



**HÁSKÓLI ÍSLANDS**

# **Félags- og mannvísindadeild**

**MA-ritgerð**

**Þróunarfræði**

**No longer an aid darling**

**Donors' view on the implementation of the Paris  
Declaration in Nicaragua**

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## **Abstract**

The aim of this research is to explore the views of the donor society in Nicaragua on the implementation of the Paris Declaration on Aid Effectiveness (PD). The research is based on fieldwork, consisting of interviews with donor representatives in Nicaragua, as well as other actors relevant to the subject. I discuss the origins of the principles of the PD. I address the controversy regarding ownership, the subject of conditioned aid and the patterns of aid allocation. The results of this study show that the PD is a donor-driven political agenda. Nicaragua has gone from being a pilot country in aid effectiveness initiatives, to decreasing aid flows and donor presence. Drawing from the interviews, donors interpret a stronger ownership by the current government as flawed. Donor representatives argue that the appearance of non-traditional donors has compromised the PD. I argue that aid is mainly driven by donors' geopolitical interests, disguised by requirements of good governance. Budget support becomes a tool for donor intervention in national politics. Interviewees consider the political situation the main reason for decreasing aid to Nicaragua, however, I argue that it might be justifiable to withdraw aid based on the fact that it is a middle-income country.

Key words: Development studies, Paris Declaration, ownership, conditions, aid allocation, good governance, budget support, Nicaragua

## Ágrip

Markmið þessarar rannsóknar er að skoða viðhorf þróunarstofnanna í Níkaragva til útfærslu Parísaryfirlýsingarinnar þar í landi. Ritgerð mín byggir á vettvangsathugun, þar sem tekin voru viðtöl við fulltrúa þróunarstofnanna og aðra aðila tengda efninu. Ég fjalla um uppruna markmiða Parísaryfirlýsingarinnar. Ég tekst á við hið umdeilda eignarhald þróunarríkja, skilyrta þróunarsamvinnu og skiptingu hennar á milli ríkja. Niðurstöður rannsóknarinnar gefa til kynna að Parísaryfirlýsingin sé pólitísk stefnuviðmið sem er hliðholt gjafarríkjum. Stuðningur til Níkaragva, sem hefur verið framvörður tilrauna fyrir árangursríkari þróunarsamvinnu, hefur farið minnkandi og gjafarríkjum fækkað. Samkvæmt niðurstöðum viðtala má rekja það til sterkara eignarhalds núverandi ríkisstjórnar á þróunarstefnu landsins, sem litið er hornauga af þróunarstofnunum. Viðmælendum finnst tilkoma óhefðbundinna gjafarríka hafa ógnað markmiðum Parísaryfirlýsingarinnar. Ég tel að þróunarsamvinna stýrist fyrst og fremt af efnahags- og stjórnmálalegum hagsmunum gjafarríkja, sem eru dulin undir skilyrðum um góða stjórnsýslu. Fjárlagastuðningur verður þannig verkfæri gjafarríkja til afskipta af innanríkismálum. Viðmælendur telja stjórnmálaástand Níkaragva aðal ástæðu minnkandi þróunarsamvinnu, en ég færi rök fyrir því að það gæti verið réttlætanlegt að draga sig úr landinu á þeim grundvelli að Níkaragva telst til meðaltekju ríkja.

Lykilorð: Þróunarfræði, Parísaryfirlýsingin, eignarhald, skilyrt þróunarsamvinna, dreifing þróunarsamvinnu, góð stjórnsýsla, fjárlagastuðningur, Níkaragva

## Forewords

This study marks the completion of a MA programme in Development Studies at the University of Iceland, of which this research comprises 60 ECT units. The research has been supervised by Jónína Einarsdóttir, Professor of Anthropology at the Faculty of Social and Human Sciences at the University of Iceland. I express my sincere gratitude for her guidance and encouragement throughout this study.

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## Abbreviations

AAA	Apropiación, Armonización y Alineamiento
ALBA	Alternativa Bolivariana para las Américas
CDF	Comprehensive Development Framework
CPC	Citizen Power Council
DAC	Development Assistance Committee
DIFD	UK Department for International Development
EU	European Union
FSLN	Frente Sandinista de Liberación Nacional
GDP	Gross Domestic Product
GNI	Gross National Income
HIPC	Highly Indebted Poor Countries
IDB	Inter-American Development Bank
IMF	International Monetary Fund
JCLA	Joint Country Learning Assessment
JFA	Joint Financing Agreement
MDG	Millenium Development Goal
MRS	Movimiento Renovador Sandinista
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
ODA	Official Development Assistance
PD	Paris Declaration
PIU	Project Implementation Unit
PL	Partido Liberal
PLC	Partido Liberal Constitucionalista
PND	Plan Nacional de Desarrollo
PNDH	Plan Nacional de Desarrollo Humano
PRSP	Poverty Reduction Strategy Paper
SAPs	Structural Adjustment Programs
Sida	Swedish International Development Cooperation Agency
SWAP	Sector-wide approach



SysODA

UN

Official Development Assistance Information System

United Nations

## 1. Introduction

The difficulty to reach the beneficiaries of development cooperation more effectively is due to the fact that projects are run by the donor community, which formulates, imposes, evaluates, monitors and measures the impact of the international cooperation ... We know and understand the golden rule: He who has the gold, makes the rules.

(Bolaños, 2005: 1)

This is a quote from Nicaragua's former president Enrique Bolaños' keynote speech at the official dinner for heads of delegation at the High Level Forum in Paris in 2005. It gives a snapshot of the aid effectiveness debate of the last decades. Many different theories and currents have influenced development work throughout history, yet development aid has received much criticism for its lack of achievements. This has resulted in an increasing focus on a more effective use of aid flows and encouraged the elaboration of a number of international declarations where donors and developing countries commit to better practices. The Paris Declaration on Aid Effectiveness (PD), which was endorsed in 2005, is considered to be one of the most influential junctures in the history of development cooperation. It builds on lessons learned from failed policies and proposes a shift in modalities towards a greater ownership of the developing country of its own development policies (Hyden, 2008). However, despite the high hopes set on this new aid architecture, it is clear that there are issues beyond aid that have to be dealt with if aid is to become more effective.

The development scene in Nicaragua has experienced a drastic change in recent years. Nicaragua served as a pilot country in a number of aid effectiveness initiatives leading up to the PD. However, since the coming to power of the current government, the country has gone from being a donor darling to expect a massive decrease of aid flows. One of the reasons for this is the strong level of ownership that the current government has adopted. The political disagreements between the government and the donors have caused the latter to suspend budget

support and redefine their presence in Nicaragua. In addition, non-traditional donors are now increasingly visible. The aim of this research is to explore the views of the donor society in Nicaragua on the implementation of the PD in the light of the political situation in the country. The research is based on my fieldwork in Nicaragua, where I spent a year; first as an intern at the Icelandic International Development Agency (Iceida) and later conducting interviews with a number of representatives of both bilateral and multilateral donor institutions, as well as other actors relevant to the subject of research.

The study includes six chapters. First, I will lay out the theoretical framework of the research. I give a quick overview of the history of aid, which is relevant for the understanding of how the debate came to be centred on the effectiveness of aid. I mention the antecedents leading up to the PD and I sum up its five main principles. I outline the main findings of the evaluations of the PD that have been undertaken and the critical issues that have arisen. I address the subject of politics in aid, discussing the politically loaded term of ownership, conditionality and allocation of aid. Next, I put the field of research, Nicaragua, in a historical and political context. I present the main efforts made in development work so far and explain the current political situation, which is the trigger for the disagreements between donors and the government. In the following chapter, I discuss my choice of subject and field, as well as the qualitative methods that this study is based on. In the fourth chapter, I present the main findings of my interviews, followed by a chapter where I discuss these findings guided by scholar's theories. The last chapter sums up the main conclusions of this study.

## **2. Theoretical Framework**

The standard approach to defining development aid has been focused on the purpose for which aid is given. Riddle (2007: 18) points out that the most common definition centres on the notion that development aid contributes to human welfare and development in poor countries. However, this definition is largely donor-driven and does not take into account all the motives for giving development aid. He maintains that development aid is first and foremost an arm of foreign policy and geo-strategy of donor countries. According to Hansen and Tarp (2003: 80), the humanitarian and solidarity objectives of aid have been distorted by donors for commercial and political advantage. The yardstick for assessing development aid has varied with the era; however, there is no overarching system of allocating official development aid. To provide some sort structure, the Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC) was founded in the early sixties to promote and enhance the cooperation between OECD member countries and the developing world. The DAC never set out to define development aid in general, only aid provided by donor governments to developing countries. DAC's definition of official development assistance (ODA) has become a global definition (Riddle, 2007: 18). Many different development theories have been put into practice throughout the history of development aid, with many failed projects. However, given the fact that enormous amounts are spent on aid every year, the issue of aid effectiveness has become increasingly of concern.

### ***2.1 Aid effectiveness: historical overview***

The origin of modern development aid is generally dated to the United States president Harry Truman's inaugural address in 1949. Truman stated the need to embark on a bold new path for the improvement and growth for the people that are living in conditions approaching misery. The aim should be "to help the free peoples of the world, through their own efforts" (Truman, 2008 [1949]). This was the first speech by a national leader outlining why and how it was necessary to provide aid to the "underdeveloped" countries. Rist (1997: 72-75) argues that this

speech put forward a whole new way of conceiving international relations. The appearance of the term “underdevelopment” evoked the idea of the possibility to develop a country. This new vocabulary would be used to justify the process of decolonisation after the Second World War, allowing access to new markets in the developing countries.

The reconstruction of Europe after the Second World War was crucial for the international economy. In the late forties, the United States launched the Marshall Plan, a recovery program for Western Europe, which at the same time provided the booming American production with the markets it needed (Rist, 1997: 69). Economic development outside Europe and the United States gained increased attention in the political context of the Cold War and the competition for the adherence of developing countries for either capitalism or communism. For this purpose, the World Bank and the International Monetary Fund (IMF) were established at the Bretton Woods, New Hampshire, conference in 1944, to serve as supranational finance institutions assisting countries in the development quest. Their first actions were to fix the currency exchange rates and put limitations on capital movements. This was in order to encourage trade and investment, and stop the destabilizing speculation which had been ongoing since the floating rates of the Great Depression a decade earlier. The IMF was designed to assist countries to avoid balance of payment problems through short-term loans, while the World Bank guaranteed private bank loans for long-term investments (Peet and Hartwick, 1999: 53-54). The United States, which had emerged from the Second World War with an economically and politically hegemonic position, confirmed its supremacy at Bretton Woods, as the new institutions used the United States dollar and gold as its core unit of account (Woods, 2006: 16-17).

The ideology of the Bretton Woods institutions and the international donor community was originally inspired by the theories of John Maynard Keynes. Keynes overthrew the old ideas of the neoclassical economics that free markets would automatically provide full employment as long as workers were flexible in their wage demands. He instead argued that the level of employment was determined by aggregate demand for goods and services, and a lack of it could lead to prolonged periods of high unemployment (Peet and Hartwick, 1999: 37-

38). Economic growth would be more stable and benefit more people with a proportioned state intervention. Keynes theories were influential in the first decades of official development cooperation as donors focused on supporting state intervention in developing countries (Sigurðardóttir, 2007: 231). Walt Whitman Rostow's theory about the stages of growth also became prevailing in the post-war era. He believed that all countries go through the same five stages of development, the highest being a stage of high mass consumption. This stage had already been reached by the United States, Western Europe and Japan, while the rest of the world needed a push that would catapult them onto the growth path. According to Rostow, "traditional" societies wishing to develop only needed to copy the model of the West, which had already proven successful. Naturally, this included welcoming an economic integration in terms of receiving aid, investment and leadership from the developed countries (Peet and Hartwick, 1999: 80-83).

The slow progress in developing countries caused a wave of scepticism towards development aid in the seventies. A series of monetary crisis and the United States' balance of payment crisis led to the paralysis of the international monetary management and the breakdown of the Bretton Woods system. The decade saw two consecutive oil crisis and several waves of inflation. The developing countries were faced with stagnating economies, which led to increased borrowing abroad until their balance of payment forced them to turn to the IMF for help (Leys, 2006: 115). Economists began to question the effectiveness of the Keynesian economic model. Instead, neoliberal policies would come to be the new religion in economics.

### **2.1.1. The lost decade**

In light of the economic situation at the end of the seventies, development policies shifted their focus from poverty alleviation to the stimulation of economic growth. According to the World Bank, the ultimate objective of development was now "faster growth of national income, alleviation of poverty and reduction of income inequalities" (World Bank 1987:1). The state was now considered an obstacle to economic growth and free market was the solution to poverty. Policy-makers downsized the public sector to give space for a more rapid expansion of the

private sector. Official aid institutions followed the same trend, as donors cut down on funding to developing countries' governments and started applying conditions for their aid. In addition, the misdirection and misuse of public aid flows caused a great public discontent in donor countries. The political climate became increasingly hostile to taxation and public expenditure. Overall, ODA fell sharply in the eighties (Riddle, 2007: 34).

To be able to manage their immense debts, many developing countries were forced to take on lending programs with conditions attached from the World Bank and the IMF, the so-called the Structural Adjustment Programmes (SAPs). According to Peet and Hartwick (1999: 56), the SAPs were medium- to long term economic reforms that aimed to change "the structure of an economy so that it mirrored the competitive ideal derived from the Western experience". The main pillars of the SAPs were fiscal austerity, privatisation and market liberalisation, which developing countries were obligated to implement in order to receive the loan. This policy package has been called the "Washington Consensus" (Stiglitz, 2002: 53). However, the SAPs did not achieve their aim; on the contrary they led to poor development results. They have received harsh criticism, on the grounds of interfering in a countries' sovereignty by dictating its economic policy. Leys (2006: 110-111) argues that the international development community only focused on strengthening market forces, at the expense of states in the developing countries. As a result, most developing states lost the power to be the prime movers of development in their own countries. According to Meyer and Schulz (2008: 2), the SAPs caused a deterioration of relationships between donors and developing countries, with little advance in policy reforms at country level. The eighties have been called "the lost decade" for development (Sigurðardóttir, 2007: 240).

### **2.1.2. Development fatigue**

After the failed attempts of the eighties, the nineties were characterised by a development fatigue. ODA decreased considerably, while developing countries simply lacked sufficient commitment and capacities on the basis of a conditionality-based aid regime. A number of academic studies claiming that aid does not work created a pessimistic view towards development as a whole. But

the failed attempts of the eighties inspired a change of thinking. The whole concept of development was put under discussion and it was clear that the whole aid-architecture had to be reformed. It was in this context that aid effectiveness became a focal point for the aid agenda (Meyer and Schulz, 2008: 2).

Consequently, the OECD/DAC engaged in a series of initiatives to revive the faith in development aid (Riddle, 2007: 41). In 1996, the highly influential development report *Shaping the 21st Century* (OECD, 1996) was published. The report argued that one of the key lessons of development cooperation is that donor-driven initiatives are rarely sustainable. Instead, developing countries themselves must be the main impetus of any effective aid. It claims that one of the biggest weaknesses of past aid efforts has been the excessive amount of aid projects and strategies of different donors that burden local institutions in the developing countries. To make aid more effective, there is a need for a collaborative model between donors and the developing country, as “paternalistic approaches” have not proven to be sustainable. Local actors should progressively assume greater responsibility for their own development, backed by donors (OECD, 1996: 13).

Inspired by this, the concept of partnership became central in development in the late nineties. Einarsdóttir (2007) explains that the concept, which implies a contract profitable for all actors involved, was meant to render the relations between donor and developing countries more equality. “Partners” were now supposed to agree on conditions for aid together, allowing the opportunity of discontinuing the partnership if those conditions were not fulfilled. However, Einarsdóttir argues that this partnership policy was used by donors as an exit strategy, offering legitimate reason to abandon unstable or poor performing developing countries. In her opinion, the partnership policy has rather enforced the unequal relations between donors and developing countries.

Two years later, the World Bank published *Assessing Aid* (Dollar and Pritchett, 1998), another extensive investigation on the effectiveness of development aid. Its main conclusion is that aid does not work when governments do not undertake the right type of economic management. It claims that conditionality does not work,



but “good governance” is the right way to a sustainable development. Equally influential, Burnside and Dollar’s “Aid, Policies and Growth” (2000: 847)<sup>1</sup>, similarly found that aid has a “positive impact on growth in developing countries with good fiscal monetary and trade policies, but little effect in the presence of poor policies”. It suggested that aid is more effective if systematically conditioned on good policy. These reports introduced themes which would shape the language and rhetoric of development aid for the new century, such as transparency, accountability, effectiveness, ownership and political accountability (Woods, 2000: 824).

In 1996, the World Bank and the IMF launched the Highly-Indebted Poor Countries (HIPC) initiative, which created a framework for creditors to provide debt relief to the world’s most heavily indebted countries. The initiative was meant to reduce the constraint on economic growth and poverty reduction imposed by debt (Easterly, 2006: 230). In 1999, the World Bank launched its Comprehensive Development Framework (CDF). The CDF established poverty reduction as a central goal for public policies and proposed that developing countries would each elaborate a local development plan. These became known as Poverty Reduction Strategy Papers (PRSP), which were later used as action plans for debt relief in the HIPCs. (Meyer and Schulz, 2008).

Traditional approaches to development financing, in particular project-based aid, were increasingly perceived as ineffective. The transaction costs for governments were extremely high and the myriad of projects was a massive administrative burden for developing countries. In the light of the strong opposition of conditioned-based aid, there was a demand of reducing donor interference in developing countries policymaking, but at the same time ensuring the effectiveness of developing finance. Linked to the CDF framework of the World Bank and the HIPC initiative, sector-wide approaches (SWAPs) and budget support as aid modalities were encouraged (Foster, 2000: 14-15). SWAP has been defined as an aid modality in which all significant donor funding for a comprehensive sector follows a sector policy under government leadership. Donor

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<sup>1</sup> Based on the World Bank report: Burnside, Craig and David Dollar (1997). *Aid, policies and growth*. Policy Research Working Paper 1777. Washington DC: World Bank.

support for a SWAP can be in the form of project aid, technical assistance or budget support, as long as it supports government procedures (OECD, 2006c: 148). The initiatives presented above led to an increased optimism towards development aid at the end of the decade.

### **2.1.3. A new century of hope**

Building on a number of major United Nations (UN) conferences from the last decades, world leaders came together at the UN headquarters in New York in 2000, to adopt the UN Millennium Declaration. With the Millennium Declaration, both donors and recipients, committed to a new global partnership in the battle against poverty, based on eight time-bound targets called the Millennium Development Goals (MDGs). The goals are to be met by 2015 and provide specific targets for education, gender equality, child mortality, HIV/AIDS, to mention a few. The MDGs call for a particular focus on increasing aid to the absolute poorest countries of the world (United Nations, 2000). The MDGs quickly became a central milestone in development aid, but in order to achieve them the UN called for a dramatic increase of ODA. At the 2002 International Conference on Financing for Development in Monterrey, Mexico, it was recommended that donors would strive to implement the target of providing 0,7 % of the gross domestic product (GDP) to development aid before the year 2025. Donors were urged to harmonise their efforts, reduce transaction cost, untie their aid and promote ownership in developing countries. Developing countries were urged to adopt good governance and their role was emphasised in contributing to aid effectiveness (United Nations, 2003).

Following the Monterrey conference, the UN set up an independent advisory body known as the Millennium Development Project. Its task was to develop a concrete action plan to achieve the MDGs. The commission published *Investing in Development* (Sachs, 2005), which calls for bolder policies in order to achieve the MDGs before the set time-target of 2015. It recommends developing countries to adopt PRSPs that are aligned with the MDGs and donors to double their ODA. The report is critical and mentions that broad regions are “far off track” in terms of achieving results. Donors also committed to greater harmonisation at the 2003 High Level Forum in Rome, and to a greater strategic planning and more

accountable management at the High Level Forum in Marrakech a year later. According to Meyer and Schultz (2008: 3), the OECD/DAC regained its leadership in agenda-setting through its commitment in these High Level Forums. DAC established the Working Party on Aid Effectiveness in 2003, a common working ground for bilateral and multilateral donors, as well as developing countries. This group drew up the PD.

## **2.2. The Paris Declaration**

The High Level Forum in Paris was held in March 2005. It was attended by development officials and ministers from over ninety countries. It is clear that this was not the beginning of international concern for improving aid effectiveness; it rather united the last decade's trends into one single venue. The PD is so far considered the most influential development policy of the 21st century. It surpasses other international development declarations, not only because of the amount of participants, but also because it introduces measurability as an important factor in the implementation phase (Wood et al., 2008: 1). The PD is a twelve page document divided in three parts; the statement of resolve, the partnership commitments and the indicators of progress. The first part is the general statement of the signatories where they commit to "take far-reaching and monitorable actions to reform the ways they deliver and manage aid" (OECD, 2005: 1). They also commit to intensify their efforts towards a more effective aid structure, increase aid flows and monitor and evaluate the implementation of the PD's indicators. The second part presents the five main principles; ownership, alignment, harmonisation, managing for results, and mutual accountability. The third part contains the twelve indicators for meeting these principles. The targets of the PD are set for 2010, but are not intended to substitute any targets that individual countries wish to set themselves.

### **2.2.1. The principles**

Drawing on decades of experience, the PD claims that aid is most effective when it supports developing countries' own policies. Thus, ownership is the first main principle of the PD and is considered its core. Ownership entails that "partner countries exercise effective leadership over their development policies, and

strategies and coordinate development actions” (OECD, 2005: 3). Strategies are then translated into prioritised result-oriented operational programmes that are to be included in the annual budget. According to the PD, developing countries should co-ordinate aid at all levels in dialogue with donors and encourage the participation of civil society and the private sector. Donors, on the other hand, commit to respect developing countries leadership and support them in exercising it.

According to the OECD (2008a: 35), successful development depends to a large extent on a states ability to implement policies and manage public resources to achieve its economic, social and environmental goals. Alignment to country-owned development processes is the second principle of the PD. Donors commit to base their overall support on developing countries’ national strategies and to use country systems and procedures to the maximum extent possible. By using national institutions and systems for managing public resources these will be strengthened (OECD, 2008a: 4). The ultimate instrument for supporting ownership and alignment is budget support. It is channelled directly to governments using local accounting systems and linked to sector or national policies rather than specific project. For different reasons, donors often require developing countries to comply with their own rules and to use their own procedures for managing development programs. Sometimes donors establish parallel mechanisms to implement their programmes, so-called project implementation units (PIUs). Although these projects might be well managed, it diverts resources and skills away from public administration and undermines a developing country’s capacity to manage public resources (OECD, 2008a: 35). The PD encourages donors to untie their aid. This increases aid effectiveness by reducing transaction costs for partner countries at the same time as it improves country ownership and alignment.

The third principle, harmonisation, encourages donors to work together, be more transparent and collectively effective. Among measures that donors can take to increase harmonisation are: “common arrangements at country level for planning, funding, disbursement, monitoring, evaluating and reporting to government on donor activities, and aid flows” (OECD, 2005: 6). Donors should increasingly

work together through joint funding and reporting, as well as reducing the number of missions to the field. This reduces the transaction costs and the massive work load that a fragmented aid entails. According to the OECD (2008a: 47), there are gains from aid harmonisation even when country ownership and aid alignment are weak.

Managing for results aims to improve the managing of recourses and decision-making. This fourth principle derives from the response to the aid fatigue of the nineties, when the focus shifted to holding governments accountable for their policy impact rather than imposing conditions (Meyer and Schulz, 2008: 4). Developing countries commit to strengthen the linkages between national development strategies and annual and multi-annual budget processes, while donors commit to link country programming and resources to results and align them with developing countries' strategies (OECD, 2005: 8). The last principle of the PD establishes that donors and developing countries are mutually accountable for development results. Developing countries commit to strengthen the parliamentary role in national development strategies, while donors commit to provide timely, transparent and comprehensive information on aid flows. The OECD (2008a: 52) states that accountability for the use of development resources improves the effectiveness of all public resources.

### **2.2.3. Accra Agenda for Action**

With a few years of gained experience of the PD, the High Level Forum was held in Accra, Ghana, in September of 2008. Accra has not had as much resonance as Paris, but it was an important venue for donors and developing countries to come together. According to Brown and Morton (2008: 4), many developing countries believe that the PD lacks legitimacy, since it was initially conceived and driven by donors. They believe that the main change observed in Accra was the stronger position of developing countries, which played a more active role in the preparation and elaboration of the agenda.

Special attention was given to the definition of ownership as it was though to be portrayed too narrowly in the PD. It was considered heavily in favour of central players of developing countries, rather than sector or sub-national players. In

developing countries, governments have an almost exclusive ownership in highly technical sectors, while civil society and marginalized groups find more ground in cross-cutting sectors of cooperation (OECD, 2008a: 11). It was argued that aid is more effective when a broader constituency of stakeholders is consulted and engaged in the definition of national development priorities. The Accra Agenda for Action (OECD, 2008b) encourages developing countries' governments to work more closely with parliaments, local authorities and civil society in preparing and implementing national development policies and plans. It also calls for greater involvement of the media, the private sector and local research institutes in the dialogue on development policy, in a more inclusive ownership.

#### **2.2.4. Evaluations**

The OECD has published two monitoring surveys on the PD, in 2006 and 2008. The *2006 Survey on monitoring the Paris Declaration* claims that the PD has stimulated an important dialogue at country-level on how to improve aid. However, in order to achieve set goals, there is still a long way to go. It states that there is a serious lack of ownership of the development processes among developing countries; only 17% of surveyed countries had an operational development strategy, when the PD targets 75% (OECD, 2006b: 10). Development plans also have to be closer linked to countries' budgets and results frameworks. Donors need to support these efforts further by making use of developing countries' national budgets and align with national strategies, as well as to improve the transparency and predictability of their aid. The *2006 Survey on monitoring the Paris Declaration* also calls for a significant reduction of the transaction of delivering and managing aid.

Similarly, the *2008 Survey on monitoring the Paris Declaration* claims that progress is being made, but not fast enough. It mentions that without serious effort from both donors and developing countries, the targets will not be met by 2010. Although progress has been uneven, three indicators have significantly improved; a bigger part of developing countries showed improvements in the quality of countries' system for managing public funds, aid is increasingly untied, and donors' technical cooperation is more coordinated and aligned with the capacity

development programs of the developing countries. However, the progress pace is still too slow. Relatively little progress had been made in the use of country systems, accountability had to be strengthened and more emphasis has to be made on cost-effective aid. Donors also have to be more accurate in budget estimates, as less than 50% of aid was disbursed according to schedules in 2008 (OECD, 2008a: 12).

The first phase of a synthesis report, the *Evaluation of the implementation of the Paris Declaration*, was published in 2008. The second phase of this evaluation is to be completed in time for the next High Level Forum in 2011. The findings of the first phase are similar to those of the monitoring reports from the OECD; that not enough progress has been made. It points out that the PD is not just a technical agreement, but a political agenda. This becomes an obstacle when processes required for its implementation confront issues of power and political economy. Both donors and developing countries are struggling with the implementation of the PD indicators, as they are often unrealistic or insufficiently adapted to different country conditions. It states that the PD is sometimes perceived as too prescriptive on developing countries and not enough binding on donors. There is a continuing perception that it is donor-driven (Wood et al., 2008).

The *Evaluation of the implementation of the Paris Declaration* claims that donors are still reluctant to confide in developing countries' capacities and systems. Most of the donors evaluated are limited by their own political and administrative systems to support ownership. Ownership needs to be approached as a process, not an absolute condition. Progress in aligning to developing countries' priorities has also been uneven and the relative weakness of country systems is perceived as a serious obstacle. Donors are unwilling to use these systems and maintain their PIUs. Issues of confidence restrain the process of harmonisation, due to the need for visibility and accountability of donors. In a number of countries the budget support modality has become highly controversial (Wood et al., 2008: xi).

There have been efforts to improve aid effectiveness. The European Union (EU) adopted the *EU Code of Conduct on complementarity and the division of labour in development policy* (European Union, 2007) in 2007, which is built on the five

main principles of the PD. It is meant to improve the division of labour between EU donors, as they frequently concentrate on the same developing countries and the same sectors, while others are ignored. Donors should expand their areas of strength according to their comparative advantages and look for a greater specialisation. The Code of Conduct recommends a maximum of three to five active donors in each sector; however, they can still be present in non-focal sectors by delegated partnership. Donors should also work towards providing increased budget support. This division of labour should also be transferred to a regional level and donors should identify a limited number of priority countries through a dialogue within the EU.

Aid modalities were reviewed along with the new aid architecture. The PD underlines the importance of budget support, which is meant to foster country ownership by focusing on governments' own priorities and disbursing through national financial management systems. This creates higher public spending and a more predictable support for sustained policy and institutional reforms. With budget support, the policy dialogue is focused on national budget priorities, rather than on specific expenditures and procedures. It allows for reduced aid volatility and a more predictable aid (Koeberle et al., 2005: 4). However, to receive budget support governments have to adhere to certain fundamental principles, such as peace, democracy and respect for human rights. Hoven (2009) claims that these performance targets have a different approach than the conditionalities of the SAPs, as well as being fewer and better manageable than before. It is favoured over project support, as it is less costly to provide and administer. The impact of budget support is of growing importance, due to its rising popularity. It accounts for an increasing share of total ODA provided by a large number of donors. The modality has not been widely researched, partly due to the difficulty to trace the specific impact of budget support (Riddle, 2007: 200).

### **2.2.5. Critical issues**

The PD has been criticized for ignoring the civil society and gender issues. Although the issue of civil society was discussed at Accra, Steinle and Correl (2008: 13) argue that civil society was unrightfully excluded by the PD, as the



relationship between donors and a developing country's government should not exist separately from the civil society. Similarly, O'Neil et al. (2007) mention that it has pushed for a more democratic ownership, arguing that participatory democratic practices and citizen involvement are preconditions for development. Vilby (2007: 77) points out that by ignoring the civil society in the development agenda; there is a risk that the PD becomes yet another state-focusing document that undermines the joint contribution of all development actors. However, in the incorporation of the civil society as an important development actor, it should not become an instrument of the state but rather maintain its independence to be able to serve the role as a watchdog. Nonetheless, there remain diverging opinions about the role of civil society. Zimmerman (2007: 6) argues that national governments are ultimately responsible for their own development agenda and responsible only to their taxpayers, not to civil society. He also questions the legitimacy of civil society organisations as representatives of citizens.

Not much emphasis was made on gender equality in the PD and the Accra Agenda for Action. The empowerment of women has generally been seen as a prerequisite for development, however, Craviotto (2008) claims that progress in gender equality and women's empowerment has been modest. In fact, the PD only incorporates the matter of gender mainstreaming into the harmonisation processes, which has prevented the elaboration of clear strategies with respect to gender equality and aid effectiveness. According to Craviotto, a more democratic ownership would benefit women's role in development processes. De la Cruz (2008) argues that gender equality must be recognised as a central element of the development agenda and included in the planning processes. However, gender equality is not the only policy decision determining aid effectiveness that the PD leaves out; there is also commerce, debt, foreign investment, remittances, policy conditionality and more.

Some have questioned whether the OECD is the adequate platform for governing the global aid regime. The close collaboration between the World Bank and the OECD can be limiting at the time of inclusion of new development actors. It also restrains the voice of the developing countries (Schulz, 2008: 2). The priority should be to broaden the multilateral dimension of the aid effectiveness agenda.

Some actors have encouraged moving the aid reform process to a more representative institution than the donor-driven OECD, such as the UN. This would make accountability clearer and reduce the complexity of the international aid system (ActionAid, 2007: 10). However, donors might be reluctant to move the scenery to the UN, as it would reduce their negotiation power.

### ***2.3. Is the Paris Declaration a political agenda?***

According to Booth (2008: 2), the PD is the best existing summary on the lessons learned from the half-century of experience in development aid. However, he points out that the PD is not only a technical document on how to manage aid, but rather a highly political one. He argues that the internal politics of developing countries has much more impact on the implementation of the PD than is admitted. In aid-dependant countries, policy change in political direction is more fundamental than before and developing countries must fulfil the patronage-based political systems. Sjölander (2009) similarly argues that the PD is clearly tilted in favour of the donors. The power inequalities between donors and developing countries put the latter in an uneven bargaining position and the PD provides no mechanism to address this. Schulz (2007a) claims that the failure of taking into account the political nature of the new aid architecture is one of the main obstacles towards improvement. Development cooperation is a part of donors' foreign policy and will always be influenced by economic interests of the donor. With the international division of labour among donors, preached by the PD and the EU Code of Conduct, donors' self-interest, the power relationships between donors and developing countries, and the influence of political aspects of development cooperation have to be taken into account.

The introduction of budget support has caused a vigorous political debate. According to Hoven (2009: 2), budget support can be effective in developing countries that are heavily dependant on external aid, with numerous development actors and a high degree of fragmentation of aid. It can produce a more strategic political dialogue between donors and the developing countries' governments. According to Álvarez (2009: 3), budget support can be a tool to promote national ownership in countries with no conflict of interest or sensitive governance

situation from a donor perspective. However, she argues that ownership through budget support is an illusion. Developing countries that are eligible for budget support are often characterised by institutional constraints and weak administrations, which makes them susceptible to external influences. Álvarez claims that there has been an increase in donors' imperatives in developing countries' policies that undermines the rationale of national ownership, which she calls a "post-conditionality approach".

Alemany and Mongabure (2009: 153) argue that budget support may be becoming a new way of imposing donor conditionalities. Donors team up and concentrate their power, reducing that of the government. In countries where donors do not agree with the national politics, budget support can turn into a tool for donor interference, by stopping the execution and flow to the national budget. The debate on budget support brings on the subjects of ownership and selectivity in aid.

### **2.3.1. Whose ownership?**

As mentioned, the origins of ownership came as a response to the conditionality-based adjustment programmes of the eighties. The failure of these conditionalities to produce results forced a new way of thinking, based on the belief that sustainable development could only be achieved if the developing country itself was responsible for its policy making. This subject has since been discussed with much pressure from developing countries and international civil society. Rocha and Rogerson (2006: 13) argue even though donors have "increasingly embraced the concept of country ownership, at least in official discourse, they have not abandoned the use of conditionality to provide support. Reliance on economic conditionality may be decreasing, but the number of conditions ... is still very high".

Conditions attached to aid agreements restrict the freedom of developing countries to choose their own development policies, thus aid conditionality and ownership are never compatible. According to Sobhan (2002: 545-546), once donors commit to the fact that aid effectiveness depends mainly on domestic ownership over

policy reforms, they also have to accept the limited influence they can exercise over the use of their aid in developing countries. This can be challenging when donors' notion of appropriate policies do not coincide with those of the developing country's. Donors should not promote ownership, if they are not prepared to back down.

Sjölander (2009) points out that donors have not changed their attitude from running the show, because they are too afraid of letting go of their traditional way of doing aid. The fact that donors are still too dominating impedes the implementation of sustainable ownership. Critics argue that the term ownership has become a euphemism for the adoption by developing countries of externally-conceived policies. Ownership cannot be measured by the existence of a PRSP that has gone through a long negotiation process with donors. Furthermore, conditions oblige governments to be accountable to donors, creating a false sense of ownership (Zimmermann and McDonnell, 2008: 22). As a result of the widely criticised conditionalities in aid, donors increasingly focused on good governance as an important factor for aid.

### **2.3.2. From conditionality to selectivity**

The emergence of good governance in the nineties has served as a general guiding principle for donors to demand when engaging in development cooperation. The notion of good governance backed by the influential World Bank report *Assessing Aid* and later "Aid, Policies and Growth" (Burnside and Dollar, 2000), marks a shift within the donor community. The idea that aid is only effective in developing countries with sound policies and effective institutions encourages a more systematic targeting of aid, by concentrating it in countries that show genuine commitment to improving governance (Hermes and Lensik, 2001: 8). The concept has given rise to a new pattern of interaction between donors and developing countries' governments, namely as a pre-condition to qualify for aid. This has resulted donors to move from conditionality to selectivity in aid.

Doornbos (2003) mentions that the concept of good governance became the new buzzword of the discourse of development aid in the nineties. He argues that the

term itself came to imply an objective judgment of the political behaviour of governments. It did not originate in an academic context, but within international donor agencies, conceptually preparing the terrain for policy intervention. By the end of the Cold War it was no longer justifiable to give aid to authoritarian states. Instead, it seemed acceptable to set political conditions on the way countries managed their governmental affairs. The new criterion of good governance was broad enough to include political dimension, while at the same time vague enough in interpretation.

According to Doornbos (2003: 14), considering the vagueness of the concept good governance and different interpretations, it is problematic to use as a criterion for deciding which countries qualify for aid. He also wonders if “bad government” will in principle ever become “good”, unless the government concerned is prepared to reform its governing structures to meet the required criteria. Pronk (2001: 626) argues that good governance must be put into context of developing countries. Rather than focusing on “good policies”, the focus should be on “better policies” to achieve a greater impact. He mentions that “policy improvement and better governance should not be seen as pre-conditions for development and for development aid, but also as development objectives themselves”. Findings by Hansen and Tarp (2001) and Easterly et al. (2003), show that aid effectiveness is invariant with respect to the indicator of good policy. According to Sobhan (2002: 540), donors are directing their aid towards the unfamiliar territory of governance, due to a growing frustration with the state of aid effectiveness. He mentions that the “confusion of objectives in aid policy is being compounded by contradictory motives where the juxtaposition of political and economic goals in the allocation of aid commitments is compromising its effectiveness”.

According to Hout (2010), the dominant understanding of good governance fails to recognise the political character of governance issues. These issues relate to existing power relations in society, such as the access of marginalised groups to political decision-making or powerful groups that manipulate governance reform, which have not received sufficient attention from development agencies. Hout studies the EU development policies, which are seen as complementary to those of the member states. He argues that the EU initiatives have been in line with the

PD, but the implementation of the policy is lacking due to the difficulty to achieve coordination between the member states. He claims that the EU development framework is a neoliberal one, which perceives governance in a predominantly technocratic way. The main tool of the EU in developing countries is the Country Strategy Paper, which includes a set of governance indicators for the assessment of the economic, social and environmental situation in the developing country. It also uses a country profile for each developing country, including nine components for the assessment of the governance situation.

### **2.3.3. Allocation of aid**

Linked to the discussion of good governance and selectivity in aid, there has been an increased discussion regarding the determinants of aid allocation. According to Alesina and Dollar (2000: 33), foreign aid has been only partially successful at promoting growth and reducing poverty. One of the reasons for that is the pattern of the flows of aid. They argue that foreign aid is dictated as much by political and strategic motives, as by economic needs and policy performance of the developing countries. Factors such as colonial past and political alliances are major determinants of aid. However, they find that while “foreign aid flows respond to political variables, foreign direct investments are more sensitive to economic incentives, particularly good policies”. Isopi and Mavrotas (2006), mention that although the main factors driving the aid allocation process are of commercial, political and strategic motives, most donors also have an altruistic motive and give aid for humanitarian reasons. However, this is not the case in inter-country allocation, where especially bilateral donors pay a relatively low or even no attention to developmental or humanitarian concerns, including the reduction of poverty. Nielsen (2010) on the other hand, does not question the prevalence of geopolitically strategic allocation of aid, but believes that donors also allocate aid in response to the needs of developing countries. Nevertheless, he accepts that donors may not always give the most aid to the poorest countries.

Fleck and Kilby (2010) add military links, arm imports, aid from rival donors, geographical borders and a common language to donors’ motives of allocation of aid. In their study on the United States foreign aid, they found that due to the so

called War on Terror, there has been a decline in need-sensitivity in aid allocations, as well as an increase in the probability of wealthier countries receiving aid rather than poor countries. They argue that the increasing focus on selectivity could result in decreasing emphasis on need. This is a re-emergence of Cold War practices with declining aid flows for poor but geopolitically unimportant countries. Bobba and Powell (2007: 5) argue that politics matter not only for the allocation of aid, but also for its effectiveness. They maintain that when aid is used to obtain political allegiances it has a negative effect on growth. This is because “it is likely that there will be less concern regarding the effectiveness of that aid for enhancing economic performance”. On the contrary, they found that aid extended to non-allies has a strong positive impact on growth. Based on this, aid can be beneficial when it is allocated independent of recipient policies.

Rogerson and Steensen (2009) argue that the pattern of aid distribution across countries is insufficiently co-ordinated, resulting in an unequal position of developing countries. The resulting geographical gap has created so-called aid darlings and aid orphans. Levin and Dollar (2005) furthermore classify countries into difficult partnership countries, or fragile states. These are countries with difficult environments for aid, such as weak policies and institutions, and countries emerging from conflict. Fragile states are generally amongst the poorest countries. Aid to fragile states is more volatile than to other developing countries and they receive lower overall aid in relation to their level of performance and poverty. Levin and Dollar point out that since these states have greater development challenges than other developing countries; donors should rethink their aid allocation patterns. McGillivray (2006) argues that conventional aid instruments can be problematic in fragile states as the risk is very high. Fragile states are rarely eligible for budget support.

There are many polemic issues regarding the principles and the implementation of the PD. Set out to be a fresh breeze in development aid, it is still charged with politically sensitive issues regarding the relationship between donors and developing countries as previous efforts. To put this in context, I will research the process of implementation of the PD in Nicaragua.

## **3. Settings**

### **3.1. Nicaragua**

Nicaragua is the largest country of Central America with its 130 000 km<sup>2</sup>. It borders with Honduras to the north and Costa Rica to the south. Both the Atlantic and the Pacific coasts of Nicaragua consist of extensive plains, while the centre is interrupted by a volcanic chain that crosses the country from north to south. The variety of lakes and rivers, including the largest freshwater body in Central America, Lago de Nicaragua, has earned Nicaragua the colloquial name the “Land of lakes and volcanoes”. The climate varies between the lowlands, the central part and the mountains, ranging from 10°C to 35°C. The rainy season normally starts in May and continues throughout November with an extreme susceptibility to hurricanes (Penland et al., 2006).

The Nicaraguan economy is primarily focused on the primary sector, such as the production of coffee, sugar cane, shrimp and beef. This makes it sensitive to international market fluctuations, as experienced during the 2000 to 2001 coffee crisis, which had a devastating effect on Nicaraguan coffee farmers. Also, a volatile source of income is remittances, which make up about 12% of the GDP, as an estimated 10% of Nicaraguans live abroad. In 2006, Nicaragua signed a free-trade agreement including Central America and the United States, which has expanded the export opportunities for agricultural and manufactured goods (Sistema de las Naciones Unidas, 2007: 20).

With a population of approximately six million inhabitants, the majority of the Nicaraguan population lives on the Pacific coast and in the central part of the country. A 70% of the population is mestizo, descendents of Europeans and Amerindians, and Roman Catholic. The Atlantic coast is divided between two autonomous regions, which have throughout history been culturally, geographically and politically separated from the rest of the country. Because of its inaccessibility, “the Coast”, as it is called, was practically left out by the Spanish conquistadores. For a time it was a British protectorate, where African



slaves were brought to work the land. The population is to this date still Creole-speaking and identifies more with the Caribbean island culture than the rest of Nicaragua. There are also a number of indigenous populations on the coast, the largest being the Miskitus, who also maintain their own language. Its remoteness, resulting in the lack of access to public services and markets, causes the Atlantic coast of Nicaragua to have one of the highest poverty rates in the country (Jamieson, 1999). The region has repeatedly been struck by devastating hurricanes, the latest being Mitch in 1998 and Felix in 2007.

### **3.2. History and politics**

Nicaragua, along with the Central American countries, received independence from Spain in 1821. Together they formed the Federal Republic of Central America, from which Nicaragua broke in 1838. Since then, liberals and conservatives have engaged in a power struggle. During the first years, the country's capital consequently varied between the liberal León to the north and the conservative Granada to the south, depending on the party in power. At last, it was decided to find a neutral city that would pacify both political fractions, establishing Managua as the official capital in 1852. In 1856 the American filibuster William Walker, backed by the city of León, invaded Nicaragua and proclaimed himself president. After a year, he was defeated by a coalition of Central American armies, giving power to the conservatives for the following 30 years (Penland et al., 2006: 55).

Nicaragua has since its independence experienced a strong influence from the United States. During the conservative period, the United States expressed interest in building an inter-oceanic canal in Nicaragua, strategically connecting the Pacific with the Atlantic. This idea was abandoned when the liberal president José Santos Zelaya rejected the proposal. Zelaya did not want to give up Nicaraguan sovereignty of the land destined for the canal, challenging the United States geopolitical interests. The canal was later built in Panama. The following tensions between Nicaragua and the United States resulted in a military occupation in 1909 to overthrow Zelaya and install a government backed by the United States. During the following two decades, the United States dominated politics in Nicaragua. All

rebellions were brutally silenced by the National Guard, which was financed and trained by the United States. In 1927, a guerrilla war led by Augusto César Sandino broke out against the conservatives, with the mission to expel foreign influence from Nicaragua. The war lasted for six years, until peace was made in 1933. Due to the defeat in Nicaragua and the recession in the United States, the marines were called home. The loyal Anastasio Somoza García was placed as head of the National Guard. Somoza ordered the execution of Sandino in 1934 and imposed himself as president two years later. Somoza, followed by his two sons, would come to rule Nicaragua for 35 years (Kinloch Tijerino, 2008).

The Somozas ran the country like a family company and with an iron fist. Despite the growth of the economy in the fifties and sixties, the inequalities of the distribution of wealth were appalling. There was a growing dissatisfaction among the public with the cruel dictatorship of the Somozas. A scandal arose when Somoza used the opportunity to pocket a big part of the foreign aid that poured into the country after the earthquake in 1972 (Kinloch Tijerino, 2008). The stealing of the national wealth by the dictatorship, along with the atrocities of the National Guard and the growing political tension, fuelled the rising of the Frente Sandinista de Liberación Nacional (FSLN), named after the national hero Sandino. After a number of attempts to overthrow the last Somoza, the FSLN-led revolution finally triumphed in 1979.

The Sandinistas took over a war-struck country with a staggering poverty level. With healthcare reforms and a massive literacy campaign, the revolutionary government gained international recognition. However, with the coming to power of President Reagan in the United States in 1981, the relationship with Nicaragua changed. Nicaragua was now considered a communist threat in the middle of the Cold War. The United States began financing the counterrevolutionaries, “the contras”, which consisted of the remains of the old National Guard, to fight the Sandinistas. In 1986, the Iran-contra affair was unravelled, causing a political scandal in the United States. The Reagan administration was discovered to be selling weapons illegally to Iran, donating the gains through third party donations to the contras (Longley et al., 2006). The civil war lasted throughout the eighties, devastating the country. The hyperinflation of the late eighties and hurricane Joan

in 1988 increased the misery. The Nicaraguan people were tired of the war, which they demonstrated in the 1990 elections when President Daniel Ortega, leader of the FSLN, lost the power to the leader of the opposition coalition of fourteen parties, Violeta Chamorro (Prevost and Vanden, 1997)

The first task of the new government was to obtain political stability and to put the economy back on track. The Sandinistas had taken advantage of their last days in power, during which they passed a series of legislative acts known as “The Piñata”, when estates that had been seized by the government became the private property of various FSLN officials. According to Everingham (1998), Chamorro’s administration introduced one of the most severe SAPs among the new democracies of Latin America. Nicaragua was one of several developing countries required by the IMF and the World Bank to undertake a six-year program of austerity, debt reduction, and liberalization. Widespread privatizations, such as in the agricultural and cattle sector, restrictive monetary policies and deep cuts in state employment and subsidies characterised the early nineties.

In 1996, the liberal candidate and former mayor of Managua Arnoldo Alemán of the Constitutional Liberal Party (PLC) was voted president. Alemán was successful in promoting economic recovery and managed to reduce inflation and promote growth of the GDP. However, during his mandate the PLC and the FSLN made a controversial alliance called “el Pacto”, restraining other political parties from power. One of the main consequences of “el Pacto”, besides the personal enrichment of the participants, was the immunity of parliamentarians. In addition, an electoral reform was made according to which the percentage necessary to win a presidential election was lowered from 45% to 35%. This would later be crucial for Ortega’s re-election. In 2002, Enrique Bolaños of the PLC assumed the presidency. His campaign centred on the fight against corruption, governability, democracy and transparency. Consequently, the Bolaños administration sentenced former president Alemán to twenty years in prison for widespread corruption charges, including money laundering and embezzlements (Kinloch Tijerino, 2008: 343-346). Bolaños’ anti-corruption campaign unleashed a political war within the PLC, which cost him the loss of support of his party. Due to this, Bolaños had a

hard time passing legislations through the parliament during his mandate (Nítlápan-Envío, 2003).

### **3.2.1. Sandinistas back in power**

As mentioned, “el pacto” was decisive when Daniel Ortega ran for president again in 2006 and won with only 38% of the national vote. In January of 2007 the FSLN took power, naming its government one of “reconciliation and national unity”. Ortega ended thereby Nicaragua’s 16 years of liberal governments and declared that he wanted to put an end to the “savage capitalism” that had ruled the politics of the country. His main priorities were not as revolutionary as in the eighties; to secure foreign investments and tackle the widespread poverty (Kampwirth, 2008). With a commitment to social justice, the Ortega administration has focused greatly on education and health, making it free for all. It also engaged in numerous government social programs, such as the Zero Hunger program, combating hunger on the Nicaraguan countryside (Schmidt, 2009), and “Zero Usury” granting Nicaraguan women favourable micro credit loans (Garméndez, 2007).

However, the Ortega administration has had its share of controversy. Ortega, a strong critic of the Catholic church in the eighties, reconciled with the church and confirmed the polemic abortion law, prohibiting all kinds of abortion, passed initially by the Bolaños administration (Kampwirth, 2008: 122). This caused strong reaction from women’s right organizations, as well as from the international donor community. Ortega also established the debatable Citizen Power Councils (CPCs) by presidential decree in 2007. He maintains that the CPCs serve in order to directly oversee specific categories of government spending and to let community leaders have a say in where and how government funds are spent. Meanwhile, the opposition claims they are party-controlled organs and just another step in Ortega’s drift towards an authoritarian government that does not answer to the legislature (McKinley Jr., 2008).

Nicaragua under Ortega also joined the Bolivarian Alternative for the Americas (ALBA), a trade and economic pact with Venezuela, Cuba, Bolivia, Ecuador and

a number of Caribbean islands. This has raised concerns from the United States and other observers that claim that Ortega is moving in an authoritarian direction. Under ALBA, Ortega has developed a close relationship with Hugo Chávez, receiving funds from Venezuela with limited public accountability (Sarria, 2009). They are not reflected in the national budget, since the transactions are said to be handled through a quasi-public company called Albanisa and the state-owned oil company, Petronic (McKinley Jr., 2008). Nicaragua is also moving closer to controversial countries such as Iran, Russia and Libya with little transparency as to their relations.

The antecedents and outcome of the municipal elections of November 2008 have undoubtedly been the most polemic event since the FSLN took power. The months leading up to the elections were tense. The government disqualified two opposition parties from the ballot, the Partido Liberal (PL) and the Movimiento Renovador Sandinista (MRS), for technical reasons. It also started an investigation on various national and international non-governmental organisations (NGOs), including the British Oxfam, for money-laundering and subversion. Right before the elections the government decided not to accredit independent local or international electoral observers to monitor the elections. There was also a debate regarding the independence of the Supreme Electoral Council (The Economist, 2008).

The FSLN won 94 of the 146 municipalities at stake in the elections. The Supreme Electoral Council received national and international criticism due to irregularities in the election process. The opposition claimed that ballots were dumped, that non-FSLN members had been refused to vote and that the number of tallies had been altered (Sarria, 2009). The following days after the elections, both Sandinistas and opposition took to the streets with stones, machetes and mortars. The opposition demanded a recount, which was only granted in the municipality of Managua and without presence of international observers or members from the PLC. The recount confirmed FSLN's victory (Kaufman, 2008). Since then, there have been regular protest marches by both Sandinistas and liberals.

The controversy has continued as Ortega managed to get the Nicaraguan Supreme Court to approve a presidential mandate in which Ortega's re-election for president for a second term is made possible (Vásquez Larios, 2009). The elections are due in 2011.

### ***3.3. History of international cooperation***

Nicaragua is the second poorest country in Latin America. A total of 45% of the population fall below the international poverty line of living of one dollar a day and 80% under two dollars a day (OECD, 2006a). According to UNPD's Human Development Index, which looks beyond GDP to a broader definition of well-being, Nicaragua ranks in 124th place of a total of 182 countries (UNDP, 2009), achieving a medium human development. It is classified by the World Bank as a middle-income country (World Bank, 2010). With a small middle class, there is an enormous gap between rich and poor. According to statistics from 2007, 20% of the countries poorest consumed only 6, 2% of the national consumption, while the richest 20% consumed 47% (Sistema de las Naciones Unidas, 2007: 13). In 2008, ODA amounted to a total of 417 million USD in Nicaragua (Banco Central de Nicaragua, 2008). There are an extremely high number of donors present in Nicaragua, which makes the development cooperation scene in Nicaragua a complex phenomenon. The Directory of Development Organisations (2010) lists 461 development organisations in the country, including everything from NGOs, trade unions and faith-based organisations to official development agencies.

The World Bank was the first donor to engage in cooperation with Nicaragua, upon request of the Somoza government. The initial report of its first mission in 1951 shows enthusiasm, as it states that "few underdeveloped countries have so great a physical potential for growth and economic potential as does Nicaragua" (World Bank, 1953: 3). The mission's description of the economic conditions of Nicaragua's populations follows:

Although a few people enjoy high incomes and a standard of living comparable to the higher levels of Latin America, Europe and the United States, the general standard of living is low. The basic diet of corn, beans,

bananas or plantains, and rice, supplemented by sugar and some meat, is sufficient to fill the stomach but it is neither balanced nor energy producing. Drinking water is not safe even in the major towns and sanitation is inadequate everywhere. Even in the capital only half the population has electricity and many of the streets need paving (World Bank, 1953: xxv-xxvi).

It was due to the triumph of the revolution that international aid began to flow into Nicaragua. The first international actors to arrive were solidarity movements, first supporting the Sandinistas against Somoza and later against the contras. These movements were boosted by the massive media coverage of the civil war, keeping the political situation and the involvement of the United States in the public eye (Perla Jr., 2009).

The established peace and relative stability during the Chamorro administration attracted international aid flows. Between 1990 and 1996 international cooperation represented 30% of the annual GDP (Kinloch Tijerino, 2008: 339). However, a big part of these aid flows were directly allocated to the immense foreign debt that had accumulated throughout the war. During the Alemán administration, dependence on international aid continued and Nicaragua greeted the new century by having one of the highest levels of ODA per capita worldwide.

### **3.3.1. A testing ground for Paris**

Nicaragua experienced some early efforts to coordinate aid, but it was not until the beginning of the 21st century that it really became a testing ground for the PD, hosting several pilot initiatives for aid effectiveness. In 2002, as a follow-up to the Monterrey Conference, the first Development Cooperation Coordination Forum took place in Managua. A year later, the government created the sector and the global round-tables in order to improve the dialogue system between donors and the government. The sector round-tables were meant to serve as a platform for the different sectors of the cooperation, such as education, health and infrastructure. The global round-table was meant to be the main entity of the political dialogue structure, including sector cabinet's coordinators, government representatives and

heads of missions of all donors. According to Pineda and Schulz (2008: 7), this mechanism has resulted to be a rather formal and inefficient mechanism. While some of the round-tables still meet regularly, others were never held or held sporadically.

Because of Nicaragua's high levels of poverty and massive foreign debt, it was accepted to the HIPC initiative of the IMF and the World Bank. One of the conditions was the elaboration of a PRSP, which was finalised in 2004 and completed Nicaragua's adhesion to the initiative (Linneker, 2004). As a result of the High Level Forums in Monterrey 2002 and Rome 2003, the OECD/DAC decided to follow up to the general coordination process for cooperation in fourteen developing countries, including Nicaragua. Within this framework, DAC launched the Joint Country Learning Assessment (JCLA) initiative. Upon request by the Bolaños government, Nicaragua was selected as one of four developing countries throughout the world to serve as pilot countries for the JCLA process. This process was led by the government of Nicaragua and assisted by four lead facilitators: the European Commission, UNDP, the Netherlands and Japan (Government of Nicaragua, 2004). The JCLA was finalised in December of 2004 and Nicaragua was the only country of the four selected to complete the process. Consequently, the Plan Nacional de Apropiación, Alineamiento y Armonización (AAA) 2005 to 2007 was published, as well as the Plan Nacional de Desarrollo (PND) 2005 to 2009.

In 2004, the budget support group was created and a Joint Financing Agreement (JFA) was signed between the government of Nicaragua and the following donors: Finland, Germany, the Netherlands, Norway, the United Kingdom, Sweden, Switzerland, the World Bank, the Inter-American Development Bank (IDB) and the European Commission (JFA, 2005). The first disbursements of the budget support group were carried out in 2005. Budget support had existed previously, but as an uncoordinated effort without an agreed policy matrix. There has been an increasing implementation of SWAPs, for instance in education and health, with their own sector plans. Pineda and Schulz (2008: 7) mention that a number of multi-donor programmes around concrete operations, such as the Anti-



Corruption Fund, the Civil Society Fund and the Public Sector Technical Assistance Credit have had a stable functioning since their establishment.

As a means to greater transparency, the government published the online Official Development Assistance Information System (SysODA) to record and classify all international aid by modality, geographical location, sector and year. This database was open for a period of time, but has not been updated or available for the past 2 to 3 years.

### **3.3.2. The implementation of the Paris Declaration**

Following the High Level Forum in Paris, Nicaragua was once again selected by the DAC to participate as a pilot country in the international monitoring of the compliance with the commitments of the PD. The *2006 Survey on monitoring the Paris Declaration* (OECD, 2006a) states that at the time, Nicaragua had “made great strides” in exercising leadership over the country’s development policies and strategies, having set up a system for the co-ordination of aid based on joint working groups and roundtables. It recognises the existence of a PRSP and a PND, which is crucial for the compliance of ownership. However, the different political stances of successive governments and the polarized political debate in the country put into question to which extent the plans reflected a national vision.

The *2006 Survey on monitoring the Paris Declaration* argues that the political situation had affected donor alignment negatively. However, the report mentions that donors were relatively successful in aligning their activities with the relevant sector policy frameworks. Also, the budget support was consistent with the PND. Nevertheless, it highlights a need for more predictability in aid disbursements and criticises the fact that donors often notify the government of their disbursements too late to include them in the general budget. There was a low rate of utilisation of country systems, although there was a slight improvement due to the JFA on general budget support. The report calls for a substantial reduction in the number of parallel project implementation units and the adoption of national public financial management and procurement systems (OECD, 2006a).

According to the *2006 Survey on monitoring the Paris Declaration*, there had been a reasonable progress in harmonisation measures. Donors were increasingly sharing missions and analytical work, although the total number of missions in Nicaragua was still much too high for a country of its size. The report points out that the availability and quality of poverty-related data was improving, with a number of recently published national surveys and a national census that was carried out in 2005. The JCLA process complied with the mutual accountability principle, as it “offers a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness” (OECD, 2006a: 12). Nicaragua had a long way to go to meet the indicators of the PD, although some improvements had certainly been made.

### **3.3.3. A changed scenario**

Pineda and Schulz (2008) argue that the scenario of international cooperation in Nicaragua has changed considerably since the current government took power in 2007. One of the first actions of the new government was to revise the PND of the previous government. The new Plan Nacional de Desarrollo Humano (PNDH) 2009-2013 was consequently published. Generally, it is considered that the government has adopted a stronger ownership of the development agenda, which has received strong reactions from the donor community. The donors have gone from a relatively privileged relationship with the previous government, to a situation with a significantly reduced position to influence. A number of so-called non-traditional donors have become more visible in aid, such as Venezuela, Iran and Libya

Donors spend more time on political reporting than before. The British Department for International Development (DfID) recently published three reports concerning the political situation in Nicaragua: a scenario planning report called “Nicaragua: policy implications for donor engagement” (Jan Consulting, 2009b), a so called “Forces of change in Nicaragua” (Jan Consulting, 2009a) report, and a study of the controversial CPCs. The reports were meant to help donors reflect on the potential impact the political situation in Nicaragua could have on their programs.

“Nicaragua: policy implications for donor engagement” (Jan Consulting, 2009b) is a scenario planning report which plays out three possible scenarios for the period of 2009 to 2011, depending on government actions and international response. The report is based on a number of leading indicators that track the main forces and actors of change in Nicaragua. It is meant to provide donors with an objective way to assess and determine their policy choices and priorities according to future political events. The indicators include the international economic crisis, international support for the government, government behaviour and political reform. The report recommends donors to undergo a policy review for Nicaragua every three months, as the situation changes. Scenario planning is a tool mainly used in private sector companies, but the British government has recently been applying it in fragile states like Sudan, Afghanistan and Somalia. Treated like a fragile state, the country office in Nicaragua was advised by its headquarter to use the scenario planning for the situation at hand.

The “Forces of change in Nicaragua” (Jan Consulting, 2009a) report takes on certain political issues that have been strongly criticised by the donor community, such as the Venezuelan cooperation and “el pacto” between President Ortega and former President Alemán. It also analyses actors that could have a critical impact in Nicaragua, such as the political opposition and United States foreign policy. The study focuses on the so-called “critical event”, the presidential elections of 2011, and the possibility of an election fraud or a change of the Constitution for the re-election of President Ortega. In fact, a few months after the publication of the report the Supreme Court of Nicaragua approved a presidential mandate in which Ortega’s re-election is made legal.

Donors claim that Nicaragua has experienced a closing of democratic spaces and that the government is moving in an authoritarian direction. The government, on the other hand, has refused to continue a political dialogue with the donors and considers it an unacceptable intrusion into Nicaragua’s sovereignty. Due to this strained political landscape in Nicaragua, the donor community has reassessed its work (Uriarte and Álvarez, 2008). As a result, all bilateral donors of the budget support group suspended their disbursements since 2008 (Marenco, 2008). The budget support group was dissolved in the end of May 2010, since the JFA was

not renewed. In 2010, only Russia gave budget support to Nicaragua. With the loss of the budget support group, the global round-table has become more important, but it remains to see if it manages to be a good forum for policy dialogue. A number of donors have withdrawn their aid to Nicaragua, or announced their withdrawal in the near future.

## **4. Methodology**

### ***4.1. Development research***

There are many factors to keep in mind when conducting research in a developing country. Murrey and Overton (2003) claim that although all research is built from fundamentally similar foundations, development research differs in a number of ways. Usually, development research takes place in localities and cultures that are relatively unfamiliar to the researcher. It is likely that the researcher undertakes his/her work in a foreign language without having a high level of proficiency. Because of this complication there is a possibility that words will remain misinterpreted or poorly conveyed. Lastly, Murrey and Overton mention that a Western development researcher has often a limited period of research activity in the field with little opportunity to fill the gaps when he/she has returned. Due to this, the development researcher needs to be more eclectic than a home-based researcher, more sensitive to cultural and ethical issues, and ready to re-design his/her research strategy (Murrey and Overton, 2003: 18-19). Development research is usually conducted to make a social change. According to Laws et al. (2003: 3-4) it is used for a variety of purposes such as the planning, monitoring, evaluating and reviewing of a development program. It is also used as a means to learn about issues with the purpose of influencing policy. Development research is crucial to development organisations in order to ensure that their programmes are appropriate to the need they aim to address.

There has been much debate in recent years over the ethical dilemma of whether to do fieldwork in developing countries. The skewed power relationships between the privileged Western researcher and the people living in poverty being researched causes controversy. Sidaway (1992: 403) argues that “we may live in an interconnected world, in an age of intense space-time compression. However, the consequences of this are experienced unevenly”. He claims that Western researchers traveling to developing countries tend to move up in the social hierarchy. Their place in cultural, racial and gender contexts are thereby altered. Beazley and Ennew (2006: 190) similarly claim that development research entails a confrontation between the powerful and the powerless. This relationship is filled

with possibilities of misunderstanding and exploitation. According to them, the research focus is always a vulnerable, powerless group, compared to which researchers and development agencies are especially powerful.

Scheyvens and Storey (2003) point out that the vast literature on the negative impact of the Western researcher has in recent years caused the reconsideration of a researcher's role in developing countries. They mention that the most dramatic reaction to this has been to simply abandon development research altogether. Other academics have turned to a more relativist view of researching, meaning that only those in a similar situation can study and understand a certain group of people. Yet, others have taken a more participative stance, allowing participants more power in the process. The uneven power relations have also been addressed by sharing authorship or editorial power with locals, or assisting marginalised groups within developing countries to obtain funding for research. According to Scheyvens and Storey (2003), these ideas are all based on the assumption that people in developing countries have no power. They point out that the researcher rarely holds all of the control and the individuals being studied can influence by withholding information or refusing to answer questions.

So what happens when the Western researcher goes to the developing country, not to conduct the traditional research on the poor and powerless, but on individuals with powerful positions within the society?

#### ***4.2. Entering “the field”***

I came to Nicaragua for the first time in June 2008. By that time, I had finished a year of courses in Development Studies at the University of Iceland. I had applied and been granted an internship at Iceida, where I worked the following five months. At arrival in Nicaragua, the only element left to complete the masters degree was my thesis. I had still not found a subject that fascinated me. At the university, since most professors had personal experience from the region, there had been much focus on Africa. I did my undergraduate degree in Spanish and Latin American Studies and received part of my studies in Mexico. It was always my intention to come back to Latin America.

The internship at Iceida was the perfect opportunity. I was back in Latin America, with a chance to get a glimpse into the world of development work. As I lived and worked with innumerable options to study right in front of me, an array of subjects for my thesis crossed my mind during these five months. Eventually, my main assignment at Iceida made up my mind. My task was to collect information and do a mapping of development work in Nicaragua according to Iceida's particular interests. This was an element in the agency's aid effectiveness measures. For this project, I contacted all major donors and the government as a means to investigate which donors were working in which sectors. Unfortunately, a few months after my internship was concluded, Iceida had to close its office in Nicaragua due to the financial crisis that hit my home-country hard. After my internship, I decided to prolong my stay to start the fieldwork of my thesis.

I chose the subject of aid effectiveness, specifically focusing on the PD which was, to say the least, a "hot topic" in Nicaragua. As an intern, I had the chance to experience the subject up close as I attended aid effectiveness meetings between the donors and the government. I also participated in donor harmonisation meetings. The national newspapers covered news on development aid daily, where there was much talk about the budget support group, the withdrawal of donors, and the relationship between the donors and the government. I arrived in Nicaragua at a time of political turmoil and got to experience the aftermath of the municipal elections of November 2008. We were sent home early from work the first days after the elections because of street-riots. The situation I found myself in was very unique both from a developmental point of view and historical. Nicaragua had gone from being a donor darling and a pilot country in the preparation of the PD, to a situation of uncertainty and a severe deterioration in donor-government relationship, almost right before my eyes. The internship and my time in Nicaragua prior to the actual fieldwork, where I got to experience the situation firsthand, gave me a much deeper understanding of the subject of study. Consequently, one can say that I entered "the field" long before the actual and formal study began.

Choosing a subject for my thesis was not necessarily the hardest part, as the situation in Nicaragua was a very interesting opportunity. However, there were many factors to be focused on and a huge amount of actors in Nicaragua that all have a part in the aid effectiveness agenda. I decided to narrow the subject down considerably and focus on the donor society and its perceptions of the aid effectiveness agenda in Nicaragua.

A researcher's experience in the field has been seen as the defining criteria for anthropological and development research. When talking about "the field" itself, Scheyvens and Donovan (2003: 8) point out that "spatial differences are inherent in dominant conceptualisations of the field." The archetype of fieldwork is the researcher that has travelled a long way from home to do research in a remote village in a developing country or in a community of marginalised people. Gupta and Ferguson (1992) suggest the requestioning of these spatial assumptions in social sciences to include a wider idea of the research field. These traditional conceptions of fieldwork have been overthrown recently as research conducted in cosmopolitan cities and with powerful individuals is now considered equally important (Scheyvens and Donovan, 2003: 9). The field of my research, the donor society in Nicaragua, can be considered both a traditional and an untraditional field. On the one hand, the fact that I, the Western development researcher, travelled far to a developing country to conduct my research can be considered traditional. On the other hand, my interviewees are not poor or excluded individuals, but people in powerful positions. Nor can the donor society be considered a physically determined field in the traditional sense.

Compared to the average Nicaraguan, donors are considered part of the society elite. There is a big gap in the literature that investigates the elite and powerful in developing societies. According to Cormode and Hughes (1999: 299), researching the powerful presents different methodological and ethical challenges than studying "down". When studying elites, they say a scholar is "a supplicant, dependent on the co-operation of a relatively small number of people with specialized knowledge, and not usually a potential emancipator or oppressor". Furthermore, Andrew Herod (1999) argues that interviewing foreign elites is a process in many ways qualitatively different from that of conducting interviews



with elite of the researchers own nationality or with non-elite foreign nationals. The researcher is faced with the issue of cultural differences, as he/she can never hope to fully understand the cultural complexities of the informants. He mentions the language as an obstacle and the notion of being considered an “insider” or an “outsider” (Herod, 1999). Since I had been an intern at Iceida, this helped me to be perceived as more of an “insider” with the interviewed. I had met a few of them previously in work-related circumstances, which might have reinforced this notion. However, I do not believe that this position affected the answers or the behaviour of the interviewed.

### ***4.3. Conducting the research***

I found a qualitative methodology to be best suited for my research. According to Scheyvens and Storey (2003), qualitative research seeks to understand the world through interpreting the actions and perceptions of its actors. It explores the meaning of people’s worlds through the collection of data in natural settings, rather than artificial and constructed contexts. It tends to generate theory from observations, rather than deductively. I relied most upon semi-structured interviews, informal conversations, participant observation and the analysis of written documents such as books, reports, academic studies and news on the subject.

According to Fife (2005: 71), participant-observation is the most basic ethnographic research method. It is used to generate information through engaging in activities appropriate to the situation and observing the activities and the people. Basically it is an immersion in a culture. The nature of my study and the field that I was dealing with prevented me to “immerse” myself in it, as it is not a field where anyone can get access. I did however, as mentioned, get the opportunity to attend meetings on aid effectiveness and participate in donor harmonisation through my work at Iceida. During these meetings I took notes, which I later used for support in the preparation of the interviews and for general knowledge. I consider this a valuable experience to have been able to access this rather restricted field to the extent that I did.

As Desai and Potter (2006: 118) explain, qualitative research does not aim at precise measurement of predetermined hypotheses, but to achieve a holistic understanding of complex realities through different meanings and perceptions. As in all qualitative research, the main limitation I found to my research was the issue of validity and credibility of the account of the interviewed. However, as Crang and Cook (2007) point out, this kind of research represents a unique group of people at a specific moment in time. My goal was not to answer the question of how to make aid more effective in Nicaragua, but to analyze how donors experience aid effectiveness in times of political instability. The outcome is a range of different statements, which make up partial truths from specifically positioned interviewees and how they see the world (Crang and Cook, 2007: 149).

#### **4.3.1. The interviews**

The interviews were conducted over a period of two months, from March to May of 2008. It was a total of fifteen interviews, each lasting from twenty-five minutes to an hour. Most of the interviews were tape-recorded. Two of the informants asked not to be recorded as they said it made them feel uncomfortable and restrained. In these cases I took notes throughout the interviews. The taped interviews were transcribed, which took up to eight hours per interview. The tape-recorder allowed me to focus better on the conversations, which was particularly important as I was not conducting the interviews in my own language. Having a recording also gives the opportunity to go back and check the meaning of words and phrases that one might have missed during the interview (Desai and Potter, 2006: 150). After each interview I made a summary. The interviewees were representatives of bi- and multilateral donor institutions, as well as other actors relevant to the subject. All the interviews took place at the interviewees' respective work offices, rather formal settings.

It was relatively easy to get in touch with the interviewees through my own contacts established at Iceida and with the help of former co-workers. Most of the solicited interviews were granted, although some never answered despite my persistence. I would include my interviewees to what Laws et al. (2003) classify as "hard-to-reach" people, where having power in a society gives people greater

ability to choose to participate or not in a research. I used a so called snowball sample where I started out with a few participants and at the end of each interview I asked them to refer me to other relevant actors. The consequences of a qualitative study need to be considered with respect to possible harm to the participants as well as to their benefits for participating in the research (Kvale and Brinkmann, 2009: 73). I agree with Laws et al. (2003: 232) who claim that a researcher's paramount obligation is to ensure the protection of the informants rights, interests and privacy. Furthermore, it is difficult to assess the ultimate impact of any research. Because of this all interviewees and their workplaces have been kept anonymous.

According to Kvale and Brinkmann (2009: 17), interviewing is an active process in which interviewer and interviewee produce knowledge through their relationship. All the interviews conducted for this research were semi-structured. Fife (2005: 95) describes a semi-structured interview as one that maintains a mildly formal setting in which the interview resembles a conversation, following open-ended questions. The informant is given the chance to shape his/her responses or even to change the direction of the interview towards the subjects of his/her interests. I used five predetermined main questions that were the same for all the participants. In addition, I had several support questions under each main question to be used if needed. Before each interview, I informed the participants of the purpose of the interview, that the information would be used for my thesis, and that they could refuse to answer any question or stop the interview if they so pleased. Most interviewees answered all my questions, while a few refused to answer certain questions due to their political nature. For the most part interviewees were helpful and eager to talk about the subject. After the interviews, I contacted several participants for further information, reports and studies, which had been mentioned in the interviews.

When conducting interviews, there is always a question of accuracy. In my case I had to consider the level of representativeness of my interviewees. According to Schostak (2005: 123), "politics and ethics are two sides of the same double bind". Each interviewee is not only speaking on their own behalf, their answers can in many ways have been tainted by the policy of their respective institution or

government. There is a chance that the interviewees enhance subjects that have positive outcomes for their institution. To tackle this I followed Desai and Potter's (2006: 146) advice of preparing well in advance, reading all the available material to get more out of the interviews. However, my influence on the accuracy of the interviewees was limited and the best I could do was to always be conscious of my own positionality.

Laws et al. (2003) claim that research is all about communication. Knowledge of the local language where the research is being conducted enables a richer and more textured data and generates greater opportunity to interact. A lack of local knowledge can on the other hand lead to inappropriate or even invalid data (Scheyvens and Donovan, 2003: 135). As the majority my informants were non-locals with Spanish as a second language, I offered them to speak in English, depending on their comfort-zone. Nine interviews were conducted in English, five in Spanish and one in Swedish. Citations were translated to English by me.

In order to put the findings of my interviews into a wider context, I spent considerable time reading reports about aid effectiveness, the PD and its implementation, both in Nicaragua and internationally. I also read and analyzed other academic texts. Due to the recent nature of the research subject, most written documents were available online. However, the access to information I had at Iceida was invaluable and all informants were willing to provide any useful documents. I already had a fair knowledge of Nicaraguan history due to my previous studies. I read the daily news to keep up with the national debate. As a part of the preparation for my research I took an individual course at my university focused on aid effectiveness and the PD.

#### **4.3.2. Analysing the data**

Analysis of data was carried out through a qualitative content analysis. According to Priest et al. (2002: 36) this method "facilitates contextual meaning in text through the development of emergent themes derived from textual data. The repetition of coding produces the significance of particular themes". It is a common method for eliciting meaning and insights from a text in a holistic way.

First, I coded the data into established categories and the number of times a similar theme occurred was counted. This way, digressions and repetitions of the same subject are eliminated and the main themes of the interviews became clear. Next, I divided the data into sub-categories and drew up a content-table. The process of data analysis is a constant revision and questioning of emerging themes. In order to substantiate these themes, a researcher has to delve into the data in order to derive sources of supportive evidence and to find quotes that ascertain the themes (Priest et al., 2002: 37).

I went back to Iceland after finishing the interviews in May 2009. In January 2010 I got the chance to go back to Nicaragua and stay throughout the semester. During that time I contacted some of the informants to get an update of the situation in the donor society and to get the latest reports and studies. I found it helpful to be closer to the subject of study as it kept me concentrated.

## **5. Research findings**

The research part of this study is based on interviews with representatives of both bilateral and multilateral donor institutions from, as well as other actors closely tied to the Nicaraguan development scene. The norm of foreign ministry officials posted abroad is to serve a specific time in each country, before being re-posted. Thus, the time the interviewees for this study had spent in Nicaragua varied greatly from just a few months up to five years.

### ***5.1. Nicaragua: A pilot country in aid effectiveness***

As mentioned, the aid effectiveness initiatives in Nicaragua began before the Paris High Level Forum. An interviewee describes her experience as she arrived in Nicaragua shortly after the process of formulating the JCLA had begun. She was part of the national working group that was formed for the purpose to deal with aid effectiveness issues. The group included members of the government, bi- and multilateral donors, civil society and members of the parliament. The inclusion of these representatives gave a broader perspective on aid effectiveness and how to achieve it. Along with several consultations with donors and members of the government, the working group developed a draft Action Plan which was presented at the Paris High Level Forum in 2005. Already having a national plan coming to Paris put Nicaragua in an advantageous situation. The Nicaraguan delegation to Paris was led by the country's president at the time, Enrique Bolaños, being the only delegation led by a head of state. This demonstrates how engaged Nicaragua was with the aid effectiveness process. The delegation used the forum as an opportunity to demonstrate the progress already made at a national level and to define their future prospects. It was also an opportunity to get noticed and become more involved with the agenda.

After the Paris High Level Forum, the working group's next step was to introduce the Paris agenda and its indicators to the relevant actions and objectives of the National Plan. The interviewee believes that this parallel but complementary process was a positive factor, as it demonstrated the ambition of the Nicaraguan

government. At the same time, this has caused trouble at the time of central monitoring processes, such as that of the OECD/DAC.

When we receive surveys for the Paris Declaration, they are based uniquely on those twelve Paris indicators which inquires us to say: “Hold on a minute, we already have a National Action Plan which incorporates these indicators but goes beyond that sometimes”, and we don’t really find that the monitoring process gives us the opportunity or the channels to transmit other types of information which *are* promoting aid effectiveness, but are not necessarily incorporated or included in those twelve Paris indicators.

The outcome of the existing plan merged with the Paris indicators, the Plan Nacional de Apropiación, Alineamiento y Armonización (AAA) 2005 to 2007, was finalised and adopted at a donor roundtable meeting in late 2005. An interviewee finds the experience gained one of the most positive outcomes of the OECD/DAC pilot initiative, and also the fact that the working group has continued to this day.

The government of Enrique Bolaños launched the PND 2005 to 2009, which set out Nicaragua’s long-term development vision. However, following the presidential elections in November of 2006, the new government of the Sandinista party revised and published a new plan, the PNDH 2009 to 2011.

## ***5.2. Politics and development work***

When the new government came to power in January of 2007, many of the donor representatives interviewed recall being concerned for the future of development cooperation in Nicaragua. An interviewee explains that a lot of progress had been made on the subject of aid effectiveness on a national level and donors feared that this progress would now be lost. He mentions that the situation in Nicaragua was in no case optimal, even though there was an existent development plan, but some results had nonetheless been achieved. Nicaragua had established a formal aid architecture, which had been fairly stable the past years, including the sector

round tables, sub-tables and the working group on aid effectiveness. With the change of government, many worried that this structure would not be seen as a priority. The first two years of the current government were turbulent in regards to the relationship with the donors. Interviewees mention that the main causes of turmoil within the donor society were the abortion ban, the disqualification of two political parties for the elections, the attacks on various civil society organisations and finally the municipal elections in November of 2008. An interviewee claims that due to this, there is now a crisis of confidence and trust between the donors and the government. Donors are concerned about the correct use of aid flows and implementation of projects.

Due to the political situation in Nicaragua, many of the donor representatives interviewed feel that their work has been affected in a negative way. The focus has been switched from aid effectiveness to discussing the outcome of the last elections and future political development. An interviewee mentions that the government wants donors to stop interfering in internal political issues and focus only on issues regarding development cooperation. This is not possible, he says, as development and politics are a conjunction, each underpinning each other. There cannot be development without having a solid democracy and donors have responsibilities towards the Nicaraguan people. Some find the debate between the donors and the government in Nicaragua much too political. To be able to achieve results in terms of the aid effectiveness agenda, it can be useful to set politics aside and look at the technical part of the PD:

Often it is very useful to sit down and talk about specific results and indicators on a technical level and forget about politics for a while, because we can't agree on everything. So if you then start advancing towards fulfilling those results, then you also create a positive atmosphere and create confidence between the stakeholders. ... Whenever we discuss politics there is no advance.

Others have decided to dwell less on political matters and more on the tangible results of their work. According to a representative of a bilateral donor, there has been too much focus on the un-democratic trends of the government, when there



are other factors in Nicaragua that are equally important for development that are moving in a positive direction. Instead of putting too much effort into political issues, donors could for example appreciate the decreasing illiteracy rate. He argues that it is difficult to discuss democracy, because the meaning of the concept is not the same in Nicaragua as it is in Europe or the United States. The term has been manipulated by the wealthier countries, according to their realities and to their advantage. If one focuses too much on political matters, it is hard to advance. Development work should be for the long term and it should not depend on the government in power.

### **5.3. Ownership**

The Government of Nicaragua has made strong emphasis on owning the national development agenda. With the PNDH, the government defines its vision on how development is to be obtained. It has given less space for interaction with the donors than the previous government. This has caused mixed reactions from the donor society. According to some donor representatives, the previous government did not own the development agenda. Instead, it would respond to what it perceived as donor needs and fulfil the donors' wishes. It was more "hands off" regarding donor engagement. In comparison, the current government has a more defined idea of what it wants to do and how to achieve it. Most donor representatives interviewed believe that they have less liberty of work compared to what they used to have. However, with the PD, donors have committed to give governments more control over its own development agenda. This creates a dilemma:

Nicaragua is the perfect example of what happens when Paris is applied when donors don't want it to be. Nicaragua owns the agenda; their ownership directs them in a certain direction that donors don't agree with. ... The government says; "you signed up in Paris and Accra to use government mechanisms", donors are saying: "government mechanisms are not appropriate in this particular place, in certain sectors". ... So this is a real life lived case example of what happens when a developing country

takes Paris seriously and starts to hold donors to account to the commitments they have made.

As a result, ownership has come to be a very polemic topic in Nicaraguan donor society. Most of the interviewees share the opinion that the government has misinterpreted or misused the term to the point where it is no longer in line with the PD. An interviewee points out that donors may support ownership when it is implemented “in the right way”, but this is not the case in Nicaragua. Most agree that the current government exercises a very strong *leadership*, which is not necessarily the same as a strong *ownership*. An interviewee argues that the government exercises a type of ownership that donors did not expect; it wants to control the whole process without including the donors.

yes, we want them to have more control, and control is an element of ownership, but I would write 100% of control of everything is not really a dialogue, is not really a negotiation, is not really a partnership. It is a flawed ownership.

Similarly, another donor representative maintains that “the vision we have is pretty much an FSLN [the Sandinista party] vision, so that is partial, not entire ownership”.

Related to this, many donor representatives feel that the dialogue with the government has deteriorated. Some argue that with the previous government, the dialogue was more between equal partners and donors were treated in a “respectful manner”. Donors want to be able to address the political situation and carry out a dialogue with the government, but the government has interpreted this as interference in national matters. This has created distrust from both sides. An interviewee thinks that the solution could be to find a common interpretation of ownership. However, this would require for the donors to understand the government’s perspective, which she finds highly unlikely. According to a former government official of the previous government, ownership is:

not just a one way street, not a process where I tell you what to do and you have to align. The donor needs to feel comfortable through a dialogue that allows all partners to put the cards on the table. We have to convince the donors through a permanent dialogue.

However, he argues that the dialogue between the donors and the previous government was not necessarily productive. To an extent, he feels that it was a continuous dialogue of negotiation without much progress. A bilateral donor representative points out that it is easy to talk about ownership when everyone agrees, but in Nicaragua's case that is not the reality. He says that perhaps the donors have been a bit self-centred, thinking that their position is the right one and that everyone should have the same ideals as they do. In Nicaragua, the same values may be discussed, but they are interpreted in different ways. He also mentions the subject of the responsibility of each donor to their respective tax payers back home.

Regarding access to the government, an interviewee states that it is easy to get a meeting with Nicaragua's current Vice Foreign Minister and the government's link with the donor society, but hard to achieve anything beyond the discussion. He argues that primarily all decisions are taken by the presidential couple, President Daniel Ortega and the First Lady Rosario Murillo, and that none of the ministers have any real autonomy to make decisions on their own. Government-donor meetings take place only to present donors with information which has already been prepared, with little space to comment or co-work on documents.

Other interviewees find the current government to have a strong sense of ownership in a positive way. A multilateral donor representative argues that the level of influence that the donors enjoyed during the previous government was not necessarily constructive. Experience shows that national development efforts are much more successful when the government is strong and defines its own policies. He says that in many ways, donors have interfered too much in the development planning of Nicaragua. Furthermore, a break in the dialogue between donors and a new government is natural because it takes time to settle in, define objectives and to become operative.

A bilateral interviewee finds the concept of ownership is highly problematic in the context of Nicaragua. It seems that the concept was not properly thought through when developed, or meant for the context of African countries where donors have had an enormous amount of influence throughout history. In stronger countries with their own agenda and well defined ideals of what kind of society it wants, like Nicaragua, conflict arises because of the need of donors to influence. She argues that there is an inevitable clash between the donor society and a strong government. This goes against the principles of the PD, she says: “you almost get the sense that ownership is fine as long as you want the same as I want, but if you don’t want that, then I am not so interested in ownership after all”.

#### ***5.4. The controversial PNDH***

A nationally owned development plan is one of the main indicators for ownership according to the PD. According to the government, the reason for the elaboration of a new development plan was that the previous one lacked a sufficiently wide consultation process and could not be considered to be a nation-wide plan. There seems to be confusion amongst the interviewees regarding the PNDH 2009 to 2011. Some believe that the plan was never published, others that the plan was published but not presented to the donors and yet others say that it was indeed published. A multilateral donor representative argues that there have been several versions of the plan. The original version, called Draft Zero, was circulated among donors at the beginning of 2008. Consequently, the government held workshops with the donor society, where the general criticism from donors was that the plan was insufficiently operable. They claim that it was lacking an implementation phase, as there was no direct link to the national budget on how to finance the activities proposed. Since, there have been subsequent versions of the plan and while it has improved for some donors, it is still inadequate for others.

The main controversy has been the consultation process of the plan, which has remained unclear especially regarding the civil society. Donors are concerned over the role that the government has given to the CPCs to represent the Nicaraguan people, not taking into account existing civil society organisations.

According to an interviewee, there has been a high degree of misinformation about the CPCs, as they are organised by the Sandinista party and exclude citizens of other political views. He maintains that they do not represent civil society as the government has claimed. Furthermore, he points out that resources are being used to benefit the CPCs and other civil society organisations that are not part of the Sandinista structure do not benefit in the same way.

There is a consensus among the interviewed that the consultation process for the PNDH was overall poor. A bilateral donor representative, whose agency financed the consultation process of the previous plan, argues that the PNDH is significantly less consulted, because the civil society and donor contributions were left out. Another interviewee claims that plan is mainly a Sandinista vision, and therefore represents only a part of the Nicaraguan society. He believes that with the PNDH, the Nicaraguan government is going off track with other commitments in aid effectiveness, such as democratic development and good governance. This has created a conflict for donors of how much they can align and harmonise with the plan and work through government mechanisms. The interviewee argues that the government itself is starting to put aside some of the principles that justify the donors being able to donate. A multilateral donor representative agrees that a national development plan should always be consulted with the main stakeholders, but says that ultimately it is the *government's* plan.

The National Plan for Human Development is the national plan that they can show to donors and donors can say what they think. The government can then take into consideration those comments if they want, but they don't have to because they are just consulting. Basically it is a national plan, and there are those that can think that it is nice of the government to consult, to use these actual expertises, but at the end of the day it is a government plan, it is not a donor plan.

According to a bilateral interviewee, it is an accomplishment by itself for the government to have stood up against the array of donors in Nicaragua. Regarding the issue of representativeness, she points out that an elected government of a country will never represent the whole society. This must be taken into account at

the time of discussing the consultation process of the current plan. The important factor is that the consultation process was executed, in fact, her agency financed part of it. Nonetheless, the civil society was not pleased because its recommendations were not integrated in the final document. Altogether she finds the expectations of the donors regarding a perfectly elaborated development plan too high. She argues that the fact that Nicaragua is a politically polarised society, regardless of the government in charge, there is little possibility of a political consensus. It is by no means efficient to change development policy with every new government.

### ***5.5 Budget support***

One of the biggest consequences of the political situation in Nicaragua has been the suspension of budget support from all bilateral donors including Finland, Germany, the Netherlands, Norway, the United Kingdom, Sweden and Switzerland and also the European Commission. An interviewee explains that the budget support group works after a performance matrix which establishes goals and indicators that the government has to fulfil. If these established conditions, such as democracy and respect for human rights are not met, donors can withdraw disbursements. The members of the budget support group interviewed claim that the issues of disagreement had been building up since the current government came to power. The therapeutic abortion article, the disqualification of the MRS and the PL before the elections and the persecution of national and international NGOs all contributed to the discontent of the donors. However, members of the budget support group interviewed agree that the main reason for the suspension were the municipal elections of 2008. In their view, based on the fact that the elections were not free and fair, the financial agreement for budgetary support was broken and a suspension rightful.

No specific conditions have been established by the budget support group for the continuation of budget support. One donor representative argues that if the situation has not improved within a short period of time, their funds can be channelled to Nicaragua in other ways. The amount that was destined for budget support has not been lost but other alternatives of disbursing need to be discussed.

Interviewees agree that the initiative for reviving budget support requires great effort from the government. The result of the municipal elections needs to be clarified. Some wish for an official statement from the government admitting irregularities, while others insist on serious electoral changes before the presidential elections of 2011. Certain donors have expressed the need for a recount of the votes in order to re-establish programs that have been cancelled. One interviewee argues that the budget support group and the donor community as a whole should come out and insist upon a more democratic atmosphere to work in, where political parties, media and civil society are allowed to operate as critical to the government, without being persecuted.

A number of donor representatives question the reasoning behind the suspension of budget support and maintain that the suspension did not occur in an ideal way. Donors' decision to disburse aid should be based on the performance matrix of the budget support and the fulfilment of its indicators. In the case of Nicaragua, the government claims that it has fulfilled such indicators while the donors say that it has not. An interviewee mentions that ultimately it comes down to the issue of conditions, as no one gives blindly. She says that it is important to understand that each donor agency represents an institution and/or a government, which is watching the situation in Nicaragua closely. A bilateral donor representative expresses the urgency to find a solution to the budget support argument as soon as possible. He mentions that this political game between donors and government can have disastrous effects for Nicaragua. While donors are trying to give a clear message to the government and to influence its actions, it is the people that end up being the most affected. With a major budgetary cut, it will be hard for the government to provide the Nicaraguan population with basic services. He explains: "The current situation is very simple. The government do not have the resources to face a possible outbreak like the swine flu. With the suspension of the budget support, the donors have withdrawn the support for such expenses".

Nicaragua holds the 130th place on Transparency International's corruption index (Transparency International, 2009). According to an interviewee, the budget support donors were aware of the high-risk environment they were engaging in. Up until the elections the government's actions had conflicted with the

fundamental principles of the performance matrix, but never violated them. The elections on the other hand were, in his opinion, unquestionably a breach of the principles. He explains that budget support is provided based on performance of the previous year. Thus, the suspension in 2009 after the allegedly fraudulent elections was rightful, but he questions the suspensions of a number of donors from the previous year, based on performance in 2007.

I would argue that they didn't abide by the principles that they themselves had signed on to. ... They started to apply conditions that hadn't been spelled out necessarily and for technical reasons held out on disbursing and that was unfair. That might have actually had some impact on the cost calculation of the government in terms of how they go forward. So it is not necessarily that the government would have ignored entirely and decided to do fraudulent elections if they had thought that budget support was working well.

A bilateral donor representative claims that the strength of the budget support group comes from the fact that a number of donors group themselves together and create leverage in terms of dialogue with the government. She believes there is a lot of pressure within the group and compares recent developments in budget support to a domino effect: if one withdraws the others most likely follow. However, it would require an enormous effort to change the situation, possibly a new government, as the current one will "simply not change 180 degrees". Nonetheless, she has great faith in budget support as an instrument. Overlooking the political issues, she states that budget support has perhaps been more successful in Nicaragua than in many other developing countries; the government has taken it seriously, there has been a dialogue at a high-level and the indicators have shown good results. The media has taken an interest in the subject and the budget support meetings have received great press coverage.

There is a number of donors that as a principle do not engage in budgetary support. One of the reasons mentioned is the fear of politicians in the home country of an instrument that provides little transparency and control. The consensus of the population for development cooperation might be lost.



Regarding the modality itself, a bilateral donor representative states: “we are not completely convinced that it is the best way to do it... if you talk about complementarity maybe budgetary aid is good, but you should have a certain number of bilateral aid that is channelled through other modalities”. These donors believe that budgetary aid will keep decreasing because the government cannot provide transparency.

### **5.6. Alignment and harmonisation**

The donor representatives interviewed express difficulty in aligning to the government’s development policy. Some have deliberately avoided government channels and prefer working with civil society and the private sector. A bilateral donor representative argues that it is not only donors that prefer avoiding national procedures. He states that national institutions and ministries often request the use of donors’ own PIUs, because they are more flexible than the national ones. It is a hard choice between complying with the PD and being more inefficient.

The educational sector is an exception to this. The same donors that have withdrawn from general budget support are providing sector budget support in education, they say with great success. Donors are aligning to the educational sector plan, mechanisms are working and the dialogue with government officials is good. An interviewee explains that political influence from the central government has been limited in the educational sector and that is why the cooperation has been successful. In addition, the Minister of Education is strong and has been given a fair amount of independence. Many donors are seeking refuge in the education sector because it is the only way they can avoid institutions that are clearly not being manipulated and misused for political purposes.

Many donor representatives have redirected their focus to harmonisation. This is the principle of the PD which they consider the least problematic to enforce, as it does not require close collaboration with the government. The extreme amount of donors in Nicaragua puts a massive work load on the government, which has to attend individually to every donor provide meetings, reports, diagnoses and

audits, and receive international missions. Some interviewees mention that it would be a healthy process if some of the donors would simply withdraw from the country. Although most agree that harmonisation has improved, others believe that the effort has been inadequate. An interviewee points out that an important part of the harmonisation agenda should be to coordinate with other donors before a decision of suspension or withdrawal of disbursements is finalised. Although the decision is up to each donor, the withdrawal of one or several donors puts pressure on the remaining, especially within the EU country donors. He argues that there is almost an excessive focus on effectiveness within the donor society; however donors are missing the big picture. The ultimate step in donor harmonisation would be for the EU countries to give up their embassies and move their representatives to the EC. This would both decrease work load on the donors as well as the government and lower transaction costs. However, this is far from realistic as everyone wants to have control.

As an element of harmonisation, the EU launched the EU Code of Conduct in May of 2007 (European Union, 2007). The Code of Conduct gives broad guidelines to reduce the high concentration of donors in the same developing countries and in the same sectors within a country. It proposes that the member states should not be present in more than three priority sectors. They should also consider budget support and delegated cooperation when and where possible. It is a recommended but voluntary and self-policing process. The Code of Conduct supports national ownership and encourages EU member states to advance such a process. Development programs and other initiatives should be built on existing processes whenever possible and readily transferred to the government when appropriate.

As a result of this process, the EU members in Nicaragua developed the so called EU Blue Book. The first edition was launched in 2008, containing information about ODA given to Nicaragua by the EU member states. A second edition was launched a year later. Consequently, ODANic was created, an online public database of the Blue Book. An interviewee claims that this was an important element in order for donors to improve coordination. Before this exercise, there was a lack of information about each separate EU member. Information could be

obtained by contacting each donor's headquarter, but ODANic has made the access more attainable. While the EU Blue Book is limited to EU countries only, the online version now contains data from other donors in Nicaragua as well. Another interviewee recognises that this is a completely donor-driven exercise. In fact, she mentions that the governments own online database, SysODA, is outdated and difficult to access. The interviewee maintains that the government has been passive in this process and progress would have been unlikely if donors had not taken the initiative. She continues:

But also in terms of reference, we did indicate that we don't want this to duplicate anything which the government is already managing and that ideally for reasons of sustainability and ownership, that the database should in fact be passed on to a government entity, when they feel they are ready for that, and when the donors have confidence that it will be maintained, that it will be updated, and that it will be for public access, that there will be total transparency of access to information.

Interviewees argue that the main reason the SysODA is not updated is due to the fact that the government does not want to publish aid flows of certain non traditional new donors. Aid from Libya, Iran, Venezuela and Russia is therefore all off budget.

### ***5.7. Relevance of the Paris Declaration for Nicaragua***

A number of interviewees question if the PD is still relevant for Nicaragua. In fact, donors are in many ways moving away from it. A multilateral donor representative argues that the problem with the PD is that the indicators for measurement were developed in a specific moment and have become static during monitoring. It does not take into account radical changes, such as national disasters or in Nicaragua's case, a political crisis, which affects a donor's ability to meet the indicators. He claims that the Paris agenda has to adapt to each country's specific context, but currently its feasibility for Nicaragua is questionable. A bilateral donor representative doubts if the Paris agenda should be a priority in Nicaragua. He argues that the EU member states should focus instead

on the Code of Conduct, because that is the only possibility to advance in terms of aid effectiveness. He predicts fewer donors in Nicaragua in the future, but thinks that it can be proven positive for Nicaragua. However, the donors that stay will have to focus on development as a long term objective regardless of the government in power. He says:

If you link the political situation with what you do in development aid in Nicaragua, then you would be honest with yourself and you would have to leave, or stop all cooperation with the government. If you don't do that then you just say, cooperation is one thing and political dialogue is another thing, as we do in other countries, we separate those things. ... So we would have to be a little bit less naive and a little bit more realistic if you stay.

Others argue that the PD is still highly relevant. They claim that aid effectiveness is something that should always be the ultimate goal in development work. It is specifically relevant in terms of coordination between donors, in order to reduce the administrative burden for both donors and the government. An interviewee states that the situation in Nicaragua has deviated from the Paris agenda and now there is more concern about other politically related issues. As a result, aid effectiveness is less discussed by both donors and the government. She sees the future of Nicaragua as slightly turbulent as long as the current government is in power. However, she believes that the situation has improved since the crisis of the municipal elections of 2008. The government and the donors have both retracted and are finding a way to operate side by side.

According to a former official of the previous government, the Paris agenda is currently irrelevant for Nicaragua due to the international financial situation. Even if things improve, he believes it is time to look for new paradigms and new modalities in development work. He argues that since the Marshal Plan, little progress has been made in development: "There is a lot of talk about the fatigue of the donors in developing work, but you never hear about the fatigue of the recipient. I think we are getting to the point of the fatigue of the recipient".

## **5.8 After Accra**

There is a consensus among interviewees that the Accra Agenda for Action did not have a major impact on development work in Nicaragua. However, a bilateral representative points out that the results of Accra placed Nicaragua in a difficult position. It gave a greater role to civil society in development processes, whereas the Nicaraguan government does not want more actors around the decision table. Accra also clarifies the interpretation of ownership to include more actors of the society than just the government.

Nicaragua sent a national committee to Accra. A Nicaraguan interviewee states that these High Level Forums are centred in the context of the OECD member states, while the developing countries are only observers. Development policies are often unfavourable for developing countries; however, they must abide to them in order to be included. In the last few years, developing countries have had more representation, but not sufficiently. He wants to see a change in the power relations in development work, as even the south-south cooperation between developing countries has been manipulated by the emergent states of Latin America, such as Mexico, Chile, Brazil and Colombia.

## **5.9 Future for aid in Nicaragua**

The majority of donor representative interviewed did not consider the future for development work in Nicaragua to be bright. They believe that the overall trend will be a decrease of aid flows, less donors, and a change in modalities. At the time of the interviews, two donors, DIFD and the Swedish International Development Cooperation Agency (Sida), were in the process of leaving Nicaragua. Both claim that the decision was not political, but rather a change in areas of priority towards an increased focus on the world's poorest countries. However, due to the political situation, Sida decided to withdraw its last disbursements from the sector budget support in health and agriculture, a clear political statement. Furthermore, a number of donors' country programs were being revised. Those donors were evaluating to what extent they could work with highly politicized central government institutions, such as the Supreme Electoral Council, the Supreme Court and the State Audit. A few bilateral representatives

believe that they would in the future work increasingly with the regional governments, municipalities, civil society, the private sector, and the media.

Interviewees mention the international financial crisis as a big factor affecting aid flows. They fear that the decline in aid flows and the withdrawal of donors could cause a domino impact and significantly reduce donor presence. A number of interviewees predict that aid flows will move from bilateral aid to civil society, which on the other hand does not have enough absorbent capacity to receive a large amount of aid. There will also be a stronger emphasis on the two autonomous regions on the Caribbean coast, due to the fact that they have a strong regional plan with a greater consensus. However, an interviewee points out that it is not realistic that all the donors move their aid to the Caribbean coast and civil society. Ultimately, there will be a steep decline in the total cooperation.

A bilateral interviewee compares the situation in Nicaragua to Honduras, where she has previously worked. She believes that Nicaragua has better potentials than Honduras. The latter has more deep-rooted political and governability problems than Nicaragua, which cannot be solved at short term. She stresses the need for donors to adhere to the aid effectiveness agenda and let the recipient countries take the lead:

It seems easy when, in fact, it is not because you have your own ideas that you want to implement. I think that only by taking a few steps forward we can make development aid more efficient. It terrifies me to imagine that we would put these new instruments aside and go back to projects or methods that we used before that did not work.

In the near future, she believes that the actual results of development cooperation need to be assessed and compared to other instruments that could be more beneficial for developing countries, such as trade. The wealthy countries have to open their markets and tackle the subject of subsidies, which put developing countries in a disadvantageous position.

## 6. Discussions

Nicaragua has gone from being a donor darling, playing a pilot role in the aid effectiveness agenda, to being a country that can expect massive drops in aid in the near future. With the previous government, donors had greater influence and the agenda was more donor-driven than currently. According to Woods (2006: 33), in countries where the political understanding and support between donors and the government are the highest, levels of commitment, capacity and incentives for implementation of developing aid are stronger on all fronts. According to the views of the donor representatives interviewed, Nicaragua has become a testing ground for the implementation of the PD when donors and government do not share a political understanding. They also agree that in recent years the government has taken a more hard-line stance against donors and the stiff relationship threatens the effectiveness agenda.

The majority of donor representatives interviewed confirm Schulz and Pineda's (2008: 9-10) conclusion that the Nicaraguan political system in itself is an obstacle to the country's development process. Democracy is frail, which affects all levels of development. Clientelism and chieftainship characterise a large part of the country's political environment and the polarisation of the society affects the institutions and the society as a whole. The public sector is relatively unstable, due to the fact that with each change of government there is a tradition for complete substitution of public employees. The result is a loss of accumulated experience and a discontinuity in public services at all levels. This was expressed by the interviewees, as they experience deterioration in the relationship and dialogue with the current government. However, an interviewee pointed out that it takes time for a new government to install and define its policy. Donors had experienced a more convenient collaboration with previous government. A few of interviewees even consider the previous government too lenient towards donors.

## **6.1 Rethinking ownership**

The PD builds on the negative lessons regarding conditionalities learnt over the years and proposes a shift in aid modalities towards a process owned by the developing countries and based on their own priorities. This ideology is based on the assumption that governments will be more encouraged to make good use of the aid flows if they are allowed to decide their own priorities. According to Hyden (2008: 259), this requires a relationship of trust and mutual accountability between the donors and the developing country government. However, this issue has not been properly researched, as it requires confronting issues of power. In Nicaragua, the main disagreement among donors and the government lies in the different interpretations of the PD principle of ownership. While some interviewees recognise that the Nicaraguan ownership is stronger than with the previous government, the majority consider it flawed. These interviewees would agree with Schulz (2007b: 1), who views the recent developments in Nicaragua as a “rude awakening for the Paris Declaration”. He claims that government ownership has been counterproductive and a threat for the continuity of harmonisation and alignment efforts. The government has refused to continue with a political dialogue over governance, as it is considered an unacceptable intrusion into Nicaraguan sovereignty and independence. This is confirmed by many interviewees. However, a few of interviewees consider ownership to be moving in a positive direction, towards a more sustainable process. The majority of interviewees agree with Schulz that Nicaraguan ownership is no longer inspired by the commitments and principles of the Paris agenda. Instead, this combative national leadership aims to guarantee the government enough independence to remodel the existing power structures of the aid system, bringing in less traditional donors such as Venezuela, Iran and Libya (Schulz, 2007b: 4).

The concept of ownership, as presented in the PD, tends to assume relatively capable and accountable states. This poses a challenge in the context of countries with a divergent governance environment (Foresti et al. 2006: 27). The dual dimension of ownership in the PD, that governments should have leadership of national developing strategies, but this should be through broad consultative processes, has led to tension in various developing countries (OECD, 2008a: 8). The main controversy mentioned by the interviewees regarding the PNDH in



Nicaragua was the consultative process. The government had not sufficiently included comments made by donors and the civil society. However, one interviewee points out this dual dimension, arguing that the plan is ultimately owned by the government.

The developments in Nicaragua show discrepancies between the PD agenda and real life. According to the PD, national ownership is one of the most important goals to be striven for. However, when the Nicaraguan government assumes a stronger ownership than it has before, it is considered a flawed ownership by the donor representatives interviewed.

## **6.2 *Disguised conditions***

As history shows, conditions for development aid have always been present, although their appearance has changed throughout time. The discourse at the end of the twentieth century saw a change toward selectivity. This change resulted from a reappraisal of conditionalities as policy tools, and of the effectiveness of development assistance more generally. Riddle (2007: 69) argues that in recent years, “under the glare of publicity, repeated rounds of pledges and commitments by donor governments to increase aid levels ... misleadingly conveyed the impression that development was now the only purpose for which aid was given”. According to Meyer and Schulz (2007), we are entering a post-conditionality regime with new modalities of cooperation that are no less intrusive on behalf of donors. The PD has changed the possibility of interference on behalf of the donors in a developing countries politics. When donors provided programme and project support there was little or no operational linkage between foreign aid and governance issues. Penalties for violating human rights or resisting democratisation were applied at a separate level and did not affect development projects directly. With budget support, development aid becomes closely tied to governance. Instead of putting conditions prior to disbursing aid, aid now depends on performance.

Epstein and Gang (2009) argue that this selectivity in aid according to governance performance can be compared to giving aid as a prize, where donors give funds to

the country that has undertaken the greatest investment in quality governance. Rakner and Wang (2007) point out that the PD and the process of assessing governance are in many ways largely contradictory agendas. Good governance calls for the monitoring of performance indicators as a base for disbursements, implicating a donor-driven initiative towards aid effectiveness. In contrast, the PD encourages donors to step back and foster country ownership through alignment and harmonisation. This, they argue, constitutes a dilemma when donors legitimate the need to carry out governance assessments. On the one hand, donors may have policy agendas that are not compatible with the governments; however they are also accountable to the electorates in their home countries. Most donor representatives interviewed had made an assessment of the governance situation and how that might affect their work in Nicaragua. The political reporting of donors is now partly based on the perception of Nicaragua as a fragile state. As mentioned by Levins and Dollar (2005), aid to fragile states is more volatile and these states are rarely eligible for budget support. Categorising Nicaragua as a fragile state can be interpreted as part of an exit strategy for donors, as it offers a reason to abandon this politically unstable country.

Hyden (2008: 263) claims that the international development community tends to take authority, consensus and the pursuit of collective goals as a given. Donors naively expect an automatically positive response to their calls for good governance, assuming that there is a global agreement on how things should be done. An interviewee confirms this by claiming that donors have been a bit self-centred in their stance towards the situation in Nicaragua. More interviewees agree that concepts can be interpreted in different ways, depending on the context. Donors have their own perceptions of what democracy and good governance should entail, which are not necessarily the same as the governments.

### ***6.3. Selectivity through budget support***

While the government and the donors shared similar political views, Nicaragua was considered an exemplary case of how the PD should be implemented. With the current government and its political disputes with the donor community, the latter has taken measures, such as the suspension of budget support and the

retirement of a number of donors. The donor representatives interviewed support Hermes and Lensink's (2001) theory, that good governance has become a selection criterion for donors.

According to Alemany and Mongabure (2009), the suspension of budget support in Nicaragua will not have the results donors are expecting. They claim that there is no reason to believe that the suspension, though based on democratic concerns, will strengthen democratic governance. On the contrary, it is more likely to strengthen Ortega's alliance with non-traditional donors. Moreover, the ones that will be negatively affected by a decreased national budget are ultimately the Nicaraguan people, a view shared by a bilateral representative, who hopes for a quick solution to minimize the impact on the population. The members of the budget support group interviewed have not collectively defined what was required of the government for them to resume disbursements. In addition, a few interviewees question if the suspension occurred in an ideal way.

Many interviewees express support for the instrument of budget support as the most effective way of achieving results, while others never engage in budget support because it provides too little transparency and control. Alemany and Mongabure (2009) argue that budget support is a risky tool, as it can be used to promote national ownership in non-conflictive countries, but when it comes to situations like in Nicaragua, it becomes a tool for interfering in countries politics, stopping the execution and flow of the national budget. They believe that national policy space and decision-making on public spending is now more circumscribed by donors than ever before. Thus, budget support is a "double-edged sword" that can be used to boost a country's policy space on the one hand, but also to impose donors' priorities.

#### ***6.4 The politics of aid***

All donors have an obligation to ensure that the funds they provide are used for the purpose intended and as effectively possible. No one gives money away blindly and conditionality has been the main tool to achieve wanted results. Sobhan (2002) argues that if aid is to become more effective, conditions will need

to be phased out. Donors will need to come to terms with the fact that their notions of appropriate policies may not always coincide with those of the recipient. Confirmed by a donor representative, it is almost as if certain principles of the PD are only acceptable and worth pursuing if the government agrees with the donors. According to Sobhan, donors have attempted to lead reform and define goals for too long. They tend to lose patience with the slow progress in developing countries of designing local policy reforms. This has been exemplified in Nicaragua with the continuing use of donors' PIUs and donor initiatives that are parallel to existing structures. However, a donor representative interviewed mentions that the government itself often requests to use donor's PIUs, because they have proven to be more effective. This becomes a question of choosing between effectiveness and supporting country systems. Another example of this is the EU Blue Book, which duplicates the government's efforts. However, as interviewees point out, the government's database was outdated and inaccessible, and little progress would have been made without a donor initiative. Sobhan (2002: 546) argues that it is difficult for donors to step aside, which often causes them to go against the principle of ownership by, for example, bringing in expatriate consultants to speed up the process. He claims that donors "need patience and self-discipline to ensure that they do not rush in to fill the policy vacuum within the developing countries. Donors should not make the mistake of promoting ownership which would itself be a contradiction in terms".

In Nicaragua, the political situation has become the main focus of the development debate. Pineda and Schulz (2008) argue that the Nicaraguan case is a good learning opportunity in terms of understanding the role of donors in complex and changing political conditions. It challenges the purely technical approaches to the PD and pushes towards a reconsideration of the role and space of donors in the political economy of a developing country. According to them, the aid effectiveness agenda can be strengthened or weakened, depending on donor capacities to react proactively and constructively to changing political conditions. The donor representatives interviewed support what Pineda and Schulz argue and confirm Booth's (2008) theory that the PD is not only a technical document on how to manage aid but also a political one. All the interviewees use the internal political situation of Nicaragua as the main reason for donors to move away from

the principles of the PD. However, they do not all agree that this is a good thing. Interviewees mention that they have focused increasingly on donor harmonisation, as it is a less politically loaded principle. Pineda and Schulz (2008) argue that the advances in harmonisation between donors have been interpreted as an act that enables them to “gang up” against the government, reducing its negotiating power.

In accordance to Steinle and Correl (2008), the donor representatives interviewed express the need to increase the presence of the Nicaraguan civil society more in the development agenda. The government on the other hand claims that the CPCs represent the Nicaraguan people. Supported by Vilby’s (2007) theory, the donors feel that the CPCs have become an instrument of the state, benefitting only the governing party’s followers. The issue of gender equality was as absent in the interviews as it was in the PD and Accra.

Development aid is very visible in Nicaragua, with such a large number of development actors present. The change towards an increased coordination between donors and ownership for the developing country creates tensions regarding the visibility of donors. In addition, increased harmonisation and the use of budget support forces donors to reduce earmarking and leaves less space for putting up flags, which has been the case up until now. Furthermore, the harmonisation of the large number of donors is a tedious and time-consuming effort. A bilateral interviewee argues that not enough progress has been made in harmonisation effort, due to the fact that donors are not prepared to give up their visibility. The ultimate harmonisation effort would be to unite all EU donors under one institution, but the donors cannot render the lead. The future of development aid in Nicaragua is uncertain. Most interviewees believe that the situation will not change until a new government is in place. They consider the elections of 2011 a critical event that will determine the future of aid in Nicaragua. If the current government stays in power, and moreover, if Daniel Ortega manages to get re-elected, there will be a serious decrease in disbursements and donor presence. On interviewee argues that a decreased number of donors would be positive for Nicaragua, as there are already too many development actors.

The changing aid-landscape has to be taken into account. The OECD countries are losing their relative exclusivity in development cooperation as other donors are becoming more visible. In Nicaragua, donors such as Venezuela, Libya and Iran, which are not signatories of the PD, currently make up for a significant part of development cooperation. The interviewees express concerns that the aid flows from these donors provide little transparency as they are mostly off budget. They confirm Hyden's (2008) theory that the goals of harmonising aid and encouraging greater ownership of the non-traditional donors are not compatible with those of the PD, which creates room for conflict and undermines the PD principles. Even the "traditional" donor community is not homogenous and has not found a common position with regard to the Nicaraguan political scenario.

### ***6.5. The continuing search for effectiveness***

The past decades, aid effectiveness has been a central and recurring topic in development. The PD marks an important turning point in international efforts towards improving the effectiveness of aid. Compared with previous efforts, it poses an important challenge to the world of development cooperation, by setting specific targets to be met within a specific time-frame. However, reaching the end of that time-frame it is clear that the PD has not been the miracle solution it was intended to be. A major obstacle in obtaining greater aid effectiveness is the overarching politics of aid. Discussions about recasting aid relationships have been part of international debate about aid effectiveness for decades, but donors still remain unwilling to lose control over how aid is allocated. In the light of this, will aid ever be un-conditioned?

Tezanos Vásquez (2008: 412) argues that despite the fact that donors have committed to focusing their aid on the absolute poorest countries in the world, aid allocation has especially benefited lower middle-income countries. This, he says, is due to the fact that donors are strongly determined by their preferences towards geopolitical interests. However, aid patterns can vary greatly according specific donors as USA, Japan and France tend to follow self-interests, while the Scandinavian countries, UK, the Netherlands and Canada are more poverty

oriented. The political situation in Nicaragua could be a reason for donors to redirect their focus to other countries. While Sida and DIFD both argue that their withdrawal was not political, but based on a change in areas of priority towards the world's poorest countries, the issue of accuracy and the level of representativeness of the interviewed must be kept in mind. In accordance with Schostak (2005), answers can be tainted by respective institution's policy or code of communication, enhancing subjects that have positive outcomes for their institution.

Drawing from the interviews, donors seem to be confused on how to provide aid in times of political turmoil. The political situation has given donors an opportunity to suspend budget support and even exit the country on the grounds of bad governance and the fact that Nicaragua is becoming a fragile state. Independent of the results of the coming elections, the fact that Nicaragua is a middle-income country, could be a reason enough for cutting down on aid.

## 7. Conclusion

The aim of this study was to explore the views of the donor society in Nicaragua on the implementation of the PD. To achieve this I interviewed a number of key donor representatives to get their views on the result and future of the aid effectiveness agenda in Nicaragua. With the help of scholars, I shed historical light on aid effectiveness and discussed some of the polemic issues regarding the PD, such as ownership, conditioned aid and aid allocation.

The development scene in Nicaragua has experienced a drastic change in the last few years. Nicaragua started out as a pilot country for the Paris agenda, being one of the first developing countries in the world to adapt the modalities of this new aid architecture. However, due to the political disagreement between the current government and the donors, their relationship has deteriorated. Donors have withdrawn budget support based on the allegations of electoral fraud in the municipal elections of 2008. A number of donors have withdrawn their aid, or announced their withdrawal in the near future, resulting in Nicaragua no longer being a donor darling.

The majority of the interviewees claim that there is a reason to be concerned about the situation in Nicaragua and fear that their previous advances will be lost. Their main controversy has been the government's interpretation of the PD principle of ownership. Although some interviewees recognise that the Nicaraguan ownership is stronger than with the previous government, most considered it flawed. Interviewees claim that the controversy regarding the PNDH has diffculted the process of alignment, instead there is an increased focus on harmonisation initiatives. Representatives of the budget support group interviewed did not have any defined conditions for the continuation of budget support. The majority of interviewees predict a dark future for aid in Nicaragua.

The PD is clearly a political agenda. On paper it supports country ownership, but as can be learned from the Nicaraguan case, this goes as long as the government is



on good terms with the donors. Although the principle of ownership came as a response to the negative impact of conditioned aid, conditions are still present in a more disguised form. By withdrawing budget support the Nicaraguan donor community has found a tool to intervene in national politics. Donors have thus directed their conditions towards good governance, which has become a requirement for aid. Aid is mainly driven by donors' geopolitical interests, which in the light of the political situation in Nicaragua, might be a reason for donors to withdraw aid. There is a need to address the political aspects of development cooperation. The PD does not succeed in taking into account the power relationships between donors and governments. The development agenda has always been donor-driven and the PD is no exception. In addition, the appearance of nontraditional donors in Nicaragua, such as Venezuela, Iran and Libya, which are not signatories of the PD, has compromised the PD.

Nicaragua can expect large cuts in aid flows and a decreased number of donors. Regardless of the political situation, it might be justifiable to withdraw aid from Nicaragua based on the fact that it is a middle-income country. Donors have committed to focus their aid on the absolute poorest countries of the world, which do not include Nicaragua. Achieving effective change in development aid requires political action and commitment.

Donors have throughout history always produced, legitimized and owned the knowledge of policy making in development. While development aid is a part of donors' foreign policy it is bound to serve non-developmental motives, whether they are political, commercial or other. Meanwhile, the ultimate goal of completely humanitarian development cooperation should be to reach the point when aid is no longer necessary.

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