

The survey sought to measure objective evidence of progress against 13 key indicators on harmonisation and alignment (see Foreword). A four-point scaling system was used for all of the “Yes/No” questions:

1. “Yes without reservations” represented here as: **YES!**
2. “Yes with reservations”: represented here as: YES
3. “No with reservations” represented here as: NO
4. “No without reservations” represented here as: **NO!**

Specific technical criteria were suggested to guide responses (See Annexes). Respondents were also invited to provide a brief explanation when they expressed reservations (Categories 2 and 3 above). The qualitative information they provided has informed this chapter.

The government of Nicaragua is currently developing a new national development plan (NDP)— the basis for a new poverty-reduction strategy paper (PRSP). Donors recognise the progress accomplished by government — 88% support the government’s agenda — and call for increased efforts to finalise the NDP and develop a medium-term expenditure framework as a foundation for more effective alignment. On the harmonisation front, the “Declaration of Managua”, signed in October 2003, presents the government and donors’ shared principles and expectations for improved donor co-ordination. In this connection, the government has been active in establishing a mechanism for improved donor co-ordination at sector level, the so called “*mesas*” or roundtables. Considerable discussion is also underway on the provision of budget and sector support which is expected to significantly increase in the near future when government systems have been strengthened.

OWNERSHIP

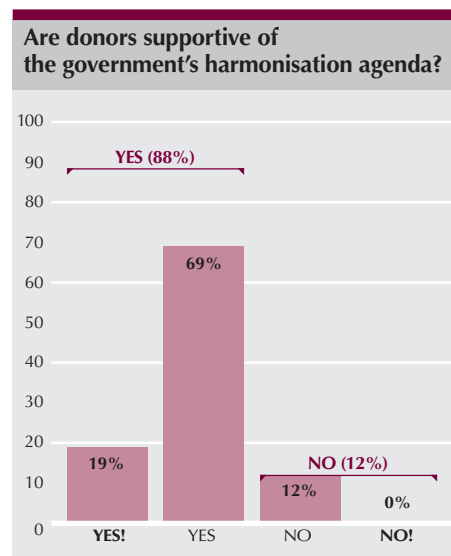
A CLEAR AGENDA ON HARMONISATION

The “Declaration of Managua”, signed in October 2003, expressed the Nicaraguan government and donors’ shared principles and expectations for improved donor co-ordination. The government has established a mechanism for donor co-ordination with sector fora called “*mesas*” (roundtables). However, the government is yet to establish a specific plan for harmonisation and alignment. Indeed, harmonisation and alignment initiatives do not take place in all of these *mesas*, with one bilateral donor reporting that: “... the multitude of roundtables provides a forum for sectoral discussions, but the organisational structure, interactions among roundtables and relations between roundtables and sub-roundtables remain undefined and confusing.”

According to this survey, the exchange of information between different sector groups is constrained; some fora have not been officially inaugurated, have not met regularly, and have poor operational systems (e.g. lacking rules of operation and clarity of membership).

Having said this, 88% of donors consulted in this survey currently support the government’s agenda (see Figure 10.1 – Indicator 1).

FIGURE 10.1
INDICATOR 1



FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

Throughout the third quarter of 2004, the government was heavily absorbed in the development of a complicated input-output activity planning matrix, which involved all line ministries. The government has stated its intention to use these matrices as the basis for discussion in the donor co-ordination fora.

The government view (expressed by the Central Bank) is that it recently has exercised an

appropriate level of authority in co-ordinating development assistance (see Table 10.1 – Indicator 2).

“Co-ordinating International Development Co-operation”, a paper prepared by the Ministry of Foreign Affairs, states that:

Nonetheless, to continue the transition from being recipients of co-operation to being managers of co-operation, Nicaraguan leadership must be consolidated in all actions related to inter-institutional co-ordination.

BOX 10.1

Recommended actions (Draft JCLA Report, November 2004)

Key actions for the government include:

- The Ministry of Foreign Affairs must proactively explain the critical importance of the harmonisation and alignment (H&A) process to a wide range of government entities, civil society and other stakeholders.
- The government will take measures to ensure that in all sectors it takes ownership and leads the H&A process.
- The government should ensure results-oriented management for all sector *mesas* and that cross-cutting issues (e.g. gender, the environment and human rights) are incorporated into all roundtable discussions.
- The government should maintain and strengthen its policies on transparency, fiduciary responsibility, as well as those combating corruption.
- The government should develop a detailed plan to strengthen its capacity to support and promote the H&A process in Nicaragua.
- The government will encourage the adoption of laws for civil and judiciary career reform in the national assembly.
- The Ministry of Finance should complete a MTEF in 2005 and promote the necessary conditions for its full and proper implementation in 2006.

Key actions for donors include:

- Donors should proactively endorse and promote the H&A process among all parties and at all levels to address the existing gap between the concepts and the reality of practices on the ground.
- Donor focal points for sector *mesas* should report on a regular basis on the status and progress of each roundtable.
- Donors should improve communications between HQ and field representations with a view to establish common positions that effectively support the H&A agenda.
- Donors should establish mechanisms aimed at improving monitoring and follow-up systems on their own progress and identify, analyse and disseminate best practices and lessons learned.
- Donors should promote regular participation and follow-up of commitments made at the *mesa* level.
- Donors should provide timely and reliable information on their co-operation programmes to enable the government to develop medium-term plans.
- Donors should co-ordinate and harmonise their support for capacity building for the country's aid delivery management systems and procedures.

This document is intended to serve as input for civil servants from the government, public and private institutions, the international community, civil society, and the public at large, about efforts and experiences that have been undertaken by Nicaraguans to support better co-ordination of international co-operation.

This represents a key initiative in raising awareness and fostering greater ownership. The paper emphasises the fact that innovative, inclusive approaches are being used, and that:

... this process is being carried out in a manner consistent with eminently national conditions and traits, and is not a mechanical replication of other models that have been undertaken in other countries.

The Multilateral Organisations Performance Assessment Network (MOPAN), an informal network of like-minded donors, evaluated the performance of multilateral agencies at the country level. In 2003, it conducted a pilot performance assessment of selected agencies involved in the health sector in eight countries, including Nicaragua. The assessment looked at the support for national policies and institutions and participation in aid co-ordination activities. In the case of Nicaragua, the Pan American Health Organisation was identified as a significant player; however, the report concluded that: "If transparency in multi-agency dialogue means actively sharing information, this is hardly the case in Nicaragua."

The Joint Country Learning Assessment (JCLA) work that has been going on through 2004 is directly relevant to the present survey. The outputs and findings of the autumn 2004 JCLA report will help to define a way forward that will extend beyond the High-level Forum II (HLF II). The findings of the May 2004 report highlighted some key issues that have also

Is government co-ordinating aid?			TABLE 10.1 INDICATOR 2
Is there a formalised process for dialogue?	YES		
Is government proactive?		NO	
Is government in the driving seat?	YES!		
Do donors' rules support harmonisation?	YES		
65%			
% of donors who take part in co-ordination			

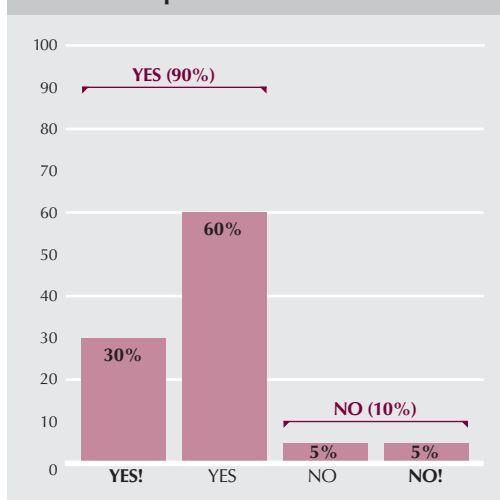
Capacity development			TABLE 10.2 INDICATOR 3
► Have weaknesses been identified?			
In public financial management	YES!		
In budget planning and execution	YES!		
In co-ordination of aid	YES!		
► Are weaknesses being addressed?			
In public financial management	YES		
In budget planning and execution	YES		
In co-ordination of aid	YES		
► Is the level of support appropriate?			
In public financial management		NO	
In budget planning and execution		NO	
In co-ordination of aid	YES		

been reflected in this survey. These include the need for an information centre to facilitate the sharing of findings, definition of the government's capacity-building needs in the various sectors, and the establishment of improved co-ordination mechanisms between donors.

Actions recommended by the November 2004 draft JCLA report are shown in Box 10.1.

CAPACITY DEVELOPMENT

Both donors and the government acknowledge the existence of weaknesses in financial management, procurement, budget formulation, execution, reporting and review and aid co-ordination. With the exception of aid co-ordination, the government is reported to have insufficiently clarified or prioritised its capacity building needs (see Table 10.2. – Indicator 3).

FIGURE 10.2
INDICATOR 4**Do donors rely on the PRS when programming official development assistance?****ALIGNMENT****RELIANCE ON PARTNERS' NATIONAL DEVELOPMENT STRATEGIES**

Nicaragua's current poverty-reduction strategy is the PRS-I and a new national development plan (NDP) is being developed by the government, which will form the PRS-II. The quality of the existing PRS is uneven. For example, whilst the education sector PRS provides a good framework for support, it is weaker in other areas, particularly rural development and decentralisation. There are four policy reform matrices currently in use: the Inter-American Development Bank (IDB) social policy loan matrix; World Bank Poverty Reduction Support Credit (PRSC) matrix; European Commission education budget support matrix; and the PRS-I matrix. Several multilateral budget support donors are encouraging the use of a single, smaller policy matrix. However, until the government presents the new PRS-II/NDP policy matrix, donors report that it remains difficult to formally align (see Figure 10.2 – Indicator 4).

The co-ordinating organisation of Nicaraguan non-governmental organisations (NGOs) has expressed serious reservations about the PRS-II/NDP noting, for example, that the views of civil society have not been represented. In addition, it claims that prioritisation decisions are made on the basis of “subjective and narrow” indicators that overlook important developmental aspects. A number of donors have also expressed concern about the PRS review process, stating that the target indicators are set much too low; the annual review has not been a participatory process; and no institutionalised monitoring process exists.

The Civil Coordinator Coalition is a coalition of more than 350 organisations (*e.g.* social movements, NGOs, sector networks, producers' associations, unions, federations) that decided to collaborate on emergency relief efforts post-Hurricane Mitch. Though the coalition was not a respondent to the survey, they have been publishing papers on their Web site that are relevant to the overall objective of ensuring ownership of the PRS process. It is not clear how closely they have been involved in more recent discussions. It is recommended that wider stakeholder engagement is considered in the future.

BUDGET SUPPORT

The government has not yet developed a medium-term or multi-year expenditure framework. Several donors are, however, considering providing budget support in Nicaragua and are working with the government to create the conditions and mechanisms necessary for its delivery (see Table 10.3 – Indicator 5).

Both Finland and Norway produced reports in the second quarter of 2003 on this issue. The Norwegian report stated that “many of the conditions for giving budget support to Nicaragua are in place”. However, another bilateral donor noted that this report had been too optimistic, observing that “the necessary conditions for budget support still do not exist; for example, there is serious discord between the assembly and executive and serious weaknesses in the medium-term budget framework.”

Is budget support predictable and aligned?				TABLE 10.3 INDICATOR 5
Are budget support donors making:	YES!	YES	NO	
► multi-annual commitments?	Germany IDB World Bank	France Switzerland European Commission	Austria Denmark Finland Netherlands Sweden United Kingdom	Italy
► timely commitments?	IDB World Bank	France Sweden Switzerland European Commission	Canada Finland Netherlands	
► timely disbursements?	Sweden Switzerland IDB	Netherlands European Commission World Bank	Canada Finland	

A Budget Support Group (which comprises seven bilateral and three to four multilateral donors) was established in the third quarter of 2003, with the objective of drawing up “a calendar of activities that would enable general support from this group for Nicaragua’s budget in the budgeting exercise of 2004”. This is linked to the group acknowledging that in general “the conditions for supplying support to Nicaragua’s national budget, either directly or through the Supplementary Social Fund, are in place”.

The Budget Support Group has now more or less finalised its work on the joint financing arrangement (JFA) that will define the mechanism to be used to provide co-ordinated budget support. An essential element of the JFA is the performance-assessment matrix that will help monitor progress in implementing a pro-poor growth policy. The matrix uses the government’s PRSP-II as its main input. Discussions over the JFA between the government and participating donors were scheduled to begin in October 2004, with the intention that the JFA be signed before the beginning of 2005. The total financial envelope is likely to be worth approximately USD 100 million a year, which means that this harmonisation mechanism would represent close to 20% of total aid flows to Nicaragua.

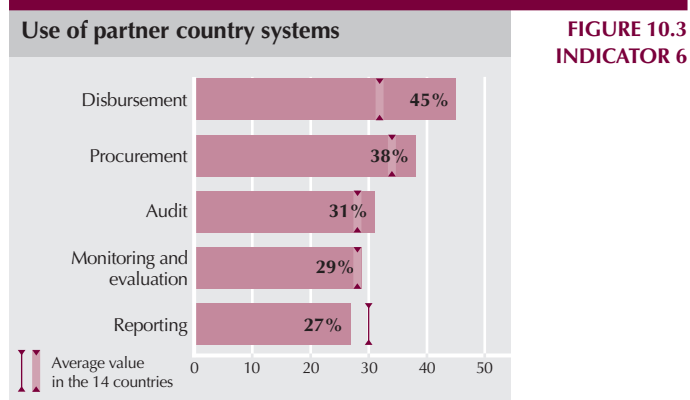


FIGURE 10.3
INDICATOR 6

PROJECT SUPPORT

In comparison with other countries surveyed, Nicaraguan government systems are used to an average extent (see Figure 10.3 – Indicator 6).

Attention was drawn by several donors to specific weaknesses in government systems; for example, the lack of national systems for monitoring and evaluation. Many donors that do use government systems reported they also use their own.

TABLE 10.4
INDICATOR 8

Alignment with sector programmes					
	Health	Education	Water	Transport	Agriculture
► Are sector systems in place?					
Is government leading in the sector?	YES	YES!	NO	NO	YES
Does a clear sector policy exist?	YES	YES	NO!	NO	NO
Is a sector medium-term expenditure framework (MTEF) in place?	NO	NO	NO	NO	NO
Is there sector co-ordination?	YES	YES!	NO!	NO	YES
Is a sector monitoring system in place?	YES	YES	YES	NO	NO
Are systems being harmonised?	NO	NO	NO	NO	NO
► Are donors supporting the sector systems?					
Are the systems aligned with government policies?	YES	YES	NO	NO	YES
Are funds integrated into the MTEF?	NO	NO	NO!	NO!	NO
Are donors using the government monitoring system?	NO	YES	NO	NO	NO

SECTOR SUPPORT

Comments from government departments regarding donor support to sectors in key policy areas varied (see Table 10.4– Indicator 8). For example, the Department of Education stated that “the government exercises full authority in co-ordinating development assistance” whilst ENACAL (*Empresa Nicaragüense de Acueductos y Alcantarillados*) noted that “most of the time, projects do not reflect sector priorities, but rather donor priorities.” The Ministry of Transport and Infrastructure explained that it outlines transport sector strategies; when donors accept them, it then supervises the implementation of projects in the sector.

Health sector

Health sector policy currently lacks clarity, but a national health plan is being finalised and is expected to undergo a consultation process in November 2004. The plan, which will be fully aligned with the PRSP and NDP, will have a sector approach supported by several donor agencies. The health sector *mesa*, co-ordinated on behalf of the donor community by Sweden, is still nascent and a formalised government performance monitoring system for the health sector is yet to be established. Some donors use government performance measurement work, but tend to supplement it with their own research

and analysis. Development of an MTEF is expected by 2006, which is part of the multi-sector plan for the improvement of public finance.

Education sector

According to Canada, the education sector has made the most progress in harmonisation in Nicaragua. It noted that clear policy – and co-ordination and harmonisation mechanisms – have been established and that a good relationship exists between the Ministry of Education and the donor community. Conversely, several other donors reported that education sector policy is unclear. The government is currently establishing new sector policies and strategies. Existing government monitoring systems are weak, though they are in the process of being strengthened, and a MTEF is expected to be established by 2006. The World Bank has prepared an education sector credit and plans to establish a memorandum of understanding with other agencies to support harmonisation in this sector through four main actions:

- Financing part of the sector plan.
- The use of government procurement and financial management arrangements.
- The use of a common set of monitoring indicators with other agencies.
- Planning joint missions to supervise implementation of the sector plan with other agencies.

Water sector

Leadership problems on the part of the government are reported in the water sector. The sector *mesa* is yet to be established and some sector issues are currently dealt with under the health sector *mesa*, with others dealt with under the infrastructure *mesa*. No clear sector policy has been currently established and there are no government performance monitoring systems or donor co-ordination processes in place. A new law concerning the water sector is being processed, but it has not been approved yet due to political reasons.

Transport sector

A transport sector *mesa* and a national transport action plan have been established, though no regular meetings have taken place. Despite nine donors (Denmark, Japan, Netherlands, Spain, United States, European Commission, IDB, United Nations, and the World Bank) being active in the sector, a donor co-ordination mechanism has not yet been established, although this is expected shortly. Government oversight of existing programmes in the sector is reported to be weak, which has resulted in excessive cost overruns, low quality and delayed project implementation. A government-performance monitoring system is under development.

Rural development

The national rural development strategy was presented by the government in August 2004; however, it is yet to be discussed with the donor community in Nicaragua. Nearly 20 donor agencies work in the rural sector; Denmark, COSUDE (*Agencia Suiza para el Desarrollo y la Cooperación*), and the World Bank will probably be first to engage in an integrated farming basket fund mechanism. More agencies are becoming involved in the sector approach.

Other sectors

Other sectors receiving donor support include modernisation of the state / good governance, decentralisation, energy, fisheries, private sector development, justice, trade development and human rights.

Are donors streamlining conditionality?	
Direct budget support	NO
Health sector	NO
Education sector	NO
Water sector	NO
Transport/road sector	NO
Rural development agriculture	NO

TABLE 10.5
INDICATOR 7

Who is delegating co-operation?			
YES!	YES	NO	NO!
Canada	Denmark	Austria	Germany
Italy	Finland	United Nations	Luxembourg
Netherlands	France		Spain
Switzerland	Japan		Sweden
United Kingdom	United States		European Commission
World Bank			IDB
			NGOs

TABLE 10.6
INDICATOR 9

HARMONISATION

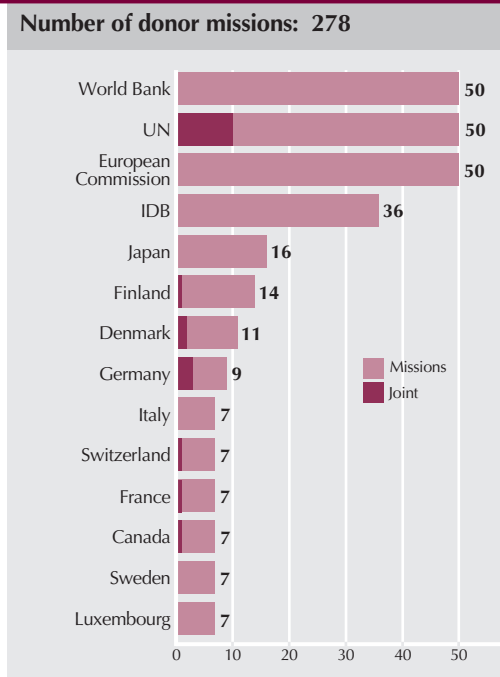
STREAMLINING CONDITIONALITY

No documents relating to common conditions currently exist for any sector or modality in Nicaragua (See Table 10.5 – Indicator 7). Respondents drew attention to attempts to agree to a common matrix based on performance indicators.

DELEGATED CO-OPERATION

Indicator 9 shows that 30% of donors are currently performing tasks on behalf of other donors (see Table 10.6). Specific examples of arrangements include: Canadian co-operation with the United Nations Population Fund (UNFPA) on a reproductive health programme; French delegation of responsibility for negotiating sector assistance to the European Commission; and other informal agreements and tacit arrangements. A number of donors also participate in basket funding in the health sector (though no donor assumes lead responsibility for this).

FIGURE 10.4
INDICATOR 10



Almost all donors delegate responsibility for administration of the joint donor anti-corruption basket fund to Norway. One bilateral donor notes that it is important not to refer to such arrangements as “silent partnerships”, pointing out that key policy decisions are taken with unanimity of all contributors, and that Norway is not entitled to make its own decisions on the use of the funds.

DONOR FIELD MISSIONS

Donors participated in nearly 300 missions in 2003, of which less than 10% were conducted jointly (see Figure 10.4 – Indicator 10).

STREAMLINING DIAGNOSTIC REVIEWS

Between 2001 and 2003, three diagnostic reviews were undertaken in Nicaragua, two involving more than one donor (see Table 10.7 – Indicator 11). It is expected that the CFAA, which was led by the IDB, will serve as a basis for a capacity enhancement programme.

TABLE 10.7
INDICATOR 11

Are diagnostic reviews being streamlined?

Diagnostic reviews (2001-03)	Was it undertaken jointly?
CFAA	YES
CPAR	YES
HIPC Tracking Assessment	NO

DISCLOSING INFORMATION

Several donors draw attention to the lack of existence of a government MTEF but many of them claim to make multi-annual commitments (Indicator 12a – Table not presented). For example, the European Commission programmes aid through its country strategy over a five-year horizon and Spain plans it over a four-year horizon through the Hispanic-Nicaraguan Mixed Cooperation Commission. However, the extent to which these commitments are confirmed or solely indicative, is unclear.

TABLE 10.8
INDICATOR 13

Who is sharing country analytic work?

YES!	YES	NO	NO!
United States World Bank	Switzerland United Kingdom IDB United Nations	Austria Canada Denmark Finland France Japan Spain Sweden European Commission NGOs	Germany Luxembourg Netherlands

As an illustration of this, the Netherlands explains that while it has multi-annual planned expenditure data available, it is reluctant to share it due to the possibility of it changing in light of subsequent events. It cites the example of its 2003 budget which showed substantial reductions when compared to previous estimates as a result of the poor state of the Dutch economy in 2002-03. Other donors, e.g. Finland, make multi-annual commitments that are contingent on annual parliamentary approval.

With respect to the notification of actual disbursements (Indicator 12b – Table not presented), donors draw attention to the lack of a unified project registry or mechanism to easily share such data with the government. Some donors, such as the United Kingdom, are supporting the construction of a centralised financial administration system to address this weakness.

Many donors allude to informal methods used for sharing country-specific analytical information with relevant stakeholders, but few maintain country-specific information on the Internet, other than high-level country strategy papers. 68% of donors do not regularly make their country analytical work available on the Internet (see Table 10.8 – Indicator 13). Increased use of the Ministry of Foreign Affairs Web site for sharing information might be considered.

ACRONYMS

CFAA	Country financial accountability assessment
CPAR	Country procurement assessment report
HIPC	Heavily indebted poor countries
HLF	High-Level Forum
IDB	Inter-American Development Bank
JCLA	Joint Country Learning Assessment (Nicaragua)
JFA	Joint financing arrangement
MTEF	Medium-term expenditure framework
NDP	National development plan
NGO	Non-governmental organisation
PRS	Poverty-reduction strategy
PRSP	Poverty-reduction strategy paper
UN	United Nations

