The following section shows that this national strategy and direction is also reflected in policies, strategies and programs for the rural sector, supported by sector-wide approaches and strong linkages with other key sectors.

Approach and axes of the strategy for rural economic growth

Between July 2003 and December 2004, MAG, with endorsement and support of labor union representatives, enterprise associations and other public organizations of the civil society and international cooperation, started a consultation and analysis process to build a rural strategy for economic growth and poverty reduction that, building on new conceptual bases and endorsed by empirical evidence can overcome the structural crisis that affected rural areas of the country for more than two decades. The draft was prepared for consideration by the new government, who added their inputs and macroeconomic approach, and soon adopted the document as the core strategy for the rural sector. The new government, under the effective leadership of the Minister of Agriculture and with support of the Cabinet, is betting on the modernization of rural areas and the construction of a new agriculture, guided by the following reasons:

1. Rural areas concentrate most of the poor population of the country, and display the worst social indicators. Therefore, rural development and modernization of the agricultural sector constitute a necessary condition to promote an effective strategy to reduce poverty and attain economic growth.
2. Modernization of the agricultural sector is necessary to overcome the current structural crisis affecting agriculture, which prevents from reaching higher rates of economic growth, employment and income.
3. The rural reality of the early 21st century and the global changes, call for a modern and highly competitive agriculture.
4. The Free Trade Agreement with United States and the deepening of Central American integration will change the map of opportunities and risks for rural areas and the agricultural sector.
5. The construction of a new agriculture and the modernization of rural areas are a fundamental condition to overcome the serious environmental problems facing the country.

The rural growth and poverty reduction proposal has five main objectives:

a) Eradication of extreme poverty and hunger in rural areas.
b) Transformation of agriculture into an attractive space for investment and adequate source of employment.
c) Development of a diversified agriculture with high value added, profitable, competitive and with greater export orientation.
d) Fostering a greater economic and social integration between urban and rural areas to reach a more inclusive national development.
e) Reverting the environmental degradation and deterioration of natural resources which form the basis of all agricultural activities.

With the implementation of the strategy, MAG proposed concrete and measurable goals for the 2005-2009 period:
The role of the Sector-Wide Approach to sustainable rural development in Central America

a) Annual growth rate of the agricultural sector between 3.5% and 4.5% or above.
b) Average annual growth rate average of agro-industrial exports above the average rate for total exports.
c) Rural employment (agricultural and non-agricultural) growth rate of at least 10%.
d) Allocate at least half of public investment to rural areas, to create a favorable environment for agricultural and non-agricultural businesses and to pull out from underdevelopment the most isolated areas.
e) Reduce rural extreme poverty by half during the five-year period, in compliance with the MDGs.

The approach of the strategy goes beyond MAG’s own role and realm, and assumes a close collaboration among different instances of the State that share the responsibility of promoting rural economic growth and poverty reduction. MAG proposes eight axes, developed according to operational priorities:

**Axis 1:** Favorable macroeconomic environment.
**Axis 2:** Development and strengthening of the entrepreneurial capacity of rural areas.
**Axis 3:** Promotion of productive investment in rural areas.
**Axis 4:** Territorial, economic, social and environmental integration of rural and urban areas.
**Axis 5:** Larger investments in the rural poor.
**Axis 6:** Development of a sustainable agricultural sector aligned with clean production practices.

**Axis 7:** Improvement of competitiveness and internal and external commercialization channels and mechanisms for internal and external commercialization of fresh and processed agricultural products.
**Axis 8:** Adjustment of the institutional and regulatory framework as needed, to develop a new agriculture and to accomplish susta

The strategy underscores the importance of technological innovation as a key element for attaining competitive advantages in rural areas. It is based on processes and strategies followed by countries such as Chile, Mexico and Costa Rica among others that have focused on positioning products and services, achieving higher competitiveness by establishing strategic alliances between the private and public sectors. It also builds on the design and application of innovative instruments for promoting greater production and productivity. The following diagram summarizes the strategic relationships guiding this strategy and its programs.

During 2005, with active support from donors and the private sector, MAG developed a multiannual operational plan and a comprehensive strategy as part of the rural development framework (summarized in the previous section), with a focus on achieving measurable goals.
Annex 5

Operational Framework for RUTA’s Supporting Role

Prior to formulating an operational strategy for RUTA’s support to SWAp processes and programs in Central America, it is necessary to address the following main questions:

- Is SWAp support part of RUTA’s mandate?
- If the answer is yes, what kind of role and strategy? What could be RUTA’s contribution?
- How could RUTA effectively carry out the proposed role, as part of its inter-agency mandate? How could RUTA be strengthened to respond to such demand?

**RUTA’s Mandate**

RUTA’s mandate for Phase V (2004-07) was defined in the document entitled PRODOC 2004. In summary, its vision, mission, general objective, action lines, clients, strategic principles and Annual Work Plan – PAT (2005-2006) call for a positive answer to the first question: RUTA should provide active support for the effective SWAp formulation and implementation in Central America. The objectives and mutual interests are aligned, especially given the importance of contributing to sustainable rural growth and poverty reduction in the region, and the need to promote and support inter-agency collaboration. Thus, the key operational questions deal with the kind of support and how to provide it, especially through policy and programs at country level and knowledge sharing initiatives throughout the region.

**Options for RUTA’s role**

With regard to current SWAp efforts, there are three strategic options for RUTA over the next few years:

- **a)** Continue providing sporadic and ad-hoc support to ongoing processes and programs in Nicaragua, Honduras and El Salvador, until some limitations are overcome in terms of capacity, participation and scope.
- **b)** Limit its role and participation in SWAp processes and programs. This option be against its Phase V, posing important risks to RUTA’s credibility among its clients and partners. This is not a viable option.
- **c)** Define, strengthen and extend its role and capacity to support SWAp processes and programs. Given RUTA’s mandate and the growing needs among its clients and partners, and its comparative advantages (current and potential), this is the most logical and appropriate choice. Furthermore, many of RUTA’s Annual Work Plan 2005 activities are related to this role, yet they require better integration into the current SWAp processes emerging in each country.

The following section provides an operational framework to define and strengthen RUTA’s role in supporting SWAp processes and programs in Central America. Along with that, a complementary strategy is also required to identify priority needs from clients (the demand), and to strengthen RUTA’s capacity to respond to such demand (the supply).

**Defining RUTA’s role**

Activating and strengthening RUTA’s role to support SWAp processes requires a more active integration with rural development roundtables and working groups in each country, as they lead SWAp processes and programs at country level. According to the context and priorities of each country, and given RUTA’s inter-agency mandate, it is recommended that RUTA’s director and team start working together with clients to define and develop such a role, including:

- **(a) Defining, discussing and agreeing with MAGFOR in Nicaragua, SAG in Honduras and MAG in El Salvador, and with donors, the role and terms of reference for RUTA’s facilitation activities (technical and administrative) of SWAp processes**
and programs, and technical assistance and inputs according to priorities and comparative advantages of RUTA in each country (National Technical Units – UTNs and Regional Unit), given the experience accumulated by its personnel. RUTA's most strategic role is to catalyze and facilitate the development and implementation of national strategies for rural development. Each country requires strong support on facilitation processes and inter-agency, especially to improve ownership, alignment and harmonization of international aid, with a focus on proposed programs, taking into account RUTA's mandate and comparative advantage of supporting inter-agency processes and activities.

(b) Define RUTA's role through institutional arrangements and mechanisms in each country, to define and better coordinate RUTA's support (national and regional units), and its work with other agencies. Each country is coordinating and carrying out these activities in a multi-institutional approach and through appropriate sector roundtables.

(c) In order to define RUTA's role, the Project (through UTN coordinators and under RUTA's Director guidance) can take into account the requirements and priorities of SWAp activities in each country and contribute to integrate them into the working plan for 2007.

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76. El Salvador is a positive example of the role played by RUTA at the country level, where RUTA'S UTN coordinator acted as Executive Secretary of the Interinstitutional Committee. In Nicaragua, RUTA is supporting SWAp's monitoring and evaluation component.

77. The following are some examples of such bodies. In Nicaragua, with support from the Global Donor Platform for Rural Development, MAGFOR hired a full-time consultant to facilitate and support the implementation of an AA&H action plan. Given the nature and scope of the work, RUTA could support these processes upon request from MAGFOR and participating donors, especially when such facilitation aims at addressing government needs. Donors also can benefit from RUTA's facilitation support according to requests from MAGFOR and from donor agencies.

78. In Nicaragua: Rural development roundtable, PRORURAL team, and supporting donors group. In Honduras: Agroforestry sector roundtable and supporting donors group. In El Salvador: Rural development roundtable and three other roundtables (RUTA is part of the roundtable on rural development policy and systematization of experiences).

79. For instance, a quick review shows that each country has at least three activities in 2005 and several other in 2006, which are closely related to SWAp processes and programs, yet not explicitly linked and integrated. There is a huge potential for defining activities and products to meet this new demand (which emerged during RUTA's transition period).

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A framework to strengthen RUTA's role and capacity

Subject to agreement between RUTA and its clients on points outlined earlier and other proposals for RUTA's support (especially those identified in PAT 2007), it is recommended that RUTA's director takes the following steps to strengthen its capacity to respond effectively to such demand:

(a) Assess and strengthen the current capacity of RUTA's technical team (including national and regional units and aiming at priorities identified in partner countries) to provide adequate support to SWAp processes and programs, considering RUTA's role and priorities. Thus it is necessary to prepare a human resource plan (staff and consultants), to ensure flexibility and maximize available resources, aiming at providing high quality support and maximum impact on client countries. These adjustments (including the securing of additional financial resources to hire the required experts) would require time and negotiation with RUTA's partners, and will need to be integrated gradually into the annual work program (commencing with PAT 2007).

Despite its highly qualified technical personnel, currently there are only two persons in RUTA's regional unit with some experience and operational knowledge of SWAp. Their current workload is full, thus in order to respond to the potential demand in the short term, RUTA would need to hire consultants with relevant expertise in the corresponding areas. At the same time, RUTA needs to strengthen and expand its human resources through training workshops and by hiring new personnel with experience in SWAp. Given its strong capacity on knowledge management and communication RUTA would leverage this resource to implement its SWAp support plan.

(b) Secure financial and human resources to respond adequately to priority demand, as reflected in PAT 2006 and PAT 2007. Define, in collaboration with RUTA's inter-
agency supervisory group, the priorities consistent with results and recommendations of the 2006 supervision mission. The technical representatives of each agency can assist this process (inside their agencies, by mobilizing human and financial resources).

(c) Review and strengthen the role and structure of each national technical unit, as it is important for RUTA to have continued and effective field-based presence to support SWApS, and to ensure coordination between national and regional units. RUTA's supervision mission of October 2005 agreed on the need to prepare a viable plan to strengthen the role of each national unit, according to the demand expressed by ministries (MAGFOR, SAG, MAG) and donors. Based on this vision, RUTA can prepare a proposal to strengthen and finance each national unit, which can be discussed with each Ministry of Agriculture. Such proposals would be adjusted to each country situation, within a broader common framework. Country proposals could then be presented at a meeting of the Central American Agricultural Council (CAC), given its steering role. A key challenge of RUTA's National Units is their financing given the limited resources made available to RUTA. One option for RUTA's management and its Executive Board is to propose shared financing of UTNs, with the following funding scheme (estimated): RUTA’s headquarters (25%), Ministries of Agriculture of each country (50%, can be in-kind and through project financing), and donors (25% in each country, given that RUTA can provide services to them). This proposal (for example) is consistent with the inter-agency support and facilitation work, where UTNs play a catalytic role with the private and public sectors and donor agencies. The sector approach demands a greater role from RUTA, specially at country level, and requires working with different actors. In fact, in some countries the UTNs address only the demand from ministries.

(d) Keep informed RUTA’s supervisory group and its governing bodies about the support being provided to processes and sector programs in Central America. Given the potential demand for RUTA’s support to a regional SWAp concept, it is necessary to integrate one or two proposals for this support into the PAT 2007. CAC’s Executive Secretary can contribute additional inputs on regional priorities. This discussion can be held during a CAC meeting, where a concept note and recommendations would be presented.

Operational framework for RUTA's role: Knowledge dissemination, capacity building, and technical support to SWAp processes and programs

This section has been prepared in three phases:

(a) Compile relevant information including visits to each country and preparing a draft note (completed on August 3, 2005).

(b) Present the note to generate discussion and gather feedback on most relevant themes. This helps to gather additional inputs for the final document, and to assist the initial process in each country, depending on demand, including the sharing of relevant experiences among countries and with other regions. The resulting document (dated November 2005) was circulated to partner agencies and other interested parties, to be used as reference and support for emerging SWAp processes.

(c) Update the document with relevant inputs gathered in 2006 for publication, distribution and broader use.

Actions

Given the interest and demand generated in the first phase and during its discussion, and subject to results of the consultation, it is being proposed that RUTA undertakes a second stage (2007) of the SWAp theme in collaboration with other agencies. The following actions are recommended, as a menu of possibilities, depending on priorities and available resources:

(i) Disseminate the note more broadly to different players and stakeholders involved in rural development activities in

81 A regional SWAp of interest to the Central American Agricultural Council is the coordination of support to CAFTA and agricultural sanitation. The second theme would be focused on coordination among Ministries of Agriculture.
Central America, particularly in Nicaragua, Honduras and El Salvador (could be part of RUTA’s technical reports). Given the interest of other institutions outside the region on the initial document, the Global Donor Platform for Rural Development has funded the translation of the document into English as a means to expand its dissemination to other regions, which are embracing SWAp processes and programs. It is also likely that the Platform supports the preparation and translation of a revised and updated version.

(ii) Present the results and lessons learned to strategic groups interested in the subject, and to diverse fora to promote greater understanding of SWAp concepts, processes and experiences. For instance, to Ministries of Agriculture, academia, regional and national workshops, in countries where SWAp processes are taking hold with a territorial perspective (i.e. Nicaragua/PRORURAL).

(iii) Facilitate knowledge exchange among Central American countries (including visits), to promote better knowledge or SWAp experiences. Since Nicaragua/PRORURAL is more advanced in this process, a successful exchange (a Honduran delegation visited Nicaragua) was organized on September 2006. Additional visits on specific themes can be organized in 2007.

(iv) Organize regional workshops. On January 2006 RUTA organized a successful workshop in Managua, and based on its results it might be useful to organize another regional event in 2007 as further progress on Swap implementation has been achieved in all three countries over the last year. National workshops are also important, which can be organized in collaboration with the ministries of agriculture. This could be a good opportunity to have a videoconference with other countries that have accumulated a significant experience on SWAps such as Uganda (PMA) and Mozambique (PROAGRI).

(v) Provide technical assistance to help apply lessons learned adapted to each country. The scope of technical assistance should be defined according to demand and resource availability. A key factor to support RUTA’s technical assistance program is its strong knowledge management and communication component and strategy, which is supported through an alliance between RUTA and the Global Development Network (GDLN).

(vi) Carry out in several countries (including regions/ municipalities) training workshops on SWAp processes depending on demand; a “SWAp Handbook” could also be prepared.

(vii) Provide specialized services that contribute to each SWAp and sector program, leveraging RUTA’s comparative advantages. The following are some of the supporting actions that RUTA can provide according to its mandate, which need to be prioritized depending on clients and resources available:

- Support projects that are part of PAT 2006 and PAT 2007, using them to help prepare SWAps in each country (to advance AA&H principles). This entails a modest effort likely to improve the impact of such projects. This support can also be part of project portfolio reviews, which could help integrate them into ongoing sector programs (starting with Nicaragua).

- Support technical facilitation and coordination of portfolio reviews by donor agencies, consistent with sector programs and strategies. Although SWAps require portfolio reviews and adjustments, there is a trend to delay such reviews. In fact, when carried out they often do not follow consistent criteria and methodology. For instance, in Nicaragua there is currently a joint effort between donors and the government, which is a good opportunity for RUTA to support portfolio reviews. Honduras has commenced a portfolio review and might require technical assistance and inter-agency support, which could be provided through RUTA. El Salvador is also planning a similar review and could benefit from the experience of other countries.

- Help establish operational criteria for public investment prioritization to promote growth and poverty reduction, within a multiannual public expenditure plan. All three countries are in the initial phase of this process, and they have required independent technical assistance not tied to financial interests or institutional agendas. RUTA can supported through an alliance between RUTA and the Global Development Network (GDLN).

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82 RUTA, in alliance with the Global Development Network (GDLN), has the capacity to facilitate broadly and effectively a multi-sector debate with public and private sector actors, international cooperation agencies, academia and NGOs from the region and outside.

83 RUTA’s communication and knowledge management strategy includes information and document systematization, production and dissemination of publications, national and regional meetings, capacity building workshops, and virtual fora among other activities. GDLN is supported by the World Bank and other donor agencies.
utilize some of its analytical tools to support them (i.e. RURALINVEST, Drivers of Growth and its methodology to help prioritize public investment). In Nicaragua, RUTA is using the Drivers of Growth methodology using a territorial approach in one of its provinces. This experience can help identify public investment priorities building upon the existing assets of rural communities. In the context of SWAps, it might be worth to assess this experience and its potential application to other regions and countries.

- All three countries acknowledge the critical need to establish a monitoring and evaluation system, supported by results and impact indicators. Often, these processes have been delayed, thus there could be many advantages if RUTA helps put together an adequate monitoring and evaluation system, according to the needs and programs of each country. In fact, RUTA is already providing this specific support to PRORURAL in Nicaragua. This work is consistent with RUTA’s mandate of supporting inter-agency efforts, as the system can be extremely useful to each donor agency. Although only one agency is supporting this work, RUTA established an alliance with PREVAL/IFAD to improve the monitoring and evaluation system proposed by the government.

- Ensure that SWAps in the rural sector take into account strategic issues related to CAFTA. RUTA has been executing a series of activities to deepen knowledge and understanding of CAFTA related issues, which can translate into benefits for ongoing and future inter-agency work. This particular work can also be part of some type of SWAp support.

- Promote greater integration of sector approaches into poverty reduction strategies, at the macroeconomic level. For instance, in Nicaragua and Honduras the government is implementing a Poverty Reduction Strategy program (PRS), and there are opportunities for strengthening operational linkages between PRS programs and sector approaches (PRORURAL in Nicaragua and subsector programs proposed in Honduras).

- Identify aspects of systematization, publication and training that RUTA can provide to advance SWAp appropriation and application. There is a need to improve understanding of SWAp formulation and implementation processes and experiences, by different stakeholders (public and private sectors, civil society, and donor agencies). For instance, the Technical Secretariat of the Production and Competitiveness Cabinet is developing training programs on sector approaches, which have a growing demand. It would be timely to count on RUTA’s support for this training initiative, especially to help contextualize the contents to the needs and issues of each country.

- Prepare and disseminate on a regular basis a note systematizing experiences and good practices of SWAp formulation and implementation in the region, focused on issues that are useful to inter-agency work. For instance, the coordination mechanisms in the rural sector, the formulation and application of the code of conduct and the memorandum of understanding (which require independent inputs and can complement the evaluation work by joint missions), and the dissemination of experiences and good practices of AA&H action plan in Nicaragua (PRORURAL), can all be useful to other countries.

- Provide or contribute to obtain technical support on special and strategic themes that are relevant to inter-agency work. For instance, the role and experience on rural financing, and how to strengthen the role of the private sector, particularly the rural enterprise sector, including rural producer associations. These themes can emerge in the context of coordination mechanisms of rural development roundtables in each country, which can put together working groups to deal with strategic themes.

- Facilitate country level dialogue inside the public sector, among public and private sector actors, and between them and international cooperation agencies, using and improving existing mechanisms.

(viii) Carry out (in 2007) an assessment of SWAp implementation experiences in the rural sector as part of a series of technical studies in RUTA, and disseminate the document to stakeholder groups. RUTA can also develop the concept of regional SWAps using CAFTA and other regional support programs as examples.

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84 A good input to focus such evaluation is the SWAp Global Study being carried out with funding from the Global Donor Platform for Rural Development.
Annex 6

List of Participants to consultation Workshops

In 2005 four consultation workshops were held with several stakeholder groups including the private sector: Honduras (August 5), El Salvador (September 5), Nicaragua (September 8), and Costa Rica/RUTA’s regional office (September 8).

<table>
<thead>
<tr>
<th>Country and name of participant</th>
<th>Position and institution</th>
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<tr>
<td><strong>Nicaragua</strong> (May 16 and 17, 2005) *</td>
<td></td>
</tr>
<tr>
<td>José Augusto Navarro</td>
<td>Minister, MAGFOR</td>
</tr>
<tr>
<td>Livio Sáenz</td>
<td>Director of Policy Unit, MAGFOR</td>
</tr>
<tr>
<td>Luis Oliva</td>
<td>RUTA (UTN Coordinator)</td>
</tr>
<tr>
<td>Tiina Huvio</td>
<td>Rural Specialist, Embassy of Finland</td>
</tr>
<tr>
<td>Denis Pommer</td>
<td>Technical Adviser, European Commission</td>
</tr>
<tr>
<td>Jaime Cofer</td>
<td>Rural Development (IDB)</td>
</tr>
<tr>
<td>Patricia Parera</td>
<td>Local Coordinator (World Bank)</td>
</tr>
<tr>
<td>María Antonia Zelaya</td>
<td>Officer, Special Rural Programs (COSUDE)</td>
</tr>
<tr>
<td>Michelle Phillips</td>
<td>Rural Development Adviser (DFID)</td>
</tr>
<tr>
<td><strong>Honduras</strong>: (May 6, 9 and 10, 2005) *</td>
<td></td>
</tr>
<tr>
<td>Mariano Jiménez</td>
<td>Minister, SAG</td>
</tr>
<tr>
<td>Roberto Villeda Toledo</td>
<td>Adviser to the Minister, SAG</td>
</tr>
<tr>
<td>Armando Busmail</td>
<td>Technical Secretary UPEG/SAG</td>
</tr>
<tr>
<td>José Luis Martinez</td>
<td>Technical Secretary AgroForestry Sector Roundtable</td>
</tr>
<tr>
<td>Henry Merriam</td>
<td>National Coordinator</td>
</tr>
<tr>
<td>Rocío Tavora</td>
<td>Viceminister of the Presidential Secretariat</td>
</tr>
<tr>
<td>Dante Mossi</td>
<td>Ecoimist, World Bank (Honduras)</td>
</tr>
<tr>
<td>Manuel Hernández</td>
<td>Program Officer, CIDA</td>
</tr>
<tr>
<td>José Villatoro</td>
<td>Rural Development Specialist (IDB)</td>
</tr>
<tr>
<td><strong>El Salvador</strong> (May 11 and 12, 2005) *</td>
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</tr>
<tr>
<td>Noé Hernández</td>
<td>MAG</td>
</tr>
<tr>
<td>Ana Leonor de Pocasangre</td>
<td>Technical Manager, COEXPORT</td>
</tr>
<tr>
<td>Juan Carlos Rivas</td>
<td>Adviser to the Minister of Economy</td>
</tr>
<tr>
<td>Manuel Batres</td>
<td>Chief of S&amp;E Division, MAG</td>
</tr>
<tr>
<td>Amy Ángel</td>
<td>Agricultural Specialist, FUSADES</td>
</tr>
<tr>
<td>Armando Rivas Melara</td>
<td>Budget Director, Ministry of Finance</td>
</tr>
<tr>
<td>Jose Antonio Herrera</td>
<td>Rural Development Specialist, IICA</td>
</tr>
<tr>
<td>Frank Pohl</td>
<td>Adviser, FORTALECE (GTZ)</td>
</tr>
<tr>
<td>Alberto Morales</td>
<td>Director of International Cooperation, Ministry of Foreign Affairs</td>
</tr>
<tr>
<td>Sybille Nueninghoff</td>
<td>Natural Resources Specialist (IDB)</td>
</tr>
<tr>
<td>Miriam Hirezi</td>
<td>Coordinator of Trifinio Project (former UTN Coordinator - Salvador)</td>
</tr>
<tr>
<td><strong>Costa Rica / RUTA’s Regional Office</strong> (May 13, 18, 2005) *</td>
<td></td>
</tr>
<tr>
<td>Miguel Gómez</td>
<td>Director</td>
</tr>
<tr>
<td>Francisco Pichón, Carmen Morales, Jorge León, D. Akintade</td>
<td>Specialist (WB, IFAD, DFID)</td>
</tr>
<tr>
<td>Roger Guillén (May, 18)</td>
<td>Executive Secretary CAC</td>
</tr>
<tr>
<td>Paul Trapido</td>
<td>IDB</td>
</tr>
<tr>
<td>Lalo Rubio</td>
<td>IFAD (by phone or e-mail )</td>
</tr>
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<td>Nwanze Okidegbe; David Nielsen; Robert Townsend;</td>
<td>World Bank (by phone of in person)</td>
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<tr>
<td>Laura Rose; Chiyo Kanda; Jiva Perumalpillai; Daniel Sousa;</td>
<td>Officers, SWAp projects (Uganda, Mozambique, Ghana, y otros)</td>
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ABOUT THIS PUBLICATION

The purpose of this paper is to develop a frame of reference on the experiences and lessons learned from sector-wide approaches (SWAs), to enable the Ministries of Agriculture, other public-sector institutions and decision-makers of the CAC member countries, representatives of international cooperation and the private sector, better understand the scope, challenges, obstacles, limitations, potential, requirements and capacities to better lead the sector-wide approach process and its operational implications in Central America.

The results will also provide RUTA with inputs to assess the demand of Governments, the work to be carried out in support of sector-wide approaches in the region and the capacities to be developed, paying special attention to its cooperation work in Nicaragua, Honduras and El Salvador, countries that have already requested its support.

THE RUTA PROJECT

RUTA was created in 1980 as a joint initiative of the Central American governments and a group of cooperation agencies, with the idea of promoting the region’s rural and agricultural development. RUTA seeks to contribute to sustainable rural growth in order to reduce poverty in Central America, through the development of national and regional capacities. At present, the governments of Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama are participating in this Project, along with the seven agencies that decided to become its partners. These are: the World Bank, the Inter-American Development Bank (IDB), the Department for International Development of the Government of the United Kingdom (DFID), the United Nations Food and Agriculture Organization (FAO), the International Fund for Agricultural Development (IFAD), the Inter-American Institute for Cooperation on Agriculture (IICA) and the International Food Policy Research Institute (IFPRI).