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Sida Country Report 2004

# Nicaragua





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# 1. Summary

The following report provides an overview over political, economic and social development in Nicaragua and describes the main features of Swedish development co-operation in relation to the general development of the country. The report is a follow-up instrument to the Swedish Regional Strategy for Development Co-operation with Central America and the Caribbean, the Country Programme guiding Swedish development co-operation with Nicaragua and the Country Plan for Nicaragua 2004.

The macroeconomic challenge for Nicaragua is still to reduce the fiscal and external deficits to sustainable levels. Nicaragua reached the HIPC completion point in January 2004. Yet, Nicaragua remains a country burdened by a substantial foreign debt even after receiving debt relief. In addition, the country has considerable domestic debt.

Throughout the year, the work of the National Assembly has been characterised by political negotiations between the two main parties, the FSLN and the Liberals (PLC), with a joint view of further weaken the Executive and its political ability to act. This has led to delays in appointing directors of different public offices and protracted ratification of several laws. Many of the appointments that were made confirmed the clear tendency toward the high politicisation of public institutions, a situation that also reinforces institutional weaknesses.

Several times during the 2004 the donor community has reiterated the joint message conveyed during the Consultative Group meeting in October 2003 in which Nicaragua was urged to reduce the political influence in the judicial system, to reform the electoral system and to create a modern and merit-based civil service. However, the minority position in the National Assembly has made it difficult for the Government to find support for important reforms.

Progress has been made in approaching some of the poverty reduction targets and most of the indicators are either fully or partially on track with respect to their targets for 2005. For the longer term, the 2003 Nicaragua Poverty Assessment states that the Millennium Development Goals (MDGs) that may possibly be achieved by 2015 are extreme poverty, under-5 mortality, access to water and access to sanitation.

The government is expected to publish a second-generation poverty reduction strategy (PRS II), based upon the Operational National Development Plan for 2005-2009 (NDP-O), by June 2005. The NDP-O was presented in September 2004. The consultation process leading up the NDP-O has been quite extensive. Through the Joint Country Learn-

ing Assessment (JCLA) undertaken in 2004, the Government also made progress in laying the foundation for an Action Plan on Harmonisation and Alignment, to be presented in 2005.

During 2004, Sweden disbursed 196 MSEK from the country allocation, 60 MSEK in budget support and 28 MSEK for the research programme. A major part of the country allocation was provided within the Human Rights and Democracy sector, while important contributions were also made to the Infrastructure Sector, the Social Sector, and the Natural resources and the environment sector. The intention is that gradually, an increasing proportion of the Swedish support will be spent on a limited number of larger, long-term projects. Therefore, Sweden provided technical assistance to the planning units of the Ministry of Health and the Ministry of Agriculture and Forestry in support of their respective efforts to establish common frameworks for co-ordinated donor support (SWAp).

During 2004 Sweden was the co-ordinator on behalf of the donors in the health sector roundtable chaired by the Ministry of Health. Furthermore, Sweden contributed substantially to the drafting process of the Joint Financing Arrangement (JFA) within the Budget Support Group.

# 2. Strategic Development Trends

## 2.1 Poverty Reduction: Overall Trends and Perspectives

Nicaragua is the second poorest country in Latin America with 46% of the population living in poverty and 15% of the population living in extreme poverty. Poverty is more widespread in rural areas, where it has been estimated at 64,3% in 2001, compared to 24,7% in the urban areas. In 2001 Nicaragua presented its poverty reduction strategy (ERCERP)<sup>1</sup> with an overall objective of reducing extreme poverty from 19,4% in 1993 to 9,5% in 2015.

The government is expected to present a second-generation poverty reduction strategy, based upon the Operational National Development Plan for 2005-2009 (PND-Op), by June 2005. The PND-Op was presented in September 2004. The consultation process leading up the PND-Op has been quite extensive. However, the political situation has not contributed to an atmosphere facilitating a profound dialogue on the PND-Op between the Government and the main political parties in the National Assembly.

Steady progress has been made in approaching some of the ERCERP targets, and most of the indicators are either fully or partially on track with respect to their targets for 2005. For the longer term, the 2003 Nicaragua Poverty Assessment states that the Millennium Development Goals (MDGs) that may possibly be achieved by 2015 are extreme poverty, under-5 mortality, access to water and access to sanitation. At the current pace it is, however, unlikely that the targets for universal primary enrolment, illiteracy, maternity mortality and chronic malnutrition will be achieved.

The World Bank's and the IMF's 2004 Joint Staff Assessment of the second ERCERP Annual Progress Report determined that important progress had been made in the implementation of certain areas of the poverty strategy. These included improving macroeconomic stability, reducing the fiscal deficit, achieving poverty-reduction spending targets and in improving accountability and transparency in fiscal and public financial management systems. At the same time it noted that further work is needed in strengthening the judicial system, updating the poverty reduction strategy, improving program prioritisation, and increasing participation in implementation and monitoring.

By protecting some social expenditure from budget reductions,

<sup>1</sup> Estrategia Reforzada de Crecimiento Economico y Reduccion de Pobreza is the Spanish name for the Poverty Reduction Strategy (PSRP) presented to the World Bank and IMF in June 2001.

some social indicators have improved. Poverty spending in real terms increased during the 2001-2003 period from 40,7% of total spending in 2001 to 56,8% in 2003. Between 1996 and 2000 the share of the budget allocated to social sectors increased from 11 to 16% of the GNP. Health public expenditure of total central government spending has been approximately 14% per year during the period 2000-2004, which is equivalent to expenditure in education. The level of social expenditures is higher than expenditures in other sectors, reflecting the GON's commitment to the MDGs. One third of public expenditures are financed by external development co-operation.<sup>2</sup> Income distribution is very unequal in Nicaragua. According to the Second ERCERP Progress Report, the wealthiest 20% receive 58,5% of total revenues, while the poorest 20% receive 4,1%.

The first case of AIDS in Nicaragua was reported in 1987. The number of cases grew slowly through 1997 and has accelerated since 1998, reaching an incidence rate of 6.7 per 100 000 inhabitants by 2004. During the last five years, the number of cases more than tripled with an increment of 66% in 2004 compared to the new cases in 2003. As of December 2004, 1607 HIV-positive persons had been reported, including 235 cases of AIDS and 519 deaths from AIDS. The male:female ratio has changed from 6:1 to 3:1 in the last three years, which suggests a tendency for a faster increase among women. The National Health Plan (NHP) recognises the increase in HIV/AIDS as a priority and future challenge. Its goal is to detain HIV/AIDS by 2015 and begin to reverse the trend of increased transmission. There are no estimates available on the extent to which HIV/AIDS affects the economy.

## 2.2 Macro-economic Development

The macroeconomic challenge for Nicaragua is still to reduce the fiscal and external deficits to sustainable levels. Nicaragua reached the HIPC completion point in January 2004. As a result Nicaragua receives debt relief amounting to approximately USD 4.5 billion over time from multilateral and bilateral creditors, corresponding to about 73% of Nicaragua's external debt in Net Present Value terms. However, the internal debt continues to be a significant problem.

Nicaragua has a Poverty Reduction and Growth Facility agreement with the IMF for the 2002-2005 period, which implies negotiating fiscal policy goals with the IMF. Current fiscal policy is mainly geared at consolidating public finances to contribute to debt reduction and price and exchange rate stability. The policy aims at improving allocation of capital to productive sectors by reducing the distorting effects that the tax system had before. The distribution policy measures are few, even though the tax reform of 2003 is lightly progressive.

Although the political situation remains difficult, the government of President Bolaños, which took office in January 2002, has persevered with implementing the program with the IMF. It is likely that instability will continue to characterise Nicaraguan politics through the general elections in late 2006, and the two main political parties –the Sandinistas (FSLN) and the Liberals (PLC)– are expected to maintain their influential roles.

<sup>2</sup> The Government prepares quarterly reports in which public spending is analysed and broken down into poverty- and non-poverty-related expenditures. The report on the second quarter of 2004, dated August 2004, indicates that poverty-related expenditures had increased from 35.1% during the first half-year of 2003 to 38.9% during the corresponding period in 2004. Out of total expenditures 40.6% came from external resources and 68.5% of these went to poverty-related areas. On the other hand, 81.5% of the internal resources were used for non-poverty related expenditures.

Pressure for higher nominal wages in the public sector is relatively strong, given consumer price hikes in public transport and basic food commodities. The 2005 budget includes salary increases in the public sector, corresponding to 20% in nominal terms. The National Assembly also decided to change the pace of transfers of central government tax revenues to municipalities, which will increase this expenditure more rapidly than earlier planned.

The PRGF envisages a gradual recovery of growth to 4,5% in 2007, accompanied by a decline of inflation toward world inflation rates. The main fiscal targets refer to an increase in public savings before grants, from -2,8% of GDP in 2001 to 5,4% in 2007. The current account deficit of the balance of payments is programmed to fall from 19,6% of GDP in 2002 to 10,7% in 2007. Inflation was reduced from 6,6% in 2000 to 4% in 2002, and is estimated at 7,0% in 2004, due to higher oil prices.

Economic growth has picked up during 2003 and 2004. Even so, growth remains low. Real GDP forecasts and long-term projections in the PND-Op are set at approximately 4,5% annual increase up to 2009. It appears to be too low a level for Nicaragua to be able to catch up with some of the higher living standards of certain neighbouring countries.

Nicaragua is also becoming increasingly dependent on international economic cycles and crises. The possibility of reaching medium term fiscal targets is dependent on developments in the productive sectors and on international demand for Nicaraguan export products. Increasing efficiency in tax collection is also crucial. A continuation of fiscal consolidation beyond 2005 will imply that a very high share of public investment and social spending will continue to be dependent on international development assistance, a vulnerability that gradually needs reduction.

The spending on public services and investment can also be affected by problems related to the internal debt burden of the Central Bank and Government through outstanding bonds held mainly by Nicaraguan banks. If the Central Bank or the Government encounters difficulties in raising funds through new bonds and certificates, public expenditure in areas other than debt might be negatively affected.

The PND-Op constitutes a broadly encompassing strategy for increasing the competitiveness of producers and of Nicaraguan exports. The basic line of reasoning related to employment in the PND-Op, and in current government policy in general, is that the private sector will create employment. The role of government is to facilitate that process through regulation, targeted public policies and investment projects. The Plan does not contemplate an increase in public sector employment, but does emphasise the need for improved public social services.

The national currency, the *cordoba*, was until last year devalued annually by 6% in relation to the US dollar through a crawling peg system. Since 2004 the annual devaluation has been reduced to 5%. The overall public sector deficit before grants has been reduced sharply in recent years from 13,4% of GDP in 2001, to 9,7% in 2003 as a result of strengthened control over public spending. For 2004 it is expected that the deficit will reach 7,0% and the projection for 2005 is 5,3%.

The trade deficit has been growing slightly in recent years and reached 27% of GDP in 2003. Exports rose by almost 8% in 2003 and were led by a recovery in coffee prices and an expansion of non-traditional manufactured products. Imports rose by 6% reflecting higher oil prices and a strong growth in consumer goods imports. In spite of the somewhat negative development of the trade deficit, Nicaragua has managed to slowly improve its current account deficit before grants. This

deficit has been reduced from 25,3% of GDP in 2001 to about 20% in 2002 and 2003.

Negotiations on the free trade agreement, DR-CAFTA, between USA and the Central American countries were initiated in January 2003 and terminated in December of the same year. Before the agreement can be implemented, it must be ratified by some of the parliaments of the participating countries. In the case of Nicaragua, this is expected to take place in April/May 2005. The main purpose of the agreement is to increase the trade between the countries in order to stimulate economic growth, increase employment and thereby reduce poverty. DR-CAFTA could boost Nicaragua's exports and investments, but the competition from subsidised US agricultural production could lead to increased unemployment and poverty in Nicaragua's rural areas.

There has been a steady improvement in the international reserves, and in March 2005 the size of the reserve corresponds to 3 months' imports.

The minority position in the National Assembly has often delayed decision-making and policy implementation. It has been difficult for the government to find support for important reforms, e.g. to de-politicise the electoral and judicial systems and the comptroller's office, because of resistance from the two main political parties, which would then lose influence in these institutions. A civil service reform programme has been launched with the aim of creating a modern, efficient and merit-based civil service. Important reforms, which will have a bearing on the continuation on the PRGF programme, include, *inter alia*, the Pension reform and the Financial Administrative Law.

### **2.3 Political Development, Good Governance and Human Rights**

Year 2004 began with the election of the Board of the National Assembly, in which the Liberals regained clear control of the Legislature. The Sandinista Party (FSLN) refused to participate in the Board; they accused President Enrique Bolaños of being anti-patriotic for having invited the American Embassy to mediate in the process of selecting the candidates for the Board. Furthermore, the Sandinista Party accused the American Embassy of intervening in the internal affairs of the National Assembly.

Throughout the year, the work of the National Assembly has been characterised by political negotiations between the two strong parties, the FSLN and the Liberals (PLC). This has led to delays in appointments for different public offices and protracted ratification of several laws. Many of the appointments that were made confirmed the clear tendency toward the high politicisation of public institutions, a situation that also reinforces institutional weaknesses. As a consequence of the political negotiations, the Executive branch also suffered shortcomings, and its political ability to act has been weakened.

The political negotiations were manifested in a pact between the FSLN and PLC in December. In addition to dividing different public offices between the two parties, the pact also resulted in a first-round approval of a Constitutional Reform designed to shift authority from the Executive branch to the Legislature. The proposed reforms included a provision for requiring approval by the Legislature of all appointments for cabinet members and ambassadors. The proposal also limited the veto capacity of the President. The second round of required approval of the reforms was passed in early 2005 when a new Legislative period began. The political crisis that emerged with the Pact had to do with its character, the objective of the reforms of the political regime, the urgent

actions and the fact that the reform changes had not been consulted with anyone outside the FSLN and PLC. The Executive branch, other political parties, civil society and the population at large opposed the reforms and called for a referendum.

The possible release of former President Arnaldo Alemán has been the overriding issue in the political negotiations between the two parties. In 2003, Alemán was sentenced to twenty years' imprisonment for corruption; in 2004 that verdict was changed to house arrest. The PLC intended to set free Alemán through an amnesty law and reforms to the Criminal Procedures Code. On the other hand, the FSLN, which while negotiating had gained even more influence over the judicial system through appointments, conceded that Alemán be transferred first from jail to the hospital and finally to his own estate, the Hacienda El Chile.

The debate of the President's bill of the Judicial Career Law dominated the work of the Assembly during the entire year. The proposal, which aimed at creating a National Judicial Career Council within the Supreme Court to obtain more internal and external independence and transparency when recruiting low-level judges, was rejected, revised and redrafted in consensus between the Judicial and the Legislative powers. In November the National Assembly passed the new draft after the rejection of a partial veto from the Executive. In general, the perception is that although the law is not perfect, it is advancement, and a close follow-up of its implementation is recommended. The problem of the judicial branch is its lack of political independence. This leads to a lack of impartiality and manipulation by the dominant parties, especially the FSLN. This is particularly so in cases of corruption and judicial affairs involving politicians.

Additional public institutions were created at the end of 2004, including one for property issues and another overseeing public services. All of them will be under the supervision of the Legislative branch, with no link to the Executive. Another bill on the agenda of the National Assembly was the new Penal Code. This bill was not passed during 2004, partially due to objections to maintaining the legality of performing abortions in certain specific cases where the woman's life is at risk (so-called therapeutic abortions). Some members of parliament suggested harsher penalties for those who perform abortions. Nor was the bill on Equal Opportunities for women passed this year. The original proposal has now been modified to such a degree that some sectors of the women's movement argue that the law could even be counterproductive.

The approval of the national budget was delayed due to negotiations regarding the allocation of financial resources bound to the municipal elections.

Municipal elections were held in November. Less than 50% of eligible voters participated, and some cases of suspicious voter turnouts were reported. The FSLN increased its power significantly by winning 47% of all municipalities. The PLC won 37%, and *Alianza por la República* (APRE), secessionists from PLC and the Conservative Party, won 9%.

Since the beginning of his term of office, the President had endorsed the fight against corruption and increased transparency as among the main objectives of his political program. But during 2004 the government continued to be threatened by forces that used to benefit from the system, and the earlier priority increasingly seemed to take a back seat.

As a consequence of the political negotiations the election process for the new Human Rights Ombudsman was delayed. In December, and according to the Pact, an Ombudsman with a long and active FSLN

history was elected. Meanwhile the newly elected Vice Ombudsman is a PLC adherent and used to be president of an organisation that fought for the release of Alemán.

In general, civil and political rights are not considered to be in danger in Nicaragua, but in 2004 two journalists were killed. One of them had made public that he was about to reveal secrets about the highest leaders of the FSLN. The other was a young woman working for the largest national newspaper. She was shot when covering a story of possible election rigging in the city of Juigalpa. The suspected murderer was the former liberal mayor of a nearby city.

The poverty of the majority of the Nicaraguans results in the constant violation of their economic, social and cultural rights. After Haiti, Nicaragua is the poorest country of the continent, and according to UNDP almost 80% of the population lives on less than 2 USD daily.

Drug-related violence increased during 2004, culminating in the brutal assassination of four police officers in Bluefields on the Caribbean Coast. At the same time there was greater attention on juvenile violence, as in the rest of the Central American region. But so far, in comparison, the level of violence is lower in Nicaragua, and the country has a modern legal framework of regulations related to this area. But the financial assets that are needed to fully implement the laws are lacking.

## **2.4 Development Co-operation and Partnership**

Nicaragua is one of the most donor-dependent countries in the world: foreign support exceeds 100 USD per capita. The most important multilateral organisations present include the IDB, the World Bank and the European Community. The bilateral donors include, in order of importance: the USA, Sweden, Denmark, Germany, Japan, the Netherlands, Switzerland, Finland and about a dozen other countries.

The Government has continued to make progress in the agenda on harmonisation and co-ordination of aid flows to Nicaragua. It launched a system of government-led sector round tables in 2003, in which government agencies, donors, private sector and civil society organisations participate. However, not all the round tables have been functioning regularly and satisfactorily. Further progress will require that Government define clear terms of reference and work plans for the round table system. The Joint Country Learning Assessment (JCLA) initiated in 2004 will contribute positively to efforts in the area of harmonisation of aid flows and alignment to government procedures.

The group of like-minded donors and member states of the European Union have regular formal meetings and informal contacts to exchange information and analyse political and economical development. Contacts between donors and government have been fluid throughout the year, and the importance of dialogue with other state powers and civil society has been enhanced.

Key issues in donors' dialogue with the government continue to focus on the importance of de-politicising the judicial system and the need to formulate policies that address inequality. The absence of a well-functioning judicial system undermines private sector confidence and thereby limits investment, which is necessary to increase sustainable growth and reduce poverty. This became critical in September when a highly questioned court decision authorised an intervention in the Italian company Parmalat.

Considerable progress has been made by a group of bilateral and multilateral donors working with Government to better co-ordinate the general budget support to be provided to Nicaragua. A joint mechanism

for terms and procedures on general budget support is almost completed. An important part has been the elaboration of an adequate performance assessment framework (PAM), based on the revised Nicaraguan poverty reduction strategy (*Plan Nacional de Desarrollo Operativo, 2005-2009*). There is agreement on key objectives, goals and indicators for macroeconomics, public financial management, social sector development, governance and private sector development. It is foreseen that a Joint Financing Arrangement (JFA) will be in place from 2005, and the first review in which this tool will be used is scheduled for May.

The Government has worked towards strengthening economic sustainability, transparency and social sector improvements. The international community has supported the Government in these efforts by supporting the fight against corruption and the strengthening of institutions, and by providing interim foreign debt relief, technical assistance and resources for public investment.

In the discussion about budget support, donors have insisted on the need for increased tax revenues to increase the Government's financial contribution during the 2005-2009 period. Central government fiscal revenues in Nicaragua account for approximately 15% of the GDP. It is important that the international community put pressure on the government to increase the share of internal funding. The 2003 tax reform broadened the tax base, and introduced new taxes on profits, income and goods. Measures to curb tax exemptions have also been undertaken. The reform is important for fiscal sustainability, since it is expected to increase tax revenues by 3 to 4 percent of the GDP. Monitoring and dialogue related to implementation of the tax reform will take place in the framework of the Budget Support Group.

# 3. Swedish Development Co-operation

## 3.1 Strategic Assessment and Considerations

The development co-operation with Nicaragua is guided by the Regional Strategy for Central America and the Caribbean for the period 1 January 2001 – 31 December 2005; the Agreement on Development Co-operation for the period 1 June 2003 – 31 December 2003; the three-year Country Programme (2003 – 2005); and the annual Country Plan. It has been decided that the validity of both the Regional Strategy and the Country Programme be prolonged until 30 June 2007.

The intention is that the bulk of the funds would be spent on a limited number of larger, long-term projects, since this would give room for separate support to processes of change, a few smaller strategic and pilot projects and important non-project activities.

## 3.2 Overall Country Programming Review

The allocation to Nicaragua for 2004 in the beginning of the year amounted to 185 MSEK. At the end of the year disbursements from the country allocation had reached 196 MSEK. In addition, budget support amounting to 60.0 MSEK was disbursed in June 2004. See Annex 3, Draft Portfolio Analysis Nicaragua 2004, for further information on the distribution of disbursement to different sectors.

Besides the project and programme management, a number of strategic non-project activities have been carried out during the year. These have been related mainly to the follow-up of the implementation of the poverty reduction strategy. Key events were a seminar on Swedish experiences of budget reform and processes with participation of the Swedish Ministry of Finance and a study on the importance of employment and labour market policies for poverty reduction.

Furthermore a series of seminars on the perspective of the rights of the child as a transversal issue in development co-operation and initiatives to promote collaboration and dialogue on gender equality were carried out. The embassy has also been highly active in the efforts to improve the co-ordination of development co-operation and the alignment with Nicaraguan priorities and policies as well as the development of sector-wide approaches and mechanisms for budget support.

### 3.3 Follow-up of Country Programme Performance

#### 3.3.1 Democracy and Human Rights

Within the democracy and human rights areas, including the judicial and transparency sectors, Sida collaborates with various public institutions as well as with the civil society.

##### *a) Support to the Justice sector and the Police*

Potential entry points for Swedish co-operation in the judicial system have been analysed during this period. Talks have taken place with potential counterparts including the Supreme Court, the Alternative Dispute Resolution Division (DIRAC) and the Public Ministry. A visit from DESA concluded successfully and helped to identify possible themes for new contributions. Internal discussion at the Embassy to reach a preliminary decision on the main thematic areas for co-operation is still pending. It is expected that the Embassy will receive proposals to support a process of change aimed at improving political independence, efficiency and accessibility of the system to the poor.

The programme for Access to Justice in Rural Areas expanded and now has a presence in 57 municipalities. The expansion of the program in the Atlantic Coast has opened new challenges and opportunities to increase the support to the system in that region.

Sida supports the implementation of the five-year modernisation and development plan (2001-2005) of the National Police of Nicaragua. The plan envisages the creation of a democratic, efficient police force with a clear mandate to uphold the protection of citizens in a state governed by the rule of law. It builds on the experiences gained during the previous co-operation period, 1998-2001 and includes institutional reform, improvement of police education and expansion of police services in rural municipalities. The support has been extended with a fourth year, now covering 2002-2005, and the original amount of 31.5 MSEK will be increased by another 7 MSEK approximately.

During 2004 the implementation has proceeded according to the plans although some activities were delayed mainly because of slow and complicated procurements for works and services. The Swedish National Police Board is providing technical support and advice and has successfully completed several missions to Nicaragua. The pedagogic reform at the police academy and the new model for community police have been the main areas of technical support from Sweden.

The project "Network of Services for Women, Children and Adolescent Victims and Survivors of Family and Sexual Violence" completed activities in April 2004. Discussions among the four donors and the three Nicaraguan counterparts on sustainability of the activities and results had just initiated when the project ended. In order to maintain the service to women, children and adolescent victims and survivors of family and sexual violence an amendment was made to the agreement with the National Police on twelve months bridging support for the special police stations for women and children. A similar agreement was signed to support a six-month bridging period at the centres offering services for victims run by civil society organisations, co-operating through in the Women's Network against Violence. A proposal on a National Programme for Prevention and Attention of Gender-based Violence was presented by the National Women's Institute in November and will be discussed with donors and other relevant actors.

*b) Support to democratic institutionalisation through political parties*

During the year discussions were held among the political parties, UNDP, Sida, DFID and the Dutch Embassy. The objective of these discussions was to find a national approach to the already commenced regional initiative to strengthen democratic governance as part of the struggle against poverty and inequalities. The Dutch Institute for Multiparty Democracy was asked to make an initial analysis of the political situation and the system of political parties and to propose, together with the political parties, a strategy for the strengthening, modernisation and democratisation of the parties. This strategy, which will be presented in early 2005, will be integrated into a multi-annual program, which will also include components for the modernisation of parliament and of the strengthening of juvenile political leadership.

*c) Observation of Municipal Elections*

The Organisation of the American States applied for support to the municipal elections based on a request from the government of Nicaragua. An international mission for electoral observation was considered politically important given the current political context with strong tension and conflicts between the different powers of the state and the two dominant parties. The international mission consisted of twenty persons with a core group of eight experts in political analysis, organisation of elections, data processing monitoring the development of the electoral process, the fulfilment of the electoral calendar and the just participation of all actors. The ambassador, a programme officer and an intern participated in the electoral observation. The Swedish contribution of 1 MSEK counted for about 85% of the costs, Brazil, USA and Great Britain were co-financing.

*d) Institutional Strengthening in the Atlantic Coast*

The Institutional Strengthening program in the Atlantic Coast, RAAN-Asdi-RAAS experienced a successful transition towards greater ownership of the program by its partners. In November municipal elections were held, and some changes of power occurred. The most interesting outcome was probably that the regional indigenous party YATAMA won three mayor's posts in RAAN. With new political authorities the program faced a delay in the yearly planning for 2005. Much institutional weakness remained at the same time as the municipal authorities face the challenge of managing higher levels of resources with the implementation of the Budget Transfer Law. The program continues providing assistance, according to the agreement, until June 2005. The discussions of the preparation of a fourth phase were initiated.

*e) Support to civil society*

Sida collaborates with Swedish NGOs working in Nicaragua and with Nicaraguan civil society in projects focused on education and legal studies in human rights with particular emphasis on women and children as well as on participation and local democracy.

Diakonia initiated a new three-year phase of the program during the first months of 2004 and has been functioning well since then. The program has grown both quantitatively and qualitatively during the year and it has been visible within civil society at large. The organisation has explored possible new counterparts but has also decided not to enter into collaboration with others. The program has fostered the interchange and possible learning experiences between its partners on the Pacific and

Caribbean Coasts, which also has generated a higher level of co-operation, co-ordination and confidence among them. In general the counterparts have taken on the programmatic areas of the Diakonia program, especially the issues of local development and participation.

In April Forum Syd initiated a new Program for Local Democracy. This programme seeks to strengthen the internal democracy within Nicaraguan organisations and their ability to participate and influence political processes and decisions. Organisations of disabled persons will have a prominent role in the program. At the same time Forum Syd initiated a Regional Program for participation and influence on strategic global and regional processes. Both programmes had a slow start, and no progress report has yet been delivered.

The planned review of guidelines and areas of priority for the embassy's direct support to the Nicaraguan civil society organisations has not been initiated. Instead the embassy has participated in discussions on a common multi-donor fund to support Nicaraguan civil society organisations promoting democratic governance.

In 2004 only three new agreements were signed. One involved co-financing of a project to establish a National Observatory on Democracy Issues that is co-ordinated and co-financed with the Danish Program on Human Rights. Possibly this project will be further developed by at least three civil society organisations that could create a consortium and start working in a co-ordinated manner in 2005 and maybe bring in other supporting international agencies.

In May the Embassy initiated a three-year program with *Movimiento Comunal Nicaragüense*, MCN. The objective of the program is to contribute to institutional re-design, including issues such as the active participation of women, children and youth in the organisation and the horizontal thinking within the MCN structure. The process has developed according to the annual plan.

The support to the human rights organisation CENIDH ended in December 2004, as did the contribution to the *Coordinadora Civil* (in collaboration with *Centro de Derechos Constitucionales*). The support to the child rights organisation AIDEP concluded in June. In the case of CENIDH and AIDEP, new support has been discussed and will probably start during the first half of 2005. Regarding the *Coordinadora Civil*, a project proposal has been presented to the Embassy, but dialogue concerning this new initiative was not initiated.

#### *d) Promotion of Gender Equality*

The main strategy to promote gender equality is to mainstream it in all projects and programmes as well as in the dialogues at all levels. The main special contribution is through the Gender Equality Program run by Forum Syd by which twelve organisations in civil society, experts on promotion of gender equality, receive support for projects and actions aimed at equality. This program also supports the mainstreaming of gender equality in youth organisations and capacity building in gender issues for a broader group of civil society organisations. A number of organisations have also received support for actions or small projects to promote gender equality. An interchange between Swedish and Nicaraguan youth organisations has been carried out. The Nicaraguans spent one month in Sweden and then the Swedes the same time in Nicaragua. The theme for the exchange was gender and democracy with focus on equality in the internal organisation. A manual for Nicaraguan organisations on methods to promote equality in organisations was produced as a

result of the interchange. Forum Syd has announced that they intend to put more focus on sexual and reproductive rights during the remaining period of the Gender Equality Programme.

In July Foro de Mujeres completed the project to strengthen women's influence on political decisions at local and national level and applied for funds for a second phase. Simultaneously two other NGO's (Fundación Violeta Barrios de Chamorro and the Association of Female Municipalists) presented projects to promote women's participation in political processes, particularly in relation to the municipal elections. The Embassy intended to promote a co-ordination process aiming at a possible common program where the three organisations could work together in a co-ordinated way. This initiative did not succeed, mainly due to difficult relationships between the organisations. The discussions continued with the organisations and the project run by Foro de Mujeres was extended for six months. Fundación Violeta Barrio de Chamorro received support for a short project to promote female candidates in the municipal elections. The Swedish support will continue to Foro de Mujeres, together with Association of Female Municipalists, in 2005.

In March RELA decided to support a UNIFEM project to create capacities for a gender analysis of the economies in Central America, and the monitoring was delegated to the Embassy in Managua. The programme had a slow start in some of the countries but activities, co-ordinated with local actors, are now in progress.

*e) Promotion of the rights of children and adolescents*

An external consultant started in July 2004 a study focusing on the Swedish co-operation and the situation of the rights of the child and adolescent in Nicaragua. The full study was presented during the first week of October 2004, when the Embassy, together with IDB, the Ministry of Family, UNICEF and the Association of Municipalities hosted a week of seminars on the rights of the child in Nicaragua. Swedish consultants and Sida representatives from Stockholm and the region participated actively during this week where issues such as the child rights perspective in local decision taking bodies, the child rights perspective as a transversal perspective and the right to education were discussed. The study presented a series of recommendations that are due to be considered for the future work in Nicaragua.

*f) Support to the Office of the Ombudsman for Human Rights*

In 2003, Sida signed a three years joint agreement, together with Denmark, with the Office of the Ombudsman of Human Rights. The support to this institution is important due to its role as a public office defending human rights, its need for institutional strengthening and because of the limited economic and political interest by the government regarding its mandate.

The program – aimed at institutional strengthening, human rights education and protection – initiated in January 2004. During the first months the program was carried through as planned. In June, the mandate of the Ombudsman and the Vice Ombudsman ended, after five years in charge. Due to political dispute within the national parliament, where the Ombudsmen are to be appointed, no new representatives were elected until December. The result of the election was a new Ombudsman and Vice Ombudsman who represent the two major political parties, the Sandinista Party and the Liberal Party, but they, personally, stated that their mission will be in favour of human rights without any

political affiliations. The three special Ombudsmen (women, children and indigenous populations) that stayed in function during this transition period, together with the rest of the staff, had limited executive and implementing powers since nobody had the authority to make disbursements. The program suffered from a sub execution due to these external political problems, which will have effects for the future. The Office has brought up suggestions of changes to the program regarding the Caribbean Coast and three new Special Ombudsmen.

*g) Anti-Corruption*

Sweden, together with seven other donors, supports the government-led Anti-corruption Fund. The project has been extended until the end of March 2005. During this period Sida has contributed with additional funds to the activities, among them the elaboration of a new project proposal, the financing of the investigation unit and an Inter-American conference on anti corruption that was held in Managua in July. The government in June presented a new project proposal. Since it did not have a clear relation to other ongoing programs within the public sector, lacked the connection with the general political and economic development of the country, was very expensive and had lost much of the initial political focus, the donors decided to reject this proposal. When closing 2004 no acceptable proposal had been presented, and the donor community, with intentions to continue working with the Anti-corruption Fund in 2005, was deeply concerned.

*h) Mine Action*

The landmines planted during the war, and unexploded munitions left behind, are still a major problem particularly in northern Nicaragua. In July 2002 the embassy and the OAS signed an agreement on further support in two municipalities along the border between Nicaragua and Honduras. The Swedish contribution also finances information and prevention of mine-accidents in the communities and support to victims of mine accidents through a special program providing vocational training to facilitate economic reintegration. The programme is fulfilling the expected results. As a tangible result of the de-mining program, a decrease in accidents mutilating children and adults has been noticed during the last years.

The OAS program is included in the Nicaraguan plan for mine action elaborated and co-ordinated by the National Commission for Mine Action. The Nicaraguan army performs the de-mining. According to this plan Nicaragua was expected to be free of landmines by the end of the year 2005. However this is no longer seen as feasible, and therefore the Swedish support will be extended throughout 2006.

### **3.3.2 Social sectors**

*a) The Health Sector Reform and the move towards a Sector-wide Approach*

A broad national consultation process about the new Health Policy and National Health Plan took place in 2004, involving local health actors, civil society organisations and co-operation partners. The planning process, led by the Ministry of Health (MoH) planning department, has built upon input from the municipal and departmental (SILAIS) levels. A Five-Year Health Plan was under preparation and will constitute the main operational framework for a Sector Wide Approach in the health sector. The MoH led three joint donors missions that included the World Bank, IDB, the Netherlands, Finland, USAID, Austria, Canada and

Sweden. These missions discussed the progress towards a SWAp and agreed on a common time plan for the preparation of central documents, thus promoting harmonisation and government leadership. Sweden decided in January 2004, to prepare a full assessment of a health sector support. The Embassy has been active in the preparation of the sector support, serving as a link between the donors and the roundtable for co-ordination. By the end of the year, important progress had been made in the preparation of the main documents: a draft Code of Conduct, a Memorandum of Understanding and the Five Year Health Plan had been prepared.

The SWAP Development Fund, co-financed by Sweden, the Netherlands, Finland and the UK and established at the end of 2003, has been under-utilised during the year. However it is expected that the utilisation will accelerate.

The PROSILAIS<sup>3</sup> agreement concluded in December 2004, though the activity period continues until June 2005. An internal evaluation of the PROSILAIS shows that according to official statistics, maternal mortality and infant mortality has decreased in the SILAIS where PROSILAIS has been working, despite the fact that these are some of the poorest regions in the country. The integrated and decentralised model for maternal health care of PROSILAIS has proven successful and has served as a model for the development of the Integrated Model for Primary Health Care. The administrative implementation model of PROSILAIS has become a norm for all project support provided through the Ministry of Health. At SILAIS level, the internal structure and capacity has been strengthened through a structured plan for institutional development, provided by UNICEF, PAHO and the Ministry of Health. As a result, the SILAIS where PROSILAIS has been working come out as much stronger in terms of capacity for planning and implementation than do other SILAIS. In this sense, PROSILAIS has shown that decentralisation is possible. The integrated primary health care model put in place by PROSILAIS in six health districts has been a very important input to the formulation of the National Health Plan and National Integrated Health Care Mode.

A new agreement (2004-2009) was signed in December 2004, for the strengthening of the midwife function in Nicaragua. The Ministry of Health made important advances in terms of improved ownership for the project formulation and implementation. Another achievement was the integration of the midwife's function in the National Health Plan as an important way of tackling maternal mortality. The project will not only educate professional midwives, but also improve their opportunities and possibilities to exercise their profession. The Karolinska Institute will support schools of nursing during the implementation of the project.

#### *b) HIV/AIDS situation and trends*

According to official statistics the prevalence of HIV/AIDS is 0,2 per 1 000 of the population. Although the figure is still low, the fact that HIV/AIDS incidence has more than tripled in four years is a worrying trend. The National Health Plan recognises the increase in HIV/AIDS as one of the priorities and challenges facing the health sector. Its goal is to detain HIV/AIDS by 2015 and begin to reverse the trend of increased

3 Sida has supported the Nicaraguan health sector reform since 1992 through PROSILAIS. The Ministry of Health, the SILAIS (Local Integrated Health Care System) and the Municipalities implement the project with technical assistance from UNICEF and PAHO. The project aims to improve the health status of the population in six out of 17 SILAIS with special focus on vulnerable groups, by strengthening the capacity of the decentralised health care system based on community participation, social mobilisation methods, inter-institutional collaboration and evidence-based planning.

transmission by intensifying the identification of cases. The trends of HIV/AIDS and the actions taken to fight it should be monitored linked to the health rights approach to sexual and reproductive health matters.

*c) Support to Social Sector Development through UNICEF*

Since April 2003, support is provided to UNICEF's Country Programme through the following projects and components: (1) Water and Healthy Environment, (2) Education for Citizenship and Peace, and (3) Strengthening of the National and Local Health Systems (which includes social communication and prevention of STD/HIV/Aids among adolescents). The Swedish support is co-ordinated and to some extent harmonised with support from the Netherlands. To improve the efficiency and quality of their support, the donors have decided to have joint review meetings, monitoring missions, field visits and reporting, and as far as possible adhere to the internal reporting formats, mechanisms and timing of UNICEF. During 2004, a monitoring team was selected through an international bidding, to carry out an in-depth monitoring in the beginning of 2005. Besides providing the Swedish Embassy and Sida with important information concerning the implementation of the contribution, the monitoring will also serve the purpose of giving UNICEF input to the mid-term review of the country programme in 2005.

*d) Support to Regional Programme for the Improvement of Living Conditions Surveys (MECOVI)*

Sweden is supporting the second phase of the Regional Programme for the Improvement of Living Conditions Surveys (MECOVI) through UNDP and in close collaboration with a number of other donors and the World Bank. The second phase covers the period 2002-2005 and the Swedish contribution amounts 10 MSEK. At the end of 2003, it was decided that Sweden should give additional support of 5 MSEK, within the present agreement, towards a household survey on living conditions. The MECOVI project aims to strengthen the National Statistics and Survey Institute (INEC) by creating a national system for living standard surveys. The statistics generated through MECOVI have been instrumental for the follow up of the ERCERP.

*e) Support to the Emergency Social Fund (FISE)*

FISE has presented the final report on the Swedish support. The report is under review. Since 1995 Sweden contributed a total of approximately 8 million USD to FISE for infrastructure projects and institutional strengthening of municipalities. The main results highlighted by FISE are 35 infrastructure projects benefiting 17 000 persons, decentralisation of planning and project execution to the municipal level and citizen participation in the planning processes. No further support is planned.

### **3.3.3. Infrastructure, private sector and urban development**

*a) Fundación Prodel*

In January 2004 Sida decided on further support to the third phase of Prodel, amounting to 85 MSEK, for the coming five years. Out of this amount, 54.5 MSEK is a conditional loan for the credit funds. The new independent institution, *Fundación Prodel*, preserves the model for local development and the revolving funds for microfinancing of home-improvements and small business. The overall objective for Prodel, to improve the living conditions for poor families and to support local development, is maintained. Institutional development of *Fundación Prodel* itself is part

of its five-year plan, and it is foreseen that the new institution will be operationally and financially sustainable at the end of this agreement period. The regular external monitoring was carried out in June and showed that the expected results are being fully achieved. In December *Fundación Prodel* celebrated its first annual assembly, and new board members were incorporated.

### **3.3.4 Natural resources and environment**

#### *a) The process of developing a sector programme – PRORURAL*

A number of ministries and government institutions are involved in agricultural sector activities and rural development, among them the Ministry of Agriculture (MAGFOR), IDR (*Instituto de Desarrollo Rural*), INTA (*Instituto de Tecnología Agropecuaria*), and INAFOR (*Instituto Nacional Forestal*). These institutions are known as the SPA (Agricultural Public Sector), and they have the mandate to develop policies and strategies. Additional institutions collaborating in the agricultural sector and rural development are the FNI (*Financiera Nicaraguense de Inversiones*), FCR (*Fondo de Crédito Rural*), and the Ministry of Natural Resources (MARENA). So far they have been working rather independently, with variety of funding sources and a modest level of co-ordination in terms of project implementation.

The assessment of the Strategy for Productive Rural Development (SDRP/PND) established that the results and impact of projects in many cases do not meet the expectations of the investments made. It also demonstrated that agricultural productivity is not improving and the level of rural poverty remains deep. The SDRP called for a co-ordinated approach and indicated the importance of developing a strategic sector development plan with clear objectives, priorities and performance indicators set in a MTEF (2004-2008).

Based on Law 290 – Law of Organisation, Competence and Procedures of the Executive Power – MAGFOR is the leading institution for developing policies and strategies in the agricultural and rural productive sector. MAGFOR has received support from the donor community in the process of designing within the SPA, a SWAp-RP (Swap Rural Productive), which evolved from the SDRP into the related section of the PND-O (National Development Plan – Operative) and afterwards into PRORURAL. The overall co-ordination takes place within the framework of the Production and Competitiveness Roundtable in which government institutions and ministries, private sector organisations, organised civil society and the donor community participate. This round table (mesa) initiative is accompanied by the sub-mesa of Productive Rural Development and a donor community working group that follows and works closely in the formulation of PRORURAL.

In the process of developing PRORURAL there have been two joint government and donors missions for identification and pre-appraisal, respectively. Both have provided a variety of opportunities to integrate the issues presented by the involved institutions within a common strategy. The strategy document of PRORURAL is still a working document that is undergoing adjustments to reflect co-ordinated plans of the different institutions. Parallel to the development of the strategy document, the SPA is conducting, with the assistance of the donor community, the different assessments necessary to determine implementation base line and capacities. They are also beginning to draft the normative documents such as the Code of Conduct and Memorandum of Understanding.

#### *b) Fondeagro*

Fondeagro is an agriculture-led rural development programme implemented in six municipalities, within the agriculture-intensive and densely populated, central northern area, Matagalpa and Jinotega. The objective is to increase the income of farmers and their families by improving their productivity and the quality of their main products, coffee and dairy products.

The municipalities were selected on the basis of the number of variables, including their high productive potential, previous neglect of intervention in the area and the predominance of small and medium farmers. The criteria used for this selection are in accord with the National Development Plan (PND).

The first phase of the program took place between 2001 to mid 2004. The identification of lessons learnt provided the data to modify the implementation of the second phase. The second phase began its implementation with the same four components: technical assistance, agricultural extension, investments in homestead production and the commercialisation of their products; agricultural credit; land titling and institutional strengthening.

The single most important change in the strategy has been the emphasis on commercialisation of products. This entails product adaptation to meet market demands and volume management, and was mainly done through quality control for certification standards and product conservation. Due to market demands of volume consumption, farmers have been encouraged to spontaneously organise and achieve higher product availability. Fondeagro therefore has concentrated its activities on supporting farmers' organisations. This is also in line with GoN policy (PND-O) to develop economic clusters. Among the activities to support farmers' associations is the co-financing of farmers' investments, with the aim to achieve economies of scale in product processing and to strengthen their bargaining position in the national and international market. These activities are complementary to agricultural extension in terms of quality and volume requirements. A final component that has provided an increment in production has been the availability of credit. The expansion of this component has permitted remote areas to be able to access funds, which in the past were unavailable. As a complementary achievement the land titling component successfully delivered 359 titles to 522 beneficiary families, providing them the opportunity to access funds through conventional credit.

*The new agreement for Fondeagro Phase II (July 2004- December 2008) with a budget of SEK190 million was signed in June 2004.*

#### *b) Small Project Fund*

The Swedish support to the Small Project Fund, SPF, administered by the Technical Secretariat of MARENA (Ministry of Environment) ended in December 2004. The support has been channelled through the Danish Embassy in Managua, which is the lead agency for this project. At the end of 2004 a total of 172 projects had received financial support from the Fund. About 56% of the projects were in the area of conservation of natural resources, 26% in reduction of contamination, and the rest in a variety of other thematic areas each representing less than 3% of the projects financed. The Swedish contribution in 2004 amounted to USD 500 000.

In 2005 Danida will prepare a second phase of its National Environmental Programme in Nicaragua (PASMA) in which the Small-Project Fund is one component. Sida has indicated an interest in continuing to

support the Fund from 2006 and onwards through Danida depending on how this project is designed for the second phase

### **3.3.5 Research co-operation**

The research co-operation with Nicaragua entered into a new agreement period on 1 July 2004; the agreement will last through 30 June 2008. The support will continue to focus on activities within the four state universities (UNA, UNI, UNAN-León and UNAN-Managua) and the National Council of Universities (CNU). The main aim is to strengthen research capabilities in four areas of strategic importance: i) *health* – especially preventive medicine and infectious diseases; ii) *environment* – particularly interdisciplinary research on the effects of toxic chemicals and pesticides on the population and the environment; iii) *agriculture and natural resource management*; and iv) *technology* – with special emphasis on electrical and chemical engineering. All universities also aim to improve research management. CNU will continue to be a driving force behind the reform process of higher education and research in Nicaragua. An institutional assessment was made of CNU during the autumn, and the management routines and administration at CNU were found to be working well. Telemaco Talavera was elected president for CNU for another two years, and Arturo Collado has started as the new technical secretary at CNU.

Two annual meetings have been held with the universities during 2004. During the meeting in April details for the new phase were discussed with the different universities. During the meeting in November 2004 some achievements during 2004 and the activities plans for 2005 were discussed. A major issue that has been discussed is the suggestion by the Ministry of Finance that all donors should channel their funds through the governmental budget. This has implications for the support to the universities and the issue has not yet been settled.

During 2004 many of the research groups at the public universities have grown stronger and a number of students have finalised their undergraduate (Licenciatura) and PhD theses during 2004 (see below). Even more will finalise their theses during 2005. This is a major breakthrough for the universities, and many groups have now made strategic plans how to use the increased capacities. Many groups have started MSc-programs during 2004, which will form a basis for recruiting of new PhD-students. All universities have also followed a national process of self-assessment and external evaluations of their activities. The results from this constitute an important basis for the universities' future work.

An increasing number of the research groups are becoming involved in regional projects. UNA for example, has developed collaboration with regional organisations such as CATIE and during 2004 has worked on a proposal for a regional network called "Alliance for Change in the Higher Education to Transforming of the Agricultural, Natural Resources and Environmental Sector".

### **3.3.6 High level contacts between Sweden and Nicaragua**

In February the Swedish Minister for International Development Co-operation Ms. Carin Jämtin visited Nicaragua, and in March President Bolaños visited Sweden.

### **3.4 Brief Account of Sida Support to Regional Co-operation Programmes of Relevance for Nicaragua**

#### **3.4.1 Regional programme on natural resources and the environment**

This regional thematic programme was originally launched in 2002 and revised in 2004. The main objectives are to contribute to poverty reduction in rural areas and reduced ecological vulnerability through co-operation with regional institutions, organisations and projects active in the area of sustainable management of natural resources and environmental protection. The activities are complementary to bilateral projects and intended to strengthen knowledge building and institutional capacity as well as to create platforms for dialogue and joint policy development based on shared problems and needs in the thematic area.

One of Sida's main collaborating partners in this programme is the *Centro Agronómico Tropical de Investigación y Enseñanza (CATIE)* with headquarters in Turrialba, Costa Rica. The centre receives core support for applied research, education and outreach activities, which have a high impact on knowledge generation and provides the region with trained manpower. CATIE is also executing Focuecas, which is a regional methodology development and dissemination project on integrated watershed management with field activities in Nicaragua and Honduras. Focuecas has been extended to a second phase (2004-2008).

Furthermore, support is given to *PRISMA* in El Salvador, an independent think-tank focusing on the relationships between rural poverty and the management of natural resources; to the *Central America Commission for the Environment and Development (CCAD)*, and for scholarships at EARTH University in Costa Rica.

Planning support has been provided to an alliance of seven agricultural universities in the region who are working on a proposal for a project of inter-institutional collaboration to be presented to Sida in early 2005. Similar planning support has been provided to CCAD/IUCN for finalising the proposal of a project for capacity building in Environmental Impact Assessment (ERA) in the region for possible co-financing by Sida and the Netherlands. Support has also been provided to CATIE for the organisation of a regional conference on "New Approaches to Rural Poverty Reduction in Central America" to take place during the first semester of 2005.

#### **3.4.2 Regional Health Programme**

A regional approach in the health sector has been discussed, considering the need to link the knowledge and best practice between the countries according to the Regional Strategy (Nicaragua, Honduras, and Guatemala). Primarily two areas have been identified, HIV/AIDS and Sexual and Reproductive Health and Rights (SHRED). Regional missions and activities have been planned for 2005.

#### **3.4.3 Regional Culture Programme**

In 2003 a Regional Programme for Culture was initiated to support regional networks on libraries, museums and theatre. In Nicaragua the Nicaraguan Institute of Culture is the counterpart, and the support is linked to the previous bilateral support to the National Library, municipal public libraries and museums. As in previous phases the Swedish Royal Library, the Swedish Historical Museum and the Institute of Drama are institutional counterparts. During 2004 the programme has developed well in Nicaragua; the administrative obstacles that had hampered the programme have been overcome.

## **3.5 Office and administrative issues**

### **3.5.1 Resources and staffing**

The Embassy staff consists of 24 persons, including Ambassador, Counsellor/Economist, Head of Administration, two Programme Officers, Regional Officer/Advisor (environment), Associate Bilateral Expert (BBE), UD-financed Assistant, two National Programme Officers (NPO), seven administrative staff members, three supporting staff members and four cleaners/gardeners.

During 2004 six persons have been exchanged: one Programme Officer, the Regional Officer/Advisor, the Assistant from the Ministry of Foreign Affairs, the Cashier and two National Programme Officers.

A student from the University of Lund has done her trainee work at the Embassy during the fall.

### **3.5.2 Improved quality**

The Embassy has strengthened the quality of work, which was initiated during 2003, i.e. introduced office routines and a controller function. Employment conditions for local staff have been established.

A thorough revision of the salary scheme for local staff has been made, and the currency for local salaries has been changed into US-dollars.

The local staff has undergone health examinations at the Metropolitan Hospital. As the medical results were not satisfactory, efforts have been made on measures to improve the health status i.e. construction of a small gym, lectures by a nutritionist, massage and salsa/pilates twice a week. The contract between the Embassy and the Hospital has considerably facilitated the administration of health services.

### **3.5.3 Bottlenecks**

The standard of the Chancellery is deteriorating. Repair work has constantly been going on during the year, which has caused considerable inconvenience to the staff. This can not continue. The Embassy has proposed that a total renovation take place.

The IT-problems have continued causing considerable extra work for all the staff.

# Annex 1

## Fact Sheet

### Selected Socio-Economic Indicators

(Based on the Human Development Report 2004 unless otherwise indicated)

Indicator	Nicaragua
Income poverty,% of population <sup>1</sup>	45,8
Extreme poverty,% of population <sup>2</sup>	15,1
GNP per capita, USD <sup>3</sup>	779
Gini coefficient,% <sup>4</sup>	0,584
Share of income (or consumption) by 20% poorest,%	3,6
Health expenditures, USD per capita <sup>5</sup>	20
Education expenditure; USD per capita <sup>5</sup>	20
Children in primary school,% of age group <sup>6</sup>	79
Maternal mortality rate per 100 000 births	230
Infant mortality rate per 1 000 born	32
Under 5 mortality rate per 1 000 born	41
Births attended by specialised health professionals,%	67
Access to clean water,%	77
Illiteracy rate,%	76,7
HIV-AIDS incidence	0,2 (0,1-0,3)

<sup>1</sup> Nicaragua: National poverty line, LSMS 2001; other countries international poverty line 2 US\$/day

<sup>2</sup> Nicaragua: National poverty line, LSMS 2001; other countries international poverty line 1 US\$/day

<sup>3</sup> Based on Nicaragua Development Policy Review, Concept Paper. The World Bank. By Ulrich Lächler, 2003

<sup>4</sup> Data refers to 2000. Table 1.2 in "Segundo Informe sobre Desarrollo Humano en Centroamérica y Panamá, 2003, PNUD/ Proyecto estado de la region, San José, Costa Rica, ISBN 9968-806-23-4

<sup>5</sup> Data refers to 1996-97. Source:Table 3.2 in "Nicaragua Public Expenditure Review". World Bank December

# Annex 2

## Portfolio Review Nicaragua 2004

### Country allocation and Budget support

Country allocation	185,0 MSEK
Totally Disbursed from Country Alloc.	196,0 MSEK
Disbursed in Budget support	60,0 MSEK

### Disbursements per sector

	<b>FC 2004</b>	<b>DISB 2004</b>	<b>FC2005</b>	<b>FC2006</b>	<b>FC2007</b>
HRDEM	84,8	84,5	93,3	77,7	48,2
Social	45,6	45,6	47,1	43,6	40,3
Infra	30,1	30,1	28,6	23,6	5,7
Natural Res.	35,0	35,0	79,1	61,4	42,5
Other	0,5	0,4	2,4	2,0	2,0
Budget Support	0	0	60,0	80,0	80,0
<b>Total from Country Allocation</b>	<b>196</b>	<b>196</b>	<b>310,5</b>	<b>288,3</b>	<b>218,7</b>
Budget Support	60,0	60,0	0	0	0
Research	27,9	27,5	35,1	24,2	23,5
<b>Grand Total</b>	<b>283,9</b>	<b>283,5</b>	<b>345,1</b>	<b>312,5</b>	<b>242,20</b>

## Assessments

	<b>Planned</b>	<b>Initiated</b>	<b>Completed</b>
Forum Syd (Equity)	1	1	1
Forum Syd (Demo)	1	1	1
Civil Society	2	2	2
Judicial Observation	1	1	0
Midwifery	1	1	1
SPS Health	1	1	0
PRODEL III	1	1	1
AMUNIC	1	1	0
FONDEAGRO	1	1	1
Social Science	1	1	0
Police III	1	0	0
RAAN-Asdi-RAAS IV	1	0	0
Law Bar Assoc	1	0	0
Alternativ Conflict Res	1	1	0
Prosecution of Violence	1	1	0
<b>Total</b>	<b>16</b>	<b>13</b>	<b>7</b>

## Decisions on contributions not included in the Country Plan

Under 2 MSEK	15 (all within the Programme Development Fund, PDF)
Over 2 MSEK	1 (FINARCA)

## SAK-weeks

**Planned: 7    Completed: ?**

# Annex 3

## Strategic Documents Received

### Reports from UN-organisations

*Informe sobre Desarrollo Humano 2004* – “La libertad cultural en el mundo diverso de hoy”.

Programa de las Naciones Unidas para el Desarrollo (PNUD)

*Objetivos de Desarrollo del Milenio y Metas Nacionales de Nicaragua* – “Escenarios de inversión social al 2015 para alcanzar los objetivos en educación, salud, agua y saneamiento”.

Programa de las Naciones Unidas para el Desarrollo (PNUD)

*Análisis cualitativo de la situación del trabajo infantil en Nicaragua 2003* – OIT/IPEC

### Reports and policy documents from the government

*Plan Nacional de Desarrollo Operativo 2005–2009* – Septiembre 2004

*Informe Anual de la Procuraduría para la Defensa de los Derechos Humanos* – 2003

*Encuesta Nicaragüense para Personas con Discapacidad ENDIS 2003* – Informe General – Agosto 2004

*Política Nacional de Salud 2004–2015* – MINSa – Mayo 2004

*Nicaragua Reporte de Pobreza* – Volumen I Reporte Principal “Desafíos y Oportunidades para la Reducción de la Pobreza”

*Informe de la Situación Alimentaria Nutricional 2004* – Ministerio Agropecuario y Forestal, Departamento Seguridad Alimentaria

*Revista del Poder Judicial* – Facilitadores Judiciales Rurales de Nicaragua – Junio 2004

Ediciones del Centro de Documentación e Información Judicial

### Reports from NGOs

*Cairo + 10 – Nicaragua “Diagnóstico Nacional 1994–2002”*

“Atenea: El monitoreo como práctica ciudadana de las mujeres” – Junio

2004 SI MUJER – Servicios Integrales para la Mujer y

RSMLAC – Red de Salud de las Mujeres Latinoamericanas y del Caribe

*Memoria del Seminario “Fortalecimiento de la Sociedad Civil en Nicaragua”* – Julio 2003, Federación de Organismos No Gubernamentales de Nicaragua – FONG

*Memoria Seminario “Los Desafíos de los Movimientos Sociales y ONG en el Contexto actual de la Globalización”* – Abril 2004

Federación de Organismos No Gubernamentales de Nicaragua – FONG

*Informe Anual 2003 – Derechos Humanos en Nicaragua – Febrero 2004*

Centro Nicaragüense de Derechos Humanos – CENIDH

*Memoria Seminario “Las ONG y la Cooperación – Noviembre 2003*

Federación de Organismos No Gubernamentales de Nicaragua – FONG

*Maquila en Nicaragua...una esperanza? Conflictividad laboral en la maquila.*

Un análisis desde la práctica de los derechos humanos” – Noviembre 2003

Centro Nicaragüense de Derechos Humanos – CENIDH

### **Other reports and studies including PhD theses**

*La cooperación de Suecia hacia niñas, niños y adolescentes en Nicaragua –*

Noviembre 2004 – Lic. Nelly Castillo

*Reducing Poverty in Nicaragua – The importance of employment and labour market policies*

December 2004 – Lena Westerlund

*La Corrupción en Nicaragua ... de algunos expedientes, hechos y personajes –*

Agosto 2004 – Manuel Aráus Ulloa et al. UCA – Danida

*Sustento y sostenibilidad en la frontera agrícola – “La evolución de la frontera*

en el sudeste de Nicaragua” – Enero 2002

Matilde Mordt

*Evaluation of Nicaraguan Common Bean Landraces –*

Oscar Gomez- UNA

*A complex of Begomoviruses Affecting Tomato Crops in Nicaragua –*

Aldos Rojas – UNA

*Mental Health in Nicaragua – Trinidad Caldera – UNAN-Leon*

*Rotavirus in Pediatric Gastroenteritis in Nicaraguan Children – Felix Espinosa – UNI*

*Drying of Multicomponent Liquid Films – Fabio Luna*

*Geometry-Based Mobile Radio Channel Models For Urban Environments – Marvin Arias*

# Annex 4

## Country report – Nicaragua

### Country report - Nicaragua

#### Outcome and forecast in TSEK

Responsible Unit	(All)
Main Sector	(All)

**Delimitation:**  
**Status: I, P, A and C (agr end > 200400 or Outcome < 0)**  
**Region/Country: Nicaragua**  
**Other:**

Allocation Frame	Allocation Account	Sub Sector	Data			
			Outcome 2004	Outcome 2005	Forecast 2005	Forecast 2006
Inside country allocation	15521 Nicaragua	-	0	0	0	1 000
		100 Human rights	6 048	2 027	8 585	1 935
		109 Human rights	13 239	4 892	22 626	6 715
		110 The legal system	18 591	9 831	20 276	30 800
		120 Democracy	23 536	5 790	27 369	24 505
		129 Democracy	-3	0	1 000	1 000
		131 Central public administration	9 690	0	8 239	11 200
		132 Financial administration	1	0	150	0
		133 Local administration	2 513	0	34	0
		139 Other within government and public adm	4 500	0	540	0
		140 Promotion of peace and conflict management	6 600	0	3 500	0
		200 Primary education	0	0	0	0
		210 Health care system	798	0	40 000	40 000
		211 Health service	1 224	0	5 005	5 500
		212 Public health	318	0	107	0
		219 Other within health care	20 582	1 170	2 905	0
		291 Basic provisions	0	0	0	0
		292 Culture	0	0	0	0
		294 Population issues	2 500	0	2 500	0
		299 Other within social sectors	20 200	0	11 600	8 100
		300 Transport	0	0	0	0
		301 Tele, post, & IT communications	388	0	0	0
		304 Housing and construction	0	0	7 700	0
		305 Urban development	29 816	17 420	20 996	23 650
		310 Trade and industry	0	0	0	0
		311 Financial sector	-5	0	0	0
		400 Land	31 426	14 843	72 629	58 900

Allocation Frame	Allocation Account	Sub Sector	Outcome 2004	Outcome 2005	Forecast 2005	Forecast 2006
Inside country	15521 Nicaragua	401 Water	0	0	0	0
		409 Other natural resources	3 648	0	6 613	2 500
		900 Information & communication	107	91	351	0
		920 Other	364	60	60 960	0
	<b>15521 Nicaragua</b>	<b>Total</b>	<b>196 081</b>	<b>56 125</b>	<b>324 975</b>	<b>215 805</b>
<b>Inside country allocation Total</b>			<b>196 081</b>	<b>56 125</b>	<b>324 975</b>	<b>215 805</b>
Outside country allocation	15528 Central America	305 Urban development	0	0	0	0
	<b>15528 Central America</b>	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	15551 Research	202 Higher education	27 500	9 591	36 731	25 340
	<b>15551 Research</b>	<b>Total</b>	<b>27 500</b>	<b>9 591</b>	<b>36 731</b>	<b>25 340</b>
	15561 Non-governmental organisations	100 Human rights	322	0	0	0
		109 Human rights	-16	0	0	0
		110 The legal system	22	72	706	0
		120 Democracy	3	112	112	0
		129 Democracy	-11	0	0	0
		199 Other within HR & Demo	5 013	1 862	4 483	1 587
		200 Primary education	76	38	75	0
		203 Vocational training	-2	0	0	0
	209 Other within education	2 749	1 084	2 412	432	
	210 Health care system	26	13	26	0	
	211 Health service	525	215	501	121	
	219 Other within health care	583	285	673	222	
	292 Culture	0	0	0	0	
	299 Other within social sectors	1 299	342	704	7	
	303 Water supply and sanitation	4	2	4	0	
	304 Housing and construction	0	0	0	0	
	310 Trade and industry	653	468	957	0	
	311 Financial sector	23	8	24	0	
	399 Other within infra, trade etc	561	371	782	46	
	400 Land	0	0	0	0	
	409 Other natural resources	741	642	1 313	0	
	499 Other natural resources	2 325	1 155	2 337	0	
	920 Other	405	-1	0	0	
	929 Other	1 227	708	1 447	0	
<b>15561 Non-governmental organisations</b>	<b>Total</b>	<b>Total</b>	<b>16 528</b>	<b>7 375</b>	<b>16 556</b>	<b>2 415</b>
15571 Humanitarian assistance		219 Other within health care	0	0	0	0

Allocation Frame	Allocation Account	Sub Sector	Outcome 2004	Outcome 2005	Forecast 2005	Forecast 2006
Outside country	15571 Humanitarian	291 Basic provisions	2 000	0	0	0
	<b>15571 Humanitarian assistance</b>	<b>Total</b>	<b>2 000</b>	<b>0</b>	<b>0</b>	<b>0</b>
	15581 Economic reforms	920 Other	60 000	0	0	0
	<b>15581 Economic reforms</b>	<b>Total</b>	<b>60 000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Outside country allocation Total</b>			<b>106 028</b>	<b>16 966</b>	<b>53 287</b>	<b>27 755</b>
<b>Grand Total</b>			<b>302 109</b>	<b>73 091</b>	<b>378 262</b>	<b>243 560</b>



*Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.*



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