



2006 Survey on Monitoring The Paris Declaration

Country Chapters

NICARAGUA

The 2006 Survey on Monitoring the Paris Declaration was undertaken in 34 countries that receive aid. The results of the survey are presented in two volumes. **Volume 1** provides an overview of key findings across 34 countries. **Volume 2** presents the baseline and key findings in each of the 34 countries that have taken part in the survey. This chapter is based primarily on the data and findings communicated by government and donors to the OECD through the Paris Declaration monitoring process. A more detailed description of this process, how this chapter was drafted and what sources were used is included in Volume 1, Chapter 2.

Both Volume 1 (Overview) and Volume 2 (Country Chapters) of the 2006 Survey on Monitoring the Paris Declaration can be downloaded at the OECD website:

www.oecd.org/dac/effectiveness/monitoring

A second round of monitoring will be organised in the first quarter of 2008 and will be an important contribution to the Accra High-Level Forum on Aid Effectiveness in September 2008.

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NICARAGUA, WITH A POPULATION OF AROUND 6 MILLION, has an average annual income per head (gross national income per capita, 2004) of USD 790. At the time of the last household survey in 2001, some 45% of the national population fell below the dollar-a-day international poverty line and 80% under the two-dollars-a-day line. Nicaragua is a country where the effectiveness of aid is of the highest concern to both the government and the donor community. The Nicaraguan government has put itself at the forefront of Paris Declaration implementation by developing with development partners an ambitious Harmonisation and Alignment Action Plan.

Net official development assistance (ODA) to Nicaragua in 2004 was USD 1 232 million representing 29% of gross national income (GNI). A total of 21 donors responded to the 2006 baseline survey, accounting for at least 82% of official aid flows to Nicaragua.

| DIMENSIONS | BASELINE | CHALLENGES | PRIORITY ACTIONS |
|-----------------------|----------|--|---|
| Ownership | Moderate | Hiatus between Poverty Reduction Strategy 1 and Poverty Reduction Strategy 2 delayed implementation. | Avoid another hiatus after 2006 elections. |
| Alignment | Low | Aid remains largely fragmented and parallel to country systems, despite recent efforts. | Launch a government initiative on capacity development. Improve government's financial accounting for aid. |
| Harmonisation | Low | Harmonisation is only advanced in a few sectors and budget support. | Adopt programme-based approaches with common procedures in more sectors. |
| Managing for results | Moderate | Technical systems lack effective means of feeding back into policy. | Institute monitoring and evaluation feedback loops. |
| Mutual accountability | Moderate | Harmonisation and Alignment Action Plan not yet subject to mutual evaluations. | Institute a mutual accountability mechanism. |

OVERVIEW
Box 24.1
Challenges
and priority
actions

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRITICAL to achieving development results and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this – especially in countries that rely heavily on aid to finance their development – is not a simple undertaking. Nor, of course, can it be measured by a single indicator. For donors, it means supporting countries' leadership, policies, institutions and systems. This is commonly referred to as "alignment" (see below). Donors are in a better position to do this when governments set out clear priorities and operational strategies – the main focus of Indicator 1 of the Paris Declaration.

The government of Nicaragua has made great strides in exercising leadership of development efforts in the country, notably by setting up a system for co-ordination of aid based on joint working groups or roundtables. Specifically, the Ministry of External Relations leads the co-ordination process, making use of one global roundtable (Mesa Global) and six sectoral roundtables covering education, health, good governance, production and competitiveness, infrastructure and social protection. The roundtables, generally chaired by government, vary considerably in experience and maturity. Some of the roundtables have developed results-oriented workplans.

Indicator 1 of the Paris Declaration follow-up measures the extent to which a country has an operational development strategy to guide the aid co-ordination effort and the country's overall development. In the World Bank's Comprehensive Development Framework (CDF) Progress Report, an operational strategy calls for: a coherent long-term vision and a medium-term strategy derived from it; specific targets serving a holistic, balanced and well-sequenced development strategy; and capacity and resources for its implementation.

As of 2005, the reference year for the Progress Report and the Paris Declaration Baseline Survey, Nicaragua was considered to have only a few of these elements, and was consequently placed, along with 31% of the countries covered, in category D of the CDF's descending scale running from A to E. Only countries in categories A and B are considered to have an operational strategy. This assessment may reflect the particular circumstance that up to the middle of 2005 the country had invested heavily in national, sectoral and regionally planning but did not have a recognised Poverty Reduction Strategy Paper (PRSP).

Nicaragua's long-term vision for development and poverty reduction has been expressed in two strategies presented as the country's PRSP: the *Estrategia Reforzada de Crecimiento Económico y Reducción de la Pobreza* (ERCERP) of 2001 and the National Development Plan (NDP) of 2005. There are strong elements of continuity between the two strategies, notably the analysis of the challenges in the social sectors and the high priority accorded to overcoming these challenges. However, the different political stances of successive presidents and the polarised character of political debate in the country has limited the degree to which these documents are seen as expressing a national vision, as opposed to the programme of the incumbent administration. The political system tends to create periods of policy hiatus and non-implementation of strategies, while newly elected incumbents set about elaborating their own vision, as happened when President Bolaños succeeded Alemán in 2002.

The National Development Plan places more emphasis on the productive sectors and promotion of economic growth than the ERCERP. It has inspired sectoral and institutional plans. It is linked more systematically with emerging sector strategies and also draws quite heavily upon the five-year development plans elaborated during the last few years by departments and municipalities throughout Nicaragua. The consensual elements in the previous vision are now more elaborately

sequenced in the NDP. There is a better overall balance and more coverage of cross-sectoral issues including governance, state reforms and gender. However, the NDP incorporates a politically controversial proposal: to promote growth by identifying export-oriented strategic sectors in selected geographical areas. Depending on the outcome of the November 2006 national elections, this feature could weaken the adherence of the incoming administration to the NDP.

The NDP has more realistic macroeconomic assumptions than the ERCERP, and goals and targets that are more likely to be met. Work is being done to prepare sectoral Medium-Term

Expenditure Frameworks for the social sectors to ensure a reliable flow of funding to them. Public expenditures to sectors identified as priorities in the ERCERP have been rising from one year to the next, as a proportion of the national budget. However, the scope for further reallocation of spending is very restricted due to public-sector salary awards and a large volume of domestic debt. There is no guarantee that there will be sufficient domestic resources for the implementation of the National Development Plan. There are also issues regarding the efficiency and effectiveness of existing spending which need to be more vigorously addressed in several sectors.

ALIGNMENT

THE DONOR COMMUNITY in Nicaragua has welcomed the Bolaños government's initiatives in the area of aid co-ordination, and the harmonisation and alignment agenda is taken seriously in the country. However, the full benefit of these efforts has not yet been realised. The political situation in the country, especially the exceptionally adversarial relationship between the executive branch and other organs of the state that prevailed from 2002 to late 2006, has been one factor preventing more rapid progress. The baseline survey confirms that in a number of respects, country systems fall short of providing a robust framework for the integration of aid to meet poverty-reduction objectives. An equally important factor has been the large number and scale of the projects which predate donor commitments to alignment and are still being executed on traditional lines. In order to meet the commitments contained in the Paris Declaration, donors and the incoming administration will need to work together to complete the tasks of alignment that have been started.

BUILDING RELIABLE COUNTRY SYSTEMS

The World Bank's Country Policy and Institutional Assessment (CPIA) gives Nicaragua a current score of 3.5 for the quality of budgetary and public financial management, which is barely above the average for International Development Association countries. The Aid Effectiveness Review (AER) reports that key reforms to improve public financial management and procurement are planned for the period covered by the National Development Plan (2005-09). On the basis of findings from the 2004 Country Financial Accountability Assessment and Country Procurement Assessment Report, the government is now breathing life into action plans. The group of donors that has been providing general budget support to Nicaragua under the Joint Financing Arrangement of 2005 is closely monitoring the policy actions being taken in these and other key reform areas, using a jointly agreed performance assessment matrix. Corruption is still perceived to be widespread in Nicaragua. The country ranks 107th out of 158 in Transparency International's Corruption Perceptions Index.

INDICATOR 3
Table 24.1

Are government budget estimates comprehensive and realistic?

| | Government's budget estimates of aid flows for FY05 (USD m) | Aid disbursed by donors for government sector in FY05 (USD m) | Baseline ratio* | |
|---|--|--|-----------------|------------|
| | a | b | c=a/b (%) | c=b/a |
| Austria | -- | 1 | | |
| Canada | 1 | 2 | 44% | |
| Denmark | 6 | 24 | 24% | |
| European Commission | 24 | 50 | 49% | |
| Finland | 78 | 8 | | 11% |
| France | -- | 1 | | |
| Germany | 5 | 22 | 24% | |
| Global Fund | -- | 0 | | |
| Inter-American Development Bank | 83 | 110 | 76% | |
| International Fund for Agricultural Development | 2 | 3 | 88% | |
| Japan | 19 | 46 | 41% | |
| Netherlands | 3 | 18 | 19% | |
| Norway | 1 | 5 | 20% | |
| Organización de Estados Iberoamericanos | 0 | 0 | 53% | |
| Spain | 10 | 3 | | 29% |
| Sweden | 9 | 30 | 31% | |
| Switzerland | 1 | 2 | 59% | |
| United Kingdom | 14 | 2 | | 12% |
| United Nations | 12 | 27 | 45% | |
| United States | 0 | 0 | | 0% |
| World Bank | 6 | 63 | 10% | |
| Total | 305 | 418 | | 73% |

* Baseline ratio is $c = a / b$ except where government's budget estimates are greater than disbursements ($c = b / a$).

ALIGNING AID FLOWS
ON NATIONAL PRIORITIES

Donors have responded in various ways to the difficulties created by the implementation hiatus between Nicaragua's first and second Poverty Reduction Strategy. The World Bank prepared an Interim Strategy Note, rather than a full Country Assistance Strategy (CAS) because CASs are required to be formally linked to an endorsed PRSP. Several donors whose commitments are mainly at sectoral level have taken the position that their activities are fully aligned with the relevant sector policy frameworks. The budget support performance matrix was prepared alongside the National Development Plan and is consequently highly consistent with it, although more operationally oriented. The proposal that is the basis of Nicaragua's compact with the Millennium Challenge Account focuses on two

areas in Western Nicaragua to improve their infrastructure: access to markets and property rights. This is in line with the NDP.

Indicator 3 of the baseline survey provides a quantitative measure of the degree to which aid flows are aligned with national priorities, focusing on the degree to which donor financial commitments are reflected fully and accurately in the national budget. The general target for this indicator set by the Paris Declaration (87%) calls for both a high level of budget realism on the part of the country authorities and a high degree of willingness and ability of donors to provide information in a timely fashion and in a suitable form.

The table above provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors

for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Nicaragua is 73%. Achieving the target agreed in Paris of 87% (halving the gap) for this indicator will require concerted efforts by donors and government.

One problem affecting the ability of the government to reflect donor disbursements in the budget is that donors often notify their intentions before the end of the previous year, but not before the cut-off date for inclusion in the budget (15 October). A greater degree of inclusion becomes possible within supplementary budgets agreed during the fiscal year. Further, the government points out that donor countries and aid agencies could provide more information and adjust their policies to make it easier for Nicaragua to reflect contributions in the budget.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

The Paris Declaration recognises capacity development as an essential condition for country ownership of the development agenda and for strengthening country systems. Fragmented donor support to capacity development is a major obstacle. The Declaration therefore commits donors to providing more co-ordinated support to capacity development under country leadership, with a target of 50% provided in this form by 2010. For Nicaragua, the AER's assessment is that there is no comprehensive government strategy for capacity development and that much external capacity support is still fragmented. Partial exceptions to the general fragmentation are the joint support to the census and statistics system, and the joint programme for public sector management. The survey returns, on the other hand, indicate that 29% of reported technical assistance may be considered co-ordinated.

How much technical assistance is co-ordinated with country programmes?

| | Co-ordinated technical co-operation (USD m) a | Total technical co-operation (USD m) b | Baseline ratio* (%) c=a/b |
|---------------------|--|---|------------------------------|
| Austria | 2 | 9 | 20% |
| Canada | 2 | 5 | 35% |
| Denmark | 2 | 10 | 20% |
| European Commission | 2 | 7 | 26% |
| Finland | 2 | 2 | 76% |
| France | 0 | 0 | 0% |
| Germany | 1 | 8 | 15% |
| Global Fund | 0 | 0 | -- |
| IDB | -- | 2 | -- |
| IFAD | 0 | 0 | 70% |
| Japan | 3 | 13 | 27% |
| Netherlands | -- | -- | -- |
| Norway | 0 | 1 | 31% |
| OEI | 0 | 0 | -- |
| Spain | 1 | 3 | 23% |
| Sweden | 7 | 10 | 71% |
| Switzerland | 2 | 7 | 23% |
| United Kingdom | 1 | 1 | 82% |
| United Nations | 2 | 37 | 6% |
| United States | 0 | 0 | -- |
| World Bank | 8 | 10 | 84% |
| Total | 36 | 124 | 29% |

INDICATOR 4
Table 24.2

It is clear from the survey return that the numbers reported in the table reflect a local donor consensus position on the criterion that ought to be applied to identifying co-ordinated programmes. This consensus admits any technical assistance that supports priorities explicitly defined by the government, or by a sector-wide approach (SWAp) or other programme-based approach, so long as the co-ordination has been formalised by means of a bilateral agreement, memorandum of understanding or agreement of a sector roundtable. This is a weaker criterion than the one suggested in the survey guidance, that describes a country capacity development programme with clear objectives communicated by senior officials, which donors then support. According to the survey return, the government would prefer to adopt a more restrictive definition than the one agreed to by the donors. If the

INDICATOR 5
Table 24.3

How much aid for the government sectors uses country systems?

| | Aid disbursed by donors for government sector (USD m) a | Public financial management | | | | Procurement | |
|---------------------|--|-------------------------------------|--|--------------------------|--|--|-----------------------------------|
| | | Budget execution (USD m) b | Financial reporting (USD m) c | Auditing (USD m) d | Baseline ratio (%) avg(b,c,d) / a | Procurement systems (USD m) e | Baseline ratio (%) e / a |
| Austria | 1 | 1 | 1 | 0 | 52% | 1 | 64% |
| Canada | 2 | 2 | 2 | 2 | 89% | 2 | 89% |
| Denmark | 24 | 15 | 5 | 5 | 35% | 15 | 62% |
| European Commission | 50 | 16 | 16 | 12 | 30% | 12 | 24% |
| Finland | 8 | 7 | 5 | 3 | 60% | 6 | 72% |
| France | 1 | 1 | 1 | 1 | 89% | 0 | 0% |
| Germany | 22 | 13 | 5 | 5 | 35% | 13 | 60% |
| Global Fund | 0 | -- | -- | -- | -- | -- | -- |
| IDB | 110 | 110 | 0 | 0 | 33% | -- | -- |
| IFAD | 3 | 3 | 3 | 3 | 100% | 1 | 52% |
| Japan | 46 | 6 | 6 | 6 | 13% | 6 | 13% |
| Netherlands | 18 | 16 | 16 | 16 | 85% | 16 | 85% |
| Norway | 5 | 4 | 3 | 3 | 68% | 4 | 77% |
| OEI | 0 | -- | 0 | -- | -- | 0 | 0% |
| Spain | 3 | 1 | 0 | 0 | 7% | 1 | 21% |
| Sweden | 30 | 17 | 17 | 13 | 52% | 27 | 90% |
| Switzerland | -- | -- | -- | -- | -- | -- | -- |
| United Kingdom | 2 | 2 | 2 | 2 | 94% | 2 | 94% |
| United Nations | 27 | 6 | 3 | 1 | 13% | 7 | 25% |
| United States | 0 | 0 | 0 | 0 | -- | 0 | -- |
| World Bank | 63 | 63 | 63 | 36 | 86% | 0 | 0% |
| Total | 418 | 287 | 152 | 112 | 44% | 116 | 28% |

rigorous definition provided by the survey guidance were to be applied, no current programmes in Nicaragua would qualify as co-ordinated under government leadership. This suggests that further country-level dialogue on the subject would be justified.

USING COUNTRY SYSTEMS

Indicator 5a is a measure of the use of three components of country public financial management systems by donors. According to the survey data, the average rate of utilisation across the three components is only 44%. Given Nicaragua's moderately high CPIA score for public budgetary and financial management, this is a low figure. According to the agreed targets, the average should rise to at least 63% by 2010. Use of the country procurement system is even lower, at 28%. In the absence of a quantified assessment

of the quality of the country systems, no target has been set for this indicator. However, government and donors need to examine together the degree to which the low rate of utilisation of the country procurement system is due to rigidities in the law or in donor practices, and the scope for movement and compromise on this issue.

The implementation of the joint financing arrangement on general budget support has generated greater use of country systems. In fact, country systems may be expected to increase further as the health and education SWAps surge forward with plans to harmonise financial management and procurement around country systems. The relatively low baseline level of utilisation of country systems is due (in part) to the backlog of uncompleted projects that were never designed to be aligned with national procedures

or that are governed by donor rules requiring use of their own systems. In the case of procurement, there are also some technical barriers in the form of financial ceilings for the use of different arrangements; these issues are being addressed by means of an amendment to Law 323.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel, in the sense that appointment decisions and accounting relationships involve the donor alone. The current baseline figure for Nicaragua was established as 107 such structures, using the following procedure. An initial list was prepared by the government, including all units counting as parallel PIUs in terms of at least four of the five criteria indicated in the survey guidance. This was then checked and amended by the donors.

According to the World Bank's AER, action is being taken to phase out PIUs. While most of Nicaragua's 16 ongoing World Bank-financed projects incorporate PIUs in their implementation structure, efforts are under way to transfer responsibility to the government. As the survey return notes, the phasing out of parallel PIUs is dependent upon progress in getting donors to adopt country public financial management (PFM) and procurement systems. To integrate a PIU into a mainstream government office without giving up the requirement to use the donor's own systems would impose an intolerable administrative burden on the government. The responses also suggest that PIUs could be assessed more objectively by looking at numbers of staff contracted under PIUs and their salaries compared to those of government employees.

PROVIDING MORE PREDICTABLE AID

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Nicaragua, donors scheduled USD 549 million for disbursement in 2005 and actually disbursed – according to their own records – significantly less than expected (USD 418 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Nicaragua, government systems recorded USD 384 million out of the USD 418 million notified as disbursed by donors (70%), indicating that a significant proportion of disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

How many PIUs are parallel to country structures?

INDICATOR 6
Table 24.4

| | Parallel PIUs (units) |
|---------------------|--------------------------|
| Austria | 5 |
| Canada | 4 |
| Denmark | 0 |
| European Commission | 7 |
| Finland | 0 |
| France | 0 |
| Germany | 0 |
| Global Fund | 0 |
| IDB | 35 |
| IFAD | 2 |
| Japan | 0 |
| Netherlands | 0 |
| Norway | 1 |
| OEI | 2 |
| Spain | 7 |
| Sweden | 3 |
| Switzerland | 4 |
| United Kingdom | 0 |
| United Nations | 9 |
| United States | 21 |
| World Bank | 7 |
| Total | 107 |

INDICATOR 7
Table 24.5

Are disbursements on schedule and recorded by government?

| | Disbursements recorded by government in FY05 (USD m) a | Aid scheduled by donors for disbursement in FY05 (USD m) b | Aid actually disbursed by donors in FY05 (USD m) b | Baseline ratio* | |
|---------------------|--|--|--|--------------------|------------|
| | | | | c=a/b (%) | c=b/a |
| Austria | 0 | 0 | 1 | | 0% |
| Canada | 0 | 2 | 2 | 17% | |
| Denmark | 12 | 29 | 24 | 41% | |
| European Commission | 42 | 81 | 50 | 52% | |
| Finland | 5 | 11 | 8 | 47% | |
| France | 1 | 1 | 1 | 38% | |
| Germany | 10 | 25 | 22 | 40% | |
| Global Fund | -- | -- | 0 | | |
| IDB | 97 | 148 | 110 | 66% | |
| IFAD | 2 | 3 | 3 | 58% | |
| Japan | 27 | 46 | 46 | 59% | |
| Netherlands | 23 | 18 | 18 | | 81% |
| Norway | 6 | 5 | 5 | | 83% |
| OEI | 0 | 0 | 0 | 18% | |
| Spain | 17 | 3 | 3 | | 18% |
| Sweden | 12 | 28 | 30 | 43% | |
| Switzerland | 9 | 7 | 2 | | 80% |
| United Kingdom | 1 | 2 | 2 | 34% | |
| United Nations | 13 | 26 | 27 | 49% | |
| United States | 3 | 0 | 0 | | 0% |
| World Bank | 65 | 112 | 63 | 59% | |
| Total | 384 | 549 | 418 | | 70% |

* Baseline ratio is $c = a / b$ except where disbursements recorded by government are greater than aid scheduled for disbursement ($c = b / a$).

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Nicaragua, this combined predictability gap amounts to USD 165 million (30% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

UNTYING AID

INDICATOR 8

According to OECD data covering 94% of 2004 commitments, 85% of aid to Nicaragua is untied. However, the government views this as an extremely optimistic assessment of the situation. According to its own estimate, no more than 25% of aid to the country is untied. The reasons for this sizeable discrepancy would be worth investigating.

HARMONISATION

THE GOVERNMENT AND DONORS are making reasonable progress to improve the alignment of aid with country policies and systems in Nicaragua, and the obstacles remaining have been clearly identified. There also seems to be an emerging donor consensus on aspects of aid harmonisation, at least among those providing support to the government sector. This is being seen in the use of programme-based approaches and the sharing of missions and analytical work. If these efforts are sustained over the long term, they should provide a platform for actions to reduce aid fragmentation through specialisation and delegation, and to improve internal incentives to collaborative behaviour, both important Paris Declaration commitments not directly covered by the survey.

USING COMMON ARRANGEMENTS

The proportion of reported government-sector aid using PBAs (and, by that token, employing common arrangements) is currently reported as 48%, the bulk of this in the form of joint programmes within particular sectors. These numbers were arrived at on the basis of an initial government list which was then scrutinised by donors. The government view is that none of the listed programmes (other than the budget support agreement) could be considered fully compliant with the definition of a PBA in the survey guidance, but that several will become compliant in 2006 as a result of the sectoral Medium-Term Expenditure Framework exercise. The government would like to see a closer definition of the degree of country leadership expected in a PBA, and a more objective basis for assessing “efforts to increase the use of country systems”.

How much aid is programme based?

| | Budget support (USD m) a | Other PBAs (USD m) b | Total (USD m) c=a+b | Total disbursed (USD m) d | Baseline ratio (%) e=c/d |
|---------------------|--------------------------------|----------------------------|---------------------------|---------------------------------|--------------------------------|
| Austria | 1 | 5 | 6 | 10 | 64% |
| Canada | 2 | 0 | 2 | 7 | 25% |
| Denmark | 0 | 29 | 29 | 29 | 100% |
| European Commission | 12 | 0 | 12 | 60 | 20% |
| Finland | 2 | 6 | 8 | 9 | 81% |
| France | 1 | 0 | 1 | 3 | 54% |
| Germany | 5 | 4 | 9 | 24 | 36% |
| Global Fund | -- | -- | -- | 3 | -- |
| IDB | -- | 30 | 30 | 121 | 25% |
| IFAD | 0 | 0 | 0 | 3 | 0% |
| Japan | 0 | 0 | 0 | 49 | 0% |
| Netherlands | 11 | 3 | 15 | 24 | 61% |
| Norway | 3 | 1 | 4 | 7 | 64% |
| OEI | 0 | 0 | 0 | 0 | 0% |
| Spain | 0 | 0 | 0 | 16 | 0% |
| Sweden | -- | -- | -- | -- | -- |
| Switzerland | 5 | 0 | 5 | 12 | 46% |
| United Kingdom | 2 | 0 | 2 | 8 | 22% |
| United Nations | 0 | 3 | 3 | 45 | 7% |
| United States | 0 | 37 | 37 | 0 | -- |
| World Bank | 36 | 9 | 45 | 63 | 72% |
| Total | 93 | 163 | 256 | 533 | 48% |

INDICATOR 9
Table 24.6

Taking all this into account, it would be fair to say that the baseline figure is somewhat inflated. Correspondingly greater efforts will be required to meet the 2010 target of 66% of flows using common arrangements within PBAs. This will call for strenuous efforts to consolidate the SWAs that are already established (health and education) and extend the model in the way the government wishes, into sectors that are still characterised by multiple projects with no operationalised policy framework or common procedures. An expansion of the proportion of aid channelled through the joint budget support programme would also be beneficial. During 2006, the budget support group has been discussing a streamlining of the performance assessment matrix that it uses to monitor effectiveness, so as to reduce transaction costs for government.

INDICATOR 10a
Table 24.5

Table 40.7: How many donor missions are co-ordinated?

| | Co-ordinated donor missions (missions) a | Total donor missions (missions) b | Baseline ratio (%) c=a/b |
|----------------------------|---|--|-----------------------------------|
| Austria | 0 | 2 | 0% |
| Canada | 1 | 7 | 14% |
| Denmark | 2 | 7 | 29% |
| European Commission | 2 | 3 | 67% |
| Finland | 6 | 14 | 43% |
| France | 0 | 0 | -- |
| Germany | 2 | 16 | 13% |
| Global Fund | 0 | 0 | -- |
| IDB | 4 | 44 | 9% |
| IFAD | 2 | 2 | 100% |
| Japan | 0 | 20 | 0% |
| Netherlands | 4 | 6 | 67% |
| Norway | 0 | 5 | 0% |
| OEI | 0 | 0 | -- |
| Spain | 1 | 20 | 5% |
| Sweden | -- | -- | -- |
| Switzerland | 6 | 10 | 60% |
| United Kingdom | 13 | 22 | 59% |
| United Nations | 9 | 118 | 8% |
| United States | -- | 0 | -- |
| World Bank | -- | 60 | -- |
| Total (discounted*) | 34 | 356 | 9% |

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The original baseline figure for co-ordination of donor missions is given as 17%, compared with the Paris Declaration target of 40%. However, the country return points out that this indicator has been inflated, as each joint mission has been reported by each of the participating donors. If a discount factor is applied to adjust for this double counting, the baseline percentage would become very low indeed (9%). It is also the case that the absolute numbers of missions are high for a country the size of Nicaragua. Substantial new efforts are going to be needed if Nicaragua is to meet the Paris Declaration target on joint missions.

Jointly conducted analytical work is subject to the same problem of double counting. It is also possible that there was some under-counting of the denominator, because some donors are not familiar with the concept of “country analytical work” and may have excluded some relevant analysis. The government’s perception is that even after taking into account such established joint exercises and the Country Financial Accountability Assessment, co-ordination of analytical work has barely started in Nicaragua.

INDICATOR 10b
Table 24.8

How much country analysis is co-ordinated?

| | Co-ordinated donor analytical work (units) a | Total donor analytical work (units) b | Baseline ratio (%) c=a/b |
|----------------------------|---|--|--------------------------------|
| Austria | 0 | 0 | -- |
| Canada | 1 | 1 | 100% |
| Denmark | 2 | 4 | 50% |
| European Commission | 0 | 1 | 0% |
| Finland | 1 | 3 | 33% |
| France | -- | 0 | -- |
| Germany | 2 | 3 | 67% |
| Global Fund | 0 | 0 | -- |
| IDB | 12 | 16 | 75% |
| IFAD | 2 | 2 | 100% |
| Japan | 0 | 0 | -- |
| Netherlands | -- | -- | -- |
| Norway | 0 | 1 | 0% |
| OEI | 0 | 0 | -- |
| Spain | 0 | 0 | -- |
| Sweden | 0 | 0 | -- |
| Switzerland | 3 | 6 | 50% |
| United Kingdom | 6 | 6 | 100% |
| United Nations | 11 | 18 | 61% |
| United States | 1 | 3 | 33% |
| World Bank | 4 | -- | -- |
| Total (discounted*) | 34 | 64 | 53% |

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

MANAGING FOR RESULTS

THE PARIS DECLARATION CALLS FOR PARTNER COUNTRIES AND DONORS to work together to manage resources on the basis of desired results and use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 focuses on one component of this effort: the establishment of cost-effective results-oriented reporting and assessment systems by the country.

INDICATOR 11

Nicaragua is not among the group of International Development Association countries judged to have a “largely developed” results monitoring system according to the CDF. It falls in category C of this assessment along with the 42% of the sample that have some (but not all) of the elements of such a system. This reflects particular strengths and inadequacies in three areas: the quality of the available development information; the degree to which stakeholders have access to it; and the extent of co-ordinated monitoring and evaluation of the country’s development efforts.

The AER reports that the availability and quality of poverty-related data are improving. For example, a full Living Standards Monitoring Survey and a Demographic and Health Survey, as well as a national census, were carried out in 2005. Financial information systems are also quite well developed, with an integrated system (*Sistema Integrado de Gestión Financiera y Auditoría*, or SIGFA) that generates budget execution reports for Congress. Efforts to integrate systems for monitoring donor and non-governmental organisation funding into SIGFA

are under way. The AER also applauds actions to establish a country-level monitoring and evaluation system. The government has identified 51 indicators of NDP implementation to be monitored, and has set up a computer-based system for bringing together the relevant data from across the public sector. It is less clear how this technically sophisticated arrangement will contribute to the purposes of learning and accountability that a national monitoring and evaluation system should serve.

MUTUAL ACCOUNTABILITY

INDICATOR 12 **THE PARIS DECLARATION** calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that strengthens public support for national policies and development assistance. This in turn requires governments to improve country accountability systems and donors to be transparent about their own contributions. Is there a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself?

Such a mechanism has been created and has made significant progress in Nicaragua. Nicaragua was a pilot country for the 2003 Rome Declaration on Harmonisation, and participated in an OECD/DAC Joint Country Learning Assessment intended to help Nicaragua inch forward in the harmonisation process. In 2004, the government adopted a Harmonisation and Alignment Action Plan, which is under implementation. The plan sets out specific actions to be undertaken and targets to be met over the period 2005-07. Baseline data for 2005 are being studied by a mixed group representing the government, the National Assembly, civil society and development partners. An institutionalised mechanism for reviewing progress on implementing the agreed commitments is due to be created but was not yet in place in 2006, according to the survey return. Nicaragua is represented on the Joint Venture on Monitoring the Paris Declaration.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for Nicaragua. The baseline values are based on discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Nicaragua under the aegis of the National Co-ordinator (Mauricio Gómez).

| INDICATORS | 2005 BASELINE | 2010 TARGET |
|---|---------------|----------------|
| 1 Ownership – Operational PRS | D | B or A |
| 2a Quality of PFM systems | 3.5 | 4.0 |
| 2b Quality Procurement systems | Not available | Not applicable |
| 3 Aid reported on budget | 73% | 87% |
| 4 Co-ordinated capacity development | 29% | 50% |
| 5a Use of country PFM systems (aid flows) | 44% | 63% |
| 5b Use of country procurement systems (aid flows) | 28% | Not applicable |
| 6 Parallel PIUs | 107 | 36 |
| 7 In-year predictability | 70% | 85% |
| 8 Untied aid | 85% | More than 85% |
| 9 Use of programme-based approaches | 48% | 66% |
| 10a Co-ordinated missions | 9% | 40% |
| 10b Co-ordinated country analytic work | 53% | 66% |
| 11 Sound performance assessment framework | C | B or A |
| 12 Reviews of mutual accountability | Yes | Yes |

Table 24.9
Baselines
and targets

ACRONYMS

| | |
|--------|--|
| AER | Aid Effectiveness Review |
| CAS | Country Assistance Strategy |
| CDF | Comprehensive Development Framework |
| CPIA | Country Policy and Institutional Assessment |
| ERCERP | <i>Estrategia Reforzada de Crecimiento Económico y Reducción de la Pobreza</i> (Poverty Reduction Strategy Paper) |
| GNI | gross national income |
| NDP | National Development Plan |
| ODA | official development assistance |
| PFM | public financial management |
| PIU | project implementation unit |
| PRSP | Poverty Reduction Strategy Paper |
| SIGFA | <i>Sistema Integrado de Gestión Financiera y Auditoría</i> (integrated financial system) |
| SWAp | sector-wide approach |

