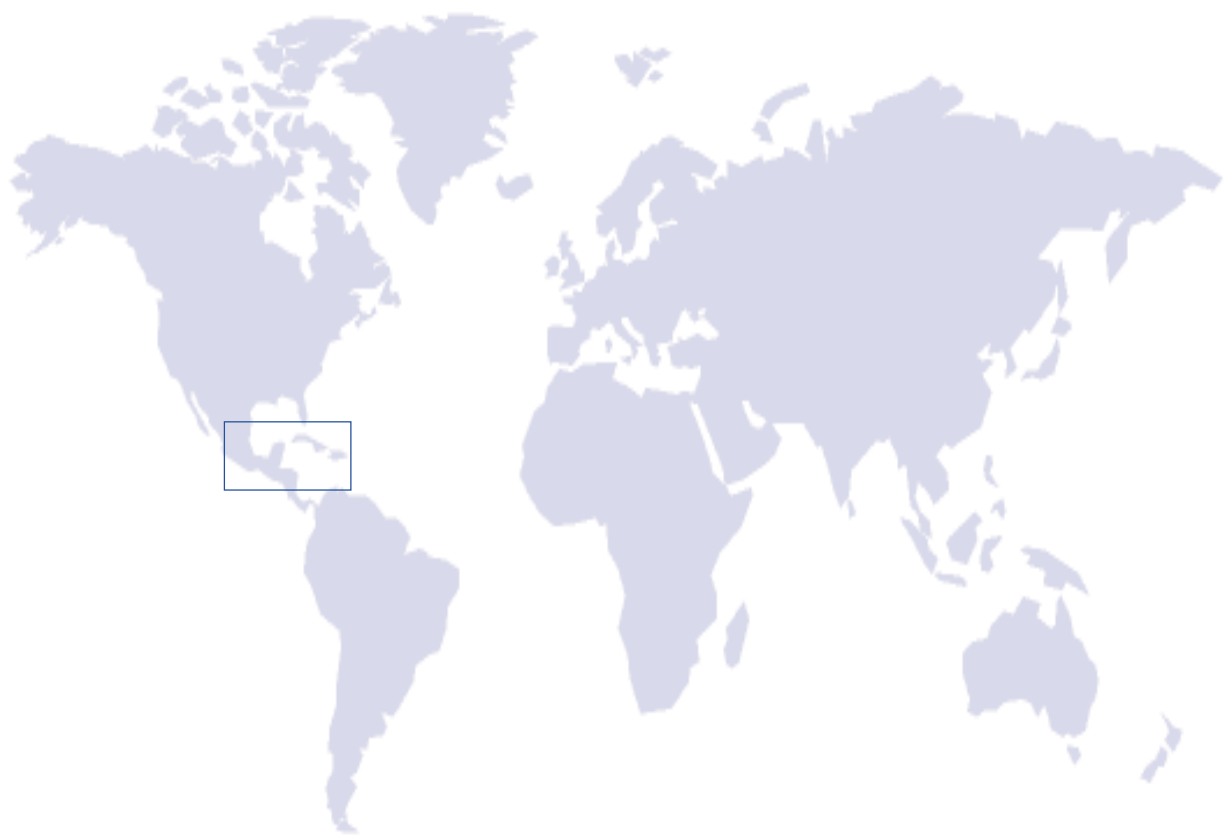


# Regional Strategy

## Central America and the Caribbean

*1 January 2001 – 31 December 2005*



REGERINGSKANSLIET

UD

**Strategy for  
Swedish Development Cooperation with  
Central America and the Caribbean in  
2001–2005**

According to the decision by the Government of Sweden, February 15, 2001 (III:9,  
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## SUMMARY

This strategy for Swedish development cooperation with Central America and the Caribbean covers the period 2001–05. Central America is a region characterised by a violent history in which conflicts have been resolved with violence and oppression. Today, there is peace throughout the region but several fundamental development problems persist. The region's poverty problems are, to a high degree, associated with the distribution of economic resources, which is extremely unequal by international standards, and major population groups are in practice excluded from political influence. The unequal distribution of both economic and political power stands out as the basic obstacle to the region's development. The analysis of Central America presented here also, overall, has an indirect bearing on the poorer countries in the Caribbean.

The overriding aim of development cooperation is to raise the living standards of the poor. Of the six policy objectives, economic and social equalisation and democratic social development are deemed particularly relevant in Central America and the Caribbean. In the strategy, priorities are assigned among the cooperating countries on the basis of three criteria combined: the process criterion, the level of economic development and the roles of other players in conjunction with Sweden's comparative advantages, if any. In Central America, three countries — Guatemala, Honduras and Nicaragua — enjoy priority. In the Caribbean, cooperation will be held at a limited level in terms of volume and orientation, with particular attention paid to Haiti and Cuba.

The strategy has a regional dimension and envisages support for regional programmes and regional sharing of experience. In the balance between support for regional programmes and inputs at national level, however, the national level will constitute the main axis. For Guatemala, Honduras and Nicaragua, special country programmes will be drawn up in which local ownership will be fundamental, and partnership will be striven for as far as the preconditions for partnership exist.

The priority themes of the strategy within the objective of democratic social development include popular participation in political processes, a strong rule of law and good social governance. Priority themes in social and economic equalisation include support for economic reforms involving a focus on poverty, development and modernisation of the social sectors, and inputs to support more poverty-oriented growth. These main lines are supplemented by inputs in research cooperation and issues concerning the environment and natural resources.

General premises for the policy dialogue are the 'Stockholm Declaration' for the Central American countries and, for both regions, consistent application of a rights perspective to development cooperation.

## 1. FOREWORD

In the Swedish Government's Letter of Appropriations for the 2000 fiscal year, Sida was charged with establishing a regional strategy for development cooperation with Central America in 2000–2005. This was also to include development cooperation with Nicaragua, which had previously been guided by a separate country strategy. Since only a limited amount of Swedish development cooperation is undertaken in the Caribbean, this region was also to be covered by the regional strategy, if only along general lines. The Government decision, including terms of reference for the strategy, was passed on 25 May 2000. Under these terms, the regional strategy must state the criteria for Swedish development cooperation in the region, based on the overall development cooperation objective of poverty alleviation, including economic and social equality and democratic development of society. The strategy must also apply a human-rights perspective.

The regional-strategy format entails a number of problems. The descriptive sections necessitate generalisations about a group of countries that are heterogeneous in many respects. Moreover, the level of detail cannot be as exhaustive as dealing with individual countries would permit. One particular complication is that it is not feasible, within the framework of a regional strategy, to engage in an overall consultation process with partner countries. A regional strategy must therefore be regarded as a framework within which each operative interpretation at country level can be the object of negotiations with the country concerned, as the next step in the process. Partnership and local ownership should be key aims as long as the requirements are met.

In the regional strategy, the *Stockholm Declaration* (Annex 1) — a platform common to the Central American countries and the international donor community — is used. This declaration was adopted at the Stockholm Conference in May 1999, when the common points of departure for reconstruction and transformation of the Central American countries after Hurricane Mitch were established. These included common undertakings both for the Central American countries and for the international donor community regarding development in the region.

A regional analysis and a performance analysis have served as background documentation to this strategy. Their conclusions are summarised below.

## 2. CONCLUSIONS OF THE REGIONAL ANALYSIS

### 2.1 Introduction

As the key document for the regional analysis of Central America, Sida has selected *State of the Region* (1999). This extensive study of Central America was produced by the UN system in close cooperation with Central American researchers and institutes that have contributed to the region's acceptance of the study's contents. This document analyses — creditably, if not comprehensively — the key preconditions and challenges for development in the Central American region. These analyses are in line with Sida's assessments of the region. The study analyses the principles of the Stockholm Declaration from a regional perspective, while giving an account of specific disparities between the countries. An overview of the Caribbean, based mainly on information from the UN system and the European Commission, is provided in Section 2.6.

The concept of 'Central America' as used in this strategy refers primarily to Guatemala, Honduras, Nicaragua and El Salvador. Its application to the other countries in Central America (Costa Rica, Panama and Belize) is limited.

The following summary of the regional analysis is based on the four overall themes used in the *State of the Region* document:

- democratic social development
- social vulnerability and development towards increased equality
- ecological vulnerability and natural resources
- regional integration and economic development.

These four themes are juxtaposed with the human-rights perspective. Using the latter as a point of departure means observing the common frame of reference and basic values that are documented in the international conventions on human rights. Civil and political — as well as economic, social and cultural — rights are mutually reinforcing and their application contributes to the empowerment of poorer groups of people, in turn enabling them to improve their living conditions. The essence of these conventions is the concept of non-discrimination and the equal value of all individuals. The aim is to work towards a reasonable life for all individuals. A regional strategy with a human-rights perspective will therefore focus on the rights of the individual and the duties of the state, and highlight the distribution of economic and political power. For a summary of the ratification situation in the countries of Central America and the Caribbean, please refer to Annex 2.

## **2.2 Democratic social development**

The will to achieve democratic development in Central America was manifested in 1987 in what is known as the Esquipulas II Agreement. However, it was not until the conclusion of the peace agreements in El Salvador in 1992 and in Guatemala in 1996 that the preconditions existed for the democratisation process to encompass the entire region. Currently, both national and local efforts are under way in all the countries in the region to consolidate peace and move the democratisation process forward.

Achievements include improved civil-military relationships in the form of increased civil control over the military. This has resulted in a decrease in the power of the military, in both numerical and budgetary terms. Over the past ten years, development towards a democratically controlled judiciary has also brought increased legal protection, a transfer of power to a civil police corps in every country, general consolidation of legal systems and greater civil influence over the state and its institutions. During the 1990s, all these countries implemented national and local elections on at least two different occasions. Generally speaking, the political parties have weak overall acceptance in society, show ideological weaknesses and possess too little knowledge to become more representative. Political populism is also a widespread phenomenon. Suspicion of election processes and of the political parties as the citizens' representatives is reflected in a trend of falling voter participation in the region, except for Honduras and Guatemala where the turnout rose slightly in the last election.

However, electoral participation at municipal level is considerably higher than at national level. Through amendments to the constitutions of all these countries, municipal autonomy has been strengthened in a region where public administration has previously been dominated by central government. However, in this ongoing decentralisation in the region, grass-roots democracy faces many problems, including deficient planning and administrative capacity in local institutions. Decision-making must be delegated and access to economic resources secured in parallel with capacity-building, to boost citizens' confidence in local political processes.

One general tendency in the region is for the judiciary to strengthen its position and its independence. In addition, there have been reforms and legislation to strengthen the rule of law and the individual's position in the legal system. However, large sections of the judiciary undoubtedly still suffer from inefficiency and that there are severe shortcomings in the rule of law. In several of the countries in the region, exemption from punishment is widespread. Prison conditions are unacceptable, and the majority of those arrested have long waits before they get their day in court.

The freedom of the mass media varies from one country to another, and is particularly limited in Guatemala and Honduras. In these countries, the extreme concentration of ownership means that the mass media tend to represent economically strong groups in society at the expense of factual and objective news reporting for the general public.

All the Central American countries have ratified the International Covenant on Civil and Political Rights, the Convention to Eliminate all Forms of Sexual Discrimination, the Convention on the Rights of the Child and central conventions within the inter-American system. The situation

concerning political and civil rights has improved, and this development is closely connected to the peace agreements in the region.

State-sanctioned executions and disappearances are, although not unknown today, considerably fewer than previously. Guatemala was the only country to carry out legal executions during the 1990s, thus flouting regional agreements.

The progress achieved to date in the countries' democratisation process has, however, not improved women's political participation and influence to any great extent. Integration of the Convention on the Rights of the Child into national legislation has also encountered problems. Honduras and Guatemala are the only countries in the region that have ratified ILO Convention No. 169 on Indigenous and Tribal Peoples in Independent Countries. In Guatemala, the peace agreement has also helped to enhance indigenous groups' scope for political participation.

Participation of civil society in the democratisation process is considerable, at both regional and national level. Membership-based organisations exist only on a limited scale. Opportunities for organisations in civil society to influence political processes vary between and within the countries. One identifiable trend is increased mutual trust between governments and civil society, expressed in practical terms in the participation of civil society in the formulation of central development processes. This has occurred in Honduras and Nicaragua.

Despite distinct positive changes during the 1990s, several challenges to the democratisation process in the region persist. Democratic participation and influence in these countries may still be regarded as limited. Declining confidence in political parties and political structures is a trend that needs to be reversed. Development towards increased responsibility at local level needs to continue in line with increasing delegation of genuine decision-making and growing economic inputs, to promote the sustainability of this local democracy. Increased influence of women is crucial to the strengthening of democracy, and this applies to the indigenous peoples as well. The judiciary has an immensely long way to go in its reform efforts before the rights of the individual can be guaranteed. The legal and democratic position of children is still severely limited. Powerful measures from central government will be necessary if these countries are to come anywhere near implementing the principles embodied in the UN Convention on the Rights of the Child.

### **2.3 Social vulnerability and development towards increased equality**

The situation with respect to political and civil rights has improved in the region, but developments concerning economic, social and cultural rights are less encouraging. In these areas, governments' shortcomings in terms of both resources and capacity have caused considerable difficulties in moving towards the countries' international undertakings.

The region as a whole is characterised by the most unequal distribution of income in the world. Social and economic inequalities are exacerbated by power concentrations and the lack of effective policies for wealth redistribution. The poverty found in the region is thus caused by uneven distribution of both economic resources and political power, and could pose a distinct threat to continued democratisation and peace.

According to such indicators as GDP, Nicaragua and Honduras are the poorest countries with the largest proportion of their populations under the poverty line. Guatemala and El Salvador are relatively rich countries in terms of GDP, but show considerable intra-group income differences, as well as having a high proportion of poorer groups among their populations. Guatemala is the country in the region with the lowest Human Development Index (HDI).

Poverty exists in urban and rural areas alike, but is most widespread in the countryside, and especially in the border areas between the countries. However, with accelerating urbanisation, social gaps have widened in urban areas. Poverty varies between social groups, with more women than men living in poverty and indigenous peoples forming the most socially deprived group.

In Honduras and Nicaragua, attempts are under way to establish an overall strategy for poverty alleviation within the framework of the World Bank's Poverty Reduction Strategy (PRS) initiative.

The peace processes in the region have generally attempted to deal with the inequality in these countries that were the initial cause of the internal armed conflicts. Peace agreements, primarily in Guatemala, have consequently included strategies for poverty alleviation.

In Guatemala, Nicaragua, El Salvador and Honduras, the informal sector provides 50–75% of all job opportunities. The majority of people, in both rural and urban areas, support themselves in the informal sector. Most of those working in the informal sector are women.

Migration within the region and to countries outside the region is not exactly a new phenomenon. However, it has changed in nature: from being politically motivated during the years of conflict, it has come to be regarded as a way for individuals to make a living — often, however, at the price of greater vulnerability.

Poverty and serious social problems generate a number of health problems. This is manifested by the region's continued poor showing in such indicators as maternal mortality, infant mortality and life expectancy. Although the figures have improved over the past few decades and reforms in the health sector have been initiated in all these countries, enormous differences remain as to how well health needs are fulfilled. Especially vulnerable are children, women and indigenous peoples. Large numbers of the population of the region live in extremely poor housing environments, and many illnesses are directly related to living conditions and sanitary arrangements. The spread of HIV/aids has increased in the region and Honduras is particularly threatened by this problem. In addition, the psychosocial environment causes health problems, of which the most common is post-conflict trauma syndrome. Neglected healthcare, coupled with scarce economic resources, exacerbate the difficulties of dealing with accelerating social problems.

One growing constraint on development is increasing violence and serious crime. This is both a post-conflict syndrome characterised by access to weapons and a consequence of the precarious social and economic situation. Crime has come to pose an increasingly tangible threat to the social development of these countries. Domestic violence seriously affects women and children, and preserves oppressive attitudes and conditions. This is merely one aspect of the very oppressive gender roles in the region.

The problem remains that many children do not attend school, and that girls attend less than boys. It is estimated that only 60% of the children of the region as a whole complete primary school. Adult illiteracy, especially among women, indigenous peoples and in rural areas, is most widespread in Guatemala and Nicaragua. At present, no conclusions can be drawn as to whether the countries' educational reforms have brought any progress. The impossibility of children gaining even basic education is a serious obstacle to these countries' economic and democratic development.

All the countries in the region have ratified the International Covenant on Economic, Social and Cultural Rights, but implementation of these rights is far from complete. The basic ILO conventions on labour law have been ratified by every country in the region except El Salvador.

Chances of continued positive development of democracy and human rights are highly dependent on how economic and social challenges are handled in the future. Given the background of Latin American development history and current tendencies, there is a major risk that increased economic growth will only very slowly improve conditions for the poorest groups. To promote development towards reduced social vulnerability and greater equality in Central America, there must be increased investment in wealth-redistribution policies and mobilisation of resources in the form of, for example, tax revenues combined with greater popular participation in political decision-making processes.

## **2.4 Ecological vulnerability and sustainable development**

Despite its limited area, Central America is the home of an extremely rich variety of species and multifaceted ecosystems. Compared with many other areas in the world, this region is extremely fortunate in terms of natural preconditions for agriculture, forestry and fishing. Use of natural resources generates over half of the region's total production and job opportunities, and also accounts for the bulk of its export income. Biodiversity is an important resource, well worth



protecting and preserving, and — with sustainable use — could form the basis of sustainable development.

However, use of natural resources in Central America is characterised by poor management. This exacerbates vulnerability and, in the long run, poses a threat to the region's development. According to a World Bank estimate, the costs of natural-resource exploitation and environmental degradation in the four largest Central American countries amounted to 5–10% of their GDP in 1990–98. These costs considerably exceeded their annual, traditionally calculated rates of economic growth. Furthermore, these calculations included only part of the real environmental costs — in reality, poor management of natural resources costs these countries even more.

Besides the overexploitation, there is also underutilisation, primarily owing the uneven distribution of land and the lack of suitable production methods and capital. Despite this poor management of natural resources, Central America has good potential for more sustainable production and economic growth.

Environmental problems are, to a high degree, both national and cross-border. Extreme concentration of land ownership coupled with rapid population growth has resulted in scarcity of arable land for the poorer groups of rural inhabitants. They are forced to clear new ground on slopes or in rainforest areas, i.e. land that is highly vulnerable and prone to erosion. Deforestation and unsustainable agricultural methods combine to cause soil erosion, which in turn reduces agricultural yields. Deforestation also impairs the water-absorption capacity of the soil, thereby lowering groundwater levels. Consequently, potable water is scarce in many places in the region.

Mismanagement of marine and coastal zone resources also occurs. Mangrove forests are shrinking owing to logging and clearing for shrimp farms and salt production.

There are a number of international undertakings that affect the countries of Central America and their use of natural resources. All seven countries have, for example, ratified the Convention on Biological Diversity, the Framework Convention on Climate Change, the Convention to Combat Desertification and the Montreal Protocol. Regarding biological diversity (biodiversity), they have undertaken to preserve, use sustainably and distribute fairly the profits from the world's various biomes. This includes preserving and applying the expertise of local societies and indigenous peoples. These groups are to participate in the work of preserving biodiversity, and the intention is for any income thus generated to be justly distributed. At the Stockholm Conference in May 1999, participating countries also undertook to make vigorous efforts to reduce ecological and social vulnerability.

There are several challenges for this region. Increased investments are necessary to eliminate major structural constraints, such as uneven land distribution and the often insecure land-ownership situation. Vulnerability in ecological terms is also increasing in the region's countries, since large population groups have no share in the benefits of economic growth. Since poverty is most widespread in rural areas — among smallholders and landless peasants — boosting agricultural productivity is a key issue.

One major challenge to the development of more sustainable use of natural resources in Central America is to strengthen currently weak national and regional institutions. Current legislation — in the environmental area, as in others — has become outdated in certain countries. In others, the problem is that it is not applied owing to lack of legal capacity, insufficient political will and/or corruption.

In addition, certain common problems require regional cooperation regarding cross-border issues, such as water resources, energy systems, environmental pollution from industries and large-scale agriculture, disaster-prevention activities, etc.

## **2.5 Economic development and regional integration**

The economies of the Central American countries vary in size. In 1998, Guatemala, El Salvador and Costa Rica accounted for almost 85% of Central America's total GDP of USD 45 billion. Per

capita income also varies widely between the countries. Despite GDP growth per capita averaging 1–2 per cent annually in the 1990s, poverty problems persist in the region. Approximately half the inhabitants of El Salvador, Nicaragua and Honduras and Guatemala live below the national poverty line (the reliability and comparability of these statistics are, however, inadequate).

Economic development is lowest in Honduras and Nicaragua, where GDP per capita is USD 760 and USD 430 respectively — against, for example, El Salvador's USD 1,900 and Guatemala's USD 1,660. The wide income gaps in Guatemala mean that, despite its high GDP per capita, the country has, broadly speaking, as high a proportion of poor people as Nicaragua and Honduras. Costa Rica has a considerably higher GDP and lower poverty rates than the other countries.

Poverty reduction requires continued economic growth. This growth must, however, assume a different distribution profile and become more oriented towards poverty alleviation, with investments in areas such as education and healthcare. Mobilising public resources is a part of this context. Guatemala and El Salvador have the absolute lowest tax quotas, approximately 10% of GDP, while the quotas in Nicaragua, Panama and Costa Rica are considerably higher.

An expansion of trade and commerce has fuelled recent growth. The value of exports rose by an average of over 10% a year during the 1990s. El Salvador and Guatemala together account for almost two-thirds of the value of the region's internal commerce, while Nicaragua and Honduras only generate one-eighth. Notwithstanding Nicaragua's minor share of the region's commercial activities, Central America constitutes an important market for Nicaraguan exports. There has been some diversification of exports, but these countries are still vulnerable to fluctuations in the prices of certain raw materials on world markets.

In 1992–98, Costa Rica and Guatemala received the bulk of foreign private investment capital — altogether, USD 2.6m and 1.2m respectively. Only Costa Rica has managed to attract 'portfolio investment' from other regions. Trading in stocks and shares is undeveloped throughout the region.

Two of the region's countries, Honduras and Nicaragua, bear a substantial debt burden (foreign debt amounted to 97% and 335% of GDP respectively in 1998), which seriously restricts these countries' development potential. The unsolved debt situation undermines the investment climate and places a heavy burden on state financing. Honduras and Nicaragua are included in the Highly Indebted Poor Countries (HIPC) debt-relief initiative, and are currently formulating a Poverty Reduction Strategy (PRS) in this context.

The past few years' development in the region has generally facilitated further economic integration and expanded international trade. Peace, democratisation, increased macroeconomic stability and open, market-oriented policies have all contributed to this. However, this process is hampered by economic disparities between the countries, constraints on their political integration and unequal income distribution in the countries. Several joint trade initiatives have been undertaken, with varying degrees of coordination. These have resulted in the Caribbean Basin Initiative (CBI) a trade agreement between the USA and Central American countries, Chile, Mexico and the Caribbean.

Structural constraints on the region's economic integration exist within and between countries. These include institutional constraints (legislation and regulations concerning commerce, investment and company development); differences in reforms and restructuring of sectors involved in the economic infrastructure (telecoms, energy, transport, water, etc); and deficiencies in the countries' financial systems (weak competition between banks, poor range of long-term borrowing options and inadequate risk capital, weak supervisory organisations). Approximately 80% of companies employ fewer than 20 people and produce mainly for the domestic market. These companies often lack expertise in technology, marketing and financial planning.

Economic integration is often dependent on integration and reconciliation at political level. A shaky political will, sometimes undermined by border conflicts and other political disputes between the countries, contributes to periodic setbacks in integration efforts. Political integration is based on regional institutions that are not yet fully developed, and often lack sufficient mandate and capacity. This restricts scope for moving the process forward. Civil-society organisations play an increasingly important role in several theme areas relevant to increased regional cooperation. Regional

environmental cooperation has shown a certain impetus within the framework of the Central American Alliance for Sustainable Development (ALIDES).

Future challenges entailed in decreasing poverty and social vulnerability are much bound up with the combination of poverty-oriented economic growth and redistribution of resources. Tax reforms with increased tax revenues are decisive factors in this context. Favourable economic development is also dependent on the countries' political will to increase economic and political integration. Opportunities for the region's two poorest countries to undergo the HIPC process may be regarded as a decisive issue in the economic development of the entire region.

## **2.6 The Caribbean**

The Caribbean comprises some 20 island nations and is extremely diverse as a region — socially, economically, ethnically and linguistically. Cuba is the largest country in terms of population, with 11 million inhabitants, while St Kitts & Nevis is the smallest with 45,000.

Much of what was covered in the Regional Analysis of Central America also has a bearing on the Caribbean. Although many Caribbean states may be regarded as more stable democracies than those of Central America, overall Central American tendencies are reflected in several of the Caribbean countries. These include deficiencies in the judiciary and in certain states, including Jamaica, a rising trend of violence and criminality. Within the framework of this Caribbean diversity, two countries stand out from the crowd: Haiti and Cuba. Haiti is the poorest country in the region. Cuba is the only single party state in the hemisphere, and also applies a planned economic system.

Other than in Cuba and Haiti, the human-rights situation shows generally positive indicators as far as political and civil rights are concerned. Social, economic and cultural rights may also, in terms of such indicators as the Human Development Index, generally be regarded as better fulfilled than in Central America. Women's rights are less fulfilled than men's. Ratification and fulfilment of international conventions on human rights also vary between the countries. Cuba has not ratified the International Covenant on Civil and Political Rights or the International Covenant on Economic, Social and Cultural Rights. Basic freedoms and rights continue to be severely curtailed in Cuba. Many Caribbean countries retain capital punishment, and it is actually applied in some of them, including Jamaica and Cuba.

As in Central America, several Caribbean countries exhibit poverty due to both political and economic factors. Countries in the Caribbean, including Jamaica and the Dominican Republic, show large income differences, and on average up to a third of their populations live below the poverty line. Haiti shows more extreme poverty than any of the Central American countries and is more comparable to sub-Saharan African countries, where approximately one-third of the people also live in extreme poverty. Haiti is also the only country in the Caribbean that is participating in a PRS process in order to identify an overall approach to the poverty problem. Developments in Cuba over the past decade have resulted in certain careful steps being taken to reform the economy, although the outcome of these reforms has been unevenly distributed. The cessation of substantial subsidies previously provided by the Eastern bloc has brought a decline in resources in many areas, which may cause the deterioration of the favourable social indicators now generated in Cuba. The spread of HIV/aids, primarily in such countries as Haiti and the Dominican Republic, is worrying. One of several consequences is the growing number of orphaned children throughout the region.

To a high degree, the region's ecological vulnerability has its origin in the unsustainable use of natural resources. It has been exacerbated by the recurrence of natural disasters, especially hurricanes. Widespread tourism, which has repercussions on the coral reefs and sensitive coastal areas, represents a growing environmental threat. Haiti's environmental situation may be regarded as an ecological disaster, with graver and more extensive problems than anywhere else in the region.

The economies of the major Caribbean nations are more diversified than is generally assumed. It is primarily the smaller countries that are dependent on tourism, offshore banking and banana

exports. It has been estimated that annual growth must average around 5% in the region if unemployment and poverty are not to increase. In the 1990s most countries, except for Dominican Republic, experienced annual growth far below 5%. Cuban economic policies have, through various measures and reforms within the framework of the prevailing economic system, attempted to create growth in order to compensate for the serious deficits in its economy caused by the collapse of the Eastern bloc.

Regional integration gained a new impetus in the 1990s, and a move closer to Central America has occurred. This has included the establishment of another regional agency, the Association of Caribbean States (ACS), which also includes the Central American countries, Colombia and Venezuela. Cuba is also increasingly participating in regional cooperation. Besides its membership in ACS, Cuba had previously concluded a free-trade agreement with the Caribbean Community (CARICOM).

## 2.7 The development environment

The table below shows certain key data concerning the flow of development assistance to the more important countries included in the framework of this strategy. As the figures make clear, Nicaragua and Haiti are in a distinctive situation in terms of the flow of official development assistance (ODA), both in absolute terms and in relation to GDP and population size. The development environment in these countries is characterised by aid dependency to a high degree. In Guatemala and El Salvador, ODA dependence is much less apparent (less than 2% of GDP), while Honduras is in the intermediate category.

**Table 1 ODA flow to the major countries covered by this strategy**

	Net ODA in 1998			The five largest donors in 1997–98	Sweden*
	USD million	Share of GDP	USD per capita		
El Salvador	180	1.5%	30	USA, Japan, Germany, EC, Spain	9
Guatemala	233	1.2%	22	Japan, USA, EC, Germany, Spain	8
Honduras	318	7.1%	52	WB/IDA, USA, Japan, Spain, IDB**	-
Nicaragua	562	30.2%	117	IDB, WB/IDA, USA, Germany, Japan	9
Cuba	80	n.a.	7	EC, Spain, UK, Canada, Japan	-
Haiti	407	13%	53	USA, IDB, EC, Italy, WB/IDA	-

Source: the OECD's Development Assistance Committee (OECD/DAC).

\* Sweden's ranking among the ten largest donors to the country in 1997–98, according to OECD/DAC.

\*\* Inter-American Development Bank.

Among the most important donors in the region are USA, Japan, the EC (i.e. development cooperation through the European Commission), Germany, Spain, the IDB and the World Bank. The role of the development banks is somewhat underestimated in the above table, since a considerable proportion of their loan portfolios is not classified as ODA. Japan, the EC and the IDB raised their proportion of ODA during the 1990s, while the USA's share decreased. For the period 1997–98, Sweden ranked among the ten largest donors in Nicaragua, El Salvador and Guatemala.

Total ODA to Central America maintained a comparatively even level during the 1990s, with a transfer peak in 1995–96. As for tendencies in transfers to individual countries, it may be noted that Costa Rica, which received considerable ODA in the early 1990s, now receives minor amounts only. A declining trend has also been noted in El Salvador since the mid-1990s, when support for the peace process peaked. Nicaragua was the largest ODA recipient throughout the 1990s, although the flow varied from year to year, depending partly on the timing of large-scale debt-relief packages. In the mid-1990s, certain limited ODA activities were initiated in Cuba and Haiti. Post-Mitch support, which generated an ODA flow primarily in 1999–2001, will probably cause a new transfer peak in the statistics. This will particularly affect the ODA flow to Honduras. In contrast to previous years, Sweden has become one of the biggest donors to Honduras, in volume terms, since 1999.

Bilateral donors contributed 70–80% of total ODA during this period, except for Honduras, where their contributions amounted to just over 50%. The main multilateral donors are the development banks, the World Bank and the IDB. The IMF has an extensive loan volume, primarily in Nicaragua.

The European Commission's development cooperation with Central America has changed. Whereas in the early 1990s it was directed primarily at regional support for peace processes, it now comprises both regional programmes, often linked to the regional integration process, and major, comprehensive country programmes. It is difficult to distinguish any sector priorities in EC assistance, since it covers all sectors to some degree. The social sectors and democracy-promoting activities may, however, be broadly regarded as priorities. Transfer speed of EC support is low in comparison to allocated funds. Nonetheless, transfers tripled during this period. Over the five-year period ahead, large-scale inputs are anticipated in the country programmes, except for El Salvador where a certain decrease is expected. Continued support for regional integration is also planned. The EC has decided to increase its post-Mitch assistance programme, but transfers and implementation speed have been low to date.

As stated above, the Swedish share of total ODA is relatively small. This has not, however, prevented Sweden from playing an important role in individual countries and with respect to special issues, such as refugee return, strategic human-rights inputs and in support for the peace processes. Post-Mitch support has further raised the Swedish profile in Central America.

The sectors of interest to Swedish development cooperation are also highly relevant to other donors. This primarily applies to what, in general terms, may be described as democracy-promoting inputs and the social sectors. Despite variations between the countries, the USA, the EC, Spain and the Nordic countries may be regarded as the largest donors in the democracy area. In the social sectors, the major players are the development banks, the EC, the USA and the Nordic countries, and also several of the UN agencies. In the dialogue concerning debt-relief issues and economic reforms, Sweden has often cooperated with the other Nordic countries, The Netherlands, Germany and Switzerland.

The Consultative Group (CG) meetings arranged by the Central American countries in cooperation with the IDB have become important arenas for coordination of development cooperation. From originally being an exclusively government-level meeting, it has developed a broader participatory base that includes representatives of civil society. The focus of the dialogue at the CG meetings has also shifted from a traditional macroeconomic focus to include good governance and poverty issues. In Guatemala the UN system, especially UNDP, has played a more prominent role in donor coordination within the framework of the peace process. In the countries (Nicaragua and Honduras) that are establishing a special Poverty Reduction Strategy (PRS) within the framework of the HIPC process, these strategies are expected to become important instruments for donor coordination.

During the Stockholm Conference, a follow-up mechanism was established by the donors in the '5 Group', consisting of Sweden, Spain, the USA, Germany and Canada (subsequently also Japan). In Nicaragua and Honduras, this forum for coordination and dialogue with governments in monitoring the countries' undertakings in the Stockholm Declaration has become extremely important and the Group has been extended to include additional donors and multilateral agencies. This has brought about a renewal in the forms of coordination and improved their effectiveness.

Cooperating countries' capacity to coordinate development assistance varies, but may generally be characterised as weak. It is an unfortunate tendency that the donor side appears to be over-assertive in these coordination initiatives. Nationally accepted strategies, such as the peace agreements, reconstruction plans from the Stockholm Conference and the PRS, activate a joint dialogue based on the priorities of the cooperating countries, and are therefore essential tools of donor coordination.

Generally, the level of corruption in Central America is deemed high, in the public and private sectors alike, and this also affects the development environment. Besides the distorted price picture and decision-making created by corruption, it also leads to increased bureaucracy and obvious risks for the development and credibility of democracy. This in turn reduces the donors' will to transfer responsibility for activities to national institutions.

### 3. CONCLUSIONS OF THE PERFORMANCE ANALYSIS

#### 3.1 Background and method

Swedish development cooperation with Central America originates in support for peace and justice aimed at countering armed conflicts both within and between countries in the region. The regional dimension was apparent from the start. In a situation where natural contact points between countries had broken down, creating new meeting places with the help of development assistance in cross-border projects and, at the same time, solving problems that existed in several countries became an end in itself. This regional focus was further developed with the inception of regional peace processes designed by the countries themselves. With the peace agreements and their consolidation, new scope for cooperation at country level was created.

The following objectives guided development cooperation with Central America during the strategy period from 1996 to 2000: peace and reconciliation, extended democracy with respect for human freedoms and rights, good governance and functioning rule of law, sustainable development aimed at poverty alleviation and more equal resource distribution, gender equality, and respect and improved living conditions for indigenous peoples. For Nicaragua, the objectives were to strengthen democracy, enhance equality and reduce poverty.

In October 1998, Hurricane Mitch hit Central America. This disaster has been described as the worst in modern history in Central America. Its consequences were enormous and affected the orientation of development cooperation in the region, in terms of both scope and focus.

The Performance Analysis is based partly on a study carried out by external consultants (see Annex 2) and partly on information provided by the embassies and field offices in the region. The overall purpose of the external analysis was to identify important lessons to be learnt from experience, draw conclusions from a selection of completed evaluations and, on the basis of these, contribute to the formulation of future development cooperation. Particular attention should be paid to the coherence and effectiveness of completed activities in relation to the aims and priority themes of current strategies. Scope for the consultants to assess the overall scope and content of development cooperation, or draw conclusions concerning goal achievement, was limited since the evaluations did not cover the entire development cooperation programme.

#### 3.2 Cooperation to date

**Table 2. Development cooperation with Central America and the Caribbean by country and operational area in 1997–99 (disbursements in SEK million)**

Operations/ Country	Democ- racy/HR	Social sectors	Infrastr., industrial & urban	Nat. re- sources	Econ. reform	NGOs	Re- search	Humani- tarian aid	Other	Total	%
Regional inputs	52.6	86.9	37.81	62.92	140		12.3	25.2	26.1	443.83	24.2
Nicaragua	182.9	97.1	70.2	34.4	75	31.5	40.7	32.3	13.1	577.2	31
Costa Rica	1.4	0.07	11.52	12.05		17.1	2.3		0.12	44.56	2.4
El Salvador	59.2	8.1	33.2	1.2		19.6	1.2	0.9	1.5	124.9	6.7
Guatemala	227.5	21.3	31.9	2.1		24.3	0.8	18	3.2	329.1	17.7
Honduras	55.8	48.1	129.5	0.09		6.4		26.6	5.88	272.37	14.7
Haiti	1.6					3.7		1.5		6.8	0.4
Cuba	20.3	0.2	4.28			1.17	2	4		31.95	1.7
Other countries	0.12		30.1				0.1		0.2	30.52	1.6
<b>Total</b>	601.42	261.77	348.51	112.76	215	103.77	59.4	108.5	50.1	1861.23	
<b>%</b>	32	14	18.7	6	11.5	5.6	3.2	5.8	2.7		

Table 2 presents disbursements for the various Swedish development cooperation areas in Central America and the Caribbean in the period 1997–99. Total disbursements amounted to approximately SEK 1.8 billion. The largest recipients were Nicaragua, Guatemala and Honduras.

Nicaragua was the only country that received funds from its own country financial limit (SEK 119.1m in 1997, SEK 103.4m in 1998 and SEK 102.1m in 1999). The largest portion of development cooperation in Central America and the Caribbean was that allocated to democratic governance and human rights.

In January 1999, the Swedish Government gave Sida a mandate to implement a post-Mitch reconstruction programme in Central America, using a total of SEK 1.4 billion over the three-year period 1999–2001. In 1999, a portion of these funds was disbursed primarily to Honduras and Nicaragua, which were the countries worst affected.

### 3.3 Experience and lessons learnt

- *Coherence between strategies and completed activities*

Generally speaking, development cooperation has been in line with the objectives, countries and sectors given priority in both the strategies. In Guatemala and El Salvador the emphasis has been, as anticipated, on activities connected with the peace processes. The gradual reorientation of cooperation with El Salvador to include contract-financed technical cooperation (CTC) as prescribed in the Central American strategy has, however, been only partially fulfilled. The Nicaragua programme has been given a clearer emphasis on poverty and democracy issues, as determined in its country strategy; cooperation in two sectors, forestry and energy, has been phased out; support directed at the country's smallholders has been initiated; and extensive cooperation in the democracy area has been implemented. In the Caribbean, cooperation with Cuba has complied with the special Swedish government decision of 1995. In Haiti, limited support has been initiated in the area of democracy and human rights, in accordance with the mandate received by Sida in its official appropriations letter.

Post-Mitch support, of which the volume and emphasis were laid down in a Swedish Government decision soon after the disaster, has caused certain changes to the emphasis anticipated in both the strategies. The infrastructure sector, with road and bridge construction, was added as a temporary, sector — though one that was substantial in volume terms. The level of ambition regarding the environment was raised when ecological vulnerability came into focus. However, on the environmental front the current orientation has been given less scope than was intended in the government decision. Mitch also caused certain previously planned projects to be delayed.

- *Sweden as an player in the peace processes*

Support for peace processes and the maintenance of peace has been a strategic objective of development cooperation. Several projects and programmes supported by Sida have played a key strategic part in these processes, primarily in Guatemala and El Salvador, but also in Nicaragua. One precondition for this has been that cooperation was designed to work in concert with the rest of Sweden's foreign policy, and that programmes have been based on a solid foundation of Swedish NGOs' presence in the region. The nature of the support has varied during the various phases of the peace processes. In the introductory phase, assistance was more limited in volume terms and focused on promoting dialogue, supporting groups affected by the conflict (e.g. refugees) and strengthening players engaged in monitoring human rights. When the peace processes eventually led to partial agreements between the parties, support was provided for verification and demobilisation, which were monitored by special UN missions. At a later stage, support was aimed at, and conditional on, the implementation of the broad development agenda formulated in the peace agreements.

The broad alliance between donors and international organisations that has backed up the peace agreements with both development funding and political dialogue has, by all accounts, contributed to the limitation of setbacks to the peace processes. There have, of course, been both more and less successful projects, in certain cases connected with the fact that the peace processes themselves have experienced difficulties. Sida's overall assessment is, however, that the funds invested in the support of the peace processes have been more than justified. Three lessons of note concern the importance of (i) coordination between diplomacy and development cooperation, (ii) flexible adaptation of support for the political context, and (iii) internationally coordinated political and financial support for the commitments in the peace agreements.

- *Sweden as a dialogue partner for governments and international organisations*

Considerable efforts are made both at the embassies and in Stockholm to conduct a dialogue with governments and international organisations. Experience of these activities is both favourable and unfavourable. The fact that Sweden is perceived as a long-term partner with unselfish motives has generated wide-ranging confidence from which this country, as a dialogue partner, has been able to benefit. One illustration of this has been the impact of the 'Stockholm Agenda' in the region to date, and the role Sweden has been assigned in its monitoring. In dialogue with the development banks, especially in connection with the consultative group meetings, Sweden and other donor countries have been able to raise good governance and poverty issues at an early stage in the proceedings, and it may be observed that these issues are currently placed much higher up on the agenda in this context.

Less favourable experience of dialogue activities has included difficulties in coordinating Swedish operations at local level and in different arenas, for example when Sida failed to provide a unified message both in cooperating countries and to the development banks' headquarters. There have also been relatively unsuccessful attempts to carry on a dialogue with the cooperating countries concerning urgent issues. One example of this is Nicaragua, where dialogue has been intensive and the Swedish profile extremely high, without this situation having led to tangible results.

- *Experience of various types of cooperating partner*

Cooperating partners have included players in the public sector, civil society and, to a lesser degree, the private sector. Support for public administration has been strategically important in several of the countries in paving the way for democratic social development, and for many types of inputs where the government is the given cooperating partner.

This experience illustrates the fact that cooperation with government authorities may rest on shaky foundations, owing to the lack of political acceptance of the project or programme, politicisation, lack of transparency and, in certain cases, elements of corruption. These factors have exerted a devastating effect on the impact of individual projects and programmes. There are several examples of important projects that have been suspended or terminated owing to this type of problem. Examples of such projects are those providing support for local basic social services through PROSERBI (*Programa de Servicios Básicos Integrados*), the Nicaraguan National Audit Office and the Ombudsman for Human Rights in El Salvador. In addition, changes that occur in connection with a change of government also affect the continuity and results of the support in terms of emphasis, knowledge base and sustainability.

These problems have been less conspicuous in cooperation with institutions that enjoy broader political acceptance; where the processes have been initiated and owned by the institutions and countries themselves; when cooperation is directed at institutions whose mandates give them some degree of political independence; or when the decentralised level and cooperation between state and civil society are given considerable scope, as in the support for local healthcare services provided in the PROSILAI project in Nicaragua, for example. Other favourable examples worth mentioning are the support for the Ombudsman for Human Rights and the support for health-sector reform in Honduras.

Experience of development cooperation aimed at local authorities has been generally positive, especially when it has been combined with efforts to enhance the civilian population's awareness of their rights. Support for local development through PRODEL (*Programa de Desarrollo Local en Las Segovias y Occidente*) in Nicaragua has helped to improve the living environment and raise the income of local urban populations through microcredits, while also contributing to the strengthening of local authorities and local participation in development of urban infrastructure. Promotion of local development in the form of increased popular participation in the democratisation and decentralisation processes has occurred through regional and municipal authorities' capacity-building for local planning and drafting of legislation to promote equality. Support for the Atlantic coastal region in Nicaragua is an example of an activity at regional level that has contributed to the activation of the autonomy process. Another example is the construction of courthouses in Nicaragua, which has helped to enhance respect for human rights.

Experience of cooperation with civil society has been predominantly favourable. Popular participation has been one of the dominant themes in this cooperation, with a focus on the special



rights of indigenous peoples and women, and conditions for their participation in this economic and political process. Several evaluations carried out have stated that support for civil society has yielded good results and been cost-effective. Particular mention may be made of support for civil society in El Salvador, where the democratisation process has contributed to popular education and increased participation in local decision-making.

However, managing many small projects with many different recipients is labour-intensive. This administrative limitation has been partially solved by Swedish NGOs assuming the role of dialogue partner and coordinator for a wide circle of cooperating partners, which also creates added value in the form of network-building and shared experience. One such pilot project is the gender-equality support for civil society in Nicaragua, which has been administered by Forum South since early 2000. Another constraint on the scope of the support for players in civil society is their degree of aid dependence, which means that their financial sustainability is weak. Attempts to identify financing forms other than international development assistance are marginal. Another problem for forms of support of this type is that the organisations' membership bases are often poorly developed. Themes such as representativeness, internal democracy and transparency are also important issues in the dialogue with civil-society players.

- *Experience of various types of implementation channel*

Support channelled through multilateral organisations — mainly UN agencies — has been considerable, especially in El Salvador, Guatemala and Honduras. Experience has been mixed. In several cases, limitations have been noted in terms of cost-effectiveness, project management and a tendency to assume too much responsibility for project implementation in relation to the national cooperating partner. Such criticism has, in certain cases, been made regarding both UNDP and UNICEF. At the same time it may be noted that UN agencies often play an important and successful role in the peace processes. They have also taken on the urgently needed coordinator role when several donors have channelled their support through these organisations in the same geographical area. The UN MINUGUA Verification Mission (force of observers) and UNDP in Guatemala are examples that show both the positive and the negative aspects mentioned above. One lesson to remember is that support channelled through these agencies has the best prospects of success in areas where they have clear comparative advantages in the form of (i) special skills or (ii) a clearly defined mandate, or (iii) when they perform a clear coordinating role.

Swedish NGOs are important links with players in civil society in cooperating countries. Good examples can be found in the cooperation between the Swedish NGOs and the embassies, including mutual exchange of information and perspective on the development processes in the countries concerned. The Swedish NGOs play an essential part in development cooperation, enabling a broad spectrum of contacts with civil society to be maintained in the cooperating countries.

- *Support for regional programmes*

One important lesson from support for regional programmes is that ownership and sustainability issues must be taken seriously in cooperation with regional organisations. Assistance should be aimed at supporting these players in what may be expected to be their long-term role in regional cooperation. There is therefore a danger in overdimensioning assistance to regional organisations in cases where ownership by the member countries is weak. Another key lesson has concerned the difficulty of tackling what are basically national problems within the framework of regional programmes. Assigning roles vis-à-vis national institutions has often proved problematical, and national acceptance has been weak. Including small-scale elements of sharing of experience when similar projects are carried out in several countries has often worked well when there are sufficient points of contact between countries to prompt this type of exchange.

- *Gender equality as a profile issue and theme for mainstreaming*

Although gender equality has been a Swedish profile issue and has been emphasised in dialogue with the various cooperating partners, it has been difficult to achieve any impact on project analyses and implementation. Gender equality is not part of the general debate and many cooperating partners find it hard to understand, or lack interest in and knowledge of, gender-equality analyses. Lack of disaggregated statistics is another aspect that makes work with these issues more difficult. Conservative values in terms of men's and women's rights and family roles have considerable influence on political decision-making. Several Central American countries have,

for example, expressed reservations about the action plan that resulted from the Fourth World Conference for Women in Beijing in 1995, especially in areas concerning family planning and women's sexual and reproductive rights. In Nicaragua, direct support for INIM (*Instituto Nicaraguense de la Mujer*), a government agency, has not been renewed. INIM's activities and impact have been weakened by its organisational inclusion in the Family Ministry, whose political position is opposed to the Beijing agreement. Instead, support for democracy has been allocated to civil society for networking to combat violence to women and to support for special police stations for women and children.

In Guatemala, support has been used to assist the setting-up of an Ombudsman for Human Rights for indigenous women, and also to assist the national women's forum that was a product of the peace agreement. Within this framework, support has been provided for three of the foremost women's networks in Guatemala in an attempt to unite the Guatemalan women's movement and establish a joint proposal as to how gender-equality aspects can be included in national policies. One lesson to be learnt from development cooperation has been that, when working with government institutions becomes difficult, it is advisable to cooperate more with civil society. Through this support for civil society, Swedish development cooperation has contributed to networking and to raising women's awareness of their rights and their participation in various arenas. If gender-equality issues are to have any impact on national politics and in national development plans, it is vital for Sweden to keep emphasising these issues in dialogue with government agencies and to work for a gender-equality perspective to be included throughout the development cooperation programme.

- *Countering corruption*

The corruption issue has assumed a natural and prominent part in Swedish relationships in the region, especially in the Swedish dialogue. Other ways of tackling and counteracting corruption are through support for specific inputs aimed at the establishment of control mechanisms for the prevention of corruption. Examples are the National Audit Office in Nicaragua and certain individual national and international organisations and networks, such as regional cooperation through the International Organization of Supreme Audit Institutions (INTOSAI) in Central America. Corruption risks have also been taken into account in risk analyses when activities are prepared and monitored. One important lesson to learn is that corruption must be carefully considered in future cooperation activities.

- *Mutuality and Swedish visibility*

Cooperation areas such as research, culture and support through Swedish NGOs are examples of areas where broad interfaces with Swedish society have been created. In the Caribbean, Costa Rica and Guatemala, the Swedish resource base has also been involved within the framework of contract-financed technical cooperation (CTC). Post-Mitch cooperation also engaged the Swedish resource base to a considerable degree, especially in the infrastructure area. Sida and the embassies have also worked to ensure that more Swedes become involved in the organisations Sweden cooperates with. The language barrier, the types of issue given priority and the comparatively good supply of know-how and resources in the region combine to limit use of the Swedish resource base. This has occasionally contributed to lack of visibility for Swedish development cooperation. One conclusion drawn is that investing in active information inputs in cooperating countries is an efficient way of boosting visibility.

- *Post-Mitch support*

As early as 18 months after the Swedish Government's decision on special post-Mitch inputs, Sida had prepared and taken decisions on 125 projects at an aggregate cost of SEK 1.3 billion, of which almost 60% had been disbursed. Sida's financial undertakings are therefore deemed to have been fulfilled. Overall, Swedish support is characterised as comprehensive, prompt and efficient. The bulk of the support has been aimed at reconstruction (transport systems, housing, agricultural production, etc), while results concerning long-term inputs aimed at helping to reduce ecological and social vulnerability have been disappointing. One important lesson to be learnt from this that it is difficult to combine long-term preventive activities with humanitarian aid, which requires speed of introduction.

The Stockholm Declaration and its aftermath have played a key role in, and contributed considerably to, coordination between donors. The coordination process has, in turn, been

characterised by, and created legitimacy for, dialogue participation from civil society and in the establishment of national development plans and strategies. During the follow-up process, the scope offered by the Internet for networking communication and coordination has been widely used by both civil society in the region and Swedish NGOs, as well as donors in the field and in their respective home countries. Special inputs concerning IT-based and other information activities have therefore created important preconditions for implementation of the Mitch programmes, and also for policy dialogue and continued development cooperation.

- *Cooperation in the health sector*

Support for reform of the health sectors in Guatemala, El Salvador, Honduras and Nicaragua is aimed at decentralising integrated healthcare services to district level and cooperating with municipalities. This support is still channelled multilaterally through the Pan American Health Organization (PAHO) and UNICEF. National ownership remains, however, weak in all countries. In Nicaragua, Swedish support for six districts has been cited as one example, and considerable improvements in health indicators can be shown in comparison with other districts in the country. The Ministry of Health is weak, but the first steps have been taken towards increased donor coordination and national ownership. In El Salvador, no political decision has been taken as to the content of the reform, which is blocking the progress of the work. Similarly, the political situation in Guatemala hinders progress, but key measures have been taken to include migrant workers in the social-insurance system, and at district level for indigenous women. In Honduras reform work is generally going well with active participation by, and cooperation with, municipalities. One of the conclusions drawn from health cooperation is that forms of cooperation resembling programme support are preferable.

- *Research cooperation*

Swedish support for research cooperation at national and regional levels has contributed to universities initiating their own research activities. One important lesson has been that support must be adapted to varying preconditions, including levels of expertise and physical resources. It has also proved important to build on the initiatives and opportunities developed in the domestic institutions. Swedish cooperating partners should continue to contribute expertise and commitment and, in return, obtain knowledge that contributes to the internationalisation of Swedish universities and colleges.

- *Urban environment*

During the period under review, support for improved living conditions and the local environment was provided for Nicaragua, Guatemala and El Salvador, and for Honduras as part of post-Mitch activities. What these programmes have in common is that they are based on rotating funds that provide loans for poorer groups aimed at improving their living conditions, and also for microenterprises in several cases. Improved local infrastructure is included and implementation is based on a high degree of popular participation. NGOs, neighbourhood groups, municipalities and sometimes local trade and industry have participated. Experience is favourable in terms of results at local level, and these inputs have aroused the interest of other donors such as the IDB and the World Bank. At national level, the political will has generally been weak and has caused problems, including delays, in implementation.

- *Natural resources and the environment*

Support for regional organisations in the area of natural resources and environment has proved strategically important to the coordination of post-Mitch humanitarian activities. During the post-Mitch process and in preparation for the Stockholm Conference, Sida's cooperation partners took the initiative in discussing priority areas and activities. Established regional institutions, such as the System of Central American Integration/Central American Commission for the Environment and Development (SICA/CCAD) and the Coordination Center for the Prevention of Natural Disasters in Central America (CEPREDENAC), were strengthened in their role and their contacts with regional NGOs, and the capacity of such training institutes as the Community AIDS Treatment Information Exchange (CATIE), EARTH and PRISMA was improved.

## 4. STRATEGY

### 4.1 General considerations and overall objectives

Two characteristics stand out as particularly prominent, by international standards, in several Central American and Caribbean countries. One is a turbulent political history, often including social conflicts resolved with violence, oppression and various forms of discrimination and marginalisation. The other characteristic is the close connection between the problems of poverty and the uneven distribution of economic resources and political power. With a wealth-distribution profile more in line with the rest of the world, poverty would not assume the dramatic proportions it does in many of these countries.<sup>1</sup>

The uneven distribution of economic resources and political power looks set to remain the basic constraint on sustainable development, in which the rights of the individual could otherwise be better fulfilled. The constraints on development, which are intimately interconnected, also include other basic problem areas for Swedish development cooperation, such as mismanagement of natural resources and growing environmental problems, gender equality, children's rights and cultural diversity. Economic growth is another important precondition. However, given the conditions prevailing in the region, the special challenge here is to ensure that the benefits of this growth are distributed fairly.

The Swedish development-assistance objectives laid down by Parliament form the basis of Swedish development cooperation. The main objective is to improve the living conditions of the poorer groups, which presupposes consolidated democracy and economic growth, as well as greater social equality. Of the six objectives, economic and social equality on the one hand and democratic social development on the other are deemed particularly applicable to Central America and the Caribbean:

In the selection of countries, sectors, projects and emphasis for policy dialogue with cooperating countries, their relevance in relation to these two overall and interrelated objectives should provide relevant guidance.

### 4.2 The regional dimension and criteria for country selection

Both Central America and the Caribbean have characteristics that permit their development cooperation to be given a regional dimension. Integration processes are under way in both regions, with embryo regional institutions, although integration efforts periodically experience setbacks. There are cross-border problems, common challenges and many similarities between the countries. Development cooperation should use the opportunities provided by this regional dimension as follows.

#### *(i) Support for regional programmes*

Development cooperation can, in certain specific areas, support regional programmes that are channelled through regional organisations and aim to support cooperation between countries, regional integration and solutions to cross-border problems.

#### *(ii) Regional sharing of experience and coordination gains*

In several cases development cooperation will be provided for national projects of similar types in different countries. In these cases, opportunities for sharing of experience and coordination gains should be used in administering the cooperation.

#### *(iii) Regional flexibility*

Swedish cooperation with Central America and the Caribbean should be based on a comprehensive programme for the region. Within the framework of the strategy, and based on the

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<sup>1</sup> The proportion of poverty-stricken people in Latin America is 33%. Estimates from the IDB (1998–99) show that if income distribution were the same as in South-East Asia or Africa, this proportion would be 4% or 17% respectively. This comparison is also relevant to Central America, where income distribution is at least as skewed as the rest of the region.

criteria stated below, it should be possible to apply enough flexibility to ensure that funding is directed at the countries and areas where preconditions are deemed particularly favourable.

In the balance between support for regional programmes and inputs at national level, however, the national level will form the major thrust. Scope for channelling the bulk of development cooperation to regional programmes is severely limited by problems related to ownership, sustainability and institutional capacity. In most of the priority areas of development cooperation, the problems, process owners and players are overwhelmingly national.

Consideration of the following criteria should guide priorities in country selection:

*(i) Process criterion*

Priority should be given to countries currently undergoing processes that generate scope for development cooperation, over a specific period, to help eliminate structural-development constraints. This criterion is particularly relevant in countries at a comparatively advanced level of economic development, in terms of GDP per capita, but where poverty is widespread owing to unequal distribution of economic resources and political power. In this type of country, development cooperation can play a decisive part during specific phases of development. However, the duration of development cooperation must be made conditional on the dynamics of the processes.

*(ii) Economic development*

A few of the countries concerned find themselves at a stage of economic development far behind the other countries in the region. Honduras, Nicaragua and Haiti belong to this category, and their GDP per capita is comparable to Swedish cooperating countries in other regions. Poverty is, in these countries, a reflection of low development levels in absolute terms. This should form a basis for assigning priorities, and especially in decisions as to whether to establish more long-term development cooperation.

*(iii) Roles of other players and Sweden's comparative advantages*

Swedish development cooperation cannot adopt the ambition of being everywhere it is needed. In the choice of where and how to become involved, the presence of other players must be taken into consideration, as must Sweden's comparative advantages and capacity restrictions.

With these criteria as points of departure, the following fairly general priorities should be used as guidelines for country selection during the period for which this strategy applies.

In Central America, priority should be given to three countries: Nicaragua, Honduras and Guatemala. **Nicaragua** and **Honduras** are two of the region's poorest countries, and long-term development cooperation is therefore called for. In both countries, however, serious emphasis must be laid on the progress of democratisation when decisions are taken regarding the volume and content of development cooperation. In **Guatemala**, consolidation of the peace process prompts continued Swedish involvement. Both the time frame and the volume of support must be conditional on the sustainability of the peace process.

In **El Salvador**, the peace agreement has ceased to be the only relevant platform from which to tackle constraints on structural development. Swedish support that was prompted by the peace process will be gradually phased out. In El Salvador, the requirements for phasing in new development instruments, especially CTC, are thought to exist.

In the Caribbean, cooperation is anticipated to remain at a comparatively limited level in terms of both scope and volume. Countries to be paid special attention in the Caribbean are Cuba and Haiti. **Haiti**, the poorest country in the region, is currently undergoing a critical political process after decades of dictatorship. The preconditions for successful development cooperation are, however, complex. Several of the major development players are already involved, and there is no apparent Swedish comparative advantage. Development cooperation is confined to efforts to promote democracy and human rights, channelled through other players with a local presence. In **Cuba**, continued small-scale cooperation aimed at encouraging the sharing of experience with other countries and paving the way for development-promoting reforms is anticipated. Plans should, however, be in place to reconsider the volume and emphasis of cooperation in the light of changes

in the country's circumstances. Cuba is also a candidate for CTC.

No long-term development cooperation is envisaged with the **other countries** in Central America and the Caribbean. Activities in other countries are limited to the use of such instruments of development assistance as CTC, international courses, credits and guarantees. The primary partners in this type of development cooperation are Costa Rica, Panama, Dominican Republic and Jamaica. Several of these countries also receive Swedish support for regional programmes.

Based on existing indicators concerning allocation of funds during the strategy period, cooperation with Central America and the Caribbean is expected to amount to approximately SEK 600–800 million a year (including all budget items). In percentage terms, its geographical distribution — very tentatively, and averaged over the entire strategy period — is expected to be as follows (with the reservation that changing conditions will prompt a budget review):

Regional programmes	15%
Guatemala	20%
Honduras	25%
Nicaragua	25%
El Salvador	5%
Cuba and Haiti	5%
Other Central American and Caribbean countries	5%

#### 4.4 Priority themes

The following themes and inputs are particularly relevant in the fulfilment of the objective to contribute to *democratic social development*:

*(i) Popular participation in political processes*

Important themes are support for sustainable systems of implementing general elections, popular education, inputs that strengthen interaction between public institutions and civil society, and grass-roots democracy. Groups that, for various reasons, suffer discrimination in terms of the right to participate in the political process should be given special attention. These include women and indigenous peoples.

*(ii) Strengthened rule of law*

Urgent areas include support for parts of the judiciary, such as the courts system, the police and institutions that monitor civil rights (including an Ombudsman for Human Rights in several countries). Prevention of crime and violence is an urgent area where new approaches must be attempted. Women's and children's rights will be given particular emphasis.

*(iii) Good governance*

Modernisation of public administration, transparency and the fight against corruption, and also processes that promote economic equality and decentralisation of economic resources and political power to municipal councils, should be the priorities.

*(iv) Conflict management and reconciliation*

This should be a prominent theme in countries that find themselves in a post-conflict phase. In Guatemala, all support will be clearly connected with the implementation of the peace agreements. Inputs in these areas are assumed to contribute to the overall poverty objective by ensuring popular influence over public decision-making, thereby boosting the scope for vulnerable groups of people to assert their rights. By also enhancing conflict resolution and contributing to both efficiency and transparency in the public sector, these activities consequently also facilitate implementation of a more equitable income-distribution policy.

Areas of activity primarily aimed at achieving *economic and social equality* include the following:

*(i) Programme cooperation*

Programme cooperation (in the form of debt relief or budget support) may be applicable in Honduras and Nicaragua within the framework of the HIPC process. Programme cooperation

requires convincing and well-accepted poverty strategies to be formulated and regarded as support for the implementation of economic reforms aimed at economic equality and poverty alleviation.

*(ii) Development in the social sectors*

Health-sector cooperation will continue to form an important cooperation area in several countries. Its main emphasis will be the strengthening of local health systems, with the emphasis on primary care. HIV/aids problems will continue to be in focus, and a cross-sectoral approach should be used. Other inputs in the social sectors, including support for programmes involving social-investment funds and education, may be considered.

*(iii) Poverty-oriented growth in rural areas*

Priority should be given to growth-promoting inputs aimed at the poorer groups in society; rural development, resource mobilisation in the form of microcredit systems, land ownership and surveying inputs, or sustainable use of natural resources.

*(iv) Urban environment/local development*

Inputs that cover the living conditions of the poor in urban slum areas in an integrated fashion (housing, local development and mobilisation of resources in the form of e.g. microcredits) should be implemented in several countries.

*(v) Support for production of statistics, analysis and other processes that promote opinion formation*

Continued support is anticipated for household surveys, analyses and opinion formation that relate to poverty issues and help to strengthen both the state's ability to formulate an effective policy and civil society's scope for influencing its formulation.

In several cases, activities that more indirectly connected with this strategy's two priority objectives should be supported. The major aspects of the strategy above must therefore not be regarded as exhaustive. One key anticipated area of cooperation is *research collaboration*, since this plays a special role in both national and regional capacity-building. Research collaboration helps to enhance countries' ability to use the global production of knowledge and formulate development promotion policies independently. Research collaboration covers both natural and social sciences.

Growth-promoting inputs should primarily show a clear wealth-redistribution profile in accordance with the aforesaid requirements. However, there will also be scope for more general growth-promoting activities, primarily aimed at the *private sector* and, when suitable, in the form of credits. Inputs will primarily be aimed at institutional reforms in commerce, industry and the financial system that could help to improve prospects for development of the region's private sector.

*Environment and natural resource issues* will be dealt with in specific environmental projects (for example in the form of support for the development of regional environmental cooperation and disaster prevention) but also as an important cross-sectoral theme primarily in urban development, rural development, research cooperation, healthcare and water/sanitation. Investments for the post-Mitch reconstruction of *infrastructure* (roads, bridges) will be completed during the first year of the strategy period. However, this sector will not remain as a long-term cooperation area. *Modern information technology* (IT) will be included in areas such as good governance and processes that promote opinion formation.

In terms of Sida's operational areas — which do not, of course, do justice to the multidimensional character of many of the activities involved — estimated average distribution during the strategy period is expected to be as follows:

Democracy and human rights	30%
Social sectors	15%
Infrastructure/trade and industry/urban development	15%
Natural resources and environment	15%
Economic reforms	10%
NGOs ("20/80")	10%
Research cooperation	5%

## 4.4 Policy dialogue

'Policy dialogue' is defined here as the goal-oriented dialogue that is part of Swedish development cooperation. This dialogue is carried out with a number of players, including the cooperating countries' governments and political opposition, organisations and representatives of civil society, the UN system, development banks and other international institutions. Well-constructed information policies aimed at target groups in cooperating countries form an important contribution to this dialogue. Opportunities for dialogue are afforded in various arenas. In recent years, the Consultative Group donor meetings for the Central American countries have, for example, acquired greater legitimacy and broader participation, and this has contributed to the importance of policy dialogue in the region.

Swedish preconditions for policy dialogue differ between Central America and the Caribbean. In Central America, peace and democratisation processes have formed the framework for extensive dialogue with a number of different players and at various different levels. In the Caribbean, the Swedish dialogue and presence has been limited but is now, however, generally harmonised with the overall dialogue for Central America.

### *(i) General points of departure*

The overall dialogue takes its points of departure from two process-oriented contexts: the principles of the Stockholm Declaration and the permeation of all development cooperation activities by the rights perspective.

The principles of the Stockholm Declaration concerning reconstruction and transformation of the Central American societies encompass aspects that are central to the sustainability of Swedish development cooperation and therefore naturally form a platform for policy dialogue.

For both Central America and the Caribbean, the emphasis on the rights perspective in development cooperation is an additional point of departure for the dialogue. Human-rights conventions, their reporting systems and follow-up mechanisms mean that, in practice, the policy dialogue can be largely connected to a common international framework of norms. The rights perspective should therefore permeate the dialogue within the framework of this strategy.

### *(ii) Swedish profile issues*

Swedish profile issues for policy dialogue in the countries of the region and with international players comprise:

- **An equitable income-distribution policy**

Sweden shall, through dialogue, attempt to promote a more equitable income-distribution policy in cooperating countries. The objectives are that poorer and more vulnerable groups will gain more scope for exercising their basic human rights, and that they can exert influence on the nature of these rights. One important aspect in this context is resource mobilisation, in the form of tax revenues.

- **Sustainable management of the environment and natural resources**

Sweden shall, in dialogue, help to reduce ecological vulnerability by contributing to the removal of structural constraints, such as ambiguous ownership situations, weak environmental legislation and institutions relating to the environment and natural resources.

- **Gender equality**

Sweden's aim is, in dialogue, to ensure that women, as well as men, have opportunities to participate in, and actively influence, social development in cooperating countries. The objective is to contribute to changes in the skewed power balance between men and women by removing structural constraints and combating values that impede increased equality between the sexes.

- **Extended democratisation process**

Sweden shall, in dialogue, work for the consolidation of democracy in cooperating countries by promoting good governance and the growth and reinforcement of strong key democratic institutions, in parallel with greater scope for individuals to participate in, and influence, the democratic process.



*(iii) Dialogue in relation to certain international players:*

- The European Commission

The EC's development cooperation with Central America makes it one of the largest cooperation financiers in the region, in volume terms. In the light of the volume of the Swedish cooperation with Nicaragua, Honduras and Guatemala, priority will be given to these countries in dialogue with the Commission. The political situation in Cuba and the EU's joint stance towards this country also requires special attention in terms of Swedish contacts with the Commission, and during the establishment of EU's future relationship with Cuba. Sweden should, in the policy dialogue concerning the EC's development cooperation — especially in Nicaragua, Honduras and Guatemala — lay particular emphasis on strategic and overall issues. These include the drafting of governing country strategies and policies, increased participation of the Commission in overall donor coordination in the countries, and more efficient organisation and implementation of EC's development cooperation.

Regional political and economic integration in Central America and in the Caribbean should be emphasised in the Swedish dialogue as an area where EC's development cooperation has special advantages, on condition that local ownership of the integration processes is manifest.

- International financial institutions

Swedish profile issues in relation to the IDB have been poverty alleviation and gender equality — two issues that are still deemed relevant in this context. The newly initiated partnership with IDB also provides increased opportunities for constructive dialogue concerning these issues. During dialogue with the World Bank, IMF and IDB, the PRS processes will be particularly relevant. Crucial requirements to be included in this dialogue are, first, that these processes have strong local ownership and, secondly, that donor coordination is as constructive as possible. Regarding HIPC for Honduras and Nicaragua, Sweden will continue to emphasise the importance of considering issues relating to good governance and transparency during these processes.

- ρ The UN system

The UN system, primarily the UNDP, will continue to be an important channel for Swedish development cooperation, especially in Guatemala. Special attention should be paid to the importance of efficient coordination within the UN system. Regarding the UN system's role in project implementation, role and ownership issues in relation to the national cooperating partner should be emphasised, with the aim of ensuring national undertakings and responsibility. In relation to the UN system, Sweden should henceforth lay particular emphasis on issues concerning children's rights and how to make fulfilment of the Convention on the Rights of the Child more effective in the region through UNICEF, for example. Commercial issues and the commercial policy skills available in the cooperating countries should be taken into consideration in the dialogue with UNCTAD, ITC and WTO.

## **4.5 Methods and forms of development cooperation**

As a relatively small-scale development player in Central America and the Caribbean, Sweden should systematically attempt to identify ways to increase the impact of Swedish development cooperation, which should be characterised by close interplay between concrete activities and dialogue at different levels and with different players.

*(i) Comprehensive rights perspective*

Swedish development cooperation with the region shall, in its entirety, be permeated by the rights perspective. In cooperation with countries in Central America and the Caribbean, this includes monitoring rights issues in continuing analyses and follow-up of the overall objectives that guide this strategy, in policy dialogue and in the individual project cycle. Against the background of relevant conventions and reporting mechanisms this means, in concrete terms, monitoring how Swedish cooperation can contribute to improving the state's opportunities of living up to its undertakings. It also means monitoring how individuals can become more aware of, and therefore better able to exercise, the rights to which they are entitled. Similarly, environmental aspects must be included in analyses both of overall development and of sectors and activities. In addition, all

analyses should attempt to differentiate groups according to gender, age, ethnicity and social position.

To achieve sustainability, quality and efficiency in development cooperation, it is important to consider structural causes and constraints that contribute to the gender gap in living conditions. Gender equality and children's rights are issues that will continue to be the target of special attention and special efforts in the region. The UN's standard regulations for disabled people will also be taken into consideration.

Against the background described above, Swedish activities should be designed to serve systematically as good examples and to fuel debate at policy level.

*(ii) Strategic alliances*

Within the framework of Swedish support, innovative forms of cooperation should be an aim. Such cooperation could take place, for example, through strategic alliances with other players who have greater influence and contact area. One example is the newly initiated partnership with IDB in Central America, where both Sida's and IDB's comparative advantages as players can improve the design and results of support for poverty alleviation. Civil society both in cooperating countries and in Sweden will, also in the future, form an area for strategic alliances with bilateral cooperation to support democracy and in other areas.

*(iii) Civil society*

NGOs, churches, political parties, universities, unions and networks all fulfil an important function both as players and as opinion moulders, especially regarding human rights and democratic development. Cooperation and dialogue should therefore continue to be developed both in cooperating countries' civil society and in Sweden. Key needs to be addressed in cooperation with civil society in the countries concerned are internal democracy, representativeness, transparency and alternative financing forms other than international ODA.

*(iv) Institution-building*

Strong institutions both in the state and in civil society are crucial to the consolidation of democracy, and thus essential to the sustainability of Swedish development cooperation. Before Swedish support is granted to institution-building inputs, the political will and the institution's willingness to change should be carefully considered. Institution-building can take place both nationally and regionally. Increased sharing of experience between the countries in the region should be encouraged.

*(v) Forms of assistance, concentration and constraints on Sida's capacity*

The bulk of development cooperation with the region will continue in the form of grant funding. CTC is useful when the Swedish development presence changes character and enters a more 'equal' phase (as in Costa Rica, El Salvador and also, to some extent, Guatemala) or in countries where Swedish assistance is not of the more long-term type (Panama, Cuba, the Dominican Republic and Jamaica), but where the comparative advantages of the Swedish resource base should be used

Credits can primarily be used for certain countries on condition that current requirements (e.g. satisfactory ECN credit-risk assessment) are fulfilled. Generally speaking, all the countries in the two regions will also be able to participate in the international courses arranged by Sida.

Concentration of cooperation should continue to be an aim. Increased donor cooperation is one element in this, but increased focus on programme support is also important here. Different development cooperation methods have varying prerequisites and comparative advantages in different countries. Programme support should be a general aim, although it is difficult to establish in several of these countries owing to the prevailing political context and donor coordination. Smaller scale and individual inputs, with the exception of temporary and strategic activities to promote democracy, should be in the nature of pilot projects and always be considered in the context of Sida's limited administrative capacity. One option, primarily in the area of democracy and human rights, is to continue to allow Swedish NGOs to act as umbrella-type strategic partners for certain types of activities. This has already taken place with Diaconia, for example. Multilateral organisations should be used as channels for Swedish cooperation in areas where the organisation

in question possesses special skills, a clearly defined role as donor coordinator or a specific mandate for the country or region concerned.

## 4.6 Regional programmes and emphasis in individual countries

This section provides an overview of how this strategy is to gain acceptance and be operationalised, the more important experience gained to date and the main future emphasis of regional and country programmes.

In the three most important countries within the framework of this strategy (Honduras, Nicaragua and Guatemala), specific country programmes should be formulated on the basis of this regional strategy. These country programmes should operationalise the regional strategy in terms of sector and project selection, with a three-year perspective. They should also be established through a process that ensures acceptance, transparency and proper implementation of the requisite dialogue with countries and other players.

The embassies in the countries concerned bear primary responsibility for this country programming, with support from and consultations with Sida/Stockholm when necessary. The agreed programme should then be confirmed in a non-financial, specific agreement with the three governments, clearly stating objectives, emphases and mutual undertakings. Sida should then instruct the embassies to conclude these agreements. In the other countries, the strategy can gain acceptance and be operationalised without specific country programmes being established. This will be effected mainly through dialogue with the country concerned and other players in conjunction with identifying and preparing individual projects.

### *(i) Regional programmes in Central America*

Swedish development cooperation has long experience of supporting regional programmes in Central America. Important areas of cooperation include the environment and natural resources, prevention of natural disasters, healthcare, higher education and research. Counterparts have been official regional institutions with specific mandates granted by member countries, and also organised networks of players in civil society and the academic world. Cooperation has also taken place with the private sector at regional level. In several cases, Sweden has played a prominent part in the establishment of regional organisations. One important lesson has been that greater attention must be paid, in cooperation with regional organisations, to ownership and sustainability issues.

Future support for regional programmes will focus primarily on the following areas:

- cooperation concerning the environment and natural resources, including solving cross-border environmental problems, coordinating countries' environmental policies and investing in skills development;
- higher education and research in which coordination of countries' resources is often essential in order to achieve the necessary quality;
- support for regionally organised sharing of experience, studies and opinion formation in areas in which Sweden supports similar activities in several countries.

Establishing and developing central institutions in the process of integration, as well as trade and commercial issues, make up an urgently needed area of cooperation. However, this area is well covered by other donors, especially IDB and EC development cooperation. Consequently, it is not proposed as a central aspect of Swedish bilateral cooperation. Certain capital-market and commercial promotion activities are anticipated as regional programmes.

### *(ii) Guatemala*

During the previous strategy period, development cooperation was entirely related to the national development agenda formed by the peace agreement of 1996. Support increased considerably and changed in nature from consisting primarily of humanitarian aid, with a strong focus on respect for human rights, to longer-term support for the consolidation of peace and democracy. Development cooperation has mainly been implemented in cooperation with the UN system and Swedish NGOs.

Development cooperation with Guatemala has, generally speaking, been relevant to the peace

process. The return of refugees, demobilisation and the work of the reconciliation commission have been implemented with considerable Swedish support and good results. Integration of returning refugees and demobilised soldiers into society has suffered major delays owing to lack of political acceptance and a common approach between the players. Lack of political will has also had an adverse effect on the development of a national decentralisation process.

Experience of cooperation with civil society organisations has been good, in areas such as local democracy and rights for indigenous men and women. Cooperation with the UN — primarily UNDP and MINUGUA, the UN Verification Mission — has been extremely relevant as a support for the peace process. Implementation and results have, however, varied. Concentration on just a few sectors where the UN system has comparative advantages might help to attain even better results.

Swedish development cooperation with Guatemala will also use the peace agreements as its point of departure during the coming strategy period. The volume and emphasis of Swedish cooperation will be guided by the sustainability of the peace process, and should be characterised by awareness of its fragility. In terms of content, development cooperation should focus on strengthening the judiciary and democracy, especially at local level. Based on the Convention to Eliminate all Forms of Sexual Discrimination and ILO Convention No. 169 on Indigenous and Tribal Peoples, cooperation should promote the participation and rights of these groups. Development cooperation should also promote economic structural changes in order to achieve growth characterised by more equal distribution of wealth, in terms of land ownership rights and the taxation system, for example.

Special policy dialogue issues include follow-up and monitoring of compliance with the peace agreements and the implementation of the recommendations of the Reconciliation Commission, election issues, demilitarisation of the organisations that are to maintain law and order and of the internal intelligence service. Additional important issues include working for the increased participation of women and indigenous peoples in all areas and ensuring that Guatemala increases its tax revenues by the application of a progressive taxation scale, combined with reduced corruption and more efficient public administration.

### *(iii) Honduras*

During the previous strategy period, Swedish development cooperation with Honduras both increased and assumed a more long-term character. Cooperation has been concentrated on the social sectors, primarily in healthcare, water supply, sanitation and social infrastructure, with an emphasis on the poorest groups, public administration and human rights. Support for public administration is aimed at the modernisation of government at both central and municipal levels. This support has, generally speaking, been channelled through the UN system or Swedish NGOs, but has also been bilateral to a certain extent.

The emphasis of the programme is in line with the democratisation of society, which has grown in importance over the past two decades. Swedish development cooperation is dominated by post-Mitch reconstruction activities, and this has caused a considerable temporary increase in Swedish humanitarian support for Honduras. One important component has been infrastructure investments, including road bridges. The opening of a Swedish office in 1999 has boosted this country's presence and improved scope for dialogue concerning, and monitoring of, long-term development cooperation.

Honduras' reconstruction plans and the PRS have meant that the country's priorities have become clearer, and development cooperation and donor coordination have consequently been strengthened. Both the work of civil society and the 5 Group participation in this planning have played an important part. However, the government has not given priority to reform of the judicial system and decentralisation of public administration to date.

Honduras is a country with which Sweden is on the brink of establishing long-term development cooperation that will require continued analysis of conditions in the various sectors, including education. Swedish development cooperation with Honduras should be conducted within the framework defined by the PRS. Swedish cooperation should also be designed in a concentrated form, in line with the comparatively limited Swedish representation in the country.

Special policy dialogue issues should, as before, cover decentralisation, reform of the judiciary and the fight against corruption. Swedish dialogue with Honduras should pay special attention to the poverty strategy and its implementation.

*(iv) Nicaragua*

In Nicaragua, the 1990s meant peace, strengthened democracy and macroeconomic stability. Peace, free elections, a change of regime under democratic forms, free media, macroeconomic stability and economic growth are immense steps forward.

However, basic development problems remain. Poverty, continued inequality, corruption, weak institutions and a tendency to conflict are long-term problems that require long-term solutions. Nicaragua remains one of the region's poorest countries.

The institutions required for the rule of law and democracy to function have not been rooted in society. Constitutional amendments have been made, bringing increased politicisation of key democratic institutions and concentration of power in the two largest political parties. Corruption has grown in scope over the past few years. The independent position of the National Audit Office has been weakened.

Within the framework of the Stockholm Declaration and the 5 Group activities, an intensive dialogue has been carried out with the government and other parties in society. This process has prompted the government to consider and cooperate with the country's relatively important civil society to a greater degree than previously. In the ongoing HIPC process, which is aimed at securing large-scale debt relief for Nicaragua, a poverty strategy has been established — also with the active participation of civil society.

The country is deeply in debt, and greatly needs both development assistance and the debt reduction that will result from the HIPC initiative. Dependence on assistance is heavy — it makes up approximately one-third of GDP — and coordination of development inputs needs improving. Swedish support has related mainly to economic and social development. Gender equality has gradually been given higher priority, and in 1995 special support for democracy was initiated. The volume of regular cooperation has decreased considerably over the past five-year period. Post-Mitch support has, however, resulted in an increase of cooperation since 1999. However, as the Mitch-related inputs are successively completed, disbursement levels will once again decline considerably.

The deteriorating situation concerning democratic governance in Nicaragua in 2000 should be clearly reflected in the development relationship. In the current situation, extended partnership with the government is not possible. Sweden should demonstrate this by refraining from establishing a new country agreement with Nicaragua with a financial framework covering several years. The volume of development cooperation should depend mainly on the chances of achieving high levels of goal fulfilment. However, the flexibility to return to more confidence-inspiring cooperation should be in place if and when it is needed.

Swedish development cooperation should also continue to be aimed at long-term poverty alleviation. Opportunities for poorer groups to participate in income-generating production should also be promoted, as should their access to basic social services. Sweden should pay special attention to the continued development and establishment of Nicaragua's poverty strategy.

Sweden should maintain its active participation in a policy dialogue with Nicaragua within and outside the Stockholm Declaration process. Democratic governance and poverty issues should remain in focus. Efforts should be made to extend the dialogue to such issues as decentralisation, ecological sustainability and scope for improving coordination of development cooperation activities.

In the selection and design of development inputs, particular emphasis should be laid on the impact of activities in terms of democratic governance and the requirements for continuing to provide effective support through governmental channels. In the light of this, the selection of alternative cooperating partners must be explored. This presupposes continued high levels of demand for

active Swedish participation. Efforts should also be made to achieve an increased concentration of cooperation on fewer, larger-scale activities.

*(v) El Salvador*

Since 1992, Sweden has, like a number of other donors, used the peace agreement as a basis for development cooperation. Support has been provided for returning refugees, demobilisation and the new government authorities (the Ombudsman for Human Rights, the civil police force and the police academy), as well as for efforts to reform the judiciary.

Important experience has been gained in the activities listed above, as well as inputs concerning election reforms and local democracy, which have been relevant in relation to the peace process and the consolidation of democracy. Several of the recommendations of the peace agreement have still not been implemented, and the Salvadoran government's relative lack of interest has also impaired the sustainability of these activities. During the strategy period, Swedish support has gradually shifted from being largely channelled through the UN system to going through NGOs, both Salvadoran and Swedish. Many national NGOs and networks have developed into important players and opinion moulders in their respective areas, especially human rights and local development.

Swedish NGOs' support for democracy at local level has helped to vitalise local involvement. The local level is currently an arena for new types of development efforts and cooperation between previously antagonistic players.

In the previous strategy for Central America, the period 1997–2000 was foreseen as the concluding phase for support directly prompted by the peace agreement. Over the coming period, a gradual phase-out will occur and new forms of development cooperation will be phased in. These forms will require more by way of cost-sharing and responsibility. One example is CTC, which will increase in importance in parallel with cooperation with NGOs. In terms of content, development cooperation will concentrate on activities to extend democracy, with a strong judiciary and increased local democracy as important elements.

Special policy-dialogue issues include the development of the judiciary; here, awareness and legal security continue to require support. The Salvadoran decentralisation process is another issue where devolution of political and economic power to municipalities in combination with the transfer and mobilisation of economic resources to these authorities are of vital importance to the increased democratisation of the Salvadoran society.

*(vi) Haiti*

Swedish development cooperation with Haiti has, over the last two years, been characterised by caution and size limitation, primarily against the background of the turbulent political situation in the country. Some minor inputs to promote democracy and human rights through NGOs have received support from Sida. Even if these inputs yield the anticipated short-term results, it is currently too early to assess their long-term sustainability.

The political context in Haiti is specific, and Sweden's expertise and resource base concerning the country are limited. Aid dependency is on a large scale, and there are many donors already in place. Regular bilateral cooperation is not therefore anticipated during this strategy period. Development cooperation should be aimed at providing continued support for strategic inputs connected to the democratisation process and respect for human rights. Support should concentrate on activities aimed at strengthening the judiciary, including support for institutionalising the office of the Ombudsman for Human Rights and promotion of political and civil rights, with particular emphasis on women's and children's rights.

Accordingly, the recommendation is that development cooperation should continue to be channelled through civil society and the UN system.

Swedish NGOs should be encouraged to seek contacts and cooperation with their Haitian counterparts, especially in the areas of democracy and human rights.

*(vii) Cuba*

Pursuant to the Swedish Government's decision of 12 October 1995, Sweden has provided support aimed at the modernisation of Cuba's economy, seminars on democracy and human-rights issues, and exchange visits and institutional cooperation in various areas.

Support has laid great emphasis on sharing of experience. This working method is deemed still relevant. In Sida's assessment the above-mentioned government decision can continue to function as a guide to cooperation with Cuba.

Development cooperation with Cuba should be maintained on its current scale. Since the duration of the strategy period is five years, there should be a certain level of preparedness to review scope and emphasis of this cooperation if conditions change in the country.

#### **4.7 Evaluation and follow-up**

During the strategy period, greater emphasis will be placed on the evaluation of sectors than on that of individual programmes or projects. It is anticipated that several projects will be evaluated or exposed to external examination in some fashion during the strategy period. Attempts will be made to ensure that evaluations are thematic in nature or cover entire sectors, where possible in several countries, rather than dealing with individual projects. This approach will promote better feedback and learning from experience.

#### **4.8 Administrative resources**

There are currently 13 Sida/MFA employees in Central America and the Caribbean whose jobs mainly involve development cooperation (including an Embassy Counsellor responsible for development cooperation). The staff are located in Managua, Guatemala and Tegucigalpa, but in some cases they have been assigned theme responsibilities extending over several different countries. The office in Tegucigalpa, which reports to the Embassy in Guatemala, was opened to coordinate post-Mitch activities in Honduras. Inputs in the Caribbean are primarily administered by staff at headquarters in Stockholm and by a regional CTC advisor stationed in Santiago, Chile. As for Cuba, administration is carried out with the support of the embassy in Havana.

One major administrative consequence of this proposed strategy is that the retention of the office in Honduras is deemed essential to permit long-term development cooperation. However, an office in Tegucigalpa will not cause an increase of the total number of Sida/MFA staff in the region. The distribution of programme officers by country and programme area must be continuously monitored and flexible in relation to needs.

Currently, there is extensive delegation — often covering both preparation and implementation of activities — only to the embassy in Managua. One task during this strategy period should be reviewing administrative capacity and administrative routines to secure documentation for a decision on possible increased delegation to the embassy in Guatemala and its office in Tegucigalpa as well.

At the domestic authority the strategy is expected to be practicable with, broadly speaking, the administrative resources currently allocated for Central America and the Caribbean. A certain reduction in the workload will take place as far as administering infrastructure projects is concerned, as post-Mitch inputs of this kind are concluded. The need for a reinforcement of administrative capacity will be felt above all in the area of democratic development.

# ANNEX 1

## THE STOCKHOLM DECLARATION

Hurricane Mitch that hit Central America in 1998 with devastating effects, demonstrated the ecological and social vulnerability of the region. This natural disaster occurred when Central America had regained hope for a better future, after years of internal conflict, violence and deep economic crisis and had dedicated its efforts to the consolidation of peace, democracy and sustainable development.

Response from the international community was prompt and international concern was confirmed at the first meeting of the *Consultative Group for the Reconstruction and Transformation of Central America* that took place at the Interamerican Development Bank (IDB) Headquarters on 10-11 December, 1998, in Washington D.C. The Presidents of Central America made clear their view of the tragedy as a unique opportunity to rebuild - not the same - but a better Central America. They reiterated their firm commitment to continue to consolidate peace and democracy in their countries, and to seek higher levels of equitable growth. The Presidents referred to the progress made towards sustainable development and affirmed their wish to reinforce the foundation of this development. The Presidents also reiterated their support to the process of regional integration.

At this second meeting of the Consultative Group, held in Stockholm 25-28 May 1999, the Governments of Central America and the international community have committed themselves to sharing the responsibility for achieving the reconstruction and the transformation of the countries concerned, thus establishing a long term partnership guided by the priorities defined by the Central American countries and based on the following goals and principles:

- Reduce the social and ecological vulnerability of the region, as the overriding goal.
- Reconstruct and transform Central America on the basis of an integrated approach of transparency and good governance.
- Consolidate democracy and good governance, reinforcing the process of decentralization of governmental functions and powers, with the active participation of civil society.
- Promote respect for human rights as a permanent objective. The promotion of equality between women and men, the rights of children, of ethnic groups and other minorities should be given special attention.
- Coordinate donor efforts, guided by priorities set by the recipient countries.
- Intensify efforts to reduce the external debt burden of the countries of the region.



To respond to the magnitude of the challenge faced by this new partnership, the partners agreed to provide all parties with continuous follow up and information on progress in Central America's reconstruction and transformation, with respect to the previously stated goals and principles. Initially Canada, Germany, Spain, Sweden and United States have agreed to begin the consultation process to establish or strengthen a country-based mechanism working with each nation, including its civil society.

Other donors and international institutions are expected to participate in each country. Consultations also will be undertaken with the Secretary General of the Central American Integration System (SC-SICA) to include regional progress as well. It is anticipated that international financial institutions and international organizations will support this process.

This Declaration reflects the mutual understanding reached at this second meeting of the Consultative Group and will provide invaluable guidance for common efforts for the reconstruction and transformation of Central America. The historical importance of this meeting is expressed by the high-level representation from both Central American governments and the international community. With the challenges and prospects of the new Millennium ahead of us, we welcome this Declaration as a substantial support towards securing a better future for present and coming generations of the peoples of Central America.

*Agreed upon in Stockholm, 28 May, 1999*