

## ANNEX 2: PERSONS AND INSTITUTIONS CONSULTED

The authors acknowledge with thanks the active cooperation of embassy and project staff in each country, and the willingness of all stakeholders and knowledge holders in Nicaragua, Finland and elsewhere to share freely their information and perspectives.

Name	Role/Institution
Acosta Montalván, Ivan	Viceministro, Ministry of Finance and Public Credit (MHCP)
Airaksinen, Helena	Director, Unit for East and West Africa, MFA
Ammour, Tania	Director of FINNFOR, CATIE
Amse, Juan	Former Director of PROPEMCE
Andersen, Ingunn	Second Secretary, Royal Norwegian Embassy
Andersson, Kristina	Attaché, administrative affairs, Unit for Latin America and the Caribbean, MFA
Archambault, Michel	Director, Programme Support Unit, Canadian Cooperation
Argüello, Humberto	Director de Fomento de Exportaciones, MIFIC
Arnesto Alm, Jorge Ramon	Director, Telecommunications Investment Fund, TELCOR
Arvola, Anne	Indufor, Forestry Specialist
Balladares Moreira, Felix	Coordinador de Programas, Programa de Cooperación Canadiense
Bauer, Johannes/Jan A.	First Secretary, Sustainable Economic Development, Netherlands Embassy
Blandford Archibold, Elieth	Responsable de Finlandia, Nicaraguan Ministry for Foreign Affairs
Bonilla, Francisco	Director General de Industria, MIFIC
Bucardo Rocha, Ariel	Ministro de MAGFOR
Bucardo, Leyra	Oficial de Programas IDR
Castillo, Julio	Ex Director de Políticas de MAGFOR. Ahora Consultor.
Castillo, Orlando José	Presidente Ejecutivo, TELCOR
Castro González, Sonia	Ministra de Salud, MINSA

Centeno, Edward	Director Ejecutivo INIFOM
Cisneros Duarte, Freddy	Contador del programa IDR - FOMEVIDAS en Boaco
Cisneros, Roberto Araquistáin	Viceministro, MARENA
Comunidad Barranco Alto	13 personas. Comunidad del Municipio de Teustepe
Comunidad Rodeo No.1	14 Personas. Comunidad del Municipio de Boaco
Comunidad Sonzapote No.1	17 personas. Comunidad del Municipio de Teustepe y San Lorenzo
Comunidad Wirruca	21 familias en reunión. Comunidad del Municipio de Boaco
Cruz Arostequi, Henry	Coordinador PROCAVAL, Boaco.
Días Ojeda, Victor Manuel	Responsable de Seguimiento, IDR- FOMEVIDAS Boaco
Duarte, Demetrio	Planificador IDR, Boaco
Duarte, Orlando	Director Proyectos, MIFIC
Eirola, Martti	Counsellor, Deputy Director Department for Africa and the Middle East, Unit for Eastern and Western Africa, MFA
Enciso Duran, Francisco J.	Specialist in Management of Technological Innovation, Inter-American Institute for Cooperation on Agriculture
Eriksson, Lars	Orgut Consult Senior Consultant, Final Evaluation of FOMEVIDAS
Eslaquit Centeno, Karla	Project Coordinator, Programme Support Unit, Canadian Cooperation
Espinosa Romero, Donald	General Secretary, Ministry of Energy and Mines
Estrada, Hernán	Procurador General de la República
Fiallos, Luis	Team Member, Final Evaluation of FOMEVIDAS
Flores, German	Director de Ministerio de Micro, Pequeño y Mediana Empresa Rural, IDR
Gaytan, Roger	Director Planificación Institucional INIFOM

Gómez, Aristides	Delegado de Región Boaco – Chontales, INI-FOM
Gómez, Patricia	Embassy of Denmark, Jefa de Cooperación
González, Julio	Director del Fondo Anticorrupción, Procuraduría General de la Republica (PGR)
Green Casaya, Isavel	Executive Director, Nicaraguan Women’s Institute (INIM)
Haapaniemi, Leena	Embassy of Finland, Consejera de Cooperación Regional América Central
Hares, Minna	Senior Officer, NGO Unit, Department for Development Policy, MFA
Hassinen, Anu	Energy Advisor, MFA
Hellman, Pasi	Deputy Director General, Department for Development Policy. MFA
Henriquez García, Rafael	Director del Fondo Común de Sociedad Civil, Oxfam
Hirvonene, Katja	Programme Officer, Unit for Asia and Oceania, MFA
Houtte, Florence van	Jefa de Sección de Cooperación, EU Delegation
Hurtado, Ninoska	ATI IDR- Programa FOMEVIDAS
Huvio, Tiina	Former Rural Development Advisor, Embassy of Finland, Managua (currently Agriculture Advisor, DANIDA/Danish Embassy, Bamako, Mali)
Ikonen, Pertti	Aid for Trade Coordinator, MFA
Jaentschke, Valdrack L.	Viceministro, Secretario de Cooperación Externa, MINREX
Jakkila, Jaakko	Embajada de Finlandia, Consejero de Gobernabilidad
Jarquín Urbina, Anabelli	Coordinadora de Campo FOMEVIDAS
Jokinen-Gavidia, Johanna	Advisor for Democracy and Good Governance/ Anticorruption, MFA
Kaarakka, Vesa	Forestry Advisor, Department. for Development Policy, MFA
Karremans, Jan	Formerly of IDR-FOMEVIDAS
Keinänen, Auli	Project Director, Finnish Consulting Group

Keppo, Matti	Regional Manager, Unit for Latin America and the Caribbean, MFA
Klemola, Antti	Senior Advisor, Department for Development Policy, MFA
Kullberg, Gunilla	Advisor, Department for the Americas and Asia, MFA
Laaksonen, Tarja-Liisa	Coordinadora PROPEMCE
Lahtinen, Matti	Senior Officer, Department for Development Policy, Unit for Non-governmental Organisations, MFA
Lahtinen, Merja	Advisor for Rule of Law, Department for Development Policy, MFA
Loebenstein, Karin von	Coordinadora, Área Prioritaria Política Ambiental Protección y Uso de Recursos Naturales. Also coordinator of the Programme for Sustainable Resource Management and Entrepreneurial Capacity Building (MASRENACE), German Agency for International Technical Cooperation (GIZ).
Lundström, Tor	Head of division, NIRAS
Machado, María Antonieta	Directora Administrativa, IDR
Marques, Mirna Liévano de	Representante BID en Nicaragua
Martínez, María Isabel	Directora Ejecutiva de INTA
Maunula, Liisa	Minister Counsellor, Chief of Cooperation, Embassy of Finland
Meijer, Sigrid	Ex Miembro de Equipo Técnico de PROPEMCE
Mendoza, Alberto	Coordinador de Campo FOMEVIDAS en Boaco.
Molina Barahona, Luis	Environmental Planning Coordinator and EEP contact, Ministry of Energy and Mines
Muuttomaa, Pekka	Embajada de Finlandia, Consejero de Desarrollo Rural
Nummelin, Matti	Senior Environmental Advisor, MFA
Oksanen, Riitta	Senior Advisor, Development Evaluation, Office of the Under-Secretary of State/Development Cooperation, MFA

Olkkonen, Timo	Director, Unit for General Development Policy and Planning, Department for Development Policy, MFA
Ortega Solano, Odel	Delegado Departamental Boaco, IDR
Ortega, Marvin	Consultor Independiente
Oskarsson, Kariin	Regional cooperation officer, Embassy of Finland
Paavola, Marjo	Director, Senior Consultant, International Operations, RAMBOLL
Padilla, Patricia	Gerente General, Asociación Alternativa para el Desarrollo de las Mujeres (ADIM)
Palacios, Silvio	Secretario General MAGFOR
Paukku, Jorma	Ambassador (Gender and Equality), MFA
Peralta, Jorge Vásquez	Asesor Legal, Ministry of Energy and Mines
Petrera, Ma. Anna	Oficina de Cooperación Suiza en América Central, Oficial de Gobernabilidad
Pineda Gadea, Claudia	Directora Ejecutiva, IEEPP
Pinel, Manuel	Director Democracia Directa, INIFOM
Pitkänen, Niina	Advocacy and Policy Officer, KEPA
Porras, Silvia	Senior Expert Gender and Human/Woman Rights, Embassy of the Kingdom of the Netherlands
Prado Lebrón, Nadia	Health & Social Affairs Assistant, Embassy of Finland
Pritsi, Kati	International Affairs Unit, SYKE
Puustinen, Pekka	Deputy Director General, Department for the Americas and Asia, MFA
Raatikainen, Riikka	Health & Social Affairs Counsellor, Embassy of Finland
Raudez, Alejandro	Director Administrativo Financiero, INIFOM
Reboud, Patrick	Agregado para asuntos de Cooperación, EU Delegation
Remmerswaal, Jacques APM	Netherlands Embassy, Primer Secretario Gobernabilidad
Reyes, Ovidio	Economista Principal, MHCP

Ripatti, Hannu	Counsellor, Unit for Latin America and the Caribbean, MFA
Rivera, Lilliam	Asistente de Ministra de Salud (MINSA)
Rodríguez, Francis	Jefe de Cooperación, MINREX
Rojas, Aldo	Director Programa Semillas y Biotecnología, INTA
Rojas, Verónica	Viceministra, MIFIC
Rytkönen, Antti	Advisor, Department for Development Policy, MFA
Salmi, Jyrki	Indufor, Senior Manager, Forest Policy Consulting
Salmimies, Okko-Pekka	Director, NGO Unit, Department for Development Policy, MFA
Sandino, José Luis	Oficina de Cooperación Suiza en América Central, Oficial de Programas.
Sandoval Mejía, Marcos Antonio	Alcalde del Municipio de San Lorenzo (Departamento de Boaco)
Seppo, Maija	Director for organizational development, KEPA
Serrano Caldera, Alejandro	Director General, Instituto Ética Valores y Desarrollo
Silferberg, Paul	Advisor Global Social Policy, MFA
Soiri, Iina	Senior Adviser, Department for Development Policy, MFA
Suikkanen, Rauli	Deputy Director Asia and Oceania, MFA
Suoheimo, Maria	Research Coordinator, Department of Political and Economic Studies, University of Helsinki
Taivalmaa, Sanna-Liisa	Advisor for Agriculture and Rural Development, Department for Development Policy, Unit for Sector Policies, MFA
Talvela, Klaus	Deputy managing director, senior consultant in rural development, NIRAS
Tapia, Salvador	Asesor Desarrollo Rural, Embassy of Finland
Työläjärvi, Riitta	Former Health Sector Adviser, Embassy of Finland
Urbina Bermudez, Enrique	Experto en Crecimiento Inclusivo, PROPEMCE
Valtonen, Lotta	KEPA, Directora de País Nicaragua.

Vehnämäki, Mika	Economic Adviser, Dept for Development Policy, MFA
Virtanen, Juha	Director, Unit for Latin America and Caribbean, MFA
Voipo, Timo	Senior Advisor on Global Social Policy, Department for Development Policy, MFA
Wessels, Hans	Netherlands Embassy, Jefe de Cooperación y sector Salud
White, Pamela	Project Director, Finnish Consulting Group

## ANNEX 3: OTHER DOCUMENTS CONSULTED

- EC 2007 *Nicaragua Country Strategy Paper 2007-2013* (E/2007/479). European Commission, Brussels.
- EFM 2009 *National Development Policy of Nicaragua*. Embassy of Finland, Managua, 13 November 2009.
- Holmberg S, Rothenstein B & Nasaritousi N 2009. Quality of government: what you get. *Annual Review of Political Science* **12**:135-161.
- Linneker B & Víquez AQ 2005 *Critical Reflections on Progress Towards the Millennium Development Goals in Nicaragua*. International Cooperation in Development (ICD) and Centro de Información y Servicios de Asesoría en Salud (CISAS), Managua.
- MFA 2004 *Report on Identification of Rural Sector Support, Nicaragua 22-27 September 2004* (HEL1105-18). Ministry for Foreign Affairs of Finland, Helsinki, 8 November 2004.
- MFA 2009a *Development Policy Guidelines for Forest Sector*. Ministry for Foreign Affairs of Finland, Erweko Painotuote Oy, Helsinki, 18 p.
- MFA 2009b *Finnish Development Policy Guidelines for Environment 2009*. Ministry for Foreign Affairs of Finland, Erweko Painotuote Oy, Helsinki, 26 p.
- MFA 2009c *International Strategy of the Finnish Water Sector*. Ministry for Foreign Affairs of Finland with Ministry of Agriculture and Forestry & Ministry of the Environment, Erweko painotuote Oy, Helsinki, 29 p.
- MFA 2011 *Footprints in Forests: Effects and Impacts of Finnish Forestry Assistance*. Ministry for Foreign Affairs of Finland, Erweko Painotuote Oy, Helsinki, 199 p. ISBN 978-951-724-930-0 (printed).
- MFA undated *Focus of Finnish Development Policy* (KEO-20). Ministry for Foreign Affairs of Finland, Helsinki.
- MFA undated *Finnish Policy Towards Nicaragua* (ASA-30). Ministry for Foreign Affairs of Finland, Helsinki.
- Srinivasan G, Lehtonen T, Munive A & Subbiah A 2009 *Natural Disasters and Climate Change in Finnish Aid from the Perspective of Poverty Reduction*. Evaluation report 2009:8. Ministry for Foreign Affairs of Finland, Hakapaino Oy, Helsinki, 100 p. ISBN 978-951-724-807-5.
- UN 2010 *The Millennium Development Goals Report 2010*. United Nations Department of Economic and Social Affairs, New York. ISBN 978-92-1-101218-7.
- UN 2010 *The Millennium Development Goals Report 2011*. United Nations, New York. ISBN 978-92-1-101244-6.
- UNDP 2002 *Informe de desarrollo humano en Nicaragua 2002 (Human Development Report Nicaragua 2002: Conditions for Hope)*. [http://hdr.undp.org/en/reports/national/latinamericathecaribbean/nicaragua/nicaragua\\_2002\\_sp.pdf](http://hdr.undp.org/en/reports/national/latinamericathecaribbean/nicaragua/nicaragua_2002_sp.pdf) (p. 206) (accessed 20 July 2011).



UNDP 2011 *DIY HDI Build Your Own Index*. <http://hdr.undp.org/en/data/build/> (accessed 20 July 2011).

Documents located in the MFA archives:

<b>a) Nicaragua general documents</b>	
<b>Title</b>	<b>Date</b>
Situation in Nicaragua	Jul 2010
Discussions on Finland-Nicaragua relations	8 Apr 2010
Yearly Report on development cooperation. 2009	29 Jan 2010
Rural development cooperation program proposal (FOMEVI-DAS)	2 Jul 2009
Report on bilateral cooperation year 2008	27 Jan 2009
COLAT (various documents)	
Project agreement on youth (health and reproductive rights) with UNFPA	16 Jul 2008
Nicaragua development cooperation (programme operationalisation; participation plan making in long-term partner countries)	17 Mar 2008
Yearly report 2007 on bilateral development cooperation	7 Feb 2008
Finnish Government matrix draft on direct budget support to Nicaragua	18 Oct 2007
Trade and development cooperation planning, travel report	10 Oct 2007
Results of the support for funding towards Nicaragua	
Political Situation; Indicators for good governance and decentralization in 2006	3 Jun 2007
LCF report (local development cooperation funding from the embassy)	31 Jan 2007
Embassy of Finland Managua, Action Plan 2009	
Participation plan 2008-2012	
<b>b) Thematic sub-directories</b>	
<b>Sub-directory</b>	<b>Documentary content</b>
Sub-directory on Political Relations	Cooperation discussions. Country negotiations. Ministerial (Stubb, Väyrynen, Tuomioja, Lehtomäki - some confidential) and presidential discussions and meetings. Media report on development cooperation with Nicaragua. Other meeting notes. UN notes (confidential). Background papers for cooperation negotiations. Bilateral negotiation notes (2006).

Sub-directory on Economic relations	(1) Country negotiation notes (27 Nov 2009). Various documents on implementation of investment agreements (2002, 2003, 2004, 2006). (2) General Finnish development cooperation. Policy lines. Negotiations (IFI, 2009). Trade relations. Background papers for the negotiations. Lehtomäki & Caldera notes. Negotiation notes.
Sub-directory on Initiatives	Green Oil (2011). Renewable energy (2009). Support for autonomy. Support for statistical system building (Finnish added value). IFAD project ('value chain and market access project for small scale producers').
Sub-directory on Development Co-operation relations 2006-2007	Planned budget 2007-2012. Ongoing development cooperation and its challenges and achievements. Koukku-Ronde in Nicaragua. Development cooperation and general situation discussion note (2007). Health sector. Nicaragua team meeting notes. Bilateral cooperation report (2006). Decisions on development cooperation projects (26 Apr 2007). Annual report of the main activities development cooperation in Nicaragua (English 2006, 2005). Environmental consultant agreement (2006). Meeting notes. Finnish NGO projects in Nicaragua.
Sub-directory on Development Co-operation Relations 2008-2010	UNDP Human development index. Decision list on development cooperation projects/planning 2010. Project planning proposal; approval (2010); evaluations. Report on the situation in Nicaragua (confidential 2010). Discussion report of the evaluation mission on human resources. Notes on the taxation system. Alvarado meeting (confidential). Report on bilateral development cooperation (confidential 2009). Quality team meeting notes (2009, 2010). Study on the health sector from users' point of view. Country negotiation notes (23 Nov 2009). Ronde-Jaentschke meetings notes (2009). Cooperation negotiation notes. Support to Nicaragua through IFIs (23 Nov 2009). Ministerial meetings. Report of the main activities/development cooperation. Policy draft on development cooperation in Nicaragua (27 May 2009). Municipal governance in difficulties (confidential 2009). Nicaragua-team meeting notes (2008, 2009). Political and economic situation and cooperation with Finland (18 Feb 2009). Annual reports on development cooperation (2007, 2008). Discussion notes with environmental specialist (geology). Autonomous areas support and development strategy planning. Summary of the long-term development cooperation country programmes

	(confidential 2008). Operationalisation of the development cooperation programme in Nicaragua.
Sub-directory on Nicaragua & EU relations	Various HoM (Heads of Mission) meetings and notes. Ministerial-level meetings on Nicaragua and Finnish development cooperation. European Commission and country strategy 2007-2013 (2007).
<b>c) Project and modality sub-directories</b>	
<b>Sub-directory</b>	<b>Documentary content</b>
Sub-directory on Local Development Funds (LCF)	Decision documents and project annual reports (many in Spanish).
Sub-directory on PANIF	Environmental development project (documents, 2001-2003).
Sub-directory on PROAMBIENTE	Environment cooperation project (documents, 2003-2008)
Sub-directory on Velkatalkoot	Debt voluntary work (documents, 2006-2007)
Sub-directory on FODINIC	Rehabilitation of disabled people (documents, 2001-2007)
Sub-directory on VOZJOVEN	Youth projects with UNFPA (documents, 2007-2010)
Sub-directory on FONDO-FED	Equality, reproductive rights (documents, 2006-2010)
Sub-directory on FONSALUD	Health sector support and SWAp process (projects, 2003-2010)
Sub-directory on PROPEMCE	Strengthening trade capacity (documents, 2007-2011)
Sub-directory on PROGÉNERO	Gender equity and women rights (documents, 2006-2007)
Sub-directory on FADES	Social sector development (documents, 2001-2007)
Sub-directory on SAREM	Women rights (5 documents, 2001)
Sub-directory on PRORURAL	Rural development, includes INAFOR, IICA, UNOPS/RUTA (documents, 2005-2011)
Sub-directory on PRODIAH	Aid after Hurricane Mitch (documents, 2001-2003)

Sub-directory on PRODEGA	Rural development (documents 2001, 2002, 2003, 2005)
Sub-directory on NIFAPRO	Rural biotechnology cooperation (documents, 2006-2010)
Sub-directory on FOMEVIDAS	Rural development project (documents. 2003-2011)
Sub-directory on SARED	Reproductive health, equity and rights (2001-2008)
Sub-directory on National Environmental Support	Small projects (documents, 2002-2008)
Sub-directory on Democratic Governance Support	Fondo Gobernabilidad, Vida en Democracia ('Life in Democracy', documents 2006-2010)
Sub-directory on FOREIBCA	Intercultural bilingual education programme (projects, 2001-2009)
Sub-directory on NICAMUEBLE	Furniture industry development (projects 2001-2004)
Sub-directory on PROGESTION	Decentralization and local governance ICT-project (documents, 2003-2010)
Sub-directory on CENIDH	Human rights 2010-2012 (2010)
Sub-directory on CDM	Four project documents (2002)
Sub-directory on Finland's support towards the funding of Nicaragua	Various documents (2002-2010)

## ANNEX 4: NICARAGUAN EVENTS, HIGHLIGHTS 2003-2011

**2003.** Former president Arnoldo Alemán is sentenced to 20 years in gaol for money-laundering, fraud, embezzlement and electoral crimes, as part of an anti-corruption campaign by President Enrique Bolaños. Negotiations begin on a multi-donor Joint Financing Agreement to formalise general budget support. The share of public investment financed by external resources increases to 85%.

**2004.** Nicaragua's estimated GDP/person is US\$813. The FSLN wins most municipal elections. Nicaragua reaches 'highly indebted poor country' completion point. Relations between Finland and Nicaragua are generally good, with Nicaragua regarding Finland as a self-evident long term partner.

**2005.** There is a constitutional crisis as the PLC and FSLN conspire to disable the Bolaños presidency. Daniel Ortega is described as the most powerful man in the country and has strong support from the church. No agreement is reached with the IMF. Electricity prices rise. A JFA for general budget support is signed, and Finland becomes a contributor to the Poverty Reduction Strategy 2005-2009. External debt relief is provided, but internal debt remains at 30% of GDP. Remittances (20% of GDP) and foreign aid (20% of GDP) help balance the books.

**2006.** The constitutional crisis worsens, and government workers appear apathetic and demoralised. The alliance of PLC and FSLN results in a widespread politicisation and deadlock of state institutions, with a negative impact on public confidence. Doctors are on strike. Political life concentrates on the 5 November elections, which are won by Daniel Ortega and the FSLN. Tax reforms are approved by the IMF and inflation levels off. There is a severe El Niño drought, reducing food supplies and hydroelectricity capacity. It is agreed with government that all donor funds are to be part of the national budget.

**2007.** The energy situation is increasingly critical. The economy limps along, but with signs of improvement especially at a macroeconomic level. Taiwan promises generous help. A Poverty Reduction and Growth Facility is signed with the IMF. The government insists that donors should not set any conditions on aid. Donor discussions highlight a lack of improvement in social indicators and governance, and concerns over therapeutic abortion (banned by a law passed during the elections), maternal mortality, and judicial independence. Former president Arnoldo Alemán, the leader of PLC, is released from house arrest into nationwide captivity.

**2008.** There is a tense atmosphere surrounded campaigning for the November municipal elections, due to the banning of two opposition parties Conservative Party of Nicaragua (PCN) and MRS. The government starts a campaign against NGOs and the donors supporting them. The elections are denounced for massive fraud in favour of FSLN, and street violence and political crisis follow. The 2009 budget is blocked

by parliament (which endangers IMF and IDB loans) but approved by presidential decree. Budget problems are relieved by Venezuelan extra-budgetary support. Inflation remains high, especially for basic foods, and the global economic crisis undermines remittance payments. However, foreign investments increase, the government maintains good relations with the business community, and the energy situation has greatly improved. Nicaragua's foreign policy (e.g. befriending Venezuela, Russia, Cuba, Libya, Iran) and electoral fraud upsets donors and some (including Finland) suspend direct budget support, creating a severe budget deficit. The biggest donors demand new elections as a condition of defreezing their funds. The government releases the first draft of the new *National Development Plan* but this lacks concrete measures and the donor community prefers not to comment on it. Donors call on Nicaragua to respect democracy and the rule of law (to which President Ortega responds by comparing EU donors "to flies on a dung pile", a play on the name, Mosca meaning 'fly' in Spanish, of the EU Ambassador at the time).

**2009.** There is continuing discussion on electoral fraud and the decline of the rule of law, and civil society representatives are physically attacked by pro-government groups. Supporters of President Ortega successfully manoeuvre to circumvent the constitutional ban on consecutive terms, so that he can run again in 2011. With direct budget support frozen and Venezuelan aid being off-budget, budget cuts are required and do damage to poverty programmes. The IMF demands tax reforms to compensate. Another El Niño drought severely affects food security, and the economic situation of the country is described as alarming. The government publishes its *National Plan for Human Development*, but this contains only indicators of effort rather than achievement. Bilateral donors (including Finland) continue to freeze direct budget support, and the government argues that observers should be sent to the next elections to confirm that satisfactory reform has occurred. Several donors switch their support from government to NGOs. The government blames the donors for the country's financial difficulties.

**2010.** The country is polarised, but the opposition parties are paralysed and fragmented. CPCs are being promoted by government as a new model of municipal and district administration to implement and audit the *National Human Development Plan*, but are believed by observers to be mostly controlled by the FSLN. The PLC and FSLN leaderships continue to cooperate behind the scenes. Civil society actors are described as having the role of the real opposition; they express concern over the rule of law, and see the CPC policy as weakening local democratic mechanisms. The economy has recovered faster than expected, mainly due to rising export prices and remittances, although business confidence is shaky. The government continues to implement stable macroeconomic policies; the IMF has approved a further credit facility and the IDB additional direct budget support, even though doubts remain over the transparency of Venezuelan contributions. Annual GDP growth is 4.5%, with increased tax collection and a modest budgetary deficit, although inflation was at 9.2% by year end. A national aid harmonisation plan is approved by government and donors. Sweden, Norway and Denmark close their embassies and programmes, or announce their intention

to do so in 2011-2012, and other donors (e.g. Austria) are expected to follow. Finland's support to *Ética y Transparencia* (which promotes a culture of transparency by targeting corruption) is repeatedly attacked by government. Finnish stated policy is to reduce aid to government and to spend a greater proportion through NGO and private partners, but sectoral budget support has replaced general budget support in taking 45% of disbursements.

**2011.** The economy is recovering strongly from the 2009 recession, mainly due to a sharp growth of exports and high international prices for Nicaragua's main commodities (gold, sugar, coffee, beef, shrimps, peanuts), while remittance payments (now 12% of GDP) and private investments are on the rise. Based on annual household surveys, FIDEG reports some evidence in 2009-2010 for reduced extreme and general poverty, especially in rural areas, an improved Gini coefficient of inequality, and greater employment, although differences with the previous year may not be statistically significant. FUNIDES reports that at 3.5 percent long-term economic growth is inadequate to make much impact on structural poverty, which requires growth to be at least a sustained 5.5 percent annually to reduce general and extreme poverty (currently 44.5 and nine percent respectively) and to create at least 100,000 jobs per year. FUNIDES also signals that the quality of the Primary Education system remains very low (131st out of 139 countries according to a World Economic Forum report), with 50 percent or higher drop-out rates for primary and secondary schools, and that this will inhibit long-term human development. On the other hand, the Central Bank of Nicaragua's Monthly Index of Economic Activity was considerably higher in April 2011 (at 7.4 percent) than in April 2010 (at 0.5 percent). Venezuelan financial support more than compensates in macroeconomic terms for the rise of petroleum prices and the withdrawal of traditional donors, and Venezuela is also an important market for Nicaraguan produce. The government continues to implement stable macroeconomic policies, and reforms are pledged to allow for an extension of the IMF programme until the end of 2011. Daniel Ortega is expected to win the coming election, but CSOs report questionable practices in the issuance of identity papers needed for voting, and continue to express concern for rule of law. The FSLN says it will prohibit critical observation of the election. Austria and the Netherlands announce their decisions to end development cooperation with Nicaragua. The Phase 1 programme of the USA Millennium Challenge Account expires in 2011; no Phase 2 is envisioned because the government have no satisfactory response to the 2008 election fraud issue. ODA to the public sector (not including aid to civil society and the private sector) amounted to US\$443 million in 2010, 30% less than in 2009. This has been substituted by loans from IFIs and by Venezuela. The share of loans in the aid portfolio has grown from 52% in 2009 to 64% in 2010, raising doubts about economic sustainability. Finland's sectoral budget support to the Ministries of Health and Agriculture continues, but the policy is to reduce aid and increasingly channel it through CSOs and the private sector.

## ANNEX 5: NET AID FLOWS TO NICARAGUA, 2008-2009

	2008	2009
<b>a) Debt forgiveness/IDA grants</b>		
Debt forgiveness grants	1 174,30	33,40
International Development Association grants	0,00	0,00
<b>Total (US\$ millions)</b>	<b>1 174,30</b>	<b>33,40</b>
<b>b) Bilateral donors</b>		
Spain	115,12	125,36
United States of America	76,53	103,53
Japan	30,64	43,77
Denmark	43,53	37,95
Netherlands	36,96	36,96
European Commission	87,84	34,79
Sweden	41,93	33,46
Germany	30,75	26,08
Norway	19,95	19,99
Switzerland	19,51	18,10
Finland	23,61	17,49
Canada	22,23	16,83
Luxembourg	13,89	16,39
United Kingdom	-6,86	10,66
Belgium	2,90	9,92
Austria	8,50	8,59
Ireland	3,38	3,23
France	2,91	1,35
Italy	7,53	1,28
New Zealand	0,70	0,32
Greece	0,21	0,00
<b>Total (bilateral, US\$ millions)</b>	<b>478,15</b>	<b>566,05</b>



<b>c) UN agencies</b>		
International Fund for Agricultural Development (IFAD)	6,35	5,29
Joint UN Programme on HIV/AIDS (UNAIDS)	0,38	0,00
UN Development Programme (UNDP)	2,03	2,74
UN Population Fund (UNFPA)	1,56	1,61
UN Children's Fund (UNICEF)	1,65	0,74
UN Transitional Authority (UNTA)	1,65	1,40
World Food Programme (WFP)	1,15	0,25
<b>Total (UN agencies, US\$ millions)</b>	<b>14,77</b>	<b>12,03</b>
<b>GRAND TOTAL (US\$ millions)</b>	<b>1 667,22</b>	<b>611,48</b>

Source: Trading Economics 2011b.

Reference:

Trading Economics 2011b *Net bilateral aid flows from DAC donors: World Bank Indicators - Nicaragua - Official Development Assistance*. Trading Economics, New York. <http://www.tradingeconomics.com/nicaragua/net-bilateral-aid-flows-from-dac-donors-finland-us-dollar-wb-data.html> (accessed 27 July 2011).