



NICARAGUA UPDATE

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Sarah Hunt and Yolanda Rodriguez

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1. Introduction

This document gives an overview of recent events relating to the HIPC II initiative and the PRSP process in Nicaragua. This is one of a series of updates on the PRSP processes in Honduras and Nicaragua developed by Trócaire, all of which are available on www.eurodad.org.

The content is organised into the following sections.

- This first section serves as an introduction.
- The second section gives an overview of the PRSP process in Nicaragua, the Poverty Reduction Growth Facility (PRGF) agreement of December 2002, and the Nicaraguan National Development Plan (NDP). This part of the report builds on detailed analysis given in previous updates on Nicaragua produced by Trócaire.
- The third section deals with international influence relating to the HIPC II process in Nicaragua. The Consultative Group meeting held in October 2003 is described. The progress of the Nicaraguan economy in 2003 in relation to the PRGF agreement is tracked up until the final reports recommending that HIPC II completion point be reached in early 2004. Finally, there is a discussion of the implications of the Central American Free Trade Agreement (CAFTA) on development policy in Nicaragua.
- The fourth section deals with the relative position of the PRSP process in Nicaragua. The impact of the National Development Plan and the forthcoming second generation PRSP are discussed. The institutional framework for the Strengthened Growth and Poverty Reduction Strategy (SGPRS) and decentralisation are dealt with in terms of participation, representation and capacity, and the results of the initial implementation are evaluated.
- Finally, in the fifth section issues surrounding the destination of HIPC funds are raised and the IMF/World Bank review of the PRSP process in Nicaragua is related to civil society appraisals. A short Annex deals with the activities of the CCER.

2. 2002-2003 National Context

2.1 PRGF Negotiations and the First Progress Report 2002

Nicaragua entered the PRSP process in 1999 and reached decision point in December 2000. An interim PRSP was produced the same year, and then a Strengthened PRSP “SGPRS” was completed in July 2001 by the Alemán administration, and approved by the Joint Staffs of the IMF and the World Bank in September 2001. It was later adopted by the Bolaños government that came into office in early 2002. The strategy comprises four pillars:

- (i) Broad-based economic growth and structural reform
- (ii) Greater and better investment in human capital
- (iii) Greater protection for vulnerable groups
- (iv) Governance and institutional development

This document was supposed to represent a national consensus, resulting from active participation by civil society, working with the government.

After Hurricane Mitch, a network of over 320 civil society organisations and municipalities created a national level umbrella NGO called the “*Coordinadora Civil para la Emergencia y la Reconstrucción*” (CCER) – the civil coordinator for emergency and reconstruction. From early 2001 the CCER initiated a process to facilitate consultation, debate and analysis about how best to reduce poverty, in parallel to the government’s own consultation process.

Between February and May 2001 twenty-one workshops were organised by groups within the CCER about the Poverty Reduction Strategy; fourteen took place in the departments beyond Managua, one in each of the Autonomous Atlantic regions, one in the Mining Triangle, one with national unions and in addition, three thematic workshops were held. The themes were economic issues, social policies and governance. Altogether over one thousand people participated. From these inputs the CCER published a document titled “*La Nicaragua que queremos*” (The Nicaragua we want).

This document is not a strategy in itself, but rather was designed to serve as a complementary input for poverty reduction and development policies in Nicaragua. The document is organised into four thematic areas: economic policies, social policies, institutions, and proposals for monitoring and evaluating the national strategy. The proposals in all four areas relate to securing greater opportunities for Nicaragua in the context of international economic relations and the formulation and initiation of an integrated sectoral strategy for the development of industrial and agricultural production. Although presented to the government, the majority of the recommendations made by the CCER were not incorporated into the final SGPRS. This, and the weak consultative process surrounding the SGPRS meant it did not represent either a national consensus for development or for poverty reduction from the outset.

In spite of this, the SGPRS enjoyed the support of the donor community, and during 2002 the SGPRS began to be implemented. In August 2002 the Inter-American Development Bank (IDB) authorised a loan of approximately US\$11 million to finance the Program for

Supporting the Implementation of the SGPRS, known as PAI. The execution of the PAI was carried out by a body known as the Secretary for Coordination and Strategy of the Presidency, SECEP, and was due to finish in April 2004. The activities of the PAI centred on implementing programs, projects and initiatives based around the four pillars of the SGPRS in eleven municipalities that were targeted in the initial phase.

In October 2002 the government presented the First Progress Report for the SGPRS (Government of Nicaragua 2002). The report describes a number of unfavourable factors at international and domestic level that affected the development of the country, however modest achievements in the reduction of poverty were highlighted and an optimistic outlook for the period 2003-2005, partly conditional on achieving HIPC completion point. The report does contain the cautionary note that the economic growth expected might not be sufficient to reduce the levels of poverty according to the SGPRS targets. The CCER published their commentaries on the report at the same time, with a strong conclusion that the SGPRS was not contributing in any way to reducing poverty in Nicaragua. The failure of the government to adequately incorporate the input from civil society given during the consultation phase of the SGPRS was highlighted, underlining the lack of consensus around the SGPRS in Nicaragua in General.¹

After nine months of negotiations Nicaragua was successful at the end of 2002 in securing a new three-year PRGF agreement with the IMF. This agreement provided for interim debt relief worth US\$77 millions and a further US\$ 137 million in Paris Club debt rescheduling for 2003. The priorities for the IMF in this agreement were:

- (i) macroeconomic stability
- (ii) gradual reduction of the domestic debt
- (iii) transparent and prudent fiscal policy
- (iv) increasing the reserves of the Central Bank.

Some of the principal structural reforms described include privatisations, reform of the judicial system, modernisation of the treasury inspector's office, and the implementation of pensions reforms. A strong emphasis was placed on property rights. Implicitly, this PRGF represents a new fiscal adjustment programme, with the tax base to be increased, spending to be cut, and taxes to be introduced on some basic foodstuffs previously exempt. Considering then the huge debt service requirements facing the country, from both external and internal debt, doubts were raised by civil society at this stage whether, firstly, money freed up from debt relief could be expected to reach poverty reduction programmes, and secondly even if it did, whether it would have any effect given the spending cuts elsewhere and tax increases burdening the poor.

¹ These details are covered in greater detail in Trocaire's update of December 2002 that can be found at <http://www.eurodad.org/articles/default.aspx?id=435>

2.2 National Development Plan 2002-2003

At the same time, in December 2002, shortly before signing the PRGF with the IMF, the government published its National Development Strategy (NDS). A consultative process was planned to discuss and agree the NDS among the different sectors before the presentation of the NDS to the Consultative Group meeting, originally planned for June 2003. The three areas of consultation were:

- (i) The “clusters” proposed to generate economic growth
- (ii) The map of opportunities that would re-direct public investment taking into account priorities coming from the poverty map proposed in the SGPRS
- (iii) Public investment as a key factor for growth and fiscal sustainability

Generally, little is known about what took place in the consultation process, neither who was consulted nor to what extent. Many in civil society suspect that the process was exclusive and confined only to a small group of large national business actors. Just as in the formulation of the SGPRS the feeling is that once the consultations took place, the government made the assumption that the fact that participation had taken place meant that there was a contribution to the content of the document. However, these very processes were limited and exclusive and decision making power rested beyond these spaces.

The Consultative Group meeting was postponed to late October 2003. Almost two months prior to the meeting, the President and his Cabinet presented a National Development Plan (NDP) to the people. This NDP was in effect an updated version of the NDS, presented as a proposal, open for discussion and modification, and that once more would be subject to a consultative process over the coming year. The NDP outlines five principal areas of concern with regard to sustainability:

- (i) Fiscal sustainability, including issues such as internal and external debt and national resources
- (ii) Fragile external sustainability, in terms of debt per capita owed to international actors, a commercial deficit
- (iii) Environmental sustainability and the depletion of natural resources
- (iv) Lack of social sustainability due high levels of unemployment and underemployment and high poverty associated with high birth rates, malnutrition and high maternal and infant mortality rates, that could lead to unimaginable conflict within Nicaraguan society
- (v) Lack of institutional sustainability, with state institutions marked by a lack of credibility

The response of the NDP is to give central importance to economic growth. The means to achieve this is framed as a balance between more markets and a better state, by deepening democracy and fostering consensus within society at all levels. Fourteen economic principles of the NDP are outlined, focussing on fiscal deficits, public investment that complements private sector development, an efficient tax system and a regulatory state. Finally, the NDP is conceptualised in the context of globalisation, and in this synthesis competitiveness and productivity emerge as the key for development. The NDP specifically

examines transport and communications costs within Nicaragua and the changes in the international economic context, and from this analysis the “cluster” methodology emerges.

The cluster methodology emerged from research at Harvard University and was introduced as an organising concept to Central America in the context of the regional development discussions in the aftermath of Hurricane Mitch. Clusters refer to a geographical concentration of business and institutions all linked to a determined territory and based around a high potential industry that can be identified as a motor for economic growth and development in that territory. This economic growth would then permit a strong linkage between production and social policies such as to create economies of scale for saving costs, increasing competitiveness and thereby exports.

Thus, the NDP is not the first instance that the clusters have been used in Central America. The regional development plan in the late 1990s included four clusters: tourism, textiles, agriculture and electronic products. The National Competitiveness Commission, comprising large national companies and high level civil servants, identified seven clusters that would form the basis of NDP:

- (i) Energy
- (ii) Textiles and clothes
- (iii) Forestry and wood products
- (iv) Fish and aquaculture
- (v) Meat and dairy products
- (vi) Tourism
- (vii) Agriculture and food processing

The clusters methodology in the NDP represents a growth strategy, an investment strategy, an employment strategy and implicitly a development strategy. The investment strategy is based around actors involved in these industries, complementary institutions and infrastructure for these territorial clusters, presumably linked to the Plan Puebla Panama. Employment is a direct outcome of encouraging these industries. However, the NDP encompasses a different approach to development than that of the SGPRS and does not focus on poverty. On its production the original SGPRS was criticised especially in terms of pillars one and four described above. In other words, the SGPRS was strong on social spending and human capital development but weak on economic growth and institutional strengthening. The NDP is now presented not only as addressing the growth and investment component part of the SGPRS but in fact is the development strategy, and the driver of public policy, while the SGPRS remains only to address “social” policies for poverty reduction. In sum, the poverty focus has been eclipsed by a competitive export strategy with the latter driving the former, rather than vice versa as conceived in the theory for the PRSP initiative. Moreover, the NDP does not include an integrated public policy strategy for overcoming obstacles to development and poverty reduction in Nicaragua.

Civil society has criticised the NDP strongly on two grounds. Firstly, in terms of the formulation process, as described above, the NDP was not constructed via participatory processes and, unsurprisingly the government has not succeeded in securing a consensus behind it. For example, the NDP does not enjoy the support of the principal political parties within Nicaragua. As a means of dealing with this, the rhetoric of the NDP describes it as a proposal, yet in reality it is presented externally as something established,

and more to the point, implementation has already begun. Secondly in terms of content the NDP represents an exclusive model of development. Poverty is not discussed in the development strategy and the poorest regions of Nicaragua are literally ignored by the cluster methodology, along with the priorities expressed by the poorest Nicaraguans. The Atlantic coast is absent from the NDP. The NDP was presented by the government as an attempt to forge a national strategy that incorporated both the growth and poverty reduction imperatives of the country. As such it was supposed to have built on the SGPRS, improving the growth strategy to complement the poverty reduction focus. Yet the poverty focus was ignored, the primary focus in the NDP is on export-led growth in large agricultural industries and the consensus it was supposed to represent in terms of the shared vision of Nicaragua was absent.

3. External Developments 2003-2004

3.1 Consultative Group Meeting October 2003

At the end of October 2003 the Seventh Consultative Group meeting for Nicaragua took place in Managua. International delegations from twenty-five different countries and twenty multilateral organisations and financial institutions attended. The aims of the Consultative Group meetings in general are to present the achievements of the country in development and transformation terms. The plans for the coming years are presented with the aim of looking for feedback and input from the international community and then for a harmonised financial response that is coordinated via the national plans and implementing institutions. The Nicaraguan government presented their achievements and plans with regard to the macroeconomic situation, the implementation of the SGPRS and within the context of the CAFTA trade negotiations that were taking place at the time. The government also took the opportunity to present the National Development Plan.

The international delegations congratulated the government upon the progress made and expressed their recommendations relating to the plans for 2004 onwards. The National Development Plan was approved and strong commitment was given towards its financing. The different representatives of civil society organisations who were present at the meeting used the brief space provided to them to demand that there be a greater participation of civil society in the design and formulation of the National Development Strategies and Plans. Many donors recognised and echoed civil society demands, and urged the government to ensure broader consultation, however greater emphasis was placed on other needs such as judicial and electoral reforms, as well as the priority of creating a positive investment climate.

The need for a shared vision of the future for Nicaragua, and a national plan that would correspond with that vision was underlined, and the government was congratulated for having begun this task, with the elaboration of the NDP. It was hailed as the best development strategy to emerge from Nicaragua in the previous five years. Unfortunately, such was the praise that civil society criticisms were eclipsed. This contributed to an uneven evaluation of the plan, such that the positive fact of having begun the task of developing a plan obscured the fact that the majority of the population had not in fact been consulted about the content. As a result the consensus and ownership the NDP was supposed to represent have been undermined from the outset. In spite of this, in response

to donor recommendations the government pledged to continue and improve the processes of consultation with Nicaraguan society at large in relation to public policies.

3.2 Towards HIPC Completion Point

After the signing of the PRGF in December 2002, Nicaragua was subject to reviews every quarter to ensure that the economic programme contained in the agreement was being adhered to and keep the economy “on-track” for reaching HIPC completion point. The key terms of the PRGF refer to the government’s three-year economic programme, including the commitment to reduce the fiscal deficit, structural reforms, anti-corruption measures and the plan to rescue the failing banks as part of a programme to strengthen the financial sector. The agreement was worth US\$138.8 million².

In June 2003 the IMF completed both the first and second reviews of the PRGF agreement. The corresponding Press Release (IMF 19 June 2003) describes the economy’s progress as broadly satisfactory and included the approval of waivers on conditions relating to structural performance criteria that had not been met. This refers to the privatisation of all the generating units of the power utility. In October 2003 the third review took place and at this stage the economic performance was described as commendable, and refers specifically to the SGPRS (IMF 20 October 2003). In both, particular emphasis was placed on successes in reform of the financial sector and fiscal consolidation in an adverse context. HIPC completion point was on-track at this stage. It is interesting to note that the measures for rescuing the banking sector from crisis involved significant payment of internal debt by the government, and fiscal balance in this context required an important trade-off between this debt and other public spending. The details of the negotiations for the PRGF were limited and made known to the public after the event, and this significant budget component was not discussed publicly either before or after the event in terms of participatory consultation.

In the meantime, the Consultative Group for Nicaragua took place and the Second Progress Report for the SGPRS was being drawn up. In January 2004 the fourth review was completed and once more the economic performance was applauded and waivers granted for non-observance of structural performance criteria. This review meant that Nicaragua finally reached HIPC II completion point, the tenth country to do so. Almost simultaneously, the Second Progress Report for the SGPRS was published. The completion point document states that Nicaragua complied with all but one condition – the waiver above – to qualify for full debt relief. This includes their satisfaction with the SGPRS document, the tracking system for HIPC II funds and poverty spending and their confidence in the macroeconomic situations and the complementary reforms. HIPC II completion point implied that 73% of the external debt will be cancelled in Net Present Value terms and the corresponding national resources to be ring-fenced for poverty reduction purposes. This figure represents only the debt that Nicaragua held with Paris Club members contracted before the cut-off date of 30 October 1988. The total debt cancelled will be worth approximately US\$4,500 millions over time (IMF 23 January 2004). The possible implications of HIPC II completion point on PRS processes in Nicaragua will be discussed in sections 4.1 and 5.2 below.

² *The details of the PRGF agreement are covered in greater detail in Trócaire’s update of December 2002 that can be found at <http://www.eurodad.org/articles/default.aspx?id=435>*

3.3 Trade Issues

The Central American Free Trade Agreement (CAFTA) was designed to facilitate the rapid entry of the Central American countries into a free trade agreement with the United States. This is seen as a precursor to an eventual Free Trade Area of the Americas, encompassing the entire continent. Negotiations for CAFTA began in January 2003, shortly after the U.S. Congress approved a bill to confer Trade Promotion Authority (or “Fast Track”) to the White House. The Bush Administration has aggressively pursued the CAFTA negotiations on a very short timeline, and CAFTA negotiations were completed in one calendar year. The agreement was signed by Honduras, Guatemala, El Salvador and Nicaragua in December 2003, with Costa Rica delaying agreement until early 2004. On 28 May 2004, at the same time that the European Union-Latin America summit was taking place in Mexico, senior government officials from the Central American governments were in Washington to ratify the treaty.

After the approval of the National Development Plan and reaching HIPC completion point, and now with the reality of CAFTA exerting its presence, the external position of Nicaragua has changed. The major worry for the Nicaraguan government is the near certainty that CAFTA will not be approved by the United States Congress this year. In addition, after the Presidential elections, it is not clear whether Kerry, if he wins, is in favour of the treaty. But the government has been actively lobbying in Washington to secure approval in Congress. At very least the political situation in the United States means that the implementation of CAFTA will be delayed for a year, perhaps two.

In Nicaragua the government has yet to have CAFTA approved in the National Assembly. Both the government and civil society have begun to actively lobby around the issues. Like in other Central American countries, the rapid timeline of negotiations meant it was difficult for civil society to elaborate their position on the agreement, and this was further hindered by restricted access to the texts and limited civil society participation in the negotiations. Public outreach was minimal, with the government and only a close set of business representatives participating. By the time it was ratified in Washington in May 2004, the logic of CAFTA was embodied in the National Development Plan approved by the international community at the Consultative Group meeting. It is clear that this mode of insertion into the global economy will govern all public policies relating to development in Nicaragua over the coming years. Thus, at this stage it has been generally accepted by all actors that CAFTA is a reality. In different ways, depending on how it is viewed, strategies of government and civil society actors are focussing now upon how to prepare for CAFTA.

The government, who negotiated the treaty for Nicaragua, the ministries most affected, and the civil servants involved, see CAFTA as the bridge towards the future for the country. Indeed President Bolaños has gone so far as to describe it as the most transcendental step that Central America and Nicaragua have ever taken. They believe that they achieved a great deal for Nicaragua, through fair negotiation and that Nicaragua can only benefit. In fact, Nicaragua offered the least sticking points of all the Central American signatories in the negotiation phase. However strong arguments and evidence to back them up have been

lacking and the government has not been able to convince many civil society sectors that they will benefit from CAFTA as it stands.

The radical position on CAFTA is to reject it in its entirety, as yet another function of the dependence model that offers Nicaragua only asymmetric terms of trade that will ultimately lead to the greater impoverishment and exploitation of the region. Others reject CAFTA in its entirety less for ideological reasons than for the practical consequences of many of the measures on the livelihoods of small and almost entirely all poor producers. For a mixture of these factors a large number of academics and trade union and local producer association leaders, especially in the agricultural and fishery sectors reject CAFTA because it ignores the small farmer as an economic actor, and furthermore, endangers their industries, their livelihoods and as a result the viability of rural communities. Much research has already been done and is currently being undertaken to investigate the impact that CAFTA will have on certain sectors, such as rice and corn producers, and on rural poverty. Many comparisons and projections are made by looking at the Mexican experience and by examining the impact of trade liberalisation to date in Nicaragua.

Beyond these studies however, the discussion fractures and clear arguments and positions have not emerged. Many reject CAFTA as it stands, but others would argue that a different CAFTA is possible, others argue that a fair free trade agreement will never be signed with the United States. Others emphasise the fact that like it or not, CAFTA seems to be a reality and therefore energy is better channelled into seeking protection for key sectors from the government or lobbying international actors for change. The dispersion in the debate reflects the lack of information available about CAFTA to the public, the lack of understanding about what the agreements entail and the limited spaces available for participation and discussion on trade agreements with the government.

In May 2004 the government organised a national forum called “Nicaragua prepares for CAFTA”. The aim was to create a space for dialogue, consultation and commitment between the government and the diverse sectors that will be affected by CAFTA, and so identify the most important challenges and opportunities presented by the initial transition phase when CAFTA comes into being. In preparation for this forum a series of workshops were held by the Ministry of Industry and Commerce with different sectors of civil society. These were designed to understand the doubts, questions and worries of civil society in relation to CAFTA; to identify the actions necessary to take advantage of the current opportunities and mitigate the possible negative effects of the challenges; and to document the position of the sector in relation to the key problems posed by CAFTA.

The workshop held with NGOs was an interesting encounter. A consultant had been hired to facilitate the event but arrived without an agenda, and wanted to facilitate discussion. Apart from NGOs a number of Ministry officials were present. A panel was formed with an economist, an environmentalist and a health organisation representative. The panellists expressed their grave worries with respect to CAFTA and once opened to the floor the discussion heated up, with many participants expressing their anger about exclusion from the process, their lack of knowledge and their concerns, especially the feeling of being manipulated by the national forum. Participants expressed their desire to the facilitator to know more about CAFTA in general and this national forum, but the facilitator seemed to know little about either. Spontaneously, the participants agreed to work towards a joint position that could be submitted to the forum, while the facilitator agreed to disseminate

his documentation of the workshop's proceedings. In addition, he assured the group that a number of participants would be selected to attend the National Forum representing the NGO sector.³

Once the facilitator's report was submitted, it was rejected as a true account of the workshop. It basically described civil society as un-informed and that civil society sought to work with government and the private sector to analyse CAFTA. Participants worked together to draw up a position of their own to present to the Forum. At the National Forum on 3 June 2004, approximately one hundred people attended from the government and international community. There was some limited representation of civil society sectors, including a representative of the CCER, but attendees were mainly private sector businessmen. The event presented CAFTA in an extremely positive light, with a series of presentations of the advantages, expected benefits and opportunities for development. A Mexican civil servant came and presented the successes of the Mexican experience of NAFTA. The rural crises in Mexico were not mentioned, nor the impact of the agreements on food security. There was very little space for discussion or feedback allowed by the agenda, and when the CCER representative tried to intervene he was limited to one minute by the government official facilitating the forum.

As a result of these events, the civil society groups who participated in the pre-Forum workshop felt excluded and manipulated by the processes surrounding CAFTA and believe that the government seeks to limit their participation in the debate. They have since joined with the Nicaraguan Social Movement: "Another World is Possible". Together they are now seeking for the introduction of an order, via the Appeal Court system, that CAFTA be submitted to a national debate before its revision and approval in the National Assembly. They hope to prove, among other things, that CAFTA as it currently stands violates seventeen articles of the constitution. If the courts accept the order, the government will be obliged to demonstrate and prove that CAFTA is not harmful and will not damage any particular local sector or any citizen. This legal path will not necessarily resolve the issue for civil society actors concerned about CAFTA because in general the justice system is still subject to political pressures and is highly conservative, preserving the status quo that favours the interests of the rich. However the plans do illustrate that civil society groups have begun to mobilise around the issue and that awareness is growing about the impact on poor families and communities that some of the CAFTA measures may have in terms of food security, poverty and livelihood sustainability. Alliances are being sought at regional level on these issues. This human focus has been subordinated to the competitiveness rhetoric or absented completely in the government's language; it remains for civil society to ensure that it is reasserted.

³ *Personal account- Yolanda Rodriguez*

4. PRSP Implementation

4.1 Poverty Discourse and the National Development Plan

One perspective of CAFTA is that it highlights the major challenges facing the country, regardless of the nature of a trade agreement and as such it forces both the government and all sectors of civil society to face up to them⁴. These challenges relate to legacies of the conflict in the 1980s and the impact of regressive economic policies implemented during the 1990s. For example, property rights are not generally secured by law and inequality in the distribution of assets across the population is a source of conflict and a major factor in explaining the persistence of poverty and the failure of development policies. The government discourse and the strategy presented in the NDP to date do not address how to involve the most vulnerable and poor sectors in development and trade such as to mitigate the negative impacts and offer them a sustainable livelihood, and it is unlikely that investment plans will reach these sectors. Economic growth is necessary but it is not sufficient for development – until issues of inequality are effectively addressed in national strategies poverty will not be effectively and permanently reduced. Finally the issue of democratic organisation remains as Nicaragua continues the process of transition. CAFTA has been decried as interrupting the logic of regional integration. Yet, before there can be a regional identity, Nicaragua needs to redefine a national identity, and this is linked with the consensus necessary for a successful state project. Institutional strengthening is a major factor for promoting ownership and participation and it applies equally to the state as to civil society organisations. Only through strengthened organisation of all actors can interests be calibrated such as to create a vision that represents a social pact and consensus.

The NDP was originally introduced as a means of strengthening pillar one of the SGPRS, broad-based macroeconomic growth. As described above, at the Consultative Group meeting in October 2003 the government had promised to promote discussion and seek consensus around the NDP, and pledged their intention to convert it, along with the original SGPRS, into a fused document, representing a Second Generation PRSP. The aim is to create a NDP that moves away from the traditional sectoral approach to a focus that incorporates the cluster industry concept, emphasising competitiveness, economic liberalisation and openness, and the creation of quality jobs for all Nicaraguans. A long-term national strategy is needed, and the efforts embodied in the original SGPRS and the NDP have their merits, and represent an advance in the discourse and capacity to take on a national project. However the SGPRS and the NDP each propose a different logic for directing public spending. While the SGPRS is based upon the poverty map, the NDP is based on the map of “economic dynamism”, corresponding to the clusters. It seems almost certain that any new PRS will be based upon the NDP, and therefore the poverty focus may disappear altogether except as rhetoric. In addition, without rooting the new strategy or national development plan in a national consensus and participatory decision-making about such key elements as CAFTA, these processes risk producing a technical document that remains politically divisive and possibly damaging to some sectors of society.

⁴ *This paragraph is based on an interview with Violeta Granera, former World Bank, Civil Society coordinator for Honduras and Nicaragua., 29 June 2004*

International donors reacted favourably to the government's proposals and committed to supporting the government by any means possible in modifying and building upon the existing NDP along with SGRPRS to create a new Plan that would represent a second generation PRSP. The government committed to holding a "High Level Technical Seminar" that would address both the worries expressed by civil society and allow input into how to merge the NDP with the SGPRS to create the SGPRS II. Yet, nine months after the meeting, little is known about the process. The elaboration of the SGPRS II, or this new Plan for Nicaragua is taking place behind closed doors and little information has been circulating in Nicaragua about it, even though all the relevant actors are aware that a considerable body of civil servants are engaged in this task. This has confirmed civil society fears that international approval would facilitate limited participation only. The dates for completion, the content, the number or type of participants, the donors involved are all a mystery to civil society at large. The "High-Level Technical Seminar" has still not taken place although the entire process is expected to be finished before the end of 2004.

In spite of the secrecy around the processes for developing the SGPRS II a wide range of civil society actors have been working to maintain awareness about the issue and have been working on strategies to deal with it. For example, the Nicaraguan Network for Local Democracy and Development (RNDDL), which represents over sixty organisations working in issues relating to local development, decentralisation and citizen participation, published a document outlining their position relating to the NDP and in the context of the elaboration of the SGPRS II (RNDDL 2004a, 2004b). RNDDL highlights the following:

Firstly, the NDP does not recognise the Nicaraguan people as the subjects of national and local development; it is not a human development strategy. Moreover, prioritising economic dynamism over poverty reduction implies a trickle-down growth strategy that both ignores the causes of poverty and refuses to deal with them. The measures for promoting economic growth and social policies neglect the large part of the Nicaraguan poor, thus the NDP will widen the gap between rich and poor. Secondly, the decentralization logic of the clusters is based on areas that already have high competitiveness not on the distribution of resources within the country and this is unjust. The prioritisation of openness in investment and trade threatens the large majority of small and medium-sized producers in the country and their businesses. The only actors who will benefit from the clusters are a small group of businessmen in the agricultural export sector. Thirdly, the paying of internal debt has been prioritised in the budget until 2008 while social spending continues to fall in relative terms. The relative decrease in social spending increases the dependence of poor people on international cooperation to breach the gap. Finally, consultative events were limited to the government presenting its investment plans in the context of macro-infrastructure projects complementing CAFTA.

The RNDDL asked the CCER to coordinate the efforts of the various organisations to continue facilitating social forums to discuss the draft of the NDP, as it was presented to the Consultative Group meeting in October 2003, and on the basis of these to host a national event for constructing proposals from grassroots level. A national event took place on the 8 and 9 July 2004, in anticipation of the "High-Level Technical Seminar" with over 200 hundred people in attendance, representing member groups of both RNDDL and CCER. The position emerging from this has not varied from the criticisms outlined above. The reaction to the National Forum on CAFTA described above, reflects the dominant

opinion among civil society that all of the consultative processes convened by the government to date in the context of the SGPRS, the NDP and CAFTA have served only to manipulate civil society and for the government to justify its actions to the international community. There is a sense that there is little tolerance within civil society for putting up with any more participation of this limited nature. Indeed the CCER has stated that there is no political will on the part of the government to have frank and open discussions with civil society. These initiatives relating to the NDP, CAFTA and the new Plan under construction are evidence that civil society is working towards making proposals of its own and seeking for new advocacy strategies and mobilisation to influence public policy decision-making. A great challenge for civil society in this respect is the process of decentralisation discussed below.

4.2 Institutions for Implementing the Nicaraguan SGPRS

An important factor in the debate over the place of poverty reduction in public policies and the national budget relates to the general weakness of the institutions in place in Nicaragua for implementing the PRSP. This institutional deficit is marked in terms of the lack of coordination between donors and civil society. Moreover, in the context of the initial implementation phase of PAI, described below in section 4.4, institutional weakness has facilitated the subordination of the SGPRS and general poverty reduction imperatives in the changing context. In particular, reaching HIPC II completion point without these institutions fully established, operational, and credible means that there is no assurance that they will be included or strengthened as part of the SGPRS II. The institutions for consultation, investment and planning, CONPES, SINASIP and the Sectoral Workgroups (SWAs) are three important spaces in terms of policy decision making and implementation processes.

CONPES (The National Council for Social and Economic Planning) was created in 1999 via a constitutional mandate as the space for consultation and participation of civil society actors with the executive government. In theory CONPES should be comprised of members of civil society, political parties and government representatives. It was designed to fulfil the following functions:

- (i) Monitor the Presidency in the formulation and implementation of economic and social plans and programmes.
- (ii) Understand and socialise the stabilisation and structural adjustment programmes
- (iii) Make recommendations on the law governing the annual budget.
- (iv) Serve as the channel for communicating the results of popular consultations undertaken relating to specific issues in the national interest.
- (v) Track and evaluate the actions taken on decisions made in the context of the Consultative Group meetings.

Thus, CONPES led the consultative process for the SGPRS, and the widespread criticism of that process has seriously damaged its profile. Internally, there have been difficulties operating according to the mandate; it has been bureaucratic, slow, and above all, not substantially representative of civil society. All of this has seriously damaged the reputation

of the body. Partly this is due to the fact that in law CONPES has very little control over SGPRS resources beyond oversight. Moreover, the failure to serve an effective consultative role lies partly in the difficulties of coordinating all of the actors involved and in some part to Nicaraguan political culture. Later, the composition of CONPES was changed to make it a purely civil society body, but this in fact weakened its role because it has less direct links with the government and therefore to information. The institutionalisation of participation remains a major challenge for the government in the context of monitoring HIPC II funds, planning in the context of SGPRS II and decentralisation. A space such as the CONPES is needed, but in its present form there are serious deficits in terms of reputation, credibility, participation and effectiveness.

SINASIP (National System for the Follow-Up on Poverty Indicators) was established to fulfil the following objectives:

- (i) Inter-institutional coordination, where it is also discussed whether new indicators should be included;
- (ii) Improvement of quality of underlying statistics and data collection procedures;
- (iii) Communication through a website and other means;
- (iv) Follow-up on donor poverty spending.

To date SINASIP is not fully operational due to difficulties in determining indicators, even though spending has been taking place, for example through PAI. As is the case in many developing countries, the design of local level indicators to measure the impact of poverty interventions using participatory methodology remains a great challenge. Civil society interventions, experience and organisation have a lot to offer to complement standard government statistics and data collection methods, but some interventions are difficult to systematise. For example, social audit results are highly qualitative and relate to specific local dynamics and are therefore difficult to use for comparison purposes over time and between municipalities. However efforts must be made towards introducing participatory monitoring, since for example, as described in section 4.4 below, government and civil society evaluations of the PAI have yielded markedly differing appraisals of the same poverty context at municipal level. Another factor in this divergence in monitoring and evaluation is due to the lack of participation in the planning and decision-making processes.

In terms of planning and implementation, the tripartite sectoral work-group structures, in theory comprising government, donor and civil society representatives exist in Nicaragua. These groups are commonly referred to as SWAPs because of the sector-wide approach methodology they employ. There are currently six sectoral workgroups and two subgroups as follows:

- (i) Global donors workgroup
- (ii) Social sector
- (iii) Education
- (iv) Infrastructure
- (v) Governance plus sub-group for citizen security and defence
- (vi) Production and Competitiveness plus sub-group for rural productive development

However to date the SWAPs in Nicaragua are highly technical bodies, mainly comprised of civil servants and donors and generally characterised by very little civil society participation. The SWAPs have not been very active, with few visible outputs, except in the health sector, and generally there is not very much information available about them. Neither do they represent a priority for either government or civil society in terms of a mechanism for participative planning, implementation and monitoring. The government is more concerned with a territorial approach involving geographically defined cluster industries, while civil society is most affected by the decentralisation processes. This means that in the planning stage, focused on the cluster industries, civil society is absent. Then, in the implementation and monitoring stage, control of decision-making and implementation processes is moving from central government to cluster, departmental and local levels with little consultation or transparency from a civil society perspective.

4.3 Decentralisation

Nicaragua is organised into seventeen departments and 152 municipalities. The current decentralisation process embraces both the municipal and departmental logic, and will certainly be a central part of the new Plan or SGPRS II since the measures are currently being implemented. The first phase involved the legal government structures that exist at municipal level. In 2004 by law there has been a transfer of 4% of the national budget to the municipalities. This is distributed to the municipalities according to their tax collection figures, population and socio-economic indicators. To complement this legal budget process, a programme of institutional strengthening at municipal level is underway, to ensure that these local governments have the capacity to execute the funds effectively and to ensure that the local processes are democratic. Decentralisation is an integral part of the government's strategy for implementing the policies contained in the NDP and, as a result, impact heavily on the implementation of poverty reduction policies within or without the NDP. This is the case, even though the geographically defined cluster industries do not necessarily coincide with municipal or departmental boundaries.

Municipal Development Commissions, known as CDMs, are the multi-actor bodies in each municipality that represent the space for consultation, participation and decision making for all sectors of civil society and government. Municipal elections are due in November 2004, and much work of both NGOs and other actors has been aimed at making sure that the logic of the CDM and local planning can transcend the election cycle and overcome traditional anti-democratic practices. Ultimately, de-politicisation and capacity to comply with duties is the goal at municipal level, to ensure fiscal responsibility as the transfers increase to 10% over the coming years. In the context of the SGPRS discourse, the CDMs are viewed as the ideal bodies for undertaking social audit and budget tracking at municipal level. In this sense the idea is that democratisation and accountability at the municipal level will help make the national budget more responsive to needs at community level and ensure participation of the intended beneficiaries in the selection of priorities.

The second phase of decentralisation, a programme called PASE, deals with the logic of the departments, which has not traditionally been used as a means of government planning or investment. The aim is to create Departmental Development Commissions (CDDs) that serve as an intermediary in the channel of funds, information and accountability between

central government and the municipalities. Civil society groups have long sought a coordinating link of this sort, and this is the government's response. This initiative is being supported by a group of donors led by the United Nations Development Programme (UNDP) office in Nicaragua.

At its core this involved the decentralisation of the national investment system (SNI), and the institutionalisation of tracking of public resources at this level. Bodies known as the Technical Units for Public Investment (UTIPs) are responsible for managing the evaluation of demand and monitoring of execution. The decentralisation of the public investment system will be very slow, because investment projects by their nature extend over a number of years, and there are many in operation being managed at central level. This implies a gradual transition within the institutions and of funds that are being managed from central to departmental levels. At this early stage there is only one project in each department at that level.

The CDDs are designed as a space for convergence between CDMs within each department. The idea is that representatives of each municipality, from a variety of sectors meet to share their municipal plans and formulate priorities at departmental level that can then be fed into the decentralised public investment system. The assembly would also select a departmental coordinator in an assembly, who cannot also be an elected government deputy. To date, all departments have a CDD but there have mixed results in terms of ownership and democratisation. This is due to a number of factors. Firstly, the CDMs are not all perfectly functioning in democratic and institutional terms, and the introduction of the CDDs may interfere with the consolidation of these processes at local level. Secondly, the CDMs have a legal and historical institutional status that should not be obscured by a more informal departmental body, especially when leadership issues at CDM level could potentially affect investment decisions at departmental level. Finally it is not clear that the municipalities as geographically dispersed necessarily conform to a departmental reality. The departmental boundaries often cross such crucial common elements such as watersheds, roadways and communications networks in such a way that the natural territorial logic of the population demands different groupings of municipalities that may contradict departmental boundaries or operate within them at a different level. If other collections exist such as the "mancomunidad", more natural and spontaneous groupings of municipalities, then these should be prioritised and not reduced to a mechanistic scaling up process that ignores the realities of the people.

To date of the seventeen departments, fourteen have CDDs, except for the autonomous regions and Managua. The problem with the fact that the departmental representatives are "selected" rather than elected creates problems because there is the possibility that as decision-making bodies they are not constitutional – within the fourteen three different groupings can be detected: five CDDs are headed by civil society representatives, six by mayors or local government officials, and two by ministries. The impact of the municipal elections on these processes is unpredictable. However the CDDs will remain important. Given the cluster logic of the NDP around geographically defined industries there are programmes at departmental level for investment and coordination decisions and in theory a space is provided for participation via this mechanism.

Another aim of the CDDs is to help determine the true demands of the municipalities. When questioned, the priorities of almost all municipalities relate to infrastructure, mostly

roads, but this does not capture what the needs of the communities are, and is evidence that the CDMs are not fully representative. With the investment debate moving to a departmental logic, the idea is then that the municipality can focus on other priorities such as the delivery of public services. This is evidence that the logic of the SGPRS, based at municipal level, has already moved on to that of the NDP, around the geographically defined clusters which demand coordination at departmental level. A strong criticism of all the plans for decentralisation focuses on the fact that the centralised state has not worked efficiently, effectively or democratically, and that this flawed model is simply being decentralised downwards, where the difficulties for civil society and consensus building will be replicated.

The consolidation of the power of municipal structures in terms of resources and the creation of new decision-making bodies at departmental level both pose significant challenges for civil society organisations. The importance of local level government in poverty reduction is great, but efforts to coordinate civil society initiatives relating to the same are only beginning, and with multiple processes in various stages of implementation the scenario is complex. The issue of how to scale up civil society proposals from local to national level in public policy making is demanding. As a significant start the CCER are promoting budget tracking as the principal tool for monitoring and evaluation at all levels, so that via this greater understanding of public policies can be achieved and stronger, coordinated influence be exerted in decision-making processes in the future. The problem of poverty at municipal level continues, whether or not the void between them and the central government is filled effectively by the CDDs or even if a shifting of power takes place. Therefore the objectives of civil society organisations such as CCER and IEN, the Institute for Nicaraguan Studies⁵, an independent research institute, in this context are to create capacity at the local and departmental levels for monitoring and influencing of public policies to ensure that the poverty discourse remains a priority.

4.4 Implementation of the SGPRS through PAI 2003-2004

In May 2004 the consultancy firm Universal Management group concluded the Final Intermediate Evaluation Report for the PAI, which is the donor-supported 'Programme for Implementing the SGPRS' financed by IDB. The PAI was the pilot phase for implementing the SGPRS policies and projects in eleven municipalities identified in the original SGPRS document, as described in brief in section 2.1 above. The intermediate evaluation report carried out by Universal Management aimed to see if the institutional blueprints established for the implementation of the SGPRS were working adequately and if the programmes that had been prioritised demonstrated impact to date. The report generally concluded that some organisational structures had been established, with some mechanisms and documents elaborated covering the administration and methodology for implementing the SGPRS. An Integrated Work Plan was developed for the PAI, along with the design of a system for monitoring and evaluation including social audit models. The selection of families within the eleven communities who would benefit from the SGPRS programmes began. Universal Management's final report noted that various programmes

⁵ For more information about IEN see <http://www.ibw.com.ni/~ien/index.htm>

had already begun but concluded that it was not possible to measure the impact of these programmes.

CONPES was commissioned to undertake an initiative in the eleven municipalities targeted at the first phase of SGPRS implementation. The aim was to create networks to facilitate civil society participatory monitoring of the implementations of the SGPRS through PAI. The process was aimed at creating transparency commissions in the eleven municipalities and elaborating tools to undertake social audit of the SGPRS projects and programmes implemented through PAI.

However, in a separate initiative, the IEN in conjunction with the CCER, carried out a pilot project for monitoring the SGPRS in seven municipalities, three of which were involved in the PAI. The aims of this project were to build capacity within the municipalities for poverty monitoring, since no mechanisms existed to voice the fact that there were problems within the municipalities. In this respect the project achieved its aims, and capacity now exists in these seven municipalities for poverty monitoring. On the basis of the results achieved in the three PAI municipalities, the IEN has criticised the CONPES initiative heavily. As a feedback mechanism for the PAI the social audit committees created by CONPES served only for consultation and all of the score-card questionnaires on public service deliveries returned “excellent” results. But the methodology did not give room for analysis or feedback on the overall impact of the initiatives (IEN 2003a). The CCER has argued that overseeing an initiative such as this is not the role of CONPES. A major weakness of the process was that CONPES was not involved institutionally, there was little participation in the design of the commissions, and ultimately the credibility of CONPES has suffered greatly by association.

In contrast to the results of the CONPES-led social audits, and the vague conclusions of the Universal Management consultants’ report on PAI, the IEN report concludes that overall, public services and the PAI interventions are not working well in the municipalities. San Ramón in the department of Matagalpa was the “model” municipality for the World Bank and IDB in Nicaragua in the design of their programmes and was covered by both PAI and the IEN project. One of the initiatives, aimed at a selected number of families in the community was a poultry package, where three hens and a cockerel were given to each. The IEN found that the problems illustrated by this one example in one municipality were manifold: the birds were not bought locally, they were bought from a large private company in a different climatic region of Nicaragua; they did not survive local climate conditions; no support services were provided to ensure that the poultry package could be inserted into the local economy; and the other initiatives were not complementary and integrated with each other.

The major finding in the municipalities the IEN studied is that the programs, projects and initiatives of PAI are not working to maximise the local economy and that support for local government promised under the pillars of the SGPRS have not arrived. The conclusion of IEN is that the ultimate beneficiary of the poultry initiative in San Ramón was the large company who provided the birds. In their overall evaluation of PAI, IEN found that the implementation of the SGPRS was characterised by being “pilot-project” focussed, overly focalised, with minimalized actions. In other words, the SGPRS represents a collection of a lot of tiny projects that focus on small parts of communities with only a determined number of families targeted by the interventions. There is no integration between the

projects and ultimately, no solution produced at any level, within the family, the community, the municipality and as a whole, for poverty reduction in the country.

A second phase of the IEN/CCER project has begun in 2004 involving twenty municipalities, including the seven involved in the previous initiative. The methodology and the aims remain the same: to elaborate and update poverty assessments and context analyses of the municipalities and on the basis of these hold monitoring workshops to build skills in social audit, monitoring and impact measurement. The idea is that these skills transcend the SGPRS or the Plan, to create capacity for monitoring independent of the particular public policy in place. The three issues covered by the monitoring are health, education and the use of resources and the programme will be implemented over the next three years, and it is hoped it will facilitate the production of valid indicators at municipal level.

In general, there is very little impact to be found as a result of the implementation of the SGPRS. Neither has the NDP produced any significant poverty reduction outcomes. What has taken place is the start of infrastructure construction based around developing the clusters identified in the NDP, designed to attract foreign investment, facilitate trade and reduce transaction costs, particularly in the context of CAFTA and Plan Puebla Panama. Other projects being implemented relate to roadways and subsidies in agricultural zones for the purchase of equipment for the processing of dairy products. These subsidies are distributed via the Rural Development Institute but have demonstrated little impact. In sum, the actions undertaken to date that can be clearly related to the SGPRS amount to a collection of small isolated initiatives. A great part of this weakness is attributed directly to the government's incapacity to secure a consensus behind the NDP. The government has been effective in complying with the procedural requirements and formalities of civil society participation in the process relating to the construction of the SGPRS and the NDP. But until now the government has not shown any real interest in the proposals suggested by civil society participants and the final decisions are taken at a higher level, beyond consultative assemblies.

5. HIPC II and Evaluation of PRSP Processes

5.1 Monitoring of HIPC II Funds

Upon reaching HIPC II completion point Nicaragua qualified for over US\$500 million in debt relief as part of the initiative and further additional associated funds. In early 2004 the CCER launched a campaign, based on the tracking of the destination of HIPC II funds, at national level and also targeted key international actors. The central demand of the campaign is for transparent government management of the national budget.

The budget monitoring issue emerged over the discovery of approximately US\$650 million in revenue income, related to debt relief, for 2004, that is not reflected in the budget approved by the General Assembly. In the budget approved by the General Assembly in December 2003, the government announced a goal of collecting 10,196 million córdobas, yet to the IMF the government submitted a figure of 11,350 million córdobas to the IMF in their Letter of Intent in December 2003 (IMF 22 December 2003). Two independent economists denounced the government for this “double budget accounting” and as part of the Economic Commission of the CCER they undertook a technical study to demonstrate it, and to illustrate that these funds could have been used for poverty reduction purposes, as is the theory of the HIPC II initiative for debt relief funds. Mobilization began around the issue among civil society actors and simultaneously, some Sandinista deputies in Congress requested an official audit for the national budget for both 2003 and 2004, suspecting that a similar operation had taken place in 2003 also.

In reaction to the demands made by CCER and other civil society actors the government claimed that such differences between budgets and projections were normal. The IMF representative has approved the government explanation, while many of the donors have opted to remain silent or undecided on the matter. But the reactions of civil society to this “double budget accounting” were underestimated. The CCER has gone so far as to ask the Comptroller General of the Republic to intervene. Furthermore, they have declared their intention to revert to the Supreme Court if necessary, to declare the current management of the national budget unconstitutional. The CCER travelled to Washington to discuss the issue directly in the offices of the IMF and the World Bank.

The CCER accuses the government of using resources freed as part of the HIPC II initiative to reduce the internal debt burden of the government and not exclusively for the implementation of programmes designed to reduce poverty. This contravenes the international principles guiding the HIPC II and PRSP processes, yet the IMF appears to approve such measures. In addition, the government has declared that there is little funding available for spending in the social sector aimed at the reduction of poverty. Overall, there is little clarity in the national budget about how either the SGPRS or the NDP as it stands are presented and therefore this makes the tracking of HIPC II funds, other external financing and poverty spending extremely difficult. Having reached the end of the HIPC II completion point process it is not clear how PRGF support, debt relief and PRS processes are going to be linked. Indeed, it is not clear if the PRSP approach will survive HIPC II completion point in any meaningful way in Nicaragua.

Ultimately, the conclusion of the CCER amounts to: what HIPC funds for poverty reduction? There are none. Civil society is completely disillusioned with the initiative and disheartened by the experience. In total the HIPC II initiative is seen not only to have produced no results in terms of poverty reduction, but to have actually been costly for Nicaragua: The impact has been negative, time and resources have been wasted and there are more poor people now than there were before HIPC II. The conditionalities associated with HIPC II have resulted in unemployment, frozen salaries, privatisations, and the closure of important social programmes⁶, while the SGPRS has become subordinate to the NDP and the funds for implementation are being diverted elsewhere, apparently to write off internal debt in the financial sector.

5.2 IEO evaluation of the PRSP process in Nicaragua

In the context of the cynicism currently expressed by key civil society actors in relation to the PRSP processes and HIPC II initiative in Nicaragua, it is interesting to refer to the evaluation that the evaluation offices attached to these institutions themselves have conducted. Throughout 2003 and 2004, the Independent Evaluation office of the IMF (IEO) and the Operations Evaluation Office of the World Bank (OEO) worked together in a major project to evaluate the PRSP process and arrangements under PRGF. This was to provide a critical evaluation of the success of the processes and the role of the World Bank and the IMF in the same. Nicaragua was one of the selected case study countries. The final reports analyse the processes to date and encompasses a reflection on the respective roles of the World Bank and the IMF (IEO 2004).

Relating to the PRSP process in general across the developing world, the IEO report finds that the PRS approach has the potential to encourage the development of country-owned and credible long-term strategies for growth and poverty reduction, but actual achievements thus far fall considerably short of potential. Participation increased relative to previous initiatives, which is an improvement, but in most cases was not designed to strengthen existing democratic institutions and accountability, especially parliaments. There was limited impact in generating meaningful discussions outside the narrow policy circle, alternative options in relation to the macroeconomic framework were absent and the broader debate was ill-informed. Results in terms of ownership are mixed. Diagnostics of poverty improved, moving towards multi-dimensional approaches, but PRSPs were much less effective in identifying constraints to growth and how to make it pro-poor. Most PRSPs, although an improvement on previous initiatives, fell far short of providing a strategic roadmap for policy-making especially relating to macroeconomic and structural policies. There has been limited feedback from initial implementation to policy design. Capacity constraints have been a severe impediment to progress. Joint Staff Assessments are not performing adequately the tasks expected of them. The effectiveness of the IMF contribution has been mixed but overall has fallen well short of the ambitious goals set in the original policy documents. Ultimately, success in embedding the PRGF in the overall growth strategy and PRS has been limited in most cases (IEO 2004). The IMF has proven least willing to adapt its way of doing business in countries which have had limited success in achieving macro-economic stability and the IEO strongly recommends a more country-specific and country-driven approach to IMF programming.

⁶ *Interview with Violeta Delgado, National Coordinator CCER, 30 June 2004*

The IEO stays well clear of seriously assessing the impact of poverty reduction interventions in the context of the PRS process stating that it is too early to be able to do this. Neither does it broach the subject of financing and HIPC II funds. The emphasis is more on policy making processes at a national level rather than assessing the benefits for the poor. In relation specifically to the case study report on Nicaragua the initial conditions are repeatedly highlighted as an explanation for the modest results to date. Nicaragua is described as:

“a country with social and political fragmentation, weak institutionality, and fragile economic conditions”

The PRS process is deemed to have added value by bringing the complex issues of poverty reduction out into the open but at the same time the report describes how expectations about what could be achieved in the short term for poverty reduction were raised too high and that the government pressured the pace of HIPC II and PRGF negotiations at the cost of policy debate. In this context and given the

“inherent difficulties of participation in a highly polarized political system”

the consultation process was seen a step forward. In spite of the widely varying assessments and limited country ownership, it was

“a helpful attempt to foster dialogue...”

The current dialogue relating to the new Plan in elaboration and the SGPRS II are hailed as an effort towards opening the debate on the growth strategy that was so weak in the original SGPRS and towards promoting consensus (IEO/OEO 2004). The wider scope and implications of the IEO/OEO evaluations for the PRS process in Nicaragua are beyond the remit of this update and will be analysed elsewhere⁷. But it is certain that the appraisal of civil society goes far beyond the limited criticisms of the IEO/OED evaluations. Ultimately, the CCER concludes that the Nicaraguan government embarked on the PRSP process only because it was a pre-condition of the HIPC initiative and, it seems in fact that the IEO/OEO agree with this appraisal. But civil society would go further to say that there have been almost no results from the implementation of the SGPRS.

Pointing at a polarized society is not sufficient to explain the exclusive policy planning and decision-making processes employed by the government around key PRGF, SGPRS and NDP choices. Helpful dialogue does not mean that civil society actors had any meaningful opportunity to influence these choices. In addition to addressing institutional weakness and capacity constraints, lack of political will on the part of the government either to seek successful and participatory implementation of the SGPRS or to allow input into the SGPRS II must be addressed before society at large is indirectly charged with failing to provide a consensus for development policies. Furthermore, the government concentrated their efforts on responding to the exigencies of the PRGF agreement, embedded in the framework for HIPC II completion point, and this ultimately meant, because of the different time-frames that the poverty reduction mandate of the PRSP initiative was overridden. This is particularly important given the subordination of poverty reduction rhetoric to the trade liberalisation and investment discourse prevailing currently, and the weak prospects of a strong poverty focus in the new Plan in elaboration, even while it is being hailed as a second generation PRSP.

⁷ Trócaire are working on a document which responds to the IEO report and analyses how the IMF has performed applied the key features of the PRGF in a selected group of countries. Contact: prsp@trocaire.ie for more information.

6. Annex 1: CCER

The CCER encompasses over 300 organisations and 16 networks of civil society actors throughout Nicaragua. Its work began after Hurricane Mitch as a shared space to facilitate the formulation of joint proposals in thematic areas to ensure that sectoral proposals were integrated. It also served as a space for debate and discussion and for formulating in coordination the optimum approach for influencing the government and the donor community.

In recent years there has been a lot of systematisation and documentation of experiences, proposals have been produced and the national budget has been a focal theme. Through an exercise of self-reflection, the CCER has reaffirmed its role as an accompaniment to civil society rather than a body that leads or proposes on behalf of civil society. The aims of the CCER are to strengthen organisational processes within society, to give tools and voice to the people and facilitate mobilisation, and above all to strengthen the capacity of civil society groups to undertake critical analysis and improve the flows of public information.

The CCER's Plan for operations in 2004 is focussed around four major themes:

- (i) The construction of a vision of the nation from civil society, including and beyond the NDP, and the SGPRS II;
- (ii) Monitoring of macroeconomic policies, encompassing budgets, contracts and trade agreements;
- (iii) Internal strengthening of the CCER as a space for articulating civil society concerns, facilitating and coordinating diversity by promoting internal democracy;
- (iv) Tracking and advocating around institutional reforms relating to the rule of law and democratisation.

Currently an exercise is being undertaken to draw up a complete “map of power” for Nicaragua, to identify the spaces for participation and advocacy. This is an exercise also to establish how the CCER relates to the state and what type of flexible approach is appropriate. Budget tracking is relevant in all instances. Where a space for participation is offered, CCER are active, for example in CONPES, and where possible in sectoral work groups or SWAPs.

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