



## **Mid Term Review of Regional Strategy Paper (RSP) and Country Strategy Papers (CSP) of the European Commission development cooperation with Central America**

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The civil society networks from Latin America (ALOP<sup>1</sup>) and Europe (APRODEV<sup>2</sup>, CIDSE<sup>3</sup> and CIFCA<sup>4</sup>), in collaboration with our local partner organisations in Central America monitor the implementation of the European Commission (EC) Development Cooperation Strategies in the region. In the framework of the Mid Term Review of the EC Country Strategy Paper/Regional Strategy Paper for Central America, this brief report highlights some main concerns and proposals raised by Civil Society Organisations.

## 1. Background

The current European Commission (EC) development cooperation with Central America is implemented within the framework of the 2007-2013 regional and country strategies. The main objective of the mid term review (MTR) process carried out during 2009 is to confirm or update the pertinence of the strategy papers for 2007-2013, in order to elaborate the indicative programs for 2011-2013. According to the European Commission the MTR should serve to update the strategy in accordance with political, social, economic and environmental changes in the country or region. New objectives of European Union (EU) policy such as energy, climate change, migration and aid for trade should also be taken into consideration.

## 2. Priorities and poverty eradication

With the 2007-2013 strategies, a shift was made in the focus of EC cooperation with Central America. In Guatemala, El Salvador and Nicaragua there was a shift away from previous priorities such as democratization and human rights and access to social services, towards a focus on economic growth and trade issues. The regional cooperation strategy for Central America focuses mainly on regional economical integration.

We are concerned that as a result of this shift in focus, the modified strategies do not respond adequately to the problems of poverty, injustice and inequality in Central America, problems which are also highlighted in the context analysis of the strategies. Countries like Guatemala, Honduras and Nicaragua continue to have high and in some cases deteriorating levels of poverty and inequality.<sup>5</sup> The *ECLAC Social Panorama of LA 2008 report* highlights Guatemala as having worsening inequality levels and in Guatemala there are currently hunger alerts and fears that the already limited social protection budget will be cut. Impacts of the financial crisis are already being felt in the

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<sup>1</sup> ALOP is the Latin American Association of Organisations for the Promotion of Development. It has 48 members in 20 countries of Latin America and the Caribbean.

<sup>2</sup> APRODEV is an association of 17 European development and humanitarian aid organisations that work in coordination with the World Council of Churches.

<sup>3</sup> CIDSE is an alliance of 16 European and North American Catholic development organisations.

<sup>4</sup> CIFCA is a European platform composed of 40 human rights and development NGOs, solidarity organisations, independent research institutes and advocacy networks working on Central America.

<sup>5</sup> Poverty levels in % of population (poverty/extreme poverty): Guatemala (54,8 / 29,1), Honduras (68,9 / 45,6), Nicaragua (61,9 / 31,9). ECLAC (2008). *Social Panorama of Latin America 2008*. [http://www.eclac.org/publicaciones/xml/2/34732/PSE2008\\_Versioncompleta.PDF](http://www.eclac.org/publicaciones/xml/2/34732/PSE2008_Versioncompleta.PDF).

form of sharp declines in remittances in the region. This is expected to take a particularly big toll on particularly poor rural households where this income constitutes a lifeline. In both Guatemala and Honduras malnutrition is expected to rise as a result. Levels of tax take in the region are also predicted to fall and the IMF is urging austerity measures in Honduras and El Salvador to maintain macroeconomic stability. The impact of the financial crisis on the poverty situation in Central American countries needs to be carefully considered in the MTR, and adjustments made accordingly.

As observed by the European Parliament before the adoption of the strategies - the priority “economic growth” is not consistent with the poverty indicators of these countries.<sup>6</sup> Another source of concern is that the emphasis on economic growth and trade could lead to support for sectors which are not among the poorest and most vulnerable, such as the export sector. Nevertheless, the redistribution mechanisms –and in some cases decent job creation- of these economic activities are not considered adequate to have a positive impact on poverty and inequality. From this perspective, the contribution of these priorities to the achievement of Millennium Development Goals (MDG) is questionable.

Problems related to poor governance are widespread in Central America. The recent Coup d'état in Honduras provides a striking example of the fragility of the democratic institutions in the region and the lack of respect for human rights. In Guatemala the governance/human rights situation continues to deteriorate and there is a widespread concern of spill over effects from the Honduran Coup d'état. Furthermore, concerns prevail in Nicaragua about the legitimacy of the municipal elections held in November 2008. This reality is not adequately reflected in the implementation of the cooperation strategies of the EU and should be priority given the fragility of the state institutions and systems in many Central American countries.

Through the mid term review the European Commission intends to include new priorities having emerged since the beginning of the period. Special attention need to be paid to how this will be done, particularly considering the following:

- **Energy:** EU demand for agro-fuels should not influence the EC development cooperation strategies. There are several socio-economic impacts of agro-fuel production that need to be taken into consideration, such as: the threat to farmers who do not own their own land, and to the rural and urban poor who are net consumers of food (threats to food security), concentration of ownership that could push the poorest farmers off their land and into deeper poverty and a dramatic upturn in global commodity prices – rise in food prices.
- **Climate change:** It is important that the consequences of all EC development cooperation on climate change are analyzed and taken into account. Nevertheless, it is equally important to underline that financing for adaptation should be additional to existing ODA.

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<sup>6</sup> Report of the Committee on Development of the European Parliament: Assessment of draft Country and Regional Strategy Papers/Indicative Programmes. 28 of February of 2007.

- **Migration:** Migration should mainly be approached from a human rights perspective, whilst taking into consideration its relation with development.
- **Aid for trade:** Aid for trade can be an important tool in order to strengthen production capacity and competitiveness in developing countries. Nevertheless, it is important that commitments on aid for trade are additional to existing ODA, that aid for trade is not used to promote changes in trade policies of developing countries and is targeted towards small and medium size producers encouraging local and regional market development and access.

As stated by the UN Special Rapporteur on the right to food, Olivier de Schutter, the International Community should support “projects in agriculture that respect the environment and labour rights; not imposing conditions in trade agreements that further reduce the resources of the State, and may result in unfair competition for local producers; and not encouraging or supporting the development of agrofuels, which is currently occurring in conditions that are not sustainable.”<sup>7</sup>

Finally, in the opinion of the undersigned networks and of their local partners, progress in good governance, democracy and human rights is fundamental for poverty reduction and sustainable development in the region, and should therefore not be reduced to cross-cutting issues as is the case in many current EC strategies.

### 3. Access to information

Effective follow-up of development cooperation is key to ensure aid effectiveness. To allow for effective civil society monitoring of the implementation of the EC development cooperation and participation in the consultation process for the definition and revision of the strategies for EC development cooperation, access to reliable and up to date information is crucial.

In an attempt to carry out a financial follow up of the EC cooperation with Central America we tried to get an answer to some basic questions regarding the financial implementation of the CSP/RSP 2007-2013 for Central America:

- The amount(s) paid under each heading of the various strategies during 2007 and 2008?
- The amount(s) channeled through civil society in each of these countries during 2007 and 2008?
- The projects implemented under each heading of the various strategies?

These questions have proven difficult to answer, despite efforts to find this information from various sources

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<sup>7</sup> OHCHR press release on the preliminary conclusion of the visit of the UN special rapporteur on the right to food in Guatemala, 3-5<sup>th</sup> of September 2009.

- **Europe Aid:** The annual reports only provide global figures and no information on how much money was spent and on what in each country. On the Europe Aid website there is a database for searching grants and contracts<sup>8</sup>, which contain a good amount of information, but it is not possible to get an overview of the payments made to a country during a specific year. There is also a list of tenders and proposals<sup>9</sup> which do not either provide any aggregated information on the support to a specific country. Upon request Europe Aid provided information on disbursements in each one of the OECD main sectors to the Latin American countries during 2007-08. This information was very useful, but the difficulty to compare spending with the main areas identified in the CSP/RSP remained, as the OECD main sectors do not coincide with the definition of main areas in the EC strategies and often it is not clear in which OECD sector the CSP main priorities fit or vice versa.
- **Websites of the EC Delegations:** These are generally outdated, and as such not useful for following up implementation of EC development cooperation.<sup>10</sup> On some Delegations' websites there is a description of on-going projects, but there is no information on the implementation status of each project.<sup>11</sup> There is currently a project to update the websites and include information about the projects in the form of technical "fiches," (see website of Guatemala).<sup>12</sup> We welcome this initiative and recommend that it should be replicated to all Delegations.
- **EC Delegations in Central America:** Responses to questions raised were usually brief and very general – failing to specify the use of funds. In some cases they referred to the outdated website, in another case it was claimed that no payments had been made in 2007 and 2008, in contradiction with information provided in the Europe Aid annual reports.<sup>13</sup>

Despite requests, it has not been possible to access annual or other reports on the implementation of the strategies, or any other information, to facilitate a comparison between how EC money was actually spent in relation to the sectors and amounts defined in the strategies. Without this information it is very difficult for civil society organisations and parliaments to form an opinion on whether the EU's aid is well directed and effective.

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<sup>8</sup> <http://ec.europa.eu/europeaid/work/funding/beneficiaries>

<sup>9</sup> <https://webgate.ec.europa.eu/europeaid/online-services/index.cfm?do=publi.welcome&userlanguage=en>

<sup>10</sup> The general description of EC development cooperation with Central America provided on the EC website is outdated. In July 2009 it describes the 2002-2006 strategy, and information seems not to have been updated since 2005-2006 ([http://www.delnic.ec.europa.eu/es/eu\\_and\\_country/cooperation\\_2.htm](http://www.delnic.ec.europa.eu/es/eu_and_country/cooperation_2.htm)). The lists available of projects generally lists old projects but not always the ongoing ones ([http://www.delnic.ec.europa.eu/es/eu\\_and\\_country/cooperation\\_3.htm](http://www.delnic.ec.europa.eu/es/eu_and_country/cooperation_3.htm)).

<sup>11</sup> Honduras and El Salvador – list of old projects but not easily accessible info on ongoing projects.

<sup>12</sup> <http://www.delgtm.ec.europa.eu/en/servicedetail1.asp?id=672&side=2>

<sup>13</sup> E-mail exchange with EC Delegations on July 15 – Aug 3, 2009.

Annual Action Plans (AAP) can be found on the Europe Aid website, providing more detailed information regarding the implementation. However, for some countries and years neither AAPs nor reports are available, making it impossible to follow-up the implementation of the AAPs. For Nicaragua an ODA website exists<sup>14</sup> that gathers information on projects by all donors active in the country, and publishes a yearly report. However, the information provided does not give an overview of the implementation of the different sectors of the EC CSP for Nicaragua. To get further information on the implementation the European Commission refers any interested party to the person or entity responsible for each project. Given the sheer number of project, this is a time consuming exercise which does not allow for an overview of spending.

The limitations raised above make any follow-up of EC development cooperation difficult. When it comes to the MTR of the CSP/RSP a further limitation is that the orientation note developed by the European Commission to the Delegations on how to carry out the MTR is an internal document. This has also made it impossible to analyze the guidelines or assess their implementation. According to DG RELEX the process has followed the QSG framework on MTR, which is also claimed to be an internal document.<sup>15</sup>

Lack of access to information and lack of transparency regarding EC development cooperation are issues that have been raised by civil society on several previous occasions<sup>16</sup>, and continue to be a serious impediment for the monitoring of EC development cooperation and participation in consultation processes.

#### **4. Implementation of strategies**

Despite the lack of information available it is evident that the implementation of the strategies outlined in the 2007-2013 papers have been subject to serious delays.

In Honduras, the full implementation of the 2007-2013 strategy was only just starting before the coup d'état. According to the Delegation in Honduras only one contract for 80,000 Euros had been signed and money released. The majority of what was being implemented was made up of programs for which financing agreements were signed under the 2002-2006 strategy, along with thematic budget lines (civil society projects).<sup>17</sup>

Also in Costa Rica the implementation is experiencing substantial delays. According to the EC Delegation no payments were made in 2007 and 2008 but in contrast the 2008 Europe Aid annual report mentions payments of 5.68 million Euros made to Costa Rica in 2007. According to the EC these funds were paid to ongoing programs under the previous strategies.<sup>18</sup> Under the heading of regional integration two programs will be

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<sup>14</sup> <http://nic.odadata.eu/>

<sup>15</sup> Meeting, Policy Officer, RELEX.DDG3.G, July 17, 2009.

<sup>16</sup> Meetings and letters addressed to the European Commission.

<sup>17</sup> E-mail, Head of development cooperation, EC Delegation Honduras, 19 August 2009.

<sup>18</sup> E-mail, Geographical coordination and supervision for Latin America, AIDCO, EC, September 2, 2009.

implemented; one focusing on sanitary and fitosanitary measures and the other on strengthening small and medium sized enterprises. Under social cohesion four or five programs are foreseen, but these are still in the phase of identification. There has still been no funding through civil society.<sup>19</sup>

Payments to El Salvador in 2007 and 2008 were made on programs under the previous strategy. The EC had expected further delays in the development of programs and activities under the new strategy due to the transition between governments. Funds channeled through civil society are estimated at 9.000.000 €. The Delegation in El Salvador has said that in 2010 it plans to have its own website with information regarding development cooperation. They also mention that consultations regarding priorities for local calls for proposals have been held and that forums to strengthen dialogue between CSOs, government institutions, local authorities and the EC have been created.<sup>20</sup>

Despite requests to the EC Delegation, no information on implementation of the Guatemala CSP has been obtained. Nevertheless, it is well known that the implementation of the NIP 2007-2010 also suffered serious delays inter alia due to the elections and severe institutional weaknesses. With the initiation of EC budget support programs in Guatemala, it is likely that the institutional weaknesses and political instability will continue to affect, delay and even impede the implementation of the Strategy.

In the case of Nicaragua, there is global information on payments made to the country as well as information on each specific project. But there is no information on whether payments made are under the implementation of the 2007-2013 strategy or the previous one.

The delays in implementation make the mid term review difficult, as there are few results to evaluate and conclusions to draw from the first years of the strategy period.

## **5. Civil society participation**

Ownership and participation are core principles of EU development policy, underlined in the European Consensus for Development and the Paris Declaration on Aid Effectiveness. The DCI stipulates that civil society as well as parliaments and local governments must participate in the programming exercise. The European Commission has repeatedly emphasized the importance of involving civil society in the MTR process – both to increase participation and to strengthen ownership.

All EC Delegations in Central America organised a consultation on the MTR of the CSP during March and April 2009. There were many discrepancies between the consultation processes in the different countries, indicating that the guidelines must have left much room for each Delegation to decide how the consultation should be carried out. Among

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<sup>19</sup> E-mail EC Delegation Costa Rica, August 3, 2009.

<sup>20</sup> E-mail EC Delegation El Salvador, July 17, 2009.

others, there were differences in the length of the consultations (between three hours and a full day); the number of participants from NSAs (from around 25 in Guatemala to about 70 in Nicaragua); the way of publishing the invitations (some were published on the website, while others sent selective personal invitations and did not accept further suggestions) and finally; the documentation of the consultation. There were also differences in the methodology, content and depth of the consultations.

On the basis of information received from our staff and partner organisations in Central America, a number of weaknesses of the consultations can be highlighted:

- As has previously been the case, consultations were convened at very short notice which did not allow time for adequate participation especially for organisations based outside the capitals. In Nicaragua the online invitation was published just before Easter week, which is a public holiday in the country, for a seminar taking place just after this week.
- In some cases, for example the consultation on the Regional Strategy Paper, few organisations were invited and the criteria for selecting and inviting the participants were not clear. In some countries the criterion was to be a recipient of EC funds. This criterion does not necessarily include the most relevant and representative actors, nor does it give space for a more objective analysis since the reception of EC funding might also be felt as an impediment to the ousting of critiques toward the EU strategies.
- There appears to be no consensus in relation to the joint participation of national and international civil society. In Guatemala, where the Meso Dialogue<sup>21</sup> generated many expectations around the involvement of civil society, only one representative from international civil society was allowed to attend, while there was no such limitation in the other countries.
- In some cases consultation meetings were too short to allow for a detailed discussion and a qualitative participation (in the case of the regional strategy; the meeting only lasted for three hours).
- There is a tendency not to distribute the agenda and relevant documents prior to the meeting. The invitation to the consultation in Nicaragua did not clearly state the objective of the meeting which was called an information seminar with civil society, not a consultation. In many cases, documents are distributed during the event itself providing very little real opportunity for a thorough analysis and the development of solid proposals. Also, very few documents are available in Spanish, which further limits the possibilities for adequate preparation and

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<sup>21</sup> Institutionalised dialogue between the EU Delegation, Member States, the government of Guatemala and civil society, which functioned for a number of years, particularly during the implementation of the previous CSP 2002-2006. After facing a number of political and administrative problems, the Meso Dialogue was dissolved in 2005



participation. In Nicaragua the only document available in Spanish was a one page long executive summary of the CSP.

- Documentation from all consultations is not available, despite several requests made from civil society to the EC in this regard before and after the consultations. For example in the case of the consultations in Honduras no report seems to be available.

In many cases the organisation of the consultations indicates that they were carried out to comply with an obligation rather than out of a genuine will to ensure real and effective participation in the process, let alone to take into account the voice of NSAs in the MTR process. In this sense, the perception is that EC consultations do not reflect a serious institutional policy on the part of the EU to adequately involve civil society in the policy process.

Judging from the above, it seems that the Delegations do not take into account the “Directives on principles and good practice for the participation of non-state actors in dialogue and consultation on development” of DG Development (November 2004). Many of the weaknesses found in the MTR consultations - such as the delay in distribution of documents, late invitations, selection of a limited number of non-state actors, lack of relevant information - are also raised by the European Court of Auditors in their report *The Commission’s management of non-state actors’ involvement in EC development cooperation* (2009). The report concludes that there has been no systematic involvement and dialogue with non-state actors in the programming for 2007-2013, but only some ad hoc consultations.<sup>22</sup>

## **6. Association Agreement and CSP/RSP**

The Regional Strategy Paper’s (RSP) focus on regional economic integration indicates that the strategies are embedded in the priorities of the Association Agreement currently being negotiated between the EU and Central America. The CSP and the RSP are flexible in the sense that they could take into consideration some of the priorities identified in the association agreement negotiations. In these negotiations, specifically in the trade pillar, areas are identified where the Central American countries would need further support. According to the EC there will be no additional funding to cover these new priorities or needs, but these should be covered within the existing strategies.

In the framework of negotiations for an Association Agreement with Central America there is a discussion concerning a credit and investment fund. Concrete information on the exact nature of such a fund, the volume, the criteria that would be applied for its implementation and how it would be financed is not yet known as negotiations are being held behind closed doors.

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<sup>22</sup> European Court of Auditors (2009) *The Commission’s management of non-state actors’ involvement in EC development cooperation*. <http://eca.europa.eu/portal/pls/portal/docs/1/2722293.PDF>

These flexibilities and uncertainties underline the importance to closely monitor the implementation and to make sure that funds are not being redirected from areas directly related to poverty reduction, good governance and human rights and that all support financed within the development cooperation strategies comply with ODA criteria.<sup>23</sup>

## **7. Budget support and donor coordination**

In line with the commitments made under the Paris Declaration for Aid Effectiveness, the modality for EU aid has been moving increasingly towards sector and budget support in various countries. However, in many cases the conditions are not in place to ensure the appropriate and efficient use of these resources. Deficiencies related to good governance are problems highlighted by the European Commission itself in the context analysis of some of the country strategies for Central America.

There has been little progress concerning key issues related to good governance issues and in some cases the situation has deteriorated. Continuing deficiencies include:

- Lack of transparency and accountability
- High levels of corruption
- Weak rule of law (especially in Nicaragua)
- Impunity (especially in Guatemala)
- Consultation on public policies with non-state actors is very weak in the majority of the countries.

In relation to transparency and corruption, it is worth pointing out that the countries where budget support has most advanced (Nicaragua, Honduras) are among those with the worst indicators relating to corruption, according to Transparency International.<sup>24</sup> The suspension of budget support in these two countries confirms that there are not adequate conditions in place for the appropriate and efficient use of this financing modality.

The EU should play a leading role in the area of good governance, by more actively promoting the fight against corruption, the strengthening of democracy and effective consultation with civil society in both national planning processes and in the formulation of its own development cooperation strategies.

Finally, while it is true that donor coordination mechanisms exist in all countries except for El Salvador<sup>25</sup>, the EU should continue actively promoting improved donor coordination as well as enhancing the ownership and harmonization of aid, aligning it with National priorities, counting at all stages with the participation of civil society.

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<sup>23</sup> In the NIP 2011-2013 for Guatemala only 16, 1 M€ have been earmarked for Social Cohesion and Human Security in comparison to the 31M€ for Economic Development and Trade

<sup>24</sup> According to the 2008 Corruption Perception Index these countries scored between 2.5 (Nicaragua) and 3.0 (Bolivia). According to Transparency International countries with a score under 3.0 are countries where corruption is extreme and is a threat to development.

<sup>25</sup> For example G-16 in Honduras, G-13/ the Dialogue Group in Guatemala and the Budget Support Group in Nicaragua

## **8. Recommendations**

On the basis of these findings, we would like to make the following recommendations.

### **Focus of development cooperation**

- The eradication of poverty, reduction of inequality, strengthening of governance and human rights and the achievement of the MDGs is critical and should be the main focus of EC development cooperation. The current CSP/RSP for Central America are not properly placing these issues as the main objectives but rather moving to an emphasis on supporting market-driven economic growth.
- When introducing new priorities of the EU, such as aid for trade and climate change, it is important to make sure that funds are not dispersed from poverty reduction and that it complies with ODA criteria.

### **Access to information and transparency**

- Information on the implementation of the CSPs/RSPs should be made public and widely available in order to allow for qualitative monitoring and evaluation as well as civil society participation in EC development cooperation.
- Information on what projects are being financed, amounts, main objectives and activities (and subsequent independent evaluations) should be publicly available for all projects.
- Key documents should be made available in the language of the country or region in order to allow civil society monitoring and participation.

### **Civil society participation**

- The EC Delegations should revise the current spaces and mechanisms regarding information, communication and consultation with CSOs in order to establish a systematic and structured dialogue and consultation mechanism to allow more regular exchange between CSOs and the EC. In this sense, the recommendations of the recent study on civil society in Guatemala should also be implemented and replicated to the rest of the region.<sup>26</sup>
- In relation to budget support, the EC should promote and support the creation of mechanisms between the State and NSAs that allow for civil society to participate in the process of the definition of public policies and in the monitoring of the budgetary processes.
- Civil society consultations must be convened with sufficient time in advance, and the criteria for invitation should be clear and broader than only those organisations receiving funding through the EC.

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<sup>26</sup> *Estudio de mapeo de la sociedad civil en Guatemala en el marco del estudio temático sobre los mapeos de los ANE en America Latina*, IBF Consulting, financed by European Commission, August 2009.

- Lists of participants and documentation from the consultations should be made publicly available, including a report of the consultations.

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For further information, please contact:

**ALOP**

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Contact: Camilo Tovar  
E-mail: [ctovar@alop.org.mx](mailto:ctovar@alop.org.mx)  
Tel: +32 (0)2 536 19 11

**APRODEV**

APRODEV is an association of 17 European development and humanitarian aid organisations that work in coordination with the World Council of Churches.

Contact: Annelie Andersson  
E-mail: [a.andersson@aprodev.net](mailto:a.andersson@aprodev.net)  
Tel: +32 (0)2 234 56 67

**CIDSE**

CIDSE is an alliance of 16 European and North American Catholic development organisations.

Contact: Hilary Daly  
E-mail: [HDaly@trocaire.ie](mailto:HDaly@trocaire.ie)  
Tel: +35 (0)3 1 629 33 33

**CIFCA**

CIFCA is a European platform composed of 40 human rights and development NGOs, solidarity organisations, independent research institutes and advocacy networks working on Central America.

Contact : Luis G. Perez  
E-mail: [LuisG.Perez@cifcaeu.org](mailto:LuisG.Perez@cifcaeu.org)  
Tel: +32 (0)2 536 19 12