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Democratic Ownership in Nicaragua: Steps in the Wrong Direction

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This Policy brief is part of a set of policy briefs on Democratic Ownership prepared by Alliance2015 towards the High Level Forum in Busan in 2011. The policy briefs analyse progress towards democratic ownership, particularly civil society space and participation in policy and aid dialogues in Ghana, Tanzania, Mozambique, Cambodia and Nicaragua.

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1. Introduction

Nicaragua was one of the first countries to start working to increase aid effectiveness. While the process was not problem-free, the country was, for instance, one of the proponents of harmonization in the early 2000s. This principle became one of the main pillars of aid effectiveness with the Paris Declaration and is one of the foundations of democratic ownership.

After the Sandinistas, led by Daniel Ortega, returned to power in 2006, dialogue surrounding development processes fell apart and things began to deteriorate. The problems not only affected the Government's relationship with donors, but also dialogue with civil society organisations. Electoral fraud during the 2008 municipal elections marked the definitive turning point in progress towards democratic ownership. After the turmoil, several donors started withdrawing from the country, yet interestingly, the country continues to receive a very significant amount of aid after concluding agreements with the IMF, the World Bank and Venezuela. The objective of this brief is to explore developments in democratic ownership over recent years.

2. An enabling environment for civil society

The current debate about democratic ownership has to be analysed within the context of a severe crisis between Government, donors and CSOs. Even before the new Government came into power in 2006, there were difficulties in the implementation of democratic ownership. The Nicaragua Development Plan was engineered by the WB and IMF and there was little consultation with other donors, and even less with CSOs. The final document proposes focusing development efforts on areas receiving a significant amount of foreign investment to spur growth but fails to address some of the most pressing internal issues (e.g. the rural poor, land rights, privatisations or trade). In addition, it contains a long list of conditions and monitoring benchmarks extracted mainly from the IMF and WB programs, which weakens democratic processes.¹

Despite these problems, the opportunities for CSOs to engage in development processes increased between 2000 and 2006. During this period Law 475 was enacted, granting CSOs **and all citizens** the right to participate in consultation processes and creating mechanisms for CSOs **and citizens** to exercise their rights. Existing consultation mechanisms, such as the National Development Council (CONPES), were also reinforced and strengthened.² In order to improve harmonization and alignment among donors, several bodies (called *Mesas*) were created to discuss aid effectiveness at country and sector level.

In 2006, the Sandinista party regained power and soon after CSOs started seeing their political space reduced. Politically, the Government moved under the aegis of Venezuela and

¹ Sandell, T. (2009) "Nicaragua: A Testing Ground for Aid Effectiveness Principles" in The Reality of Aid Report 2010.

² CIVICUS (2010) Índice de la sociedad civil nicaragüense. CIVICUS

Bolivia, joined the Bolivarian Alternative for the Americas (ALBA) and became more assertive. In the words of other authors, "when the Government of Daniel Ortega came to power, it opted for a strong governmental ownership, abandoned spaces for political dialogue and entered into a markedly hard-line discourse against Western interference based on political conditionalities."³ In practice this meant turning its back on donors; leaving existing consultation spaces both with donors and CSOs; championing its own model of CSO participation where only CSOs following the official party line are allowed to take part; and turning CSOs that criticise the Government into political opponents. In the lead up to the 2008 municipal elections, the Government accused several NGOs and INGOs of money laundering and subversion and raided their offices.⁴ The situation became even more difficult when several political parties were suspended and unable to run in the elections.⁵

During the elections, national and international observers were not authorised to monitor the voting and several irregularities were detected, causing social unrest.⁶ This sent a clear message to donors who, seeing no signs of improvement despite efforts to enter into dialogue with the Government, cancelled general budget support programmes in Nicaragua. With a government pursuing its own development policies and the dialogue with donors and CSOs - especially those politically active and opposing the Government- diminished, it is clear that Nicaragua lacks the conditions which would enable CSOs achieve greater democratic ownership.

During the political crisis Nicaraguan CSOs have seen their political space greatly reduced. The Government has not only harassed CSOs, it is also trying to undermine their legitimacy. Nicaraguan CSOs are highly dependant on external funding and the Government is depicting them as puppets of foreign powers. Despite the pressure, some CSOs have been able to continue challenging the Government. For instance, the Coordinadora Civil has put forward some bold proposals such as the *Propuesta a la Nación*. However, smaller and local CSOs are being weakened by the Government's aggressive campaign and the promotion of the Government's alternative to CSOs, the party-controlled Consejos de Poder Ciudadano (see next section for further information on this).

In general, donors support a stronger role for CSOs in setting the country's development path, but they seem unable to take specific actions. On the one hand, they would like to reinstate previous dialogue structures. On the other hand, however, taking strong action, such as freezing aid flows (as they did with budget support back in 2008), could be seen as an attack on national sovereignty which the current Government would not tolerate. Several

³ Pineda, C. & Schulz, N. S. (2008) The Nicaraguan challenge: Upholding the Paris Agenda in an Agitated Setting. FRIDA, Managua/Madrid

⁴ Bjarnadottir, T. (2010) No longer an aid darling. Donors' view on the implementation of the Paris Declaration in Nicaragua. University of Iceland

⁵ Dávila E., Irving (2009) Elecciones y voluntad Popular, Managua. Instituto de Investigaciones y Gestión Social (INGES)

⁶ See the following documents: Centro Nicaragüense de Derechos Humanos (CENIDH) Derechos Humanos en Nicaragua, Informe 2008. http://www.cenidh.org/files/informe_cenidh_2008

Informe final de Ética y Transparencia sobre las elecciones municipales 2008.

<http://www.eyt.org.ni/Informes/PRONUNCIAMIENTO/2009/INFORME%20FINAL%20ELECTORAL%202008>

Cooperación Alemana (GTZ) (2009) Análisis Elecciones Municipales en Nicaragua.

other actors also oppose this type of action, which can be considered as a form of conditionality.

3. Ownership, Accountability and Participation

As mentioned in the previous section, the Bolaños administration took some important steps to create the necessary conditions to increase participation and broaden the concept of ownership. In 2006, the Sandinistas regained power and brought with them a far more assertive discourse about development and the will to take its own decisions about development policies.⁷ In theory, the approach of the new Sandinista Government together with the steps taken by the previous administration could have contributed to increased ownership. In practice, however, the analysis is not that straightforward.

One of the first steps of the Ortega administration was to negotiate a new IMF program, which in practice meant surrendering its macroeconomic and part of its financial policy to this institution. The IMF's main focus on economics rather than human rights standards when assessing its programs may have also contributed to closing the deal. Whatever the reasons, it is clear the Government was not seeking greater ownership, as accepting the loan forces the Government to fulfill the conditions imposed by the IMF.

Nicaragua also fails the test in relation to supporting CSO engagement in development policy. Under the Bolaños administration, consultation processes at national level and engagement of CSOs were never very strong. For instance, the National Development Plan was never approved in the general assembly and CSOs only participated in the ceremonial meeting.⁸ That said, the Government set some foundations for future progress by enacting Law 475 and adopting a more inclusive approach to policy making. When the FSLN regained power however, it replaced those structures, which had introduced local and regional development committees, with new party-dominated spaces: *Consejos de Poder Ciudadano y los Gabinetes de Poder Ciudadano*. This has eroded any advances previously made in relation to civil society participation.⁹

The new spaces have been successful in replacing the spaces created by Law 475 because they have attracted a large number of poor people through social programs to fight hunger, extreme poverty and unemployment.¹⁰ However, it is not clear whether the main objective of these programs is to perpetuate the party in power or to solve Nicaragua's poverty and inequality problems. A report released in 2009, shows that the *Consejos de Poder Ciudadano*

⁷ See Acevedo Vogl, A. J. and Küblböck, K. (2010) Notes on the Nicaraguan Budgeting Process and the Role of External Cooperation. Öfse, Wien

⁸ See endnote 1

⁹ Serra-Vázquez, L. & Herrera, O. (2010) Índice de la Sociedad Civil Nicaragüense. Red Nicaragüense por la Democracia y el Desarrollo Local, Managua

¹⁰ Serra-Vázquez, L. (20...) Los Retos de la Participación Ciudadana a Nivel Municipal en Nicaragua. Red Nicaragüense por la Democracia y el Desarrollo Local

play an important role in selecting the beneficiaries of “Hambre Cero”, one of the social programs, and that politics may play an important role in the process.¹¹

In terms of numbers, civil society participation may have increased since 2006, though it is not clear whether people join these structures encouraged by gaining access to the social programs. In any case, the party-controlled dialogue spaces means that in practice only a limited range of opinions is represented. This has negative consequences in terms of accountability as the new dialogue structures are unlikely to become spaces which will be able to hold the Government to account.

The Parliament, another key player in terms of democratic ownership, is barely involved in development processes. Following the arrival of the new Government, Parliament became highly polarized and its activity has been suspended on several occasions since 2006. The Parliament has approved different development loans, but its core focus seems to be the fight for power rather than building a better future for citizens.

The FSLN’s refusal to enter into dialogue with donors and its negative response to CSOs constitutes a new form of ownership: “undemocratic government ownership”. The Sandinistas’ radical approach and the polarization they have created mean that the Government is the single owner of development policies. More importantly, the new Government has failed to build on the work of previous administrations and has blocked the continuity of previous development efforts.

Unfortunately the position of the Government is not compensated by a strong civil society. Some of the CSOs in Nicaragua are strong and professional, but they fail to reach many small or marginalized population groups. There are also a significant number of professional associations, but in many cases these lack the means and training required to maintain a sustained level of engagement in development processes.

Another problem faced by CSOs in Nicaragua is that they are heavily dependent on funding from foreign donors. As discussed in the previous section, the direct funding lines between donors and CSOs made it easy for the Government to target and corner them.

4. Transparency in Aid Disbursement and Financial Management

The problem of corruption has dominated the debate about transparency of aid flows in Nicaragua. Projects have been managed by donors to mitigate corruption. Those projects have therefore not been seen as a concern in terms of harmonization and alignment.¹² Unfortunately, this means that the Government has been accountable to donors rather than to their own citizens, hampering progress towards democratic ownership.

¹¹ Krester, P. (2009) Informe Evaluativo (2007 - 2008) Programa Productivo Alimentario (PPA) – Hambre Cero. Royal Netherlands Embassy, Managua, Nicaragua.

¹² Acevedo-Vogt, A. (forthcoming) Nicaragua: Contrataciones Públicas, Alineación y Armonización de la Cooperación Internacional. Eurodad, Brussels

Donors may share some responsibility but the Government is also failing to make sufficient efforts to change this situation. Despite having a law granting citizens full access to public information, in 87.5% of cases the authorities either does not disclose the information requested or do so outside the period stipulated by the law.¹³ Specific information about aid flows is recorded by the central bank, but it is not very detailed and information at a project level is not available. The SysODA (Information System on Official Development Assistance), is an information system run by the Government which in theory should fill the gaps, but access is restricted and users complain that the information is outdated.¹⁴ Donors have also made efforts to increase transparency. For instance, DFID funded ODA^{nic}, but it is based on the OECD DAC reporting system, provides little value-added and is no longer being updated.

Despite the limitations, some information about aid flows from traditional donors is available. The situation is far worse when it comes to donors outside the OECD. The Government does not disclose any information about money received from emerging donors, most important amongst which is Venezuela. Venezuela provided funding to Nicaragua through a concessional loan linked to oil prices and regulated by PETROCARIBE's Energy Cooperation Agreement. Total assistance from Venezuela was estimated at US\$ 457m in 2008, an amount no one is accountable for as it is channelled through a complex network of companies headed by ALBANISA. ALBANISA is a semi-public company in which Venezuela's PDVSA (Petróleos de Venezuela) holds the majority stake and is also held by Petronic (Empresa Nicaragüense de Petróleo).¹⁵ The size of the funds provided by Venezuela can help to explain the disregard of the Sandinista Government for traditional donors.

The Parliament is currently unable to perform any oversight of aid flows. It is under strong pressure due to the polarised political environment and it does not have strong links with CSOs. Given the circumstances, the analysis of aid flows does not feature among the main priorities of the elected representatives. As a result, the Parliament fails to scrutinise aid flows and share its findings with all citizens.

Finally, the problems following the arrival of the Sandinista Government and the unrest around the 2008 municipal election may also have important implications in terms of transparency. Following the protests, donors in the budget support group cancelled disbursement and the group was dissolved at the end of May 2010. One of the strengths of budget support is precisely that it allows delicate issues such as fraud and corruption to be addressed. With the loss of the budget support group, the Government has fewer incentives to open its budget to public scrutiny, though the increase in sector budget support may compensate for this. A number of donors including strong proponents of the aid effectiveness agenda including the UK, Denmark, Sweden, the Netherlands, Norway and Austria have withdrawn their aid to Nicaragua or announced their withdrawal in the near future. This may

¹³ See endnote 2

¹⁴ See endnote 4

¹⁵ Acevedo-Vogt (2010) La cooperación de la República Bolivariana de Venezuela. Breve compendio acerca de lo que hemos logrado conocer de ella. Instituto de Investigaciones y Gestión Social

decrease even further the incentives for the Government to increase transparency and by extension, democratic ownership.

5. Conclusions and recommendations

Development policies and processes in Nicaragua suffer as a result of national politics. A polarised society and polarised politics has impacted upon the continuity of specific policies. CSOs have been weakened, Parliament is unable to effectively participate in development processes and most donors have been isolated. These factors combined have blocked any advances in democratic ownership.

This document has reviewed recent developments in democratic ownership in Nicaragua and shows that implementing the principles of the Paris Declaration and the AAA are not a priority for development actors in this country, though each of them continues to shape development policies and inform the development discourse. The following lines summarise the most important lessons learned in this exercise:

- Instead of focusing on reducing poverty and working for a better future for all Nicaraguans, politicians have made the fight for power their main priority.
- The Sandinista Government has abandoned all dialogue processes and replaced some of them with structures under the control of the ruling party. Without spaces which include Government, donors, CSOs and national representatives it is very difficult to achieve democratic ownership of development processes. In spite of the problems, several CSOs continue working to improve development processes in the Nicaragua. This highlights the importance and resilience of civil society when it comes to long term and sustainable progress on aid effectiveness and democratic ownership in particular.
- Instead of striving to increase transparency, development cooperation is now more opaque than ever. Without transparency, citizens and CSOs cannot hold the Government to account.
- Left with no other options, donors have suspended budget support and many of them are cancelling development operations in the country. Despite these actions, they have not been able to restore dialogue, raising questions about the future of the AAA and democratic ownership in Nicaragua.

Increasing democratic ownership of development policies in Nicaragua is important in building a bridge between political parties, donor countries and CSOs. Only by setting common policies and goals can the country achieve long-term and sustainable poverty reduction. Our recommendations are addressed to these actors.

Government

- Accept the right and responsibility of Nicaraguan CSOs to represent the country's population and to be involved in development processes. CSOs are not political adversaries nor are they agents of foreign powers. t
- Increase the transparency of development processes and aid flows in order to reinforce democratic processes at national level.
- Build formal participative development processes, in the spirit of those created by Law 475, in which CSOs and local authorities can participate.
- Lead the formulation of a new national development plan in consultation with all relevant stakeholders.

Donors

- Continue to support Nicaraguan CSOs in defending their political space and promote spaces for dialogue involving CSOs and members of the Parliament.
- Disclose as much information as possible about aid flows in order to promote debate, raise awareness and empower citizens and CSOs to fulfil their roles in development processes.

Civil society

- Increase alignment and coordination among CSOs to offset the policies used by the Government and aimed at discrediting CSOs that are critical of the Government.
- Build capacity within the organisations to effectively engage in development processes.
- Increase the alignment of strategies to multiply the impact of policy actions and define a clear role as independent development actors.

Parliament and political parties

- Demonstrate service to citizens by making efforts to avoid increasing polarisation and by working to improve the lives of the poor and marginalised population in Nicaragua.
- Embrace the responsibility entrusted by setting some foundations to end corruption, building on the work of previous governments whenever possible and ending all undemocratic practices such as those used in the municipal elections held in 2008.