

Evaluation of the Nicaragua Component of the USAID/CAM Regional Transparency, Anti- Corruption and Accountability Program

FINAL REPORT

Prepared by William J. Cartier

Submitted to USAID/Nicaragua

April, 2011

DISCLAIMER

This assessment report was prepared by William Cartier for review by USAID/Nicaragua. The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

Table of Contents

| SECTION | PAGE |
|---|-------------|
| List of Acronyms | 3 |
| Executive Summary | 6 |
| Introduction | 8 |
| Section 1: Context, Objectives and Activities | 8 |
| Section 2: Main Achievements | 18 |
| Section 3: Problems and Issues | 22 |
| Section 4: Lessons Learned | 38 |
| Section 5: Recommendations | 41 |
| Appendix A: List of Interviewees | 46 |
| Appendix B: List of Documents and Materials Consulted | 50 |

LIST OF ACRONYMS

| | |
|---------|--|
| AAIN | Nicaraguan Association of Internal Auditors |
| AJALNIC | Nicaraguan Association of Trial Lawyers |
| AMCHAM | American Nicaraguan Chamber of Commerce |
| BSA | Bureaucratic Simplification Assessment |
| C&A | Casals and Associates |
| CAFTA | Central American Free Trade Agreement |
| CAS-UCA | Center for Social Analysis Central American University |
| CEAV | Antonio Valdivieso Ecumenical Center |
| CDM | Municipal Development Committee |
| CGR | Comptroller General's Office |
| CONADER | National Commission of Law Faculties |
| COP | Chief of Party |
| CORASA | Western Radio Corporation, Inc. |
| CPC | Citizen Power Council |
| CRR | Radio Romance Corporation |
| CSE | Supreme Electoral Council |
| CSO | Civil Society Organization |
| CTO | Cognizant Technical Officer |
| CxT | Citizenship for Transparency in Politics |
| DGCE | General Direction for Government Procurement |
| DGI | Tax Administration Office |
| EVT | Voluntary Transparency Strategy |
| EyT | Ethics and Transparency Civic Group |
| FSLN | Sandinista National Liberation Front |

| | |
|----------|--|
| FVBCh | Fundación Violeta Barrios de Chamorro |
| FUNDEMOS | Grupo FUNDEMOS |
| GON | Government of Nicaragua |
| GPRE | Electoral Reform Support Group |
| GS-CICC | Follow Up Group on the IACC |
| IACC | Inter-American Convention against Corruption |
| IEEPP | Institute of Strategic Studies and Public Policies |
| IEN | Institute of Nicaraguan Studies |
| IFES | International Foundation for Electoral Systems |
| IPADE | Institute for Development and Democracy |
| JUDENIC | Youth for Nicaraguan Democracy |
| LAPOP | Latin American Public Opinion Project |
| LLR | Lower Level Result |
| MDC | Municipal Development Committee |
| M&E | Monitoring and Evaluation |
| MINSA | Health Ministry |
| MTI | Ministry of Transportation and Infrastructure |
| NDI | National democratic Institute |
| NED | National Endowment for Democracy |
| NGO | Non-Governmental Organization |
| ODC | Office of Public Complaints |
| OEP | Office of Public Ethics |
| PGR | Public Prosecutor |
| PLC | Constitutionalist Liberal Party |
| PMP | Performance Management Plan |

| | |
|-----------------------------------|--|
| PROBIDAD | Probity Network (Nicaragua) |
| QPR | Quarterly Performance Report |
| RFP | Request for Proposal |
| SCE | Strategic Communications Secretariat |
| SEJUVE National Youth Secretariat | |
| SubIR | Sub Intermediate Result |
| STTA | Short Term Technical Assistance |
| T/AC | Transparency, Anti-Corruption and Accountability |
| TO | Task Order |
| UCA | Central American University |
| UNCAC | United Nations Convention against Corruption |
| UNFP | United Nations Food Program |
| UNO | National Opposition Union |
| USAID | United States Agency for International Development |
| USG | United States Government |

Executive Summary

This document reports on the results of an assessment of the Nicaragua component of the USAID/CAM Regional Transparency, Anti-Corruption and Accountability (T/AC) Program, implemented by Casals & Associates between 2005 and 2009 in Guatemala, El Salvador, Nicaragua and Panama. The objectives of the assessment evaluation are to evaluate whether the Nicaragua component of the T/AC program met its objectives; what have been its impacts; the major problems encountered in T/AC implementation and the lessons learned and recommendations for future USAID/Nicaragua programming in this area.

The T/AC program RFP had been designed in 2004 in the context of the negotiation of CAFTA, and its design was informed by the view that the region had made considerable progress towards stable, democratic systems of government. Similar to its neighbors, Nicaragua had experienced a successful transition to democracy, which had allowed for three consecutive periods of democratically elected government since the 1990 elections. However, as the recent USAID/Nicaragua DG Assessment, carried out in 2010, contends, more or less at the time that the T/AC RFP was being designed and the Task Order awarded, Nicaragua was entering an institutional crisis that would reverse many of the gains made during the democratic transition in the 1990s.

In the T/AC regional Task Order the overarching objective was “to reduce the level of corruption that is experienced by citizens”. This objective was expressed in four Sub IRs, as follow: more transparent systems for management of public resources by the national government; increased devolution of responsibilities and resources to the local level resulting in greater responsiveness by local governments; more opportunities for citizen participation in and oversight of national government decision-making; and increased accountability of elected and appointed officials. The Sub IRs were disaggregated into thirteen Lower Level Results (LLRs) understood as distinct program areas. The Nicaragua component of the program incorporated eleven of these LLRs.

The assessment concludes that the changed political context of the country had a major impact on the T/AC program, impeding the program from meeting many of its objectives. Indeed, in response to the increasingly adverse political context, the Nicaragua component of the T/AC program suffered a major modification in 2008, eliminating many of the program areas. However, the assessment also concludes that the original RFP suffered from serious design flaws, including its overly ambitious scope, reflected in the large number of LLRs and activities. Even in a more favorable context, the program would have faced difficulties in meeting its objectives.

The interviewees pointed out that the Nicaragua component of the T/AC program did produce some important achievements: increased public awareness of corruption issues and policies and the incorporation of transparency and accountability into the policy agenda; coordinated action by CSOs in monitoring IACC implementation; the development of approaches and tools for citizen oversight of government at the national level; legislative approval of the Access to Public Information Law; new approaches to citizen participation and oversight of local Government and involvement of CSOs in advocacy for political party and elections reform. Many of these initiatives, supported by USAID, have continued with funding from other donor agencies.

The achievements listed above were fruit of the support to NGOs working at the national and local government levels in developing approaches to oversight of government. However, the project

made no progress towards sustained institutional reforms in the executive branch beyond the Access to Public Information Law, which it should be noted, has remained essentially a dead letter under the current FSLN government.

Among the major program management problems encountered was the shift in the overarching program objective, from reducing corruption to objectives such as “enhancing capacity” to promote transparency, a shift that is reflected in the absence of concrete measures of impact in reducing corruption in public institutions. The major impact indicator discussed in the final report presented by C&A to USAID was the number of GON officials trained or citizens attending civic education events (see a full discussion of this point below on page 10). These problems, coupled with the dispersion of T/AC Nicaragua resources in multiple program areas and activities, meant that during the first three years of implementation the program was unable to engage the GON in identifying and carrying out specific reforms.

USAID/Nicaragua effected a major modification of the T/AC country program in 2008, focusing efforts exclusively on the local government level, and more specifically on promoting electoral participation. The assessment concludes that this decision, which was based on short term foreign policy considerations, was damaging for USAID’s long term efforts to support democratic development in Nicaragua. First, because its support for electoral participation was perceived as partisan in its focus by many of the Nicaraguan observers consulted for this assessment. Without prompting, most of the direct grantees interviewed declared that the intent of the grants was to forestall a FSLN victory in the municipal elections. And second, because it abandoned those activities with NGOs that had shown some success, i.e., support for the development and application of approaches and tools for oversight of national government.

With respect to lessons learned and recommendations for future programming, the assessment concludes that USAID should design RFPs with a tighter focus, fewer activity areas and more concentration of resources on interventions in targeted public sector institutions. Anti-corruption programs need clear commitment from the government, commitments which should be reviewed and renewed frequently. At the same time, USAID program managers should work with contractors to develop performance indicators to measure institutional change, using indicators that are useful for public sector managers in counterpart entities.

Other recommendations highlight the need to focus on long term objectives in strengthening democratic institutions and to provide sustained support to build the capacity of NGOs. The assessment questions the rationale for local level interventions in the area of transparency, recommending that USAID weight the possibilities for effective programming in circumstances of local elite capture or absence of political will. Added to this, in the current political context, national level interventions represent a better strategic choice. Finally, we recommend that future anti-corruption programs not be regional in scope.

Introduction

The purpose of this evaluation is to evaluate the Nicaragua component of the Central America/Mexico Transparency and Anti-Corruption (T/AC) program, implemented by Casals & Associates during 2006-2009 in Guatemala, El Salvador, Nicaragua and Panama. The questions addressed by the evaluation are:

- Did the Nicaragua component of the T/AC program meet its main objectives?
- What have been the lasting impacts of the Nicaragua T/AC program?
- Was the technical assistance provided adequate to the Nicaraguan context?
- What were the major problems encountered in the management of the T/AC program?
- With the benefit of hindsight, is there anything that might have been done better to advance the program objectives?
- What are the lessons for future USAID Nicaragua programming in this area?
- In the current political environment, how feasible is it to undertake anti-corruption assistance?

The evaluation is based principally on interviews with stakeholders in Nicaragua during November-December, 2010 and review of program reports and deliverables and deliverables of program grantees. A list of the interviewees is found in Appendix A, below. They include the USAID/Nicaragua program manager; three of the contractor's program managers, and most of the major grantees or sub-contractors, as well as three senior government counterparts from the Bolaños government. We did not interview former COPs. The evaluation also takes into consideration T/AC progress reports, final reports, reports on program indicators and other T/AC technical documents and documents produced by T/AC partners and grantees. A list of the documents and other materials reviewed for the evaluation is in Appendix B.

The author wishes to thank Jessica Zaman, Luz Marina García, Palak Shah and Mary Ann Shepherd of USAID Nicaragua for their valuable inputs and assistance in carrying out this assessment and commenting on the first draft. Thanks also to the interviewees and especially to the former T/AC staff for taking the time to share their views and recommendations. Special thanks go to Ondina Olivas for assistance in the assessment logistics.

Section 1: Context, Objectives and Activities

In this section we will look at the project context and objectives, as well as the evolution of the project activities over time. Particular emphasis will be on those factors that hindered achievement of the T/AC project results, including aspects of project decision-making and management.

1.1 Context

USAID's programming in the field of transparency and accountability is premised on the existence of some minimum prerequisites for democratic government. It is difficult to imagine how USAID or any other donor agency could effectively support strengthening of transparency and accountability in government in the absence of relatively free and fair elections, separation of powers, independence of the judiciary, freedom of the press and the effective right to political organization and

action. It seems reasonable to expect that when these conditions are not met, or only partially, USAID programming in the area of transparency and accountability will be less effective.

This is not to say that strengthening of transparency and accountability can only occur in stable democracies. As a development agency, USAID is often engaged with highly incomplete democracies. Nevertheless, the decision to support programming in transparency and accountability is a question of the institutional context. Is there a stable constitutional and legal context to support an anti-corruption initiative? Does the political context offer opportunities for progress through new policy initiatives; legislation in key areas such as freedom of information, conflict of interest, disclosure of assets of public officials, procurement reform, etc.; and increased political will and independence of judicial and control institutions in prosecuting corruption cases?

These questions are addressed in the T/AC project RFP and the Task Order. From USAID's perspective, there had been considerable progress towards a stable democratic system of government throughout the region.

USAID assistance to the region over the years has been instrumental in instituting free and fair elections, a stronger system of checks and balances (including strengthened audit authorities and ombudsmen), devolution of authority to regional and local levels, and the rebuilding of a network of private organizations to channel citizen input into more open, transparent and accessible decision-making as well as citizen oversight of public investment.

The language of the Task Order reflected a consensus that Central America had passed a threshold with respect to stable democratic institutions. As one early review of democratic development in Central America has noted, for many observers by the mid-1980s there had occurred a remarkable "outbreak" of elected governments—with the inauguration of President Cerezo Arévalo in Guatemala for the first time in memory all five of the countries in the region had democratically elected governments.¹ Since then the institutionalization of democratic systems of government continued apace—as epitomized by the Nicaraguan elections of 1990 which saw the peaceful transfer of power between the FSLN and the UNO government under Violeta Barrios Chamorro.

With the 1990 elections Nicaragua began an unprecedented period of four consecutive periods of democratically elected government, a negotiated end to the civil war, and the demobilization of irregular forces, followed by a 1995 Constitutional Reform that reinforced liberal democratic principles, strengthened the separation of powers and judicial independence; submitted the Army and Police to civilian control, and increased the autonomy of sub-national governments. At the same time, Nicaragua experienced a substantial increase in press freedoms and respect for freedom of organization and assembly, evidenced by a growing number of CSOs. However, as the recent USAID/Nicaragua DG Assessment contends, more or less at the time that the T/AC RFP was being designed and the Task Order awarded, Nicaragua was entering an institutional crisis that would reverse many of the gains made during the democratic transition in the 1990s.

¹ See J. A. Booth 1989. "Elections and Democracy in Central America: A Framework for Analysis". In J. Booth and M. Seligson (ed.) Elections and Democracy in Central America, Vol. 8. Chapel Hill: The University of North Carolina Press.

The crisis was the result of a decision in 1999-2000 by elites within the two main political parties (PLC and FSLN) to enter into a “pact” to divide up control of the Supreme Court, Supreme Electoral Council (CSE), Attorney General, Public Prosecutor (PGR), and Comptroller (CGR). As well as ensuring the political and over time the pact was extended to cooperation between the FSLN and PLC on legislative initiatives. The perverse impact of the PLC-FSLN pact on democratic institutions became apparent in the Bolaños government (2002-2007), as a result of the investigation, prosecution and sentencing of ex-president Arnoldo Aleman on corruption charges.

In response, the PLC and FSLN agreed on a constitutional reform taking away executive powers in key policy areas and at the same time initiating an impeachment process against Bolaños. The President refused to recognize the reforms; and it took a ruling by the Central American Court of Justice and constant mediation by the OAS over the course of several months to bring the country back to a constitutional government. As the conflict between Bolaños and Aleman heated up in 2003, the “arnoldista” faction of the PLC made common cause with the FSLN and blocked many of the incumbent government’s legislative initiatives.

For much of the period, the Bolaños government was limited to making policy within the executive branch. As one trenchant observer put it, the main opposition party during the Bolaños government was in fact the PLC! But there were important exceptions, including the passage of legislation approving CAFTA and a Public Participation Law. In the field of transparency and anti-corruption reforms, too, the Bolaños government initially showed progress, not only in the decision to investigate and prosecute ex-president Arnoldo Aleman, but also in promoting policy reforms. The Bolaños government signed the United Nations Convention against Corruption (UNCAC) in 2003 and ratified it in 2006. It also took steps to bring into force the Inter-American Convention against Corruption (IACC) by designating a “central authority” responsible for coordinating policies to implement the provisions of the IACC.

The entity responsible for IACC implementation was the newly created Office of Public Ethics (OPE) in the Presidency. The OPE, along with the Secretary of Strategic Communications (SSC) also in the Presidency, attempted to develop a national anti-corruption policy. Many of the proposed actions built on the experience of the National Integrity Committee (NIC) created in 1999 during the Aleman government. However, most of the important policy proposals, including the Access to Public Information Law, suffered significant setbacks and delays, as the Bolaños government dedicated increasing energies to fending off attacks by the FSLN and PLC.

Thus, for the USAID-Nicaragua T/AC program, just beginning activities in 2005, this situation was hardly propitious for a major anti-corruption initiative in partnership with the GON. Outside of the executive branch, the main control agencies—CNG and PNG—and the judiciary were firmly under the control of the PLC-FSLN pact. As a result of these and other factors, the T/AC program made little headway in the first year in developing strategies with government; and as we will describe in detail below, from the beginning of the project most efforts would go towards supporting civil society initiatives.

More importantly, for the T/AC program, the power sharing agreement led to the division of the center-right electorate between the PLC and the NLA and an eventual Sandinista victory in the 2006 national elections. Since then, FSLN/PLC control over the other state institutions has worked to undermine the separation of powers and the independence of the CSJ and the lower judiciary, the CSE, and the AG, as well as immobilizing the offices of the Public Prosecutor and Comptroller. This process

culminated in an electoral fraud perpetrated by the CSE during the 2008 municipal elections. In other words, just at the moment in which the T/AC project was starting up, Nicaragua was experiencing a precipitous deterioration of its democratic institutions.

Once in power, the FSLN government also took a series of measures aimed at limiting the activities of civil society organizations (CSOs). One key measure was the establishment of Popular Power Councils (CPCs) as the preferred channel for popular participation. Other kinds of CSOs, independent of FSLN control, were marginalized and excluded from decision-making. Over time, the government began to take more aggressive measures, harassing CSOs and independent media organizations. Similarly, the government began to exert pressure on donor agencies to reduce their support to NGOs deemed to be hostile to Sandinista interests. One telling example was the decision of the Multi-Donor Anticorruption Fund in 2009 to bow to government pressure to suspend support to CSOs working in transparency and anti-corruption activities

The increasingly authoritarian tendencies came to a head during the 2008 municipal elections, in which the CSE orchestrated an electoral fraud denying the PLC victory in some forty municipalities, including most of the departmental capitals. The fraud was well planned, involving manipulation of the voter registry through political control over issuance of identity cards, refusal or delays in recognizing opposition parties, refusal to allow independent election observers to work unhindered, harassment of NGOs and media outlets, and finally, falsification of the results in individual polling stations. Subsequent to the municipal elections and the change from PLC to FSLN local governments, the Sandinistas moved to close off spaces for democratic deliberation at the local level, reinforcing the CPCs, and marginalizing the Municipal Development Committees (MDCs) established by the Citizen Participation Law passed under the Bolaños government.

1.2 T/AC Objectives

Set against this increasingly adverse institutional context, in retrospect the objectives of the T/AC Task Order seem challenging indeed. The Task Order recognized that in the course of the transition to stable, democratic systems of government in Central America, one of the critical emerging problems was corruption, which in addition to siphoning off scarce public resources from policy areas such as health, education and infrastructure, is seen to have a corrosive impact on citizen support for democracy.²

This Anti-corruption, Transparency & Accountability Program seeks to help the region's new system of democratic governance increase equitable access to public resources and services, thereby strengthening the legitimacy and commitment to democracy on the part of the public at large. Controlling corruption is a task of generations.... The key challenge for the Contractor will be to assist the Government in each participating country, the private sector, civil society and other key actors to work together to slow and begin to reverse the significant expansion of corruption that has occurred over the recent past, improve transparency, and project to the public credible and effective stewardship of the country and of public resources.

² This general argument is supported by comparative empirical research on democratic values, carried out by the Latin American Public Opinion Project (LAPOP). According to LAPOP studies of Nicaragua in 2004, 2006, 2008 and 2010, people who experience corruption tend to show lower levels of support for democratic government.

In the Task Order the overarching objective was “to reduce the level of corruption that is experienced by citizens...as well as to increase the level of transparency and government accountability”.³ Following the CAM results framework, this objective was expressed in four, specific Sub IRs, as follows:

- **Sub IR 2.1:** More transparent systems for management of public resources by the national government
- **Sub IR 2.2:** Increased devolution of responsibilities and resources to the local level resulting in greater responsiveness by local governments to citizen needs
- **Sub IR 2.3:** More opportunities for citizen participation in and oversight of national government decision-making
- **SUB IR 2.4:** Accountability of elected and appointed officials improved

The relative importance of these results varied across each of the participating countries, however, all four of the participating countries carried out activities in all of the Sub IRs, and usually in all or most of the respective LLRs. In other words, the objectives of the T/AC program were very ambitious indeed, in that they touched on multiple areas of public policy reform across a range of executive, justice and control agencies, as well as involving local governments, civil society, media and private sector organizations. This will be discussed in detail below.

1.3 T/AC Program Activities

The major changes in the T/AC Nicaragua program activities between the first phase of the program (2005-2007) and the second phase (2008-2009) are summarized in the following table. The first phase corresponds to the last two years of the Bolaños government and the first year of the Ortega government, during which the program continued to attempt to work with national government institutions in designing and implementing transparency and anti-corruption reforms. The second phase represents a major shift in programmatic emphasis, reflecting the belief that there was insufficient political will at the national level to carry out transparency reforms.

1.3.1 Phase 1: 2005-2007

In this first phase (2005-2007), the program activities encompassed eleven of the thirteen original LLRs set out in the multi-country Task Order. In this sense, in its initial phase at least, it had a very wide-ranging set of objectives and activities.

With respect to the program activities during this first phase of T/AC Nicaragua, as we will discuss in greater detail in the following section, in Year 1 the program made little progress towards expected results. In addition to long delays in program start-up and mobilization of key personnel and local staff, subsequent to start-up much time was lost in trying to reach agreements with potential counterparts in the office of the Presidency (Secretary for Strategic Communications-SCE and the Office of Public Ethics-OEP) on joint activities.⁴

³ See the TAC Task Order, page 3, Section A.3: “The purpose of the work to be carried out under this Task Order is to reduce the level of corruption that is experienced by citizens in the participating countries, which diverts resources from intended uses or subverts decision-making processes to benefit a few at the expense of the public good, as well as to increase the level of transparency and government accountability”.

The major program activities undertaken during the 3rd and 4th Quarters of Year 1 were the awarding of grants to EYT to carry out social auditing of municipal budgets in five municipalities and to Grupo Fundemos for participatory budgeting in three municipalities; the commitment of T/AC support for a CSO alliance to monitor IACC compliance; and an agreement with IFES to initiate a series of activities on political party financing. However, the initiation of the Fundemos grant activities was delayed for several months, owing in part to lack of approval of municipal selection and to problems in reporting.

Table 1: Summary of T/AC Nicaragua activities under IRs and LLRs

| <i>Results Statements</i> | <i>T/AC Nicaragua 2005-07 2008-09</i> | |
|--|---|---|
| Sub IR 2.1: More transparent systems for management of public resources by the national government | | |
| LLR 2.1.1: National anti-corruption/transparency strategy completed and implemented | √ | |
| LLR 2.1.2: Implementation of Inter-American Convention against Corruption Commitments | √ | √ |
| LLR 2.1.3: Improved national government budget transparency, management and execution | √ | |
| LLR 2.1.4: Systemic government deficiencies identified and addressed in key line ministries | | |
| LLR 2.1.5: Initiatives to reduce petty corruption (bribe solicitation) developed and implemented | √ | |
| LLR 2.1.6: Key oversight agencies strengthened | √ | |
| Sub IR 2.2: Increased devolution of responsibilities and resources to the local level resulting in greater responsiveness by local governments to citizen needs | | |
| LLR 2.2.1: Improved decentralization policy framework | | |
| LLR 2.2.2: Improved local government budget transparency, management and execution | √ | |
| Sub IR 2.3: More opportunities for citizen participation in and oversight of national government decision-making | | |
| LLR 2.3.1: Strong civil society participation and oversight | √ | √ |
| LLR 2.3.2: Clear leadership role and ethical standards for the private sector | √ | |
| LLR 2.3.3: Capacity of the media to report on transparency and corruption issues increased | √ | √ |
| SUB IR 2.4: Accountability of elected and appointed officials approved | | |
| LLR 2.4.1: Political Parties and elected leaders accountability improved | √ | √ |
| LLR 2.4.2: Improved government ethics and disclosure of assets of public officials and candidates for public office | √ | |

After this slow start, in Year 2, with a change in the Nicaragua program Director, implementation of T/AC program activities picked up considerably both with the GON and civil society actors. With the GON, the main program activities were as follows:

- The program supported an ongoing dialogue between the OEP and the “Follow-up Group” of 14 CSOs on the implementation of the IACC, while providing training to both government officials and CSO representatives on the convention.⁵

⁴ For example, in QPRs 4 and 5, there were still constant references to “exploratory” conversations with GON and CSOs to agree on the design of strategies and joint activities.

⁵ The members of the IACC follow-up group in 2006-2007 were AAIN, ADHML, AJALNIC, AMCHAM, CAS-UCA, CEAV, CONADER, FVBCh, EyT, FUNDEMOS, Hagamos Democracia, IEN, Movimiento Poder Ciudadano, and Red Probidad/Nicaragua.

- T/AC also worked with the OEP to support a pilot project to improve access to information in eight GON agencies at the national level and to coordinate the implementation of a Bureaucratic Simplification Assessment (BSA) with two agencies.
- Also, the program supported the Secretary of Strategic Communications (SCE) of the Presidency, to carry out a public awareness campaign on corruption.
- In coordination with the USAID/Rule of Law Program, T/AC Nicaragua supported a public awareness campaign in pro of the Office of Citizen Complaints (ODC) of the PGR, disseminating information about the role and functions of the ODC.
- In conjunction with UNICEF and UNFP, the program supported the National Youth Secretariat (SEJUVE) to carry out a survey of young people's perceptions and opinions in areas such as democratic culture, elections, and social policies.
- At the end of Year2, T/AC initiated a pilot project with the DGE to strengthen procurement management in the 20 targeted municipalities, and began work in 5 municipalities.

Most of the initiatives with the GON in Year 2 were fraught with problems and delays. The SCE and OEP, as the program's main counterparts, carried little political weight with line ministries and agencies. This problem, coupled with the impending 2006 national elections, made it increasingly difficult to make progress with the SCE, OEP, CDP and other GON agencies in designing and implementing anti-corruption strategies. There was no progress at all in designing institutional strategies for addressing petty corruption.

In comparison to the slow and uneven progress in activities with its GON counterparts, in Year 2 the Nicaragua T/AC program was much more successful in implementing activities with CSOs, at first through jointly funded activities and later through a series of sub-grants. Following on the grants awarded to EyT and Fundemos at the end of Year 1, the T/AC program in Year 2 signed a series of grant agreements and sub-contracts with other CSOs different areas. The most important grants and sub-contracts during the first phase of T/AC Nicaragua are as follows:⁶

- IEEPP to develop and apply social auditing methods to the national and local government budget process.
- Red Local Para el Desarrollo, to develop approaches for and promoting transparency and citizen participation in decision-making in five municipalities.
- FVBCh, to promote and advocate passage of access to information legislation by the National Assembly.
- Hagamos Democracia, to carry out oversight of the legislative process and budget management in the National Assembly.
- JUDENIC to conduct a social auditing exercise on the way in which public resources are assigned to public universities and how they are spent.
- CEAV to conduct a social audit of the Managua city government focusing on management and organization of municipal markets; management of urban public transportation, and procurement.

⁶ During the 3rd and 4th Quarters of Year 2, subsequent to the arrival of the new COP, T/AC Nicaragua signed 14 grant agreements with CSOs totaling about US\$700,000.

- Universidad Centro Americana (UCA) to conduct a survey of democratic culture using an over sample of the 20 T/AC municipalities, applying the instrument developed for the LAPOP survey conducted by Vanderbilt University.

In addition to these grants and contracts, T/AC provided a grant to IFES to provide technical leadership and assistance to the Citizenship for Transparency in Politics coalition to raise public awareness on issues of party financing during the upcoming national elections. As part of this “Strategic Small Grant Package Initiative on Political Party Finance”, T/AC Nicaragua approved sub-grants to five of the member CSOs in the run up to the 2006 elections: Hagamos Democracia, Fundemos, IPADE, EYT, and FVBCh.

In Year 3, the changed political context in 2007 caused severe difficulties in program implementation. For example, it was impossible to get formal GON approval to participate in the assessment of compliance with IACC provisions. The Bureaucratic Simplification Assessments in the DGI and MINSA ran into increasing resistance. Similarly, at the local level, the program was obliged to substitute some of the original participating municipalities, owing to the reduced commitment from the incumbent FSLN mayors. All of the T/AC grantees working in social auditing at the national and local levels found it increasingly difficult to access information on planning, budgeting, service provision, procurement, etc.

In the face of these growing difficulties with the GON, the T/AC program launched several important new activities with CSOs in Year 3, including the following activities:

- Approval of a package of six small grants to members of the “IACC CSO follow-up group”, including a grant to AAIN to carry out a mapping of IACC compliance in different GON agencies, and grants to other CSOs to support training on IACC provisions and compliance at the local level.⁷
- A grant to IEEPP for a “transparency observatory” for the military and security sectors, involving oversight of budgets and procurement, transparency issues and a national survey on citizen security.
- A first ever national survey to measure the cost of bureaucratic corruption, designed by an international consultant and conducted by CID-Gallup.
- A high profile series of “transparency forums”. The second forum was on investigation of corruption cases and involved officials from the CGR and PGR as well as civil society representatives.

1.3.2 Phase 2: 2008-2009

By the middle of Year 3 the Nicaragua T/AC program activities focused almost exclusively on work with CSOs, independent media organizations and political parties. With time, the program had lost contact with the GON except for occasional discussions with the National Assembly on the Legislative Barometer and with the PGR on issues of IACC implementation and monitoring. This movement towards an exclusively CSO focus in the Nicaragua component of the T/AC program was formalized by a contract modification approved in May, 2008, after which and for the remainder of the program (Years 4 and 5)

⁷ The six grants for monitoring IACC compliance in 2007 totaled about \$500,000 dollars, divided among six organizations. The largest single grant was to AAIN.

restricted activities to only four of the original thirteen LLRs (see the summary of Sub IRs and LLRs in Table 1 above).

It should be emphasized that this decision to refocus the T/AC program was in the context of growing authoritarian tendencies within the FSLN government and high levels of political interference in the justice sector—as discussed in the recent Nicaragua DG Assessment. At the time there was also a legal prohibition on providing USAID funded assistance to the judicial sector, except for the Office of the Public Defender, the Forensics Office and local level judges.

Another important thrust of the 2008 contract modification was the increased emphasis on small grants to CSOs and media organizations. The original Task Order included a “sub-award program to fund CSO programs that support the achievement of USAID Program results”. With Modification 29, this was expanded considerably in both scope and funding under the rubric of a “Civil Society Grant Fund Program” within LLR 2.3.1, “to support specific anti-corruption and social auditing activities within the context of the upcoming municipal electoral process”. During 2008 and 2009, for all intents and purposes T/AC Nicaragua was focused on the small grants program.

In the first round of the new grants program, the T/AC program funded fifteen initiatives by national and regional NGOs and media organizations, for a total of about \$320 thousand dollars, that is, approximately \$20 thousand dollars per grant on average. The first round of small grants was formally approved in March, 2008. The second round, approved in September, 2008 barely two months before the municipal elections, funded 20 small grants, again to NGOs and media organizations, for a total of \$586 thousand dollars, on average \$29 thousand per grant.

The grants had a mainly local emphasis, with each grantee focusing activities on a sub-set of 33 local governments in the first round and 38 in the second round of awards. The geographic focus of each grant was negotiated with C&A. Several of the media grants had a broader regional and even national scope. The thematic focus of the grants included: public debate through the creation of local “citizen agendas” involving women, ethnic groups and youth; promotion of participation in electoral campaigns and voting, especially youth voting; support to potential voters to do an on-line verification of the voter registry; and awareness-raising and oversight of transparency issues in municipal electoral campaigns. About 12,300 youth, women and community activists received training in different aspects of democratic governance, constitutional and legal aspects of elections and voting, and transparency and oversight. Another five thousand people participated in local fora on elections issues in the targeted municipalities.

One of the highest profile grants, given its geographic focus on Managua and Leon, was the grant to JUDENIC to promote electoral participation among young people—especially first time voters. The grant supported the production and broadcast of a campaign of short “spots” on television and radio and in movie theatres in Managua, accompanied by distribution of printed materials in universities in Managua and Leon. The report presented by C&A refers to an audience of 141,909 young people between 18 and 24 years of age, the majority of them in Managua. Without attributing impact, the project narrative refers to the fact that in 2008 there were 96,000 first time voters.

The media grants also included a grant to CORASA (Corporacion de Radios de Occidente S.A.) to carry out civic education and promote electoral participation. The grant covered not just radio programs themselves, but also the organization of local fora with CSOs and political parties, which were broadcast on the radio in the departments of Leon and Chinandega. Another media grant went to Corporacion

Radio Romance (CRR), to write, produce and broadcast a radio “mini-series”, titled “Momentos”, several programs dedicated to political analysis and debate, and a series of short “spots” to promote electoral participation. They were aired by Stereo Romance (Carazo), Radio XO (Rivas), Radio Bésame (Masaya-Granada) and Radio Eco Stéreo (Carazo). The impact of these two grants was described in terms of the increase in voter turn-out, 12,601 additional voters in the case of the grant to CORASA and 2,752 additional voters in the case of CRR.

In the assessment interviews, several of the grantees complained that they were obliged by C&A to focus on municipalities in which they had no prior experience, and were much less effective than they could have been.⁸ For this reason, among others, many of the T/AC grantees perceived the contractual relationship with C&A as more of a service contract than a grant per se. Several mentioned that they were required to give verbal or written summaries of grant activities on a weekly basis for C&A and USAID, reflecting in their view, the heightened political sensitivity of their grant activities in the run up to the elections.

Most of the direct grantees interviewed also highlighted the “political reading” of the T/AC small grants program, which according to them was seen by all political observers, whether in government or opposition, as a means of supporting the opposition to the FSLN in the municipal elections. This reading of the political-partisan nature of the small grants program was given without prompting by the interviewer.⁹ While USAID/Nicaragua was clear in instructing grantees not to take a partisan political stance, in fact, many of the grantees did just that, favoring the opposition to the FSLN. Although a few of the grantees were seen to be overtly partisan in their field activities, the bias was more usually felt in the choice of the grantees themselves, and the terms of the debates and events, in a contrast between a “democratic” option represented by the Liberal party candidates and the “non-democratic” option of the FSLN.

In the wake of the FSLN victory in the municipal elections and the accusations of widespread electoral fraud, for the remainder of the T/AC program period, the emphasis was on strengthening citizen participation at the local level. Working through the CDMs, T/AC promoted the adoption of municipal bylaws to implement the Citizen Participation Law, and training leaders and activists on its use. This activity took place in the context of increasing political polarization and the decision by most of the newly elected FSLN Mayors to marginalize the CDMs, in favor of the newly established CPCs, which limited the effectiveness of the T/AC supported activities in supporting citizen participation in local government through the CDM mechanism.

Overall, it is fair to say that from about mid-2007 and formally after the 2008 contract modification, T/AC Nicaragua was no longer focused on transparency and anti-corruption issues at the national level, but rather evolved into a citizen participation program using small grants to NGOs, focusing first on participation in local elections, and subsequently on participation in local decision-making. As the T/AC Nicaragua final report puts it:

⁸ I.e., when two NGOs proposed to work in the same municipalities, in several instances C&A requested one of the NGOs to resubmit with a different set of municipalities.

⁹ Eleven of the T/AC program grantees interviewed for the assessment considered that the small grants program was partisan in its orientation, although they all recognized that USAID gave instructions to the contrary.

After the 2006 national elections, it became difficult to collaborate with the GON. The new Administration's agenda was more oriented towards implementing poverty reduction programs for example than on focusing on anti-corruption matters, which curtailed collaboration between the Program and the GON significantly.... Under this scenario, the Program shifted focus from the national level to the local level in an attempt to work with municipal governments and their constituents. Interest in pursuing anti-corruption, transparency, and citizen participation efforts were visibly higher at the local level. Additionally, the Program focused on providing voter education as the 2008 municipal elections were fast approaching and support in this area was deemed to be of the utmost importance.¹⁰

Section 2: Main Achievements

Before addressing the obstacles and problems in T/AC implementation it is worthwhile to look at some of its main achievements as seen by the main program partners and grantees, and by USAID/Nicaragua program managers. These achievements are: heightened awareness of corruption issues and policies; increased CSO cooperation in monitoring and pressure for IACC compliance; new approaches and initiatives for CSO budget oversight at the national level; passage of the access to information law; new approaches to citizen participation and oversight of local governments; and proposals for political party and electoral reforms. Each of these achievements is described briefly below.

2.1 Awareness of corruption issues and policies

Many of the T/AC partners interviewed in the course of the present evaluation emphasize the contribution of the program in putting transparency and corruption issues on the national policy agenda and introducing new concepts of transparency and accountability in politics. While recognizing the obstacles to effective policy responses in the Bolaños and Ortega governments, most consider that there is now a better understanding of corruption among specialized audiences (researchers, academics, policy makers, CSO activists and political party leaders) as an issue and greater awareness of the need for anti-corruption strategies and policies.

More generally, the program partners and grantees argue that T/AC was instrumental in putting anti-corruption issues on the national agenda, and identifying specific policies for addressing public sector corruption. The increased awareness and understanding of corruption issues was achieved through training, public conferences, electoral fora and other events, and media activities. With respect to training activities, the program provided training for a very large pool of elected officials, political party leaders and members, senior non-elected national government officials, journalists, academics, local government politicians, NGO leaders and program managers, CSO activists at the national level, and community leaders at the local level. Overall, the T/AC Nicaragua component trained over 20,000 people in corruption issues and anti-corruption policies, mainly in the Years 1, 2 and 3 of the program.¹¹

¹⁰ See the summary of achievements in CAM Anti-Corruption, transparency and Accountability Program Final Report. Nicaragua. July 30, 2009.

¹¹ See also the summary of training in CAM Anti-Corruption, transparency and Accountability Program Final Report. Nicaragua. July 30, 2009, pages 40-48.

About another 17,000 people attended diverse civic education events, most of them at the local level, and mainly in Year 4 of the program.

The results are mainly in the civil society sphere, in which the work of NGOs is widely reported by the print and electronic media, which creates pressure on the government on issues of transparency and corruption.¹² But this constant pressure has obliged even the FSLN to respond. While the current government has usually attacked NGOs that publish reports on corruption, it has incorporated a few of the specific policy interventions, notably in the area of combating petty corruption in health and education service provision.¹³ Another example is the recent initiative by the Federation of Justice Sector Workers, a FSLN affiliated union, to combat petty corruption in the courts.¹⁴ In this sense, it is clear that the T/AC program has been fundamental in framing a new agenda of public policy debate, in which even the most recalcitrant government is obliged to take action.

2.2 CSO cooperation in monitoring IACC implementation

The T/AC program provided international STTA for training and technical assistance for a coalition of Nicaraguan CSOs in understanding the legal provisions and mechanisms for IACC implementation and supported the work of the CSOs in carrying out monitoring of compliance. There is now a greater awareness and understanding among civil society leaders and activists about IACC. This effort has continued after the end of the T/AC program, led by EyT, which has presented two CSO monitoring reports in the framework of the IACC, with the cooperation of other CSOs. The most recent report for 2010 was produced by EyT in cooperation with UCA, IEEPP, AJALNIC, and the Fundacion Monsenor Lezcano.

This is an important gain, in part because the Nicaraguan government continues to be sensitive to international opinion. The responsibility for IACC compliance is now in the office of the PGR, which because of the continued pressure from NGOs has been forced to exercise greater diligence in the IACC process. This is without a doubt the major substantive achievement of the program. The most recent IACC monitoring report, cited above, while recognizing advances in legislation in areas such as access to public information (Law 621); strengthened external control exercised by the CRG (Law 681), and an improved civil service career (Law 438), also observes that owing to the politicized and corrupt judicial system, these laws continue to be a dead letter.¹⁵ Using this report, EyT has continued to exert pressure on the GON for implementation of these and other laws.¹⁶

¹² See the article, "Nicaragua retrocede por la corrupción" in La Prensa on July 30, 2009, reporting on the results of a regional study on corruption. (<http://archivo.laprensa.com.ni/archivo/2009/julio/30/noticias/politica/340936.shtml>)

¹⁴ See the article in Voz del Sandinismo. (<http://www.lavozdelsandinismo.com/nicaragua/2011-04-07/impulsan-campana-contra-la-corrupcion/>)

¹⁵ EyT. 2010. [Informe de respuestas de la Sociedad Civil de Nicaragua al cuestionario de la 3ra. Ronda de evaluación.](http://www.eyt.org.ni/media/osc3.pdf) (<http://www.eyt.org.ni/media/osc3.pdf>)

¹⁶ EyT's reports are regularly covered in the print and electronic media. See the article in Nuevo Diario on the second round of monitoring of the IAAC: (<http://www.elnuevodiario.com.ni/politica/9186>)

2.3 Methodologies for citizen oversight at the national level

The T/AC program in Nicaragua supported the research institute, IEPPP, in carrying out oversight of the national budget in key areas, including defense, security and social policy (health and education). IEPPP developed a team of researchers and analysts specialized in budget analysis. Over the course of the program, and with USAID funding, IEPPP positioned itself as the national partner for the International Budget Project. IEPPP is now an obligatory reference point for other CSOs, journalists and even political parties and Deputies in the National Assembly, who frequently refer to IEPPPs analysis and reports.

Owing in part to T/AC program support, IEPPP has been able to access additional funding from other agencies such as NED to continue to develop expertise and human capacity in this area. In the most recent national government budget process, IEPPP has published and disseminated a series of analyses, on the implementation of the current medium term budget framework for 2006-2014 and the use of the resources from the HIPC debt relief mechanism, and tendencies in social spending in the context of the economic recovery and the upcoming 2011 elections, with particular emphasis on the financing and use of the “*bono solidario*”, “*bono productivo*”, “*usura cero*” and other direct government subsidies.¹⁷

Similarly, with the support of the T/AC program, Hagamos Democracia developed an approach for carrying out oversight of the National Assembly and disseminating results through a “Legislative Barometer”. This effort was maintained up to late 2010 in electronic form with support from other donors, including the EU and NED. By the time it was closed, it had had accumulated over 100,000 hits, an impressive readership in the Nicaraguan context and a good indicator of its unique role in legislative oversight.¹⁸

2.4 Access to Public Information Law

During the first two years of the program, T/AC Nicaragua maintained support for a group of CSOs to advocate for passage of a law guaranteeing access to public information, led by the FVBCh but supported by other NGOs and media organizations. As in the case of transparency and accountability issues more generally, the T/AC program contributed to making access to information part of the political lexicon. The law was eventually approved by the National Assembly during the first legislature of the newly elected FSLN government in 2007.

While the incumbent government has blocked effective implementation of the law, CSOs and media organizations continue to use it as a point of reference. It is hoped that in the event of a more open government, the implementation of the law will become a rallying point and focus of NGO and CSO advocacy. The FVBCh, in particular, has remained very active in promoting the implementation of the reform (Law 621). With support from the EU, it is promoting the use of the law by CSOs, including the CPCs, at the local level. While the recent activity reports on the FVBCh project are not heartening—

¹⁷ IEPPP. 2011a. Marco presupuestario de mediano plazo en Nicaragua 2006-2014. Managua: IEPP; and IEPP. 2011b. PGR 2011 El gasto social en el contexto electoral y de recuperación económica. Managua: IEPP. These can be downloaded at: <http://www.iepp.org/>

¹⁸ See Barometro Legislativo, August 2010, (http://hagamosdemocracia.org.ni/index.php?option=com_content&view=article&id=59:barometro-legislativo-diario-25-de-agosto-de-2010&catid=14:legislativo)

FSLN officials in Managua are unwilling to even discuss the provisions of the law—some members of the CPCs who participated in the program show interest in using it to improve their understanding of municipal policies and programs.¹⁹

2.5 Approaches to Citizen Participation and Oversight of Local Government

In the early stages of the T/AC program, and again in the final year, there was substantial progress made on developing and testing new approaches and tools for promoting civil society participation in planning and budgeting, and in carrying out social auditing of local government programs and projects. These methodologies, developed by Fundemos, EyT and Red Local, have continued to be used (or adapted) today by several national and regional level NGOs who will be working with USAID/Nicaragua’s municipal governance project, which began activities at time of writing of this report.

These NGOs attempted to put into practice various legal provisions in the Citizen Participation Law and the Municipal Law, which allow for citizen participation in planning, budgeting and other policies. The implementing regulations of the Citizen Participation Law provide for the establishment of Municipal Development Committees (CDM) in all local governments. Under the current government, in most FSLN municipalities the CDMs have been sidelined, however they continue to be a reference point for civic action and mobilization in many localities, even in the face of the growing power of the CPCs. In some cases CPCs are members of CDMs. Thus, despite the adverse political environment, the mechanism of the CDM is still relevant. In addition, the program was able to promote the passage of model “citizen participation ordinances” in four participating municipalities in the last year of the program.

More importantly, the activities of the T/AC program have generated a set of approaches and tools for citizen participation and oversight at the local level. NGOs such as Fundemos, EyT, Hagamos Democracia, IPADE, Red Local, and FVBCh have designed their own training materials. And according to information provided by the COTR and the COP, USAID/Nicaragua’s municipal governance program will build on these methods and tools. A first workshop with NGOs was held in November, 2010 to review NGO experience in citizen participation and social auditing, including several of the approaches developed by T/AC program’s grantees.

2.6 Proposals for Political Party and Elections Reform

The T/AC program contributed to building technical expertise in issues of political party and electoral reforms, contributing to the establishment of the Citizen Network for Transparency in Politics, made up of eight NGOs. The initiative came out of the Political Party Finance activities carried out under the leadership of IFES and a set of five sub-grantees: Hagamos Democracia, Fundemos, IPADE, EYT, and FVBCh. The initiative included a common website, Citizens for Transparency (www.cxtp.org.ni) and a series of research projects, publications, public events and fora, and media outreach. It supported two national fora on political party finance, which presented and debated proposals on reforms of political party financing, a topic which received significant press coverage throughout 2007 and 2008. The national level activities were suspended in 2008 with the shift in the T/AC program to focus on issues

¹⁹ FVBCh. 2010. La Participación Ciudadana y el Acceso a la Información Pública. Diagnóstico en el Municipio de Managua. (http://www.violetachamorro.org.ni/images/presentacion_managua_martes1249_pm_uv.pdf)

related to the municipal elections. However, it is worth mentioning that these local level activities built on the activities at the national level, including campaigns and public events to debate issues of political party financing.

Despite the adverse political context, since the end of the T/AC program funding, this initiative was able to consolidate and expand, in the form of the “Electoral Reform Group”, now under the auspices of IPADE, with 16 member organizations.²⁰ Again, it encompasses policy research, advocacy, public events, and media outreach. It has put forward a series of recommendations for reforms in the run up to the 2011 national elections, focusing on reform of the CSE. Its various member organizations have received funding from other donor agencies for policy research, debate and advocacy in this same area.²¹ The work of the GPRE receives considerable press coverage in daily newspapers on issues such as political party financing and reforms to the electoral law and the CSE.²² Individual members of the GPRE also carry out activities within the framework of the group; for example, the “Forum on Political Parties in Nicaragua” organized in October 2010 by “Hagamos Democracia” with the Universidad Americana (UAM).

Section 3: Problems and Issues

In this section the assessment looks at the principle problems encountered both in program design, planning and management. Before detailing these problems and issues, we recognize the challenging political context, in particular the change in government and the increasingly “illiberal” nature of the FSLN, reflected in harassment and intimidation directed towards civil society and communications media; increased government secrecy and reduced access to information; attempts to establish a monopoly on citizen participation through the CPC mechanism; increased interference in justice and control institutions; and violation of constitutional and legal provisions guaranteeing free and fair elections.

Even so, we consider that the T/AC program suffered from serious design problems of its own making. The problems in program design have much to do with USAID’s overall approach to anti-corruption work, based on the “principal-agent” theory put forward in the 1980s by economists and “institutionalist” political scientists.²³ For reasons unknown, this comprehensive or “holistic” approach often takes the form of multiple, simultaneous interventions across branches of government, at national and sub-national levels. Numerous recent studies and program evaluations have questioned the efficacy and sustainability of this approach to anti-corruption policies. These problems will be discussed in detail below.

²⁰ See the description of the Electoral Reform Group members, activities, publications and events on the IPADE website: <http://www.ipade.org.ni/grupopropuesta.html>

²¹ IPADE/GPRE. 2010. Propuesta desde la Sociedad Civil: Para restaurarla confianza en el sistema electoral. Managua: IPADE.

²² See articles in El Nuevo Diario, “Democratizar los partidos”, (<http://impreso.elnuevodiario.com.ni/2010/08/04/politica/129396>), and “Grupo Promotor de Reformas Electorales: Aboga por un CSE profesional y honesto”, (<http://impreso.elnuevodiario.com.ni/2010/06/23/politica/126756>)

²³ S. Rose-Ackerman. 1978. Corruption. A Study in Political Economy. London/New York: Academic Press, and R. Klitgaard. 1988. Controlling Corruption. Berkeley: University of California Press.

In addition, there are other, more specific problems of T/AC program design, which include the decision to work with weak counterparts within the Presidency; lack of engagement with other GON entities, in particular line ministries; emphasis on CSO “watchdog” roles as opposed to participation in institutional change strategies; and an overly-optimistic approach to civil society participation and oversight initiatives at the local level. Finally, as well as these design issues, we also look at some program management issues, including the ambiguity with respect to the regional nature of the program; rotation of senior management in the program and USAID and their changing priorities; and issues in grants management.

3.1 Anti-Corruption Program Design

We said above that one of the main problems is the tendency in USAID RFPs to favor program designs involving multiple and simultaneous interventions across all branches of government, at the national and local levels and with both governmental and non-governmental organizations. This tendency in program design is the result of a technical approach derived from the early studies of corruption by Rose-Ackerman and Klitgaard.²⁴ These studies center on the “principal-agent” problem, in which citizens or voters (principals) delegate the performance of government tasks to elected politicians and appointed bureaucrats (agents). The principal-agent relationship is characterized by information asymmetry; the problem of corruption occurs when the agent uses this asymmetry in benefit of his/her own interest.

This theoretical framework has informed anti-corruption program design in emphasizing multiple interventions that seek to reduce the discretionary power of agents and increase political, administrative and legal accountability.²⁵ These programs have tended to favor simultaneous interventions whether in deregulation, privatization, decentralization, bureaucratic simplification, administrative and civil service reforms, access to information legislation, strengthened external control and audit institutions, judicial reform, support for civil society watchdogs, mechanisms for CSO participation and social auditing, support for investigative journalism, etc. Indeed, there appears to be a single “template” for anti-corruption programs globally, whether funded by USAID or other bilateral and multilateral donors.²⁶

Donor supported programs in developing countries have promoted special offices and commissions to lead these broad, multi-pronged anti-corruption strategies. These types of entities typically suffer from problems of limited political will and commitment to follow-through on policy objectives. Even when constituted as formal commissions, they are fraught with difficulties. Indeed, governments have continued to establish anti-corruption commissions in spite of ample evidence of their failure in most countries. There are numerous studies demonstrating that these “direct measures” to reduce corruption, whether special presidential programs or anti-corruption commissions, rarely succeed, since they often lack the required support from political elites and the judicial system.²⁷

²⁴ For a recent discussion of the main issues in the approach developed by Rose-Ackerman and Klitgaard, see T. Besley. 2006. Principled Agents: The Political Economy of Good Government. Oxford: Oxford University Press.

²⁶ See the critique in A. Shah. 2007. “Tailoring the Fight against Corruption to Country Circumstances”. In Performance Accountability and Combating Corruption, Edited by Anwar Shah, 233–254. Washington D.C.: World Bank.

Instead, they are often a way of avoiding substantive policy changes while giving the impression of political commitment by locating them within the office of the President, albeit with minimal budgets and low staffing levels.

In addition to the reliance on a single executive branch entity (special program, office or commission), the comprehensive or “holistic” approach by necessity requires simultaneous interventions across multiple government branches. While the principle-agent framework identified multiple factors that contributed to the weak accountability framework for agents, it is not clear from a practical point of view why the policy response of developing country governments and donor agencies would require attacking *all* of these causal factors simultaneously. Again, documented experience from anti-corruption programs over the last three decades suggests that this has rarely been an effective approach to combating corruption. Its success depends on a major political sea change, i.e., the arrival of a national government with a mandate for sweeping reforms and an explicit commitment from the executive and legislative to combating anti-corruption.²⁸ Such opportunities for a “big push” approach are scarce indeed.

In the absence of such a change, policy is necessarily more incremental. This not the same as “muddling through”. On the contrary, it requires a shared consensus among donors and governments on a long term vision of democratic development; the capacity to engage and work effectively with multiple political actors and government agencies; and the careful sequencing of interventions over a medium to long term timeframe. All of this, even while maintaining political will and commitment through successive changes in government. Admittedly, this is a daunting development challenge—but no more daunting than a once and for all, sweeping reform across all branches of government and within a single term of office.

3.2 Broad Scope of the RFP

Following on the discussion of theoretical underpinnings of approaches to anti-corruption programs in the previous section, here we turn to the RFP design. In casting the program as “a long-term transformation of public institutions and citizen attitudes”, one of the main problems in the T/AC program, as in other USAID anti-corruption initiatives worldwide, is the large number of thematic areas covered in the RFP, reflected in the number of Sub IRs and the range of LLRs under each Sub IR. The breadth of the proposed program interventions in the USAID/CAM T/AC program is very problematic indeed.

Looking just at Sub IR 2.1, summarized in Table 2, there are in fact six LLRs involving a potentially large number of national government entities, including the Presidency, Ministry of Finance, other important line ministries, along with the office of the Procuraduria (PGR) and the Controller (CGR). While the Nicaragua component of T/AC doesn’t include the work “identifying and addressing systemic deficiencies” in key line ministries (LLR 2.1.4), in including strategies and interventions to reduce petty

²⁷ J. Heilbrunn. 2004. “Anti-Corruption Commissions Panacea or Real Medicine to Fight Corruption?” Washington DC: World Bank Institute, and P. Meagher. 2005. “Anti-corruption Agencies: Rhetoric versus Reality”. The Journal of Policy Reform 8 (1): 69–103.

²⁸ F. Odd-Helge and J. Isaksen. 2008. “Anti-Corruption Reforms: Challenges, Effects and Limits of World Bank Support”. IEG Working Paper 2008/7. World Bank Independent Evaluation Group.

bribes (LLR 2.1.5) it is reasonable to assume that the T/AC program would need to involve some of the ministries and executive agencies of the national government.

Table 2: Sub IR 2.1 and LLRs

| <i>Results Statements</i> | <i>T/AC Nicaragua</i> |
|---|-----------------------|
| Sub IR 2.1: More transparent systems for management of public resources by the national government | |
| LLR 2.1.1: National anti-corruption/transparency strategy completed and implemented | √ |
| LLR 2.1.2: Implementation of Inter-American Convention against Corruption Commitments | √ |
| LLR 2.1.3: Improved national government budget transparency, management and execution | √ |
| LLR 2.1.4: Systemic government deficiencies identified and addressed in key line ministries | |
| LLR 2.1.5: Initiatives to reduce petty corruption (bribe solicitation) developed and implemented | √ |
| LLR 2.1.6: Key oversight agencies strengthened | √ |

While this reflection might be seen as going beyond the terms of reference of the assessment of the Nicaragua component, in fact the lack of political and technical realism in the design of the RFP is the single most important problem encountered. What is even more puzzling was the decision of each of the participating countries—in this case, Nicaragua—to take up almost all of the Sub IRs and their respective LLRs in their respective country work plans. Of course, in designing the activities within each LLR, there were considerable differences, but all of the CAM T/AC program country strategies were similar in their broad scope and dispersion of resources among numerous activities involving multiple branches of government.

While the T/AC Nicaragua starting budget of \$6,881,680 was increased to \$9,658,128 over the life of the program, even so these resources bear no relation to the magnitude of the program scope and objectives. This would have been a reasonable budget for just 2 or 3 of the main LLRs under Sub IR 2.1, summarized above in Table 2, i.e., to support a “long term transformation”, through legal reforms, reorganization, strengthening of internal controls, simplification of policies and procedures, capacity building for managers and employees, equipment, etc. In Nicaragua, by spreading out the T/AC program resources over such a large number of government entities, the program could only scratch the surface of each institution.

3.3 Weak Counterparts in the Presidency

The broad scope of the RFP in the activities with governments seems to reflect a belief that there were or would be national anti-corruption policies in place; a corollary assumption seems to have been that the existence of an anti-corruption strategy in the office of the President would bring with it a reasonable level of cooperation on the part of individual ministries, executive agencies and control institutions. The T/AC Task Order Annex 1 was explicit on this point in supporting a whole of government anti-corruption strategy:

“Under this Component [SubIR 2.1], the Program will support a National anti-corruption strategy. C&A will collaborate closely with the “Oficina de la Presidencia” (leading the anti-

corruption multi-donor fund), the Office of Public Ethics (OEP) in charge of IACC follow-up and reporting...”²⁹

As we will discuss in further detail below, this corollary was not borne out in the execution of the T/AC program in Nicaragua.

The T/AC program dedicated significant time, effort and resources to working with weak counterparts within the Presidency. During the first phase of the program, the main GON counterpart was the Presidency and specifically the Office of Public Ethics (OEP) and the Secretary for Strategic Communications (SCE), neither of which exercised significant institutional leadership. Experience of many developing countries suggests that these kinds of executive branch counterparts are rarely effective channels for generating and sustaining change.

It is worth pointing out that in the case of T/AC Nicaragua, the main counterpart was not even constituted as an autonomous commission. What is more, the existence of two counterparts within the office of the Presidency (SCE and OEP) was an added complication, as they were constantly competing for donor resources and leadership. Several interviewees were of the view that many of the problems experienced by the Nicaragua T/AC program in implementing activities during the first year were caused by this simmering conflict. In any case, the main point here is that neither of these two offices within the office of the Presidency in Nicaragua had strong political leadership or budget resources—hence, they had little or no influence with other executive branch entities, and certainly not with other branches of government.

One clear example of the weakness of T/AC Nicaragua’s main counterpart in the GON was the difficulty in carrying out the “Voluntary Transparency Strategy” (EVT), a pilot program for improving access to information in selected line ministries and agencies by establishing web sites. The proposal was floated by the SCE in the second quarter of the T/AC Nicaragua program. Only in the fifth quarter, more than a year later, did the program initiate an activity in support of EVT, which was an on-line test of the web sites previously established by eight participating entities. The results of the test were communicated to the participating GON entities by the SCE, but only two of them agreed to implement the recommendations and only one followed through (Ministry of Finance). Indeed, at the end of the second year, SEC made a request for support from the T/AC program to assist it in “promoting” the EVT among government entities.

3.4 Weak Engagement with GON Entities

And despite these obvious weaknesses, the program did not shift its strategy to engage other key government entities. For example, while one of the LLRs was to improve national budget management and transparency, outside of the EVT project, T/AC Nicaragua did not work at all with the Ministry of Finance or individual line ministries to strengthen the budget process. Nicaragua clearly has serious technical and administrative deficiencies in many aspects of budget management, whether in program budgeting, application of medium term budget frameworks, incorporation of decentralized institutions and state owned enterprises into the national budget, etc. From the outset (and not just

²⁹ See USAID/CAM Anti-Corruption, Transparency and Accountability Task Order. Annex 1. “Nicaragua Annex. Country Specific Interventions”. Page 3.

during the FSLN government) the T/AC program emphasis in this area of budget transparency was on CSO oversight, rather than on support to the GON.

In the final analysis, the absence of institutional change strategies in specific line ministries or other agencies reflects the decision not to implement LLR 2.1.4 in Nicaragua, “systemic government deficiencies identified and addressed in key line ministries”. Again, this raises the issue of strategic choices. The T/AC program dedicated significant time and effort (through a grant to Hagamos Democracia) to the innocuous purpose of getting members of the Assembly to report on how they spent their small budget allocations, while ignoring what the Task Order acknowledged to be rampant, large scale and petty corruption in executive branch agencies. How could the program hope to be effective in reducing corruption experienced by citizens, without working in those government entities which generate corrupt practices?

The decision not to engage counterparts in line ministries, autonomous agencies or control institutions was reflected, too, in the absence of institutional assessments, capacity development plans, etc., during the first two years of the program—nothing that resembled even in a passing way a strategy for inducing “institutional transformation” of selected national government entities. Only in Year 3, and in a worsening political context, did the T/AC program begin to support the design and application of some diagnostic tools to identify issues of transparency or corruption in specific government entities. In that they were not designed in consultation with the leadership of the counterpart GON agencies, nor framed within a coherent plan for institutional change, in practical terms these exercises had no effect at all.

Related to the previous points, one of the notable weaknesses of the T/AC Nicaragua component was the absence of formal commitment from government counterparts to work towards specific objectives. In the last twenty years there has been a worldwide movement to “reinvent” government, which has generated an impressive range of change management approaches and tools. One lesson from this experience is that supporting institutional change in the public sector requires the political will of the executive, combined with vision, leadership, and commitment by ministers and senior managers in specific government entities to carry out actions in support of reform objectives. These are usually set out in policy documents and detailed in action plans. The T/AC program was unable to initiate anything similar: for example, two years into the program the QPR narrative informs that “Collaboration and communication with government institutions have continued. For example, during this reporting period policy dialogue on relevant transparency issues with the National Procurement Office (DGCE) has continued”.³⁰ What the objective of this dialogue might have been, or what impacts it might have had is not made clear in the QPRs.

This design fault is one of the reasons for the paucity of substantive program impacts at the national level. How can a program expect to generate “institutional transformation” with small, one-off interventions spread across multiple agencies? A typical impact statement for the T/AC Nicaragua program is: “During this Fiscal Year, the Program made substantive progress in promoting transparency and accountability in the governmental sector. GON officials (both at the national and local levels) received anti-corruption training on key topics such as: social auditing techniques; gender and transparency; political party finance; Inter-American Convention against Corruption and the United

³⁰ See C&A. QUARTERLY PERFORMANCE MONITORING REPORT NO. 13 PERIOD COVERING APRIL 1, 2007 TO JUNE 30, 2007, P. 6.

Nations Convention against Corruption; internal control; legislative transparency; access to public information; and techniques for investigating corruption cases.³¹

While the T/AC Nicaragua program included LLR 2.1.6, “key oversight agencies strengthened”, the engagement with the CGR was sporadic and again consisted of one-off training activities, isolated from institutional assessments, capacity-building plans, etc. For example, in 2007 the T/AC Program worked with the CGR to promote the use of new approaches to internal control—“control self-assessment”—through “workshops where more than 130 public employees from 6 government institutions were trained on internal control and control self-assessment tools”, including new process software. The workshops promoted efficiency and efficacy in operational procedures, risk management, adequate use of public resources, ethics and transparency and accountability. Subsequent QPRs make no mention of how this was incorporated into the six institutions, whether there were changes in policies, procedures, etc.

The description in the QPRs of an initiative to put up “instructional signs” in several ministries is perhaps the best example. While it might make for a good picture for a report, this initiative was not framed within a coherent change strategy, for example, including process reengineering, reduction of red tape, training for employees in customer service, changes in office hours or locations, application of IT to e-government approaches, or use of performance measures of customer satisfaction, average time to complete a transaction, average wait times, etc. One of the GON counterparts interviewed for the assessment described this particular intervention as an example of “pañitos tibios” (i.e., the cool cloths applied to the forehead to reduce a fever).

In spreading its resources among a wide range of short term, one-off activities, the program was unable to build effective interventions through engagement and dialogue with decision makers—politicians and senior management teams—in a few selected government entities. And even if it had attempted to do so—there is no evidence of such an approach—it probably wouldn’t have been able to bring to the table sufficient resources to be of interest to a line ministry. Its resources were spread too thinly among a large number of program interventions to be able to fund large-scale reforms and change management projects in individual GON entities. Again, our view is that this problem originates in the RFP design, and the implicit belief in the virtues of a “comprehensive” approach to corruption prevention.

3.5 Emphasis on CSO “Watchdog” Role

To compound the problem of program dispersion, the RFP also includes a broad range of activities aimed at engaging civil society, whether in Sub IR 2.2 related to local governments or Sub IR 2.3, in the national ambit. The focus of the program was on supporting NGO interventions in oversight of government, and in disseminating and communicating the results through events, publications and coordination with journalists and media organizations. In fact, as was discussed above, most of the spending in the Nicaragua component was focused on work with NGOs and CSOs, promoting the role of NGOs as “watchdogs” at the national level, and promoting citizen participation in planning, budgeting and social auditing at the national and local levels. The main program achievements are fruit of Sub IRs 2.2 and 2.3, not Sub IR 2.1.

³¹ This is taken from the C&A, QUARTERLY PERFORMANCE MONITORING REPORT NO. 14, PERIOD COVERING JULY 1, 2007 TO SEPTEMBER 30, 2007. P.7.

Despite the laudatory achievements of the CSOs working in developing tools for oversight of national government, in particular IEEPP and Hagamos Democracia, these initiatives were not linked to reform initiatives within the GON. Experience in anti-corruption strategies in other countries suggests that involving civil society in reform initiatives is useful and productive, for example by establishing coalitions, or mixed governmental and non-governmental “task forces” to support and monitor implementation of short-term change strategies in targeted entities. In this approach, the role of CSOs is to exercise pressure for sustained commitment of politicians and senior managers to follow through on their commitments to change.

This point is crucial, not least because many of the challenges of anti-corruption programs can be characterized better as “collective action” problems, rather than “principal-agent” problems. There is an absence or scarcity of institutional actors willing to act as “principled principals”.³² In contexts of endemic corruption, “we should expect monitoring devices and punishment regimes such as suggested by the principal-agent framework to be largely ineffective”.³³ In these contexts, external pressure on government for increased accountability (i.e., CSO watchdogs) may not be as effective, as for example, an agreement on new “rules of the game” within a particular institution, whose implementation is subject to oversight and verification by multiple actors, including “agents” (politicians and managers) and principals (CSOs, private sector, media, academia, etc). To the extent that the agreement holds, the actors will begin to change their expectations and be willing to sustain their support for institutional transformation.

Of course, this approach requires capacity to engage government counterparts in line ministries and other agencies, develop change strategies and short-term action plans, and at the same time involve CSOs in design, implementation and monitoring. As we observed in the previous points, the T/AC program was not effective in this sense; hence there were no real opportunities for focusing CSO oversight on supporting GON commitments. Arguably, with the change in national government and the increased animosity towards CSOs, the opportunities for constructive cooperation between civil society and government were significantly reduced. However, even during the more favorable context of the Bolaños government the T/AC program took no steps in this direction. The default role strategy was to support CSOs as “watchdog” entities (or to research and propose legislative reforms in key areas such as political party finance). While these are valid roles, they are not the only role, nor necessarily the most productive role.

With respect to the small grants for media organizations and CSOs involved in campaigns, some of the T/AC program counterparts interviewed noted that the radio programs were without doubt the most controversial. The radio programs were broadcast by media outlets with an explicit and widely recognized anti-FSLN editorial slant. While USAID funding specified that the contents be non-partisan, this was not always the case; moreover, even when the programs maintained neutrality, for example in promoting voter registration and participation, according to these observers, the “sub-text” was evident

³² See discussion in L. Lawson. 2009. “The Politics of Anti-Corruption Reform in Africa”. Journal of Modern African Studies 47 (1): 73-100.

³³ A. Persson, B. Rothstein and J. Teorell. 2010. “The failure of Anti-Corruption Policies: A Theoretical Mis-characterization of the Problem”. QoG Working Paper Series 2010: 19. The Quality of Government Institute. Department of Political Science, University of Gothenburg, P. 3.

to all. From the perspective of the T/AC counterparts, this was damaging to the program and to USAID.³⁴

3.6 Support for Local Civil Society

The justification for including the local focus in the civil society component was not immediately clear. In Nicaragua, like all Central American countries, local governments' share in overall public expenditure is quite small, ranging from about 5% to 10%. The bulk of spending—and corruption opportunities—is in the national executive, i.e., line ministries and agencies. Again, it seems like there was a preference for a “comprehensive” approach to corruption, rather than a set of strategic choices. As in LLR 2.1, this also led to dispersion of program resources through a series of grants to CSOs, each working in several municipalities. Several of the CSOs interviewed, while praising the willingness of the program to experiment with new approaches, were critical of the short-term focus. As one CSO director put it, referring to participatory budgeting exercises, “real changes in the relationship between local governments and citizens require sustained interventions over several fiscal years, not a one-time experiment”.

There also seems to be an unstated assumption in the decision to focus on local level activities to support transparency and accountability—that because of the close proximity of government to citizens, it is somehow “easier” to support effective participation in decision making and oversight (i.e., social auditing). In fact, research and evaluations on international experience with decentralization suggests that it can be precisely the opposite, owing to extreme levels of local state capture by entrenched elites.³⁵ For example, municipal councils in Nicaragua, like those in other Central American countries, routinely meet behind closed doors, despite legal provisions to the contrary. Mayors use public procurement opportunities to “placate” the municipal council members. Members of the public rarely have access to key documents referring to planning, budgeting, spending or contracting. Indeed, even opposition council members are denied access to these documents in many Nicaraguan municipalities.

At the same time, local civil society activists are exposed to direct pressure and intimidation. In our interviews with youth leaders, for example, we were told that attempts to carry out social auditing of municipal investments by local youth groups were met with intimidation directed at their parents by municipal authorities, including the threat of lay-offs from public sector employment. Former C&A program staff indicated that the local level social auditing activities required prior approval from the mayors, and the political negotiations ensured that it focused on “safe” programs and projects.³⁶

³⁴ It should be noted that one of the participating radio stations is owned by the family of an opposition candidate in the 2011 national elections. As one of the interviewees noted, this station is notable for its “belligerence” against the FSLN.

³⁵ The classic explanation of this danger is: R. Prud'homme. 1995. “On the Dangers of Decentralization,” World Bank Research Observer, 10, 2, pp.201-20. A more recent review of theory and evidence on this issue is A. Shah. 2006. “Corruption and Decentralized Public Governance”. World Bank Policy Research Working Paper No. 3824.

³⁶ One of the former staff members was asked the question as to whether the mayors would have allowed the exercises to go ahead in partnership with the CGR in the framework of audits of municipal spending, along the lines of the pilot programs funded by the World Bank in Colombia and Honduras in recent years. “Absolutely not”, was the reply.

Likewise, it seems that the social auditing activities have always involved a great deal of negotiations with mayors to allow access to official information on budgets, programs and projects, procurement, etc.

There were no local “access to information” regulations approved by councils in the participating municipalities. This was confirmed by several CSOs, who admitted that the T/AC program grantees tended to use “moral suasion” to convince mayors to open up decision-making. Thus, without taking anything away from the authentic desire on the part of citizens for better governance, in many cases this demand was in a sense mediated by the T/AC program. At the same time, the grantees working in this area recognized that in most of the targeted municipalities it has not been possible to maintain these mechanisms for citizen participation. This is true even in those municipalities which passed regulations to implement the Citizen Participation Law. Several interviewees thought that an effective program would require more sustained support over several years in order to build a sustained demand for good governance.

While the program did support the passage of citizen participation ordinances in four municipalities, this initiative was in the closing months of the program; hence there was no follow-up support. Interviews with T/AC former grantees suggest these ordinances are now dead letter in the respective municipalities.³⁷

This point requires a reflection on the “impact model” of local level interventions. In reviewing the T/AC Nicaragua program documents and interviewing program counterparts and C&A staff, there is a lack of clarity as to the expected impact of these interventions. Whose attitudes are they changing? How will they reduce corruption? How will they be sustained in the long term, once the program is completed? One major concern is the absence of a link between the support to CDMs and CSOs for planning and budgeting and social auditing, and the elected municipal councils. Are opposition council members interested in promoting citizen participation and oversight? Why the CDM and not the council as a locus for oversight initiatives? Is the local political system so dysfunctional that the council has no role in oversight?

The sustainability issue is especially important. One of the program design issues was the high cost of promoting citizen participation and oversight. The costs of supporting participatory budgeting exercises in each municipality were in the order of \$20,000 for a single fiscal year. Whether T/AC in fact had the resources to work effectively at both the national and local level was resolved in favor of the latter. It is not clear whether this decision was based on an objective evaluation of program results to date.

As we discuss elsewhere, some of the major achievements in phase 1 of the program were the result of support to NGOs working at the national level, engaged in policy analysis, budget oversight, legislative drafting, and policy debate and dialogue. These activities were just starting to get off the ground when the decision was made to eliminate the activities at the national level and focus exclusively on the local level. This, despite the concerns about cost-effectiveness and sustainability of supporting citizen participation and social auditing at the local level.

³⁷ This assertion by former T/AC grantees should be taken with benefit of inventory. We did not have the opportunity to verify this first hand. It would be useful for the new local government program to carry out a rapid assessment.

It is our perception that this program decision was based on immediate political considerations. From the explanation set out in Modification 29, the review of QPRs and the Final Report, plus the interviews with the USAID Nicaragua program manager, former program managers of C&A and the main T/AC counterparts at the national level, the decision to focus on local level activities was in response to Mission concerns about the upcoming 2008 municipal elections—concerns that were subsequently justified by the amply documented electoral fraud in more than 40 municipalities. Nevertheless, the question is whether it was necessary to eliminate the entirely the national level activities being implemented by NGOs.

3.7 Use of Objectives and Indicators

The problem of the broad scope of the T/AC program was compounded by a lack of clarity on program results and how to measure them. Indeed, one of the most glaring issues in this respect was the lack of performance measures to reflect the proposed transformation of public institutions. To begin with, it is not clear whether the objective set out in the RFP, “to reduce the level of corruption that is experienced by citizens in the participating countries”, was ever incorporated into the program indicators. The Final Report submitted by C&A makes no reference at all to this objective. At the same time, in all of the reports, the emphasis was on “transparency and accountability”, rather than corruption.

This shift in the main program objective between the Task Order and the T/AC narrative reports might also help to explain why, at least in the Nicaraguan component, there was no initial base line assessment to measure the level of corruption experienced by citizens. Was corruption spreading quickly? What were its levels in 2005 and 2009? Did the program reduce perceived or experienced corruption? What empirical studies on corruption that were conducted, in fact were only carried out in the second and third years of the program, and they were apparently not used to measure program results. Moreover, for reasons that will be examined below, in some cases the results never were disseminated at all.

With respect to the Sub IRs 2.2 and 2.3, it is never made clear exactly what public attitudes were being changed. Opinion surveys show that Nicaraguans see corruption as an important policy issues and want government to do something about it.³⁸ Was the program intended to reinforce these critical attitudes? Or raise public expectations and pressure for a government response? Or measure the institutional transformation in the public sector by the variation in public perception about corruption prevalence? The results indicators presented in the QPR narratives and the Final Report are limited to the number of people attending the T/AC program training, civic education or lecture participation activities.

For example, despite the strong emphasis on civil society participation and oversight of local government, there was no indicator to measure improved citizen perceptions of local government transparency and accountability. While the QPRs mention support for an “over sample” of the LAPOP survey in the T/AC program municipalities, it appears that the base line was never completed; hence there was no end-term measure, nor a comparative analysis of the change in perception over the program period.

³⁸ The surveys conducted by LAPOP, Latinbarometer and local survey firms coincide in this aspect. Corruption is always included in the list of major policy issues of concern to Nicaraguans.

While it might be objected that a USAID program cannot single handedly reduce corruption levels in the entire public sector, an appropriate technical solution would be to focus activities on reducing corruption in individual institutions and measure substantive progress through report cards, customer surveys, corruption victimization studies, etc. But in proposing only to enhance government capacity to promote transparency—apparently across a wide spectrum of executive agencies, legislature, local governments and control institutions—the program avoided even attempting to reduce corrupt practices in a single institution or operating unit. As we discussed above, early on in the program the decision was made not to focus resources on effecting institutional transformations in specific entities.

Again, this problem reflects the weaknesses in the RFP design and the lack of realism about the kind of interventions required to transform public sector institutions. In this context, it is hardly surprising that the program would have no measures of impact in relation to reducing corruption in targeted public sector institutions.

Overall, it seems that measuring impacts, whether on levels of corruption, citizens' attitudes or institutional transformations, was not a priority. Indeed, from the review of the program documents, it is not clear whether the program had a functioning M&E plan that would be useful for program management, i.e., a set of indicators that would inform decisions about program strategies and design of activities. From the QPR narratives it appears that the proposed "M&E plan" took more than two years to design and approve and apparently was not used as a means of managing the program interventions during the first half of the program implementation period.³⁹ Neither the QPR narratives nor the Final Report refer to the program performance indicators at all. In this respect, it should be noted, too, that the present assessment was unable to review the T/AC Nicaragua M&E plan, the design of the performance indicators, or M&E reports. For this reason, it is not possible to explain how the plan actually informed program decisions.

In this sense, the overall technical management of the program, whether on the part of USAID/CAM or the contractor—or both—seems to have been deficient. This might reflect in part the problems encountered in managing a regional program, which will be discussed in the following section. In any case, it is difficult to explain how the main objective of reducing the levels of corruption experienced by citizens was morphed into a proposal to "to promote and obtain greater transparency and accountability".⁴⁰

³⁹ In the Quarterly Performance Report No. 11, submitted in October 2007, C&A reported that the Nicaragua M&E plan had not been approved as yet. See: Casals & Associates, Quarterly Technical Performance Report No. 11. Period covering July 1, 2007 – September 30, 2007 (4th Quarter of FY 2007) page 17, which states: "I. KEY ACTIVITIES: Please note that the M&E Plan for this Program has not yet been finalized, therefore no indicators have been included in this report".

⁴⁰ See Casals & Associates. USAID/CAM Anti-Corruption, Transparency and Accountability Program. Final Report. Nicaragua. Page 5.

3.8 Regional Scope

One aspect that stands out in the management of the program was the inability to implement activities with a regional scope. The original design called for a regional CTO and a COP both based in Guatemala. What appears to have occurred, from interviews with program staff and USAID officials, is that neither the CTO nor the COP was able to dedicate sufficient time and effort to building-in activities to promote and reinforce synergies between country components.

Despite the existence of budget resources in the form of a “Multi-Country Opportunity Fund”, by the end of Year 1, this aspect had disappeared from the QPR narratives, except for the occasional reference to one-off, bi-lateral activities between organizations in different countries. For example, in August 2007, T/AC Nicaragua funded the travel of two NGO directors to attend the IV Central American Summit on Political Party Finance organized by TI. But these were few and far between and there was no follow-up to support application of “best practices” or other learning formats.⁴¹ This tendency was reinforced with the transfer of responsibilities for regional programming from the T/AC program COP/Country Director in Guatemala to the Casals & Associates HQ. By Year 3 the regional program meetings had ceased. The occasional visit by HQ managers was usually focused on resolving urgent management issues.

In interviews with the T/AC program partners and grantees, there was a recurring issue of the use of international consultants or C&A HQ staff as technical resources. Several of the Nicaraguan partner organizations mentioned that C&A did not draw on technical resources from NGOs and government in the other participating countries, but rather preferred to use its own “roster” of international consultants. In this way, C&A did not take advantage of opportunities for building peer networks and exchanges in the region. The partners and grantees were generally very critical of this aspect, calling into question the logic of a regional program that was unable or unwilling to use human resources from within the region. Several noted that the regional dimension was largely limited to travel by USAID and C&A program staff.

3.9 Program Management Issues

The Nicaragua component suffered from a series of management problems, not least among them the rotation of senior program management: the regional COP (effectively three over the length of the program) and country Directors (also three over the length of the project, along with more than six months of interim managers). This rotation of program management was exacerbated by changing priorities of USAID/Nicaragua management, in response to the short term political context. The former C&A program staff described this in terms of “turbulence”.

In the first year, there were long delays in start-up (mobilizing key personnel, setting up offices, and hiring local staff). Beyond the start up problems, a review of the QPRs shows that it was not possible to implement most of the activities set out in the FY2005 Work Plan, beyond the initial discussions with program counterparts. In this first year the program was unable to navigate the internal politics of the Office of the President to provide support for the OPE’s activities; there were no initiatives with

⁴¹ One of the QPRs refers to a breakfast meeting with GON officials that had attended a regional TI event, reporting that there would be follow-up to ensure application of best practices. It was never mentioned again in subsequent QPRs.

executive branch entities nor control institutions; nor was the T/AC program able to define concrete projects with CSO partners. Reviewing the QPRs, there are numerous activities that are mentioned time and again in successive QPRs as programmed for the following quarters; a glaring example is support for a “Transparency Circle”, which appeared in six consecutive QPRs before it was finally carried out in the eighth Quarter.⁴²

Several of the T/AC program partners interviewed in this evaluation referred to the first year activities as amounting to “a lot of exploratory meetings”. Key activities such as the selection of municipalities were also delayed considerably, owing to problems with the selection methodology and its application. While the program awarded a grant to EyT in Q3, but by the end of Q4 it had still not initiated activities, because the municipal selection had not been completed. The selection was completed only in Quarter 5. Subsequently, the program had to renegotiate with some of the initial grantees the geographic focus of their activities, which proved to be damaging for both the program and the grantees in their relations with local institutions.

As was discussed in Section 1, in the second year of the program, with a new country Director, there was considerable progress made in implementing activities in function of program objectives. But the country Director was replaced again in the fourth year, owing mainly to problems of communications and lack of consensus on program orientation with the new Mission management.⁴³ The Director was focusing efforts on maintaining an anti-corruption policy agenda, in part through a series of diagnostic studies, evaluations and policy analyses aimed at influencing public opinion. For its part, the Nicaragua Mission management was increasingly concerned about the upcoming municipal elections, issues of campaign finance, transparency in use of public resources, management of the voter registry, obstacles to youth voting, etc.

In analyzing the difference in opinion between the country Director and the Mission, the issue appears to be not so much the increased emphasis on local elections, but the decision to eliminate all of the activities related to policy debate and dialogue at the national level. As we discussed above, with Modification 29, the program became exclusively focused on the local level. Whether it was in fact possible to engage the GON on policy debate in the area of transparency and accountability is open to debate; what is unequivocal is that in responding to the immediate political conjuncture, the changes to the Task Order eliminated the on-going activities with important NGO partners in oversight, social auditing, policy analysis and advocacy.

Not surprisingly, the main program partners and grantees that were involved in this kind of activity were very critical of USAID’s decision in this respect, referring to the “short sighted” nature of the Task Order modification, on the one hand, and the “politicization” of USAID programs on the other. Again, while all of the organizations consulted recognize that formally the small grants program to

⁴² QPR 8 mentions the support for the first ever Transparency Circle upon the return of a Nicaraguan delegation from an event in Guatemala: “the Program along with the active participation of the delegation launched its first Transparency Circle; a concept centered around the idea of promoting dialogue between the various sectors of the Nicaraguan society on transparency”. Why this simple concept required a visit to Guatemala and two years to organize is not clear.

⁴³ While from the memos and emails back and forth between the program and the Mission, it seems that there were also personality issues, the substantive problem was a lack of technical consensus on program strategy and activities.

support electoral activities did not support partisan political activity, they argue that owing to the grantee selection, contents and timing of the initiative, it was perceived by all concerned as essentially political. Several of the partners considered that the modification was dictated by short term foreign policy concerns, as opposed to a longer term vision of how to build institutional capacity of civil society organizations to support democratic development.

Nor did the decision to eliminate entirely the activities at the national level give USAID good value for money. Many on-going activities and sub-grants were cancelled outright. Ironically, as we have discussed above, the enduring impacts of the program were felt in ongoing activities of NGOs at the national level, whereas the local level activities virtually ceased once the T/AC program was completed. Some of the studies were in fact concluded, but either C&A or USAID prohibited their dissemination. The inconclusive activities include the mapping of IACC compliance in executive agencies; the results of the survey of youth opinions; the replication of the LAPOP survey in the “oversample” of T/AC local government; the study on the costs of corruption; and the proposal on administrative simplification (reduction of red tape).⁴⁴

3.10 Grants Management

Related to the issues raised in the previous section, in the interviews with program partners there were constant complaints about the management of the grants. Some grantees complained about the “original” grants awarded during phase 1 of the program, to support citizen oversight and participation in budgeting (nationally and locally), IAAC compliance, elections/campaign finance reform, or diagnostic studies of corruption prevalence. Others referred to the small grants fund created by TO Modification 29, to support civic education and participation in the run-up to the 2008 municipal elections.

With respect to the grants awarded in phase 1, several partners complained that the program forced NGOs into partnerships and coalitions, rather than allowing NGOs to organize coalitions according to affinity and interests. A concrete case is the attempt by the program to partner two NGOs to carry out budget oversight activities. Only after almost eight months of failed attempts to join these two unwilling partners did the T/AC program relent and award a grant to one of the NGOs.⁴⁵ In other instances, notably the grants to support work on IACC compliance and political party financing, the NGOs interviewed reported that they were forced into presenting joint proposals. One of the NGO leaders asked, “If there were limited funds for the activities, too many proposals and a competitive process, why couldn’t the program just decide on the best proposals instead of insisting on “partnerships”?”

The perception on the part of NGOs with respect to the “interventionist” nature of the program during the first phase was reinforced with the small grants fund executed during the second phase. As was mentioned above, several of the smaller NGOs complained that they were obliged to rework

⁴⁴ Some of these may have been completed; others cancelled while being implemented, and others just getting to the design stage. It was not possible from the QPRs to get a complete picture.

⁴⁵ Here the reference is to the attempt to join IEEPP and CISA. The grant was eventually awarded to IEEPP. CISA ended up presenting four separate proposals over two years, at the request of the T/AC program, without ever receiving funding.

proposals in function of USAID's geographic priorities, without taking into consideration their previous experience and relationships. Two of the larger NGOs interviewed reported that owing to the small size of the grants and the onerous reporting requirements, they had opted not to present proposals, however, in one case the program pressured the board of directors into insisting that the Director present a proposal.

Another aspect of this problem was the vetting of reports and studies carried out by T/AC program grantees, which was felt both in the "original" grant program and the small grants fund established in Modification 29. One of the major program grantees reported that four of the technical reports produced under the grant were never released or disseminated owing to either C&A's or USAID's refusal to approve them. Other major grantees mentioned C&A's insistence on vetting and editing materials and reports not only for form but also for contents, which they considered excessive considering that the work was done under grants rather than contracts. One experienced NGO director observed that from his perspective "C&A staff didn't understand the difference between a grant and a contract". These criticisms were aired by NGOs which received only one grant and by others which received multiple grants.

Almost all of the grantees considered that the program exercised excessive oversight of invitations to activities and events, which according to them was in effect even before the 2006 elections. While this was a requirement of the State Department rather than USAID/Nicaragua, for the T/AC program grantees and their local counterparts this was too fine a distinction—in the final analysis it was seen to be intrusive and damaging to the NGOs' image as non-partisan actors. In the interviews there were constant references to lack of understanding by the Mission that to be effective in influencing policy, NGOs needed to be able to engage with government—any government—even if it is to point out failings of policies, to expose lack of compliance with laws, etc. As one of the NGO leaders interviewed for this assessment put it, "long after the T/AC program is gone we will still be here, trying to change things".

In addition to these problems, there seems to have been a serious problem with the program burn rate and the obligation of funds that affected the grants program. Apparently in the haste to increase program activities in 2008 the T/AC program effectively ran out of funds, which led it to curtail disbursements to grantees.⁴⁶ This problem was confirmed by interviews with former C&A staff members, who attributed it to weaknesses in financial planning and miscommunication between the field offices and HQ. The problem was subsequently resolved through a contract modification to increase the obligation of funds, but by then the damage was done; one of the NGOs affected by the decision reported that C&A had not explained the causes of the problem, but rather in meetings with the COP it was attributed to USAID "cutbacks".

The assessment concludes that the program support for NGOs was late in starting (major grant activities with NGOs started in the second year), short in duration (the modification 29 essentially eliminated the activities of NGOs working in policy or at the national level), at times overly involved in day to day management and more importantly, it was not designed to contribute to building NGO capacity in this field. Despite the focus of the RFP on "institutional transformation" the design of the program work plans and activities did not incorporate a long term strategy for capacity building of NGOs

⁴⁶ According to interviews with former C&A staff, the conflicts with C&A on this issue led to the decision on the part of two of the NGO partners not to present proposals to the second round of the small grants program in 2008.

in the field of transparency and accountability; rather, the support was always framed in terms of sub-contracts for specific activities, at most a year in duration, many much shorter. The small grants fund, established by TO Modification 29, by definition supported program activities of only several months in duration.

Section 4: Lessons Learned

Overall, looking at the resources channeled toward the Nicaragua component of the regional T/AC program, one of the first conclusions that can be drawn is that despite receiving the largest country share of T/AC resources, the achievements were very limited indeed with respect to the Task order's objective of "transformation of public institutions" with the purpose of reducing levels of corruption. While this might be attributed to the increasingly adverse political context in Nicaragua, as we discussed there were also considerable problems in the design of the RFP, the decision to implement work in almost all of the LLRs, and resulting dispersion in resources, along with a series of problems in design and management of program activities. In what follows we outline the main lessons learned from the T/AC Nicaragua experience.

4.1 Program Counterpart in GON

One of the main lessons learned in the T/AC Nicaragua program, and which confirms international experience documented in academic research and evaluation, is the difficulty of hinging program interventions in the public sector on the Presidency. The decision to work with the two offices of the Presidency (SCE and OEP) was not based on a realistic assessment of the political weight of these offices and its influence on other public sector institutions. Even had the Presidency developed a coherent anti-corruption plan, it is doubtful that the SCE or the OEP would have had the wherewithal to lead the implementation of such a plan. Whether the T/AC program followed USAID's lead on this decision was not clear, but in any case it should have been subject to careful review and discussion with the GON beforehand.

4.2 Dispersion of Program Resources

Another lesson, which again reflects and reinforces international experience, is the difficulty in carrying out and sustaining simultaneous anti-corruption reforms by spreading program resources across multiple branches of government and numerous government entities. In dispersing program resources, it is difficult to interest and engage decision-makers in individual line ministries and agencies in reform initiatives. The large number of SubIRs and LLRs selected for the T/AC Nicaragua component meant that the program was unable to bring resources to the table in discussions with potential counterparts; hence it generated scant interest.

4.3 Use of "Horizontal" Interventions

While it worked with several GON entities, in fact the T/AC program gave preference to "horizontal" interventions, for example, sensitizing staff from several line ministries and agencies on a particular policy issue or training on a particular management approach or tool (i.e., control self assessment, improving access to information, or implementing client friendly measures such as instructional signs). These interventions were typically one-off, unconnected to change strategies or plans of the participating GON entities. There was no follow up and in the final instance the T/AC program was

never able to identify or measure specific impacts of these kinds of training exercises within the participating institutions.

4.4 Engagement with Line Ministries

Related to the previous points, the T/AC program did not engage effectively with line ministries or other agencies. International experience in public sector reform shows that institutional transformation requires not just a national policy or plan, but also change-management strategies involving dialogue, planning and joint work plans focusing on achievement of specific results and activities, including the definition of inputs, outputs, and performance indicators. There were no such strategies in the T/AC Nicaragua component. As a result, the program could demonstrate no measurable progress towards the stated objective of reducing corruption.

4.5 Watchdog Role of National CSOs

The program conceived of the role of CSOs as essentially that of a “watch dog”, to press for increased accountability of decision-makers. This proved an effective strategy up to a point. Several NGOs have been able to build expertise in oversight of GON policymaking, planning and budgeting. However, this role was and continues to be essentially critical, identifying problems but not contributing to solutions. The program did not explore opportunities for more constructive roles, for example, brokering cooperation between GON and CSOs in designing, monitoring and sustaining institutional transformation within specific entities. In that way, it may have forgone opportunities to contribute to less confrontational relationships between the GON and CSOs involved in public policy debate and deliberation.

4.6 Mixing Government/CSO Interventions

One of the notable problems observed in the T/AC Nicaragua program was the mix of support of GON anti-corruption policies (albeit a minor component, for the reasons discussed above) with support to CSOs in their “watchdog” roles (the major component). This mix of strategies was problematic for the program in the PLC government, but even more so in the FSLN government. Increasingly, as several of the interviewees noted, the T/AC program was identified as having a “civil society” bias, which in the latter administration was equivalent to an “anti-government” bias. Here we get back to the problem of focus and strategic choice. While in some contexts it might be appropriate, it is possible that in the Nicaraguan political context, the T/AC program would have been more effective choosing one or the other strategy, i.e., without the mix of government/CSO interventions. Again, this gets back to the RFP standard “template”.

4.7 Rationale for Local Level Interventions

Governance programs need to make strategic choices about arenas of action. Sometimes difficulties in working with national government agencies might merit a re-focusing towards local governments. That certainly has been the case in Nicaragua. But oversight and social auditing exercises at the local level are fraught with political difficulties too. This assessment is left with unanswered questions about the real impact of local level accountability and social auditing exercises. The T/AC program relied heavily on “moral suasion” by the program Director to convince mayors to “allow” citizen participation and oversight. And once the program activities were completed, in many of the localities, things went back

to normal, apparently even in those local governments in which the municipal council passed a citizen participation ordinance.

4.8 Short Term versus Long Term Objectives

The changing political context in Nicaragua placed severe constraints on the effectiveness of the T/AC program. While it is understood that USAID's programs need to be aligned with foreign policy goals, the assessment concludes that in this case the changes in the program were over-determined by short term policy considerations. This is a severe limitation for the design and implementation of effective development programming. In particular, the decision to eliminate entirely the national level activities with CSOs in favor of activities focused on municipal elections was damaging to USAID's long term development objectives.

4.9 Perceptions of Partisan Bias

One of the points reiterated by the interviewees was the perception that the decision to shift of the emphasis on the T/AC program to an exclusive focus on local level activities in the run-up to the 2008 municipal elections reflected a partisan bias on the part of the USG against the FSLN. While USAID's program objective was to ensure free and fair municipal elections, and required sub-grantees to not take a partisan stand, the decision nevertheless was seen by program counterparts and observers as partisan in its intention. While this might have been unavoidable, given the polarized political context, it was also predictable. It may also limit the effectiveness of future anti-corruption programs and CSO counterparts.

4.10 Grant Support to NGOs

To the extent that anti-corruption programs (and governance programs in general) incorporate objectives related to building civil society capacities, meeting these objectives requires a long term vision and consistent support over several years to selected organizations. Indeed, in reviewing the experience of T/AC grantees after the program was completed, it is evident that those grantees that received large grants over a year or more found it easier to access additional funding from other donor agencies to maintain the activities piloted by T/AC. The grantees receiving the small grants generally did not.

4.11 Support to CSO Coalitions

The T/AC Program was effective in supporting several coalitions of CSOs which achieved useful results in promoting access to information legislation, pressure for IACC compliance, and building public awareness on campaign finance and electoral reform. While the T/AC experience shows that partnerships and coalitions among NGOs can be effective mechanisms for channeling scarce resources for specific goals, these need to be built on affinity and common interest, not on monetary incentives. More is not always better; USAID programs should avoid cajoling CSOs and NGOs into partnerships and coalitions.

4.12 Use of Performance Indicators

The experience of T/AC Nicaragua confirms what USAID has discovered in other programs, i.e., that an effective governance program requires clarity on impacts and performance measures. The difficulty on

the part of the contractor and USAID in defining these measures should have been a “red flag”, indicating a lack of clarity on program objectives and strategies. The design of the M&E plan dragged on and once it was completed it appears to not to have been used to inform program decisions. The QPR narratives make no mention to performance indicators. Indeed, the program did not carry out any base line measures (institutional assessments, surveys, etc) until the second and third years, which were not used or disseminated.

4.13 Design of Regional Programs

Without entering into a discussion about the utility of regional programs per se, the assessment of the T/AC Nicaragua component provides some lessons and recommendations on design criteria. Regional programs can provide a “menu” of results, strategies and specific interventions which need to be adjusted to country conditions and opportunities. They should aim to mobilize existing regional resources before resorting to experts from outside the region. This will build networks and reinforce capacities of both government institutions and civil society organizations. If there are no concrete opportunities are identified for regional learning and capacity development, USAID might reconsider the utility of a regional focus.

Section 5: Recommendations

The recommendations presented in this section follow from the analysis of main achievements in Section 2; the problems and issues in Section 3; and the lessons identified above in Section 4. Some of the recommendations apply to what the program might have done better to achieve its objectives; others apply more to future USAID/Nicaragua programming in the area of anti-corruption, transparency and accountability.

5.1 Design and Procure a New Program

While they may be accused of self interest, almost all the program counterparts—and all of the former grantees—interviewed recommended that despite the adverse political context, USAID should initiate a new, redesigned program, focusing on strengthening transparency and accountability of government. They tended to emphasize CSO participation and oversight, rather than transformation of GON institutions. The majority did not consider that there is “political space” for USAID to reach a consensus with the incumbent FSLN government on an anti-corruption program. The assessment concurs with this general recommendation. It should be said, however, that most of the counterparts were extremely critical of the design of the T/AC program. Much of the present report reflects this criticism, with occasional caveats.

5.2 Critical Review of Anti-Corruption IQCs

USAID/Nicaragua should encourage the Agency to undertake a critical review of the impact of anti-corruption programs funded under the previous and current IQC and consider substantial changes to its RFP “template”. The academic literature and available evaluation reports suggest that many of the problems and issues identified in Section 3 are common to the other country components of the CAM T/AC program—and to anti-corruption programs implemented in other regions of the world. One important question is whether USAID funded programs have produced measurable results in hinging support on national governments’ ability to lead “anti-corruption plans” or in funding specialized

commissions. Failing a more general review, it would be useful to hold a DG workshop to explore these issues in the LAC or CAM context.

5.3 Focus and Concentration in Design of Anti-Corruption RFPs

Again for USAID more generally and for USAID/Nicaragua in the process of designing new anti-corruption RFPs. The budget allocations for multi-year programs in small countries such as Nicaragua (from \$1 to \$2 million dollars per annum) preclude RFPs with dozens of program interventions across multiple government entities. RFP design should focus and concentrate resources on transforming a limited number of institutions (if the focus is on working with government counterparts) and/or strengthening a limited number of NGOs and CSOs (if the focus is on civil society participation and oversight).

5.4 Ensuring Commitment to Anti-Corruption Policies and Plans

USAID/Nicaragua support for anti-corruption programs should be predicated on verifiable GON commitment, expressed not only in national policies, but also in strategies and plans of line ministries and other agencies. It should be reflected in contractual terms of Task Orders, for example, a two year T.O., with a three year option, upon meeting verifiable commitments by host governments. Related to this, program multi-year plans and annual work plans should be designed in conjunction with these main government counterparts, and should incorporate policies, plans and strategies of these same counterparts. In this same logic, the GON counterparts should be involved in annual reviews of program performance and final evaluation.

5.5 Legislative Reforms and Change Management

Following on the previous recommendation, USAID/Nicaragua's future anti-corruption programs, to the extent that they focus on program interventions aimed at transforming public sector institutions, should incorporate an appropriate mix of "horizontal" reforms (i.e., legislative reforms such as access to information laws, compliance with international conventions, public sector procurement reform, etc) and change management interventions in individual government institutions, including interventions to implement the legislative reforms in selected entities, thus promoting their broader implementation throughout government.

In the event of an opposition victory in the 2011 elections, this option is politically viable, but only if it is accompanied by the breakdown of the PLC/FSLN pact in the legislature. Its viability should be based on a careful, realistic assessment of the political game. If it is deemed viable, it should also be taken in combination with recommendation 5.3 above, on the basis of clear commitment by the GON to specific reforms, in selected line ministries and other agencies, and with a consensus on objectives, indicators and targets.

5.6 Consider Exclusive Focus on CSOs

There is a strong possibility that Nicaragua will continue to be governed by an FSLN government, either re-elected in free and fair elections or through recourse to electoral fraud as in 2008. In either case, taking the long view, USAID should consider an exclusive focus on support to CSOs in their "watchdog" role. The conflictive political context, coupled with the difficult relations between the USG and GON,

would suggest that future anti-corruption programs not mix support to government with support to CSOs.

This strategy would also benefit from support for broad coalitions or alliances between CSOs. In this kind of program, CSOs should be free to engage the GON as they see appropriate, as opportunities present themselves for policy debate. This will also contribute to their long-term political neutrality and sustainability.

5.7 Orient Grants to Building CSO Capacity

This recommendation is in response to the reiterated comments and suggestions of former T/AC grantees. USAID's support for CSOs should be oriented towards building capacities of selected CSOs and coalitions, to enable them to exercise oversight, research and analyze policy, develop policy proposals and promote public debate and deliberation. The support should be through multi-year grants (two years). The objective should be cast in terms of sustaining civil society activism in an adverse political environment. The program should avoid multiple, small grants to the same NGO. This strategy does not build capacity and places a large administrative burden on grantees. Rather, better design of program strategies and more careful work planning would allow for larger, medium term grants to support key partners and build their capacity.

5.8 Look for Sustainability in Local Government Interventions

In Nicaragua's current political context, and taking into consideration the critical governance challenges posed by the FSLN's attempt to capture all government institutions, we recommend that a new anti-corruption program be focused on national level governance issues. Should the decision be to include program interventions at the local level, programs should support institutional changes, through council resolutions and regulations referring to decision-making processes and administrative procedures and focus support to council members (especially opposition council members) in their implementation. While the T/AC supported passage of citizen participation ordinances in four municipalities, they are in abeyance.

A future program should explore alternative strategies, for example linkages with the elected council members, especially opposition parties. Alternatively, a future USAID program might want to consider supporting partnerships between control institutions (CGR) and citizens groups in carrying out social audits of programs and projects in the framework of formal, municipal audits. This has been tried out in other countries. Finally, if the decision is to work at the local level, we recommend that USAID concentrate resources in intermediate cities, rather than in small towns. The potential impact and possibility of sustainability of interventions will be greater, owing to the greater density of civil society organizations.

5.9 Separate Contract Mechanisms for Electoral Activities

We recommend, too, that the grants program not include activities in support of voter registration or promotion of voting, which under the T/AC program resulted in perceptions of political bias. The equivalent of the small grants component of the T/AC program in 2008 should be through a different mechanism, and be executed by different grantees, for example, those CSOs dedicated to citizen participation in politics (Coordinadora Civica, Movimiento por Nicaragua, Movimiento Autonomo de Mujeres, etc). With respect to the radio programs, given the dangers of partisan bias, we recommend

that the support be in the form of “syndicated” programs, pre-recorded and broadcast on the participating radio stations.

5.10 Better Design and Use of PMPs

Following on our discussions in Sections 3 and 4, it is evident that a future anti-corruption program will require careful attention to the design and use of the Performance Management Plan (PMP). In line with recommendation 5.3 above, we recommend that the Task Order specify that the final PMP be designed in cooperation with the GON counterparts (if the focus is on transformation of public institutions). The PMP indicators and targets should reflect the plans and strategies of the GON counterparts. In this same logic, we recommend that the GON counterparts be involved in semi-annual reviews of the PMP.

5.11 Defining and Using Performance Indicators

We have underscored the importance of designing robust performance measures for anti-corruption programs, and the failings of T/AC Nicaragua in respect to measuring the impact on “levels of corruption experienced by citizens”. While USAID/Nicaragua has preferred to use LAPOP oversamples for this purpose, we recommend a technical review of this decision, in that there may be more technically appropriate and cost-effective methods of obtaining comparable data for performance measurement purposes. We recommend, following the previous recommendation, that the choice of methods pay attention to the needs of the program’s GON counterparts and to issues of sustainability. For example, consider using citizen score cards and other alternative methods, which can be replicated by GON entities.

We recommend, too, that the Task Order require baseline measures of all of the key program indicators within six months of startup, and if feasible in budgetary terms, at least a mid-point and end-point measurement.

5.12 Avoid Regional Program Designs

The assessment found that the regional nature of the program caused many difficulties and delays in decision-making and added complexity to what is already a challenging management task. We recommend that a future anti-corruption program not be regional in scope; rather, when necessary and cost-effective draw on technical resources from other CAM countries and build on opportunities for peer learning.

5.13 Managing Failing Programs

Our assessment concludes that the T/AC Nicaragua program was failing by the end of Year 1, owing to lack of GON commitment and the inability to agree on concrete strategies and interventions. USAID/Nicaragua should be more attuned to managing failing programs and taking prompt remedial action. Rather than wait until mid-2008, in hindsight USAID/Nicaragua should have cancelled the government component of the program in 2007; there was ample evidence of lack of GON interest and commitment. We recommend in this light and following on the other recommendations presented here, that future USAID/Nicaragua anti-corruption programs carry out frequent reviews (semi-annual) with GON counterparts and reach consensus on program continuation (or not) on the basis of verifiable remedial actions.

5.14 Eliminating “Background Noise” in Grants

Finally, we recommend that USAID carry out an audit of the T/AC Nicaragua grants program, both the “Phase 1” grants and the two rounds of small grants in “Phase 2”. In the course of our interviews, we received many complaints about the lack of clarity in procedures, changes in contract amounts, delays in disbursements, etc., which were not adequately explained by the contractor. This undoubtedly led to considerable “background noise” which it would be useful to eliminate before embarking on another program with a significant grants component—especially considering the context of a program focusing on transparency.

Appendix A: List of Interviewees

Haydee Acosta
Former Executive Director
Oficina de Ética Pública

Marlene Álvarez
Coordinator
RED LOCAL

Luis Aragón
Coordinator
Ética y Transparencia

Dr. Manuel Arauz
Dean,, Faculty of Legal Sciences
Universidad Centro Americana -UCA

Marlia Avendaño
Ex Director
JUDENIC

Haydeé Castillo
Director
Instituto de Liderazgo

Fernando Centeno
Director
Radio Corporación

Cristiana Chamorro
Executive Director
Fundación Violeta Barrios de Chamorro FVBCHH

Denis Contreras
Former President
Nicaraguan Association of Internal Auditors AINN

Bernardine Dixon
Director
Ceimm-Uraccan

Sussie Durietz
Vice Rector
Universidad Paulo Freire, UPF

Mary Flores
Former Coordinator
Municipal Gender Commission
Boaco

Francisco Gadea
Director
Radio Romance
Jinotepe

Zorayda Garay
Former Technical Advisor
Oficina Ética Pública

Claudia García
Executive Director
IEEPP

Violeta Granera
Executive Director
Movimiento por Nicaragua

Ismael López Ocampo
Ex Program Manager
PROBIDAD

Patricia Mayorga
Executive Director
Grupo FUNDEMOS

Denis Mayorga
Professor
Universidad Nacional de Ingeniería (UNI)

Mario Medal
Progam Officer
NDI

Sofia Montenegro
Executive Director
Cinco

Dr. Alberto Novoa
Ex – Procurador
Republic of Nicaragua

Emilio Ortega
Former Technical Advisor
Oficina Ética Pública

Claudia Paniagua
Director
Fundación Nicaragua Nuestra

Ana Quiroz
Director
Centro de Información y Servicios de Asesoría en Salud, Cisas

María José Reyes
Program Coordinator
ASODEL

Juan Francisco Rodríguez
Director
Fundación Rubén Darío Para el Desarrollo Humano- FUPADE

Enrique Saez
Deputy
Movimiento Renovador Sandinista MRS

Pedro Javier Solís
Executive Director
HAGAMOS DEMOCRACIA

Eva Tablada
Former Mayor
Boaco

Mignone Vega
Director
Secretary Strategic Communications (SEC)

Dr. Mauricio Zúñiga
Executive Director
IPADE

Group Interview
Carla Patricia Corea Cuadra
Fidel José Aguilar Martínez
Darling María Solís
Giovanni Jarquín
Youth leaders
IAP/ UNI Project
Nagarote

Group Interview
Ulises Caldera
Mayling Obregón
Ondina Olivas
Former Technical Advisors
T/AC Nicaragua Program

Appendix B: List of Documents and Materials Consulted

AAIN. Conferencia: Fortaleciendo las capacidades de control interno y manejo de riesgo para la transparencia. Mayo 31, 2007.

Besley, T. 2006. Principled Agents: The Political Economy of Good Government. Oxford: Oxford University Press.

Booth, J.A. 1989. "Elections and Democracy in Central America: A Framework for Analysis". In J. Booth and M. Seligson (ed.) Elections and Democracy in Central America, Vol. 8. Chapel Hill: The University of North Carolina Press.

C&A.2006. Respuestas de la sociedad civil de Nicaragua al cuestionario relativo a las disposiciones de la Convención Interamericana Contra la Corrupción. Managua: C&A.

C&A. 2008. Nicaragua Transparency and Accountability Program. Small Grant Packet Proposal. Managua: C&A.

C&A. 2009. Programa de Transparencia USAID/Nicaragua. Proyecto de Participación Ciudadana en la Gobernanza Municipal. Informe Final. Managua: C&A.

C& A. Manual para la participación ciudadana en el ámbito municipal. Vols. 1-7. March, 2009.

EyT.2008. Sistematización de experiencias del Proyecto de Transparencia Presupuestaria. Managua: EyT.

EyT. 2009. Una ruta hacia la Transparencia y la Gobernabilidad. Sistematización de experiencias en 25 municipios. Managua: EyT.

EyT. 2010. Informe de respuestas de la Sociedad Civil de Nicaragua al cuestionario de la 3ra. Ronda de evaluación. Managua: EyT. (<http://www.eyt.org.ni/media/osc3.pdf>)

Fundemos. 2007a. Trazos de nuestra experiencia. ¿Cómo diseñamos la campaña de comunicación en pro de la transparencia en la política? Managua: Grupo Fundemos.

Fundemos. 2007b. Manual de auditoría social. Managua: Grupo Fundemos.

FUPADE. 2007. Los procesos de auditoría social y su aporte a la gestión democrática en los municipios. Managua: FUPADE.

FVBCh. 2006a. Los órganos de implementación y cumplimiento de la Ley de Acceso a la Información Pública. Managua: FVBCh.

FVBCh. 2006b. Libertad de Información, secreto profesional y desacato. Managua: FVBCh.

FVBCh. 2006c. La Convención Interamericana Contra la Corrupción. Managua: FVBCh.

- Heilbrunn, J. 2004. "Anti-Corruption Commissions Panacea or Real Medicine to Fight Corruption?" Washington DC: World Bank Institute.
- IEEP. 2007. Políticas Públicas, Participación Ciudadana y Oportunidades de Auditoría Social. Memorias del Taller. Managua: IEEPP.
- IEEPP. 2009. Agua salada para Bluefields. Un estudio de caso sobre contrataciones públicas. With International Budget Partnership. Managua: IEEPP.
- IEEP. 2010. Informe de gestión del sector defensa nacional, seguridad pública y política exterior. Managua: IEEPP.
- IEEPP. 2011a. Marco presupuestario de mediano plazo en Nicaragua 2006-2014. Managua: IEEPP.
- IEEP. 2011b. PGR 2011 El gasto social en el contexto electoral y de recuperación económica. Managua: IEEPP.
- IFES. 2006. II Conferencia Internacional de Financiamiento Político: Desafíos y Propuestas. Managua: IFES.
- IPADE. 2007. Manual de monitoreo sobre el financiamiento público y privado a la actividad política en Nicaragua. Managua: IPADE.
- IPADE/GPRE. 2010. Propuesta desde la Sociedad Civil: Para restaurar la confianza en el sistema electoral. Managua: IPADE.
- Klitgaard, R. 1988. Controlling Corruption. Berkeley: University of California Press.
- Lawson, L. 2009. "The Politics of Anti-Corruption Reform in Africa". Journal of Modern African Studies 47 (1): 73-100.
- Meagher, P. 2005. "Anti-corruption Agencies: Rhetoric versus Reality". The Journal of Policy Reform 8 (1): 69–103.
- Odd-Helge, F. and Isaksen, J.. 2008. "Anti-Corruption Reforms: Challenges, Effects and Limits of World Bank Support". IEG Working Paper 2008/7. World Bank Independent Evaluation Group.
- Persson, A., Rothstein, B. and Teorell, J. 2010. "The failure of Anti-Corruption Policies: A Theoretical Mischaracterization of the Problem". QoG Working Paper Series 2010: 19. The Quality of Government Institute. Department of Political Science, University of Gothenburg.
- Programa Fondo Conjunto de Donantes para la Anticorrupción. 2009. Diagnostico de la corrupción en Nicaragua. Managua.
- Prud'homme, R. 1995. "On the Dangers of Decentralization," World Bank Research Observer, 10, 2, pp.201-209

Red Probidad. 2007a. Investigación de Casos de corrupción: ¿Dónde estamos y hacia dónde vamos?. Managua: PROBIDAD.

Red Probidad. 2007b. Iniciativas de aprendizaje y oportunidades para Nicaragua.

Rose-Ackerman, S. 1978. Corruption. A Study in Political Economy. London/New York: Academic Press.

Shah, A. 2006. "Corruption and Decentralized Public Governance". World Bank Policy Research Working Paper No. 3824.

Shah, A. 2007. "Tailoring the Fight against Corruption to Country Circumstances". In Performance Accountability and Combating Corruption, Edited by Anwar Shah, 233–254. Washington D.C.: World Bank.