



## Evaluation of the role of NGOs as partners of the Austrian Development Cooperation in Nicaragua and of their contribution to the eradication of poverty

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# Executive Summary

**Introduction:** Austria's development cooperation with Nicaragua started to develop in the 1980s, when the first Austrian solidarity groups and NGOs arrived in the country. During the 1990s, Austrian aid to Nicaragua continued to be channelled primarily through Austrian NGOs, which was also related to Austria's generally critical position towards the Liberal government of Arnaldo Alemán. Over the past years, there have been significant changes in Nicaragua as well as in the area of international development in general. This has led the Ministry of Foreign Affairs (MFA) and the Austrian Development Agency (ADA) to reconsider its focus on working primarily through NGOs. The ADA Evaluation Department, in cooperation with the MFA, has decided to evaluate the results of Austrian aid channelled through NGOs to Nicaragua. The purpose of the evaluation, as defined in the TORs, was thus to assess the role of NGOs (and firms) as partners of the Austrian Development Cooperation in Nicaragua and analyse their performance and contribution to poverty reduction, considering the health and rural development sectors as examples.

**Roles and responsibilities:** Austria's aid architecture underwent a comprehensive restructuring, under which the Department for Development Cooperation in the MFA is tasked with policy issues, while operational tasks have been outsourced to the newly created ADA. Although roles and responsibilities for most actors haven't formally been defined over the past year or so, the process is still ongoing and considerable uncertainties remain. While the cooperation between the desk officer in ADA headquarters and the head of the Cooperation Office in Managua seemed to work well, most actors within and outside the MFA/ADA agree that the desk has been strengthened vis-à-vis the Coordination Office.

Although the Coordination Office in Managua is currently sufficiently staffed, more active engagement in donor coordination and policy dialogue and more projects implemented directly with Nicaraguan partners, without Austrian NGOs and firms as intermediaries, would probably require an increase in the staffing level. In general projects were quite satisfied with the level and quality of support provided by the Coordination Office, although with significant variances. Yet, the Coordination Office felt that in some cases it did not have sufficient instruments and decision power to effectively monitor and supervise projects implemented by Austrian NGOs, especially with regard to co-financed projects.

In rural development, three out of the four local partner institutions were only moderately satisfied with the level and quality of support of Austrian implementing agencies. Austrian implementing agencies seem to have a lot of experience and expertise in transferring project cycle management capacities to their local project partners, in particular to smaller NGOs and groups in their initial start-up and growth phases. Yet, more established local project partners felt that Austrian implementing agencies had not offered them a great deal of specialised and first-rate technical know-how and expertise in areas relevant for more advanced project phases. Both of the local partner institutions that now maintain a direct relationship with the Coordination Office and had in previous project phases worked with an Austrian implementing agency as intermediary, expressed that they preferred the direct relationship to the previous arrangement. The reasons given for this preference included clearer roles and responsibilities and the need to relate and coordinate with only one player instead of two.

**Relevance:** All Austrian projects selected for the purpose of the evaluation fit into the broadly defined national strategies, with one exception: the sawmill component of the Rio San Juan project infringed not only national development plans but even certain national and local laws on environmental standards. On the positive side, the experiences of the health

programme in RAAN have been incorporated in the National Health Policy. In general, the evaluation team feels that there is still some way to go to harmonise and align all Austrian NGO activities, including co-financed projects, more closely to Nicaragua's national strategies and systems. While the majority of projects had good relationships with local government bodies and representatives, they were not necessarily based on local priorities and plans, where they existed. Nevertheless, the evaluation team had the impression that all of the projects visited effectively addressed the specific needs of the target groups. Austrian projects showed a close alignment to the key Austrian policy documents. Yet, three out of the four rural development projects contained credit components which were clearly not in line with Austrian policies.

**Efficiency and Effectiveness:** Apart from the few examples, the evaluation team gained the impression that there was a generally acceptable relationship between costs and benefits at project and programme level. The projects usually had very modest facilities, dedicated staff, acceptable systems of financial monitoring, and in many cases appeared to be able to squeeze the maximum out of their resources. In the rural development sector, some projects have been reformulated a number of times and contained components that simply failed, indicating high learning costs. The evaluators also question the cost-effectiveness of very small projects, with no more than around 100 beneficiaries and no plans to roll out or scale up activities.

As far as effectiveness is concerned, most Austrian funded projects have to a large extent accomplished their project objectives. In rural development, all of the projects visited consisted of various components, with numerous activities, goals and indicators, which did not contribute to their effectiveness. Local partners had the impression that the Coordination Office and/or their Austrian implementing partners asked for too much in too little time. More generally, using a comprehensive project cycle management system, conducting feasibility studies and/or needs assessments before project inception, and developing exit strategies, would certainly increase the performance and in particular the effectiveness of Austrian development initiatives in Nicaragua.

**Sustainability:** All of the Austrian implementing agencies and local project partners are aware of the importance of sustainability and most NGO projects in Nicaragua have taken serious initiatives to address the issue. Yet, the majority of projects also struggled to comprehensively turn the concept of sustainability into an underlying and guiding principle of their development practice. Investing in human capital and empowering beneficiaries and/or groups and communities has been the main strategy to ensure the sustainability of project interventions. However, capacity building activities have primarily been geared at individuals rather than institutions. As most of the Austrian aid activities have been implemented by small NGOs and other civil society organisations, with very restricted access to other funding sources, the largest part of projects reviewed would certainly not be able to survive without Austrian support.

Neither the Coordination Office nor Austrian implementing agencies have put much emphasis on strengthening the financial position of local implementing partners, for example by assisting partners to attend fund-raising courses. There is substantial evidence that building the organisational and institutional capacity of local project partners has not been a key priority for the Coordination Bureau or Austrian implementing agencies.

**Impact:** Austrian-funded projects lacked a common understanding or framework on the issue of impact. Project reports focused on project inputs and outputs, rather than impact, let alone long-term impact. Projects lacked longitudinal records or quantitative data across all projects

stages, in particular on the standard of living of beneficiaries. The large majority of projects did not have the necessary resources or capacities to conduct impact studies. Yet, there was widespread agreement among all stakeholders as well as considerable evidence that Austrian projects have had a positive impact and contributed substantially to poverty reduction in their project areas. Yet, most of the evidence presented and/or found was more anecdotal than proven.

**Cross-cutting issues:** Awareness of and sensitivity towards cross-cutting themes, including gender, environment, and participation and democratisation, was an important part of the development practice of most implementing agencies and local project partners. The Coordination Office has an own part-time consultant for gender and environmental issues, which clearly strengthened the capacity of the Coordination Office to provide support in these areas. Austrian implementing agencies, however, did not seem to have put a premium on transferring know-how relevant to cross-cutting issues, in particular with respect to gender and environment, to their local project partners, with some important exceptions. The evaluation team thus gained the impression that the effective promotion of cross-cutting issues was to a large extent related to the capacities of local project partners.

**Synergies and Multiplier Effects:** Apart from the health projects in RAAN, which have been consolidated into a programme, the Austrian Development Cooperation still follows a project based approach, with a large number of smaller stand-alone NGO projects with often little connection to each other. In particular in the rural development sector, the level of information sharing, coordination and cooperation between the Austrian projects visited was quite deficient. There was no coordinated mechanism to foster information exchange and synergies, such as regular geographic or thematic meetings. Yet, larger Austrian NGOs with a presence in Nicaragua have had their own mechanisms to exchange experiences and knowledge between their projects.

Most of the Austrian projects assessed have been very slow and/or not even started to systematically analyse, document and disseminate their experiences. On the other hand, most projects have established and/or are currently developing relationships to a number of equally-minded regional and national institutions to engage in networking, both in the rural development sector as well as in the health sector. As far as policy dialogue is concerned, smaller NGOs projects are usually not particularly well placed to contribute to policy changes at national level. However, the Horizont 3000 health programme in RAAN has been a remarkable exception to this rule and has played an important role in the development of a regional health model, which has been included in the national health law. In the rural development sector, most projects still concentrated on the micro context, with little focus on national level policies. As far as local project partners are concerned, neither the Coordination Office nor Austrian implementing agencies have put a lot of emphasis on strengthening and empowering them to engage in advocacy work or policy dialogue.

**Conclusions:** For the MFA/ADA, there are essentially three routes to fund technical aid activities in Nicaragua: through Austrian implementing agencies, direct funding of Nicaraguan civil society organisations, or via Nicaraguan government bodies. Each funding path has its advantages and disadvantages and certain approaches work better than others depending on different needs and circumstances. The Coordination Office in Managua has so far applied a mix of these three support mechanisms, although with a strong focus on Austrian and national NGOs as implementers. The evaluation team feels that a mixture of funding routes should be maintained, however, with more attention given to direct cooperation with local civil society organisations and government institutions, in particular at the local level.

For some projects, a combination of direct support to decentralised government bodies and Austrian and/or local civil society organisations seems to be a promising approach. More generally, the different actors of the Austrian Development Cooperation, including the MFA, ADA, Austrian NGOs and other implementing agencies need to engage more effectively in a strategic dialogue, in particular to develop a joint strategy regarding new aid modalities.

### **Summary of key recommendations:**

#### *Recommendations to MFA:*

- Ensure that both MFA and ADA are sufficiently staffed and that all actors have a common understanding of their roles and responsibilities.
- Consider granting more autonomy and decision making power to the Coordination Office, in particular to enable it to actively participate in donor coordination and policy dialogue in Nicaragua.
- Develop policies on how to include multiplier effects such as information sharing, networking, advocacy and policy dialogue in project design, implementation, monitoring and evaluation.
- Initiate, together with ADA, a broad-based and regular strategic dialogue among all actors of the Austrian Development Cooperation to develop a joint strategy regarding new aid modalities.
- Ensure that the new NGO policy considers the need for Austrian implementing agencies to strengthen their capacities, to select strong and committed local project partners, to increase efforts regarding information sharing, synergies and complementarities between projects, to sharpen their profile with respect to new operating models, and to put more emphasis on strengthening the relationship to local, regional and national government institutions.

#### *Recommendations to ADA:*

- Ensure that ADA headquarters and in-country offices are sufficiently staffed and that all actors have a common understanding of their roles and responsibilities.
- Place more emphasis on thorough feasibility studies and needs assessments to reduce the risk of reformulations and/or failures during project implementation.
- Establish a minimum size for projects and develop clear exit strategies for all Austrian development interventions.
- Consider scaling up project activities and initiating larger and more sectorally based programmes.
- Ensure that implementing agencies as well as project partners are aware of and follow Austrian sector and thematic policies.
- Prioritize local implementing institutions with a critical size and financial strength and/or put more emphasis on supporting local agencies in strengthening their organisational and financial capacity.
- Where feasible, ensure that more projects and/or project components are integrated into or embedded in government institutions to minimize the creation of parallel structures.
- Dedicate more resources to the promotion and monitoring of cross-cutting issues
- Put in place mechanisms, procedures and resources to encourage greater information sharing, coordination and cooperation between Austrian-funded projects, also by means of establishing an integrated knowledge management system.
- Increase focus on networking, strategic alliances, advocacy and policy dialogue to ensure that all projects include concrete strategies and goals to reach the regional and/or national level.

- Place more emphasis on strengthening the organisational capacity of local civil society institutions to engage in advocacy and policy dialogue.
- Continue to explore further possibilities for direct funding of decentralised government bodies combined with initiatives to strengthen the capacity of local and/or regional administrations and to promote citizenship

*Recommendations to Austrian implementing agencies:*

- Strengthen capacities and capabilities to provide more specialised technical know-how and expertise to advanced project partners, including in the areas of financial and organisational capacity building of partner organisations.
- Select local project partners with a clear potential and commitment to achieve financial and organisational sustainability.
- Increase efforts to exploit information sharing, synergies and complementarities between projects and support local project partners more pro-actively in networking and alliance building.
- Sharpen profile and review strategies and operating models in order to be better prepared to engage in the new trends and instruments of international development cooperation, including harmonisation, PRSPs, SWAPs, and budget support.
- Build own capacities aimed at strengthening and empowering local civil society organisations to engage in advocacy work and policy dialogue.
- Put more emphasis on strengthening the relationship to local, regional and national government institutions in order to make use of the opportunity for policy influence as well as to guard against duplication and overlap.

# 1 Part I: The Setting

## 1.1 Introduction

### 1.1.1 Background

In the 1980s, Austrian solidarity groups and NGOs started Austria's development cooperation with Nicaragua. Since then, Austrian NGOs played an important role in Austria's Development Cooperation with Nicaragua, although bilateral aid was also channelled through government bodies. During the 1990s, weak governance and widespread corruption in government agencies lead Austria to reconsider its direct cooperation with government and started to provide aid basically only through NGOs.

Over the past years, there have been significant changes in the area of international development in general as well as in Nicaragua. Globally, most donors have shifted towards a new aid paradigm, aimed at placing the government in the driver's seat and promoting government ownership through sector-wide approaches and budget support. In Nicaragua, donors have come to place more confidence in the new government of Bolaños, elected in 2001, and strengthened their efforts to cooperate with government institutions. Most donor agencies have accepted national development strategies like Nicaragua's PRSP as a reference framework for their development work.

This has lead the Austrian Development Cooperation (ADC) in headquarters as well as in the Coordination Office in Managua to reconsider its focus on working primarily through NGOs. As part of its two-year programme, the Evaluation Department of the Austrian Development Agency (ADA) in cooperation with Department VII of the Ministry of Foreign Affairs, has decided to evaluate the results of Austrian aid channelled through NGOs to Nicaragua. Four projects in the rural development sector and one programme, consisting of several components, in the health sector were selected to provide the sample basis for the evaluation.

The purpose of the evaluation, as defined in the TORs, was to assess the role of NGOs (and firms) as partners of the Austrian Development Cooperation in Nicaragua and analyse their performance and contribution to poverty reduction, considering the health and rural development sectors as examples. The evaluation was designed to not only serve documentation purposes, but also provide inputs for identifying and possibly adjusting the future approach of the Austrian Development Cooperation with regard to the choice of partner organisations in Nicaragua. The key research areas of the evaluation included the standard set of evaluation criteria, i.e. relevance, efficiency, effectiveness, impact and sustainability, plus a strong focus on cross-cutting issues.

### 1.1.2 Methodology

The evaluation was carried out by INBAS, a European Research Institute, and L&R Institute of Social Research from Vienna. Both institutions have a long history of joint collaboration and extensive experience in the evaluation of development initiatives. The team consisted of two international consultants, Rolf Kral - Sosa Acosta from INBAS and Hannes Manndorff from L&R, and two national consultants, Myrna Moncada and Marlen Chow. During the



preparatory phase and the elaboration of the report, Wolfgang Schlegel from INBAS supported the team.

From October 11 to November 4, part of the team carried out a series of interviews in Vienna with officials from the MFA/ADA, representatives of Austrian NGO's, and other stakeholders. From November 1 to 21, the entire team conducted the field research in Nicaragua, with most of the time spent outside Managua with the projects. For the projects visits, the team split into two sub-teams, with one international and one national consultant each. The team responsible for assessing the rural development projects traveled to El Rama, Boca de Sábalos and Estelí, while the team in charge of the health programme spent most of its time in the North Atlantic Autonomous Region (RAAN). After the field research, part of the team conducted a second round of interviews in Vienna.

In order to master the numerous areas of research and multiple dimensions of this evaluation, the team applied a broad range of research tools. These methods included the collection and analysis of existing programme and project documentation and secondary sources, questionnaires, interviews, project visits, workshops, self-evaluations, focus group discussions and mind mapping. As far as time limitations allowed, the general approach pursued in the evaluation was participatory, comparative, and backward-looking as well as forward-looking. By following this approach, the evaluation team believes that it was able to provide a holistic view on the subject area.

The research methodology and tools applied by INBAS/L&R also attempted to incorporate the experiences and perceptions of all stakeholders, including representatives from the MFA/ADA in headquarters and the Coordination Office, Austrian implementing agencies in Nicaragua and Austria, Nicaraguan implementing agencies and project partners, government institutions and administrative bodies at the national, regional and local level, beneficiaries and community leaders, civil society organizations at the national, regional and local level, and national and international experts in Nicaragua. By consulting with this broad range of stakeholders, the evaluators attempted to ensure that the results of the evaluation will be more readily accepted by individual actors and make the translation of evaluation feedback into ongoing and future projects and programmes easier.

The evaluation team would like to point out that it faced a number of challenges that had considerable consequences on how the evaluation unfolded as well as on the significance of the results. (1) More generally, the number as well as the choice of projects did not allow for much institutional cross-comparison. Both of the two projects involving an Austrian NGO were executed by the same institution (Horizont 3000) and only one project was implemented by an Austrian firm. Thus, a comparison of performance between Austrian NGOs and Austrian firms as implementers has simply not been possible. (2) Due to time constraints, the evaluation team was not always in conditions to carry out in-depth research about some aspects which would have deserved so (impact, institutional assessment, etc.) (3) A great number of key project documents have only been available in German, which precluded the Nicaraguan consultants from accessing important information.

In spite of these constraints, the evaluators were able to perform a good quality evaluation and are confident about the usefulness and value of the results of the evaluation for the Austrian Development Cooperation. In order to substantiate the evaluation as well as its findings, the evaluators have made an effort to consult and refer to relevant international research and evaluations on similar topics. Yet, the evaluation team would like to comment that further research, in particular on the same subject area in a different partner country of the Austrian

Development Cooperation, would be necessary to deepen the understanding for some of the issues addressed.

### 1.1.3 Preamble

The INBAS and L&R evaluation team would like to express its thanks for the generous support received from the ADA evaluation department throughout the evaluation process. The authors would also like to express their gratitude for the support granted by the Coordination Bureau of the Austrian Development Cooperation in Managua. In addition, the evaluation team would like to thank all persons consulted and interviewed during the research, including those in national, provincial and local government, project partners in Nicaragua, in particular project managers, as well as implementing agencies in Vienna and in Nicaragua, civil society organizations and donor agencies, for their openness and willingness to share information and in giving so generously of their time. The openness and interest of all interviewees in sharing information effectively facilitated the analysis.

The following presents the views of INBAS and L&R, which are not necessarily shared by the MFA/ADA. A programme evaluation is always an “external view”, as it is impossible to grasp and fully rationalize the dynamics of the underlying concepts and the implementation of development programmes and projects within the relatively short time frame of such an evaluation. Responsibility for the views expressed and for any errors of fact or judgment therefore remains with the authors.

## 1.2 The Role of NGOs in Development Cooperation

Since the 1980s, NGOs and other civil society organizations<sup>1</sup> have grown exponentially and climbed the centre stage of the development arena. For some, development NGOs are a magic bullet that can be fired in any direction and would still find its target, while for others they are the most overestimated actors on the national and international political stage (*VanSant 2003; Nuscheler 2001*). *Carbone (2003)* describes their increasing importance as an “association revolution”, comparable in importance with the rise of the nation state in the nineteenth century. The World Bank, UN organizations, the European Commission, development agencies and even the private sector not only invite them regularly to consultations but also finance some of their activities. The OECD describes NGOs as pillars of development and as indispensable actor in development cooperation. Most donors have come to channel large proportions of overall official development assistance through NGOs, in some cases up to 40 percent of the bilateral aid to a specific recipient country (*Norwegian Ministry of Foreign Affairs 2002*).

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<sup>1</sup> For the purpose of this study NGOs are considered as part of the civil society. The World Bank (2002) defines civil society as “individuals that join together to endorse common interests – not to fight for or assume political power but to take collective action for a common cause”, while NGOs are defined as “private organizations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development” (*World Bank 2002*).

## **The rise of civil society organizations**

Several reasons can be given for the rapid expansions of NGOs and other civil society organizations in the area of development cooperation: First, policymakers had overestimated the capacity of the state to initiate and deliver development. Under the rubric of structural adjustments donors looked for alternatives to the old principle of “government-to-government” aid. Markets and private initiatives were thus seen as the most efficient and effective mechanisms for achieving economic growth. The growing recognition given to civil society by international donors was meant as an essential counterweight to some of these market-oriented strategies. Development agencies decided to support NGOs because they were able to provide services to those who could not be reached through the market (*Carbone 2003*).

Second, the debate on good governance initiated by the World Bank called for more pluralism and for giving a voice to the people in development planning. There is growing consensus that good governance requires citizen empowerment and the acceptance of those who govern of accountability to those who are served. It is now widely recognized that the transition towards democratically elected governments does not, in itself, guarantee a society with more political participation. Strengthening relations between government and citizens thus became a key leverage point for increasing citizen access and influence. NGOs are seen as being particularly well-placed to implement strategies of creating these linkages and building the capacity of the actors involved, in particular of local communities as well as marginalized groups (*VanSant 2003*).

Third, as in the changing context of development cooperation new issues such as gender, environment, and social development were included, civil society organizations began to gain increased access to policymakers and demanded that these ideas would finally be taken seriously. A series of international conferences on these as well as other development issues, held in the 1990s, contributed to giving NGOs more visibility and space for action.

Fourth, by meaning different things to different people, civil society organizations became an appealing concept to the entire spectrum of politics. For liberals, they could balance state and business interests, preventing abuses from both sides; for so-called neo-liberals, they were part of the private sector; and for the left, they offered the chance of true social transformation (*Carbone 2003*).

Finally, the exponential growth of local NGOs in many countries of the South is related to the fact that numerous professionals, including former government employees, have set up their “own” NGO, primarily as a result of tight labour markets and the opportunities created through the boom of the non-government sector. These “briefcase” NGOs often use political alliances in order to access funds for their projects, which has, in some countries, damaged the reputation of the entire sector.

## **Service Delivery and Policy Advocacy**

NGOs mainly play two roles in development policy: (1) As implementers, being involved in the delivery of goods and services - NGOs are particularly well-placed to provide services in sensitive fields and implement projects to cover the basic needs of vulnerable groups in socially or geographically isolated areas. (2) NGOs are increasingly active as catalysts, defined as the ability to inspire, facilitate or contribute towards development change. This

includes taking part in consultation processes with external donors and in policy discussions and by contributing to the definition of their country's policies and strategies.

While for many NGOs this is not an either/or choice between operational tasks and advocacy work, over the past few years, Southern NGOs have increasingly become the operational entity in the field, and Northern NGOs have started to move away from direct operational involvement towards a position where they only facilitate and support processes. In addition to these more traditional tasks, a stronger emphasis has been placed by Northern NGOs on raising public and social awareness in their own societies, mainly by participating in lobbying and development education activities. They also act as monitors, identifying problems in their respective countries' (or European Union) development cooperation, and feeding back their experiences from the field into the policy making process through policy dialogue (*European Commission 2002; CONCORD 2003*).

The focus of NGOs and other civil society organizations in the South has traditionally been the implementation of projects and the delivery of services to their communities, usually funded by official donors and NGOs from the North. More experienced and advanced Southern NGOs have moved from this supply side approach, i.e. the delivery of service, to a demand side approach, which seeks to help communities to articulate their preferences and concerns in order to become more active participants in the development process. In addition, Southern NGOs are also well-placed to monitor the effectiveness of development cooperation activities and play an increasingly important role in advocacy, policy dialogue and promoting citizenship. By actively pursuing these strategies, local NGOs in developing countries can advance ownership of the development process as well as deepen democracy and increase accountability of both the state as well as the business sector.

### **Comparative advantages of NGOs**

Four arguments have been advanced to show the comparative advantage of NGOs and other civil society organizations in development:

- Social argument: NGOs often work at the micro-level and are able to reach the most disadvantaged and marginalized groups, who are sometimes by-passed by larger projects of multilateral donors and state agencies. NGOs are often motivated by humanitarian values and bring a sense of mission into to the field of international development. These characteristics can often help NGOs to activate a society's social and moral capital (*InterAction 2004*).
- Economic argument: With most NGOs being comparatively small in size, they are usually less bureaucratic, cheaper and more cost-effective and can thus provide services at relatively low cost, also because of low labour cost and incomplete pricing (i.e. reliance on voluntary labour inputs). Because of their smaller size, they are also more apt to adopt flexible and innovative approaches to development (*Mellempfolkeligt Samvirke 2000*).
- Political argument: NGOs are relatively immune from changing political tides as they usually do not follow any political considerations. NGOs can also afford to look beyond the short time horizon of election campaigns and work on issues not perceived by the government and the general public as priority, which also allows them to act as a society's sensor. In addition, they can reach countries that are deemed hostile for a donor and from which official aid is withheld or where government-to-government cooperation is considered to be inappropriate and/or inefficient (*AGEZ 2002; Nuscheler 2001*).
- Cultural argument: NGOs are perceived as being particularly sensitive to the needs of the poor as they are embedded in their local culture, with many people working on the

ground. Furthermore, due to their relationship with the local communities, they can foster participatory approaches to development and contribute to the strengthening of civil society. Northern NGOs often have long-established relationships with local civil society organizations, based on mutual trust and respect, and can thus build on the local knowledge and expertise of their partner organizations.

## **Threats and Challenges**

These assumptions about the comparative advantage of NGOs and other civil society organizations have been increasingly challenged. Indeed, at the beginning of the new millennium, NGOs are experiencing excitement tempered by anxiety. The excitement comes from the expanding opportunities for civic action that global trends are creating. NGOs and other civil society organizations are often seen as a countervailing force to expanding markets and the declining authority of the state (*Carbone 2003*).

Anxiety comes from the questions they are asked to answer about performance, added value, accountability, and legitimacy. In response to reports on failed NGO projects and the questionable long-term impact of myriads of isolated and uncoordinated small NGO activities, donors are no longer taking the effectiveness and efficiency of NGOs for granted. In addition, it is clear that some “compassion fatigue” has emerged among donors. This does not necessarily mean that the total amount of money disbursed to NGOs and other civil society organizations has decreased, but that donors have in general become more demanding.

Governments and donors also question why they should fund or listen to civil society organizations and wonder whether these self-appointed organizations are legitimate representatives of the poor. While legally, development NGOs are accountable to their sponsors and funders, morally, they feel accountable to their beneficiaries and communities they work with. Because of the threat of withdrawal of funding and increased reporting requirements, NGOs often tend to focus more and more on the accountability towards donors rather than towards beneficiaries. As they get closer to donors, NGOs become more bureaucratic, using donor tools and techniques for programming, implementing and monitoring, adjusting their strategic focus to changing donor needs, and ultimately even changing the culture of the NGO itself (*Carbone 2003*). The more professional NGOs become to fight campaigns and/or turn themselves into competent partners for dialogue and cooperation, the greater the risk that they will lose their common touch and their claim to represent grass roots democracy (*Nuscheler 2001*).

For Northern NGOs these trends as well as the growing capacity of Southern NGOs and the increasing focus on turning more responsibility over to partner countries are even more menacing. The *European Commission* (2003) is quite clear on the changing role of Northern NGOs and sees them moving away from direct intervention at the operational level, which for most European development NGOs is still their core business. Northern NGOs are encouraged to make more efforts in supporting and identifying partner civil society organizations in developing countries as well as in building capacities amongst them, and to increasingly focus on networking and developing alliances for greater impact in advocacy.

Some observers see dramatic changes in the external environment that will require European NGOs to radically review their strategies and operating models. These externalities include the shift of most donor agencies towards a new aid paradigm, aimed at placing the government in the driver’s seat and promoting government ownership through sector-wide

approaches, budget support and decentralising of decision making and the implementation of aid programmes. Furthermore, a wide variety of “new actors” have appeared on the development stage, all claiming space in which to play their legitimate roles in the development process. In response, donor agencies are increasingly adopting a multi-actor approach to partnership and exploring ways to provide direct funding to Southern actors (*ECDPM* 2004). While these developments may be threatening to many Northern NGOs, others are rapidly adjusting to the changing context and see them as an opportunity.

### 1.3 Nicaragua: The Country Context

Nicaragua, Central America’s largest country with a population of 5,2 million, is among the poorest countries in Latin America. While the country has made significant progress in the transition to political stability and modest economic growth, it remains heavily dependent on aid and still faces major economic, social and political challenges. As *The Economist* (2004) put it, the country has “been cursed with a spectacularly corrupt succession of leaders”. In 1979, the dictatorship of the Somoza family ended and the Sandino National Liberation Front came to power. In 1982, a bloody civil war between the government and the “Contra” movement, supported by the United States government, started. In 1990, “Doña” Violeta Chamorro won the first elections after the civil war had ended and was succeeded by the Liberal Party’s Arnoldo Alemán government in 1996, who was recently sentenced to 20 years in jail for corruption and money-laundering.

With a GNI per capita of US\$710 (*World Bank* 2004), only one third of the regional average, Nicaragua continues to be the second poorest country after Haiti in the region. Nicaragua also has one of the most unequal distributions of income in the world. The country is heavily dependent on aid and HIPC debt relief, with Net ODA representing 26,6% of GNI (*OECD-DAC* 2004). The advent of peace in 1990 brought some economic growth, lower inflation and lower unemployment. However, this was more than counter-balanced by the effects of Hurricane Mitch in 1998, which killed thousands, rendered 20% of the population homeless and caused billions of dollars worth of damage.

In 2001, 46% of the population was living in poverty (*World Bank* 2003), most of them in the rural areas: about 68% of the rural population was living under the poverty line in 2001 versus 30% of the urban population. Poverty in Nicaragua is associated with high income and consumption inequality, high unemployment and under-employment (especially for women), land tenure insecurity, and poor access to infrastructure and public services. The social dimension of poverty includes high fertility rates – twice the Latin American average, poor educational attainment, poor quality and access to health services, and widespread malnutrition (*International Monetary Fund* and *World Bank* 2004). Moreover, the poor are vulnerable to recurrent natural disasters and the risk of periodic hunger, are marginalized by the lack of information and opportunities, and have high incidence of domestic violence. Social indicators and coverage of social services have improved since the early 1990s, but progress has been uneven. Despite a relative decrease in poverty, the absolute number of poor people has remained constant.

Nicaragua’s political context is one of a polarized society and political system, and weak institutional capacity and governance. The nature of Nicaragua’s polarized society, a century old phenomenon, and political instability have been a strong obstacle to consensus building,

constraining the process of participation and opening the policy debate, and on reaching common grounds for broader ownership. Nicaragua's political characteristics have contributed to a weak institutional framework, blurring the separation of state powers, weakening the rule of law, and leading to governance problems. With a highly fragmented structure, the state has only limited capacity to implement and control activities.

In 2000, Nicaragua embarked on the process of producing its PRSP, the *Estrategia Reforzada de Crecimiento Económico y Reducción de la Pobreza (ERCERP)*. The timetable for implementing the PRSP process was rapid; in a year the government moved from launching the Interim PRSP to reaching the HIPC decision point and completing the PRSP. There is little doubt that the Nicaraguan government initiated the process because it was a precondition for entering the enhanced HIPC initiative. This underlying motivation appears to have driven many of the subsequent processes and decisions.

The PRSP approach has on balance been relevant for Nicaragua's national strategy process and its poverty reduction efforts. The approach has addressed important gaps found in the past experiences, including through a widening participation effort, appropriately focusing on a comprehensive vision of poverty, and addressing a sorely lacking results-oriented framework. In this connection, it has represented a more binding commitment than past national strategies (*International Monetary Fund and World Bank 2004*). There is also some evidence of the PRSP reinforcing donor interest in coordination. Yet, the ERCERP document as well as its preparation have come under severe criticism. The process, in particular the process around the Interim PRSP was criticised for rushed and flawed in its poverty analysis. Substantial efforts by government, donors and NGOs to increase the participation around the production of the PRSP itself were not enough to end the criticism of the process and the final document. Many civil society actors complained that, while the government was inviting them to participate in discussions and seminars on the PRSP, their comments and alternative proposals were not taken into account by the government. Partly as a result of this, broad country ownership of the PRSP has remained limited.

In late 2003, the new government published a new document, the *Estrategia Nacional de Desarrollo (NDP)*. Donors were initially surprised by the new initiative, expecting the PRSP to bring a more lasting and resilient policy framework. The development of the NDP was marked by the desire of the new government to change the expenditure composition towards a greater emphasis on directly productive investment. This, in turn, has caused concern among NGOs that the government may be shifting away from the poorest of the poorest. In the mean time, that the NDP has been used as a basis for a revised version of the PRSP, which is currently in its final consultation process.

There are approximately 1,800 NGOs in Nicaragua. Around 20% (USD 200 million) of all aid to Nicaragua is channeled through NGOs. The most important NGO platform is the *Coordinadora Civil*, which has around 300 members and engages in policy dialogue with the government of Nicaragua as well as donors. In general, the civil society in Nicaragua – of which NGOs are the backbone – is still considered as largely weak, fragmented, highly dependent on external support, and with relatively little influence on national policy. Yet, over the past years, civil society in Nicaragua has gained in strength as well as in autonomy, and has become a serious counterpart for international donors as well as the national government. The focus of most Nicaraguan NGOs has traditionally been the implementation of projects and the delivery of services to their communities.

## 1.4 Austria's Development Cooperation with Nicaragua

Austria's development cooperation in Nicaragua started to develop during the 1980s. Initially, it was mainly individuals and independent groups that travelled to Nicaragua in a spirit of solidarity with the Sandinista-lead revolution of 1979. This revolution also became the springboard for increased Austrian NGO involvement in Nicaragua in the 1980s. Historically, Austrian NGOs support to Nicaragua has been built around the values and purposes of the Sandinista-lead revolution of 1979. Since then, Austrian NGOs have played an important role in Austria's development cooperation with Nicaragua. During the 1990s, Austrian aid to Nicaragua continued to be channel primarily through Austrian NGOs, which was also related to Austria's generally critical position towards the Liberal government of Arnaldo Alemán. Most other bi-lateral donors have shared this critical attitude as well as the practice of providing large proportions of official development assistance to Nicaragua through international and national civil society organisations. Austrian NGOs have thus not stood in isolation but shared a common platform with most of the international NGO community and the main body of the emerging civil society institutions in the country. Nicaragua's Liberal governments in the 1990s have been ideologically less at ease with the international NGOs community as a whole than the Sandinista government, although there have always been contacts and in many cases also functioning working relationships between individual NGOs and the government, especially at the local level.

In 1986, a bilateral Coordination Office was set up in Managua and in 1992, Nicaragua was defined as a priority country of the Austrian Development Cooperation. In 1993, the Coordination Office was turned into a Regional Office and assumed responsibility for projects in Guatemala, El Salvador and Costa Rica. Bilateral agreements between Austria and Nicaragua were signed in 1986 and 1994.

According to the Austrian country programme with Nicaragua 2003–2006 (*Austrian Development Cooperation 2003b*), the main objective of the Austria's bilateral aid is to contribute to the reduction of poverty by supporting socially, economically and ecologically sustainable development. The country programme is comprised of three priority sectors: (1) rural development, (2) the social sector (education and health), and (3) micro, small and medium business development. Environment, gender, decentralization and capacity building are defined as cross-cutting issues. Most of Austria's bilateral aid is channelled through Austrian implementing agencies, i.e. mainly Austrian NGOs, with one project having been executed by an Austrian consulting firm.<sup>2</sup> Austrian implementing agencies always have local project partners, which are usually responsible for the daily operations of the project. Other partners of the Austrian Development Cooperation in Nicaragua are national civil society organisations, local government institutions, such as municipalities, as well as multilateral organisations. In 2004, the bilateral country programme included around 21 projects, yet, the total number of contracts came to around 90.

With 10,6 million Euro, Austria's ODA net disbursements reached a peak in 1999 after Hurricane Mitch. Since then, ODA has fluctuated between 4,6 and 6,3 million Euro. Austria's contribution accounts for 1,5% of all bilateral aid to Nicaragua and less than 1% of total aid. Private funds of Austrian NGOs are comparatively high in Nicaragua, e.g. in 2002,

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<sup>2</sup> The contract with the Austrian consulting firm has expired during the time of the evaluation and project implementation has been handed over to a German consulting company.



Austrian NGOs and other civil society initiatives provided a total of 1,8 million Euro. In addition to the MFA/ADA programme and NGO private funds, Austria also provides debt relief to Nicaragua, and other official agencies, such as provinces, provide additional funds. Total ODA given by Austria to Nicaragua thus reached 6,3 million Euro in 2003.

## 2 Part II: Analysis

This part of the report will assess the performance of the Austrian Development Cooperation with respect to the implementation of selected projects executed by Austrian NGOs and firms as well as by local implementing agencies in Nicaragua. This will include an analysis of the different actors and their roles and responsibilities with respect to NGO projects<sup>3</sup> in Nicaragua and the performance assessment of Austrian NGO projects in Nicaragua. The assessment will be based on an analysis according to the following performance criteria: relevance, efficiency, effectiveness, sustainability, impact, as well as include an analysis of cross-cutting issues. Special consideration will be given to synergies and multiplier effects of Austrian NGO projects in Nicaragua.

The projects selected by ADA for the purpose of this evaluation included:

- Health programme in RAAN implemented by Horizont 3000 (1494)
- Rio San Juan rural development project implemented by ADC (1731)
- FEM rural development project implemented by Horizont 3000 (1980)
- El Rama rural development project implemented by IPADE (1078-04)
- RENICC rural development project implemented by RENICC (1906)

### 2.1 Roles and Responsibilities

Management theory indicates that the performance of individual actors is highly dependent on the organisational structure they are embedded in as well as the effective definition of the roles and responsibilities of each actor (*Singh 2002*). Previous evaluations of projects, sectors and instruments of the Austrian Development Cooperation in Nicaragua and elsewhere identified systemic and management issues as key to the performance of Austrian aid activities and unclear roles and responsibilities as one of a major bottlenecks of the Austrian aid system (*Glutz and Wolf 2004; Mandorff, Rhyne, and Reiter 2000; Mandorff et al 2004; Moncada 2003; Wehrle, Christen and Casella 2003*)

With the creation of the Austrian Development Agency (ADA) in early 2004, based on the new Development Co-operation Act, Austria's aid architecture underwent a comprehensive restructuring. The main motives for the creation of ADA were to (1) provide an adequate structure for effective and efficient management of the expected increase in aid volume; (2) enhance cooperation with the European Union, including opening opportunities for tendering for national execution of European Commission aid through ADA; and (3) to promote and intensify links and co-operation with the private sector.

Under the new institutional set-up, the Department for Development Cooperation in the Ministry of Foreign Affairs (MFA) focuses on policy issues, while operational tasks have been outsourced to ADA. Although roles and responsibilities for most actors have been defined over the past year or so, the process is still ongoing and uncertainties about the implications and effects of the restructuring effort remain.

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<sup>3</sup> For legibility reasons, from now on the term "Austrian NGO projects" depicts projects implemented by Austrian NGOs and firms while the term "Austrian NGOs" depicts Austrian NGOs and firms involved in the implementation of development projects.

With respect to the planning and implementation of Austrian-funded NGOs projects in Nicaragua, the key players include the MFA, ADA with its headquarters in Vienna and the Coordination Office in Managua, Austrian NGOs and firms, and project partners in Nicaragua, including local NGOs and other civil society organisations as well as decentralised government authorities.

### 2.1.1 Ministry of Foreign Affairs

The Department for Development Cooperation in the Ministry of Foreign Affairs remains the main strategic player of Austria's bilateral aid programme and is tasked with policy formulation as well as overall strategic guidance for Austria's development cooperation, i.e. formulating the Three-Year Programme, preparing sector policies and policy statements, approving country programming, etc. The MFA is also responsible for the coordination among all ministries to ensure the overall coherence of Austrian aid.

The restructuring process led to a substantial brain drain within the MFA, with a large number of technical staff having been transferred to ADA. As mentioned by the most recent *DAC Peer Review* (2004) p.44, staff cuts in the MFA are made at a time when ODA is supposed to rise dramatically. The *DAC* evaluation also notes that the MFA is not only losing staff, but also some of its institutional memory in development cooperation.

Most of the remaining MFA staff are responsible for various areas and/or geographic regions. The MFA officer in charge of rural development, for example, a key sector in the Nicaraguan country program, is also responsible for poverty as a cross-cutting theme and for Africa as a geographic region. There is widespread acknowledgement of the fact that this thin human resource base does not allow Ministry staff to sufficiently engage in international policy discussions or the preparation of policies in their respective work areas. Some of the MFA responsibilities have thus been delegated to ADA, such as the drafting of the new NGO policy<sup>4</sup> currently underway, which should evidently be the responsibility of the MFA and not ADA. The borderline between strategic and operational tasks as well as a clear and useful division of labour between the MFA and ADA will most certainly remain to be discussed and contested for some time to come.

### 2.1.2 ADA Headquarters

Created in January 2004, ADA is a non-profit, limited liability company wholly owned by the federal government of Austria, represented by the Austrian MFA. ADA is tasked to execute Austria's bilateral aid programme. Yet, ADA does not act as an implementing agency, as the operational side is left to NGOs, private firms, research institutes and consultants.

Within ADA headquarters, the key actor with respect to NGO projects in Nicaragua is the desk officer for Central America. This desk officer is the direct counterpart to the head of the Coordination Office in Nicaragua – an institutional set-up also called the tandem. The cooperation between the desk officer and the head of the Cooperation Office in Managua seems to work well and decisions relating to projects and programs are mostly taken by

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<sup>4</sup> Presently, the development of Strategic Guidelines on NGO Cooperation in the ADC is underway, existing, at the moment, a draft for internal use.

consensus between these two actors. There is widespread agreement that the creation of ADA has helped to make processes more transparent and standardized, and that some administrative procedures at headquarters and between the Coordination Office in Managua and headquarters have speeded up. In addition, there is one ADA staff member at headquarters charged with more general NGO issues as well as with NGO framework contracts.

### 2.1.3 ADA Coordination Office in Managua

The Coordination Office in Managua is part of ADA, but apart from operational issues, it does have some additional diplomatic functions. The Coordination Office in Managua works as a Regional Office, that is also responsible for programs and projects in cooperation countries of the Austrian Development Cooperation in Central America, including Guatemala, El Salvador and Costa Rica. Its main responsibilities are contributing to strategy development and the design of programs and projects as well as monitoring and coordinating bilateral Austrian aid activities. Representatives of the Coordination Office take part in donor coordination and policy dialogue with government institutions.

The Coordination Office is staffed with the head of office, three sector program officers, one part-time thematic consultant for environment and gender, one project accountant and six administrative staff. The work areas of the three sector consultants are rural development, small and medium enterprise development, and the social sector (health and education). Except for the head of office and the part-time consultant for gender and environment, all office staff have been locally recruited. Sector consultants have some direct links to the ADA desk officer, but not to Vienna based sector consultants, due to language barriers and their work experiences in different regions.. This, in combination with a relatively low level of engagement of Vienna based sector consultants in Nicaragua in general, gives the Coordination Office room to pursue its own sector approaches, but also inhibits ADA from profiting from the experiences collected in Nicaragua and building up an institutional memory.

The Coordination Office feels that the current staffing level of the office is adequate, taking into account the recruitment of one more part-time sector consultant for the water sub sector. However, in case the Coordination Office wants to engage more actively and visibly in donor coordination and policy dialogue, including on sector wide approaches and budget support the current staffing level will most probably not be sufficient. Also, the more projects are implemented directly with Nicaraguan partners, such as NGOs or decentralised government authorities, without Austrian NGOs and firms as intermediaries, the higher the capacity requirements for the Coordination Office. More tenders and calls designed and administered by the Coordination Office will also mean a higher work load for the office.

In comparison with other ADA Coordination Offices, the Managua office is relatively well staffed and operates under a more decentralised regime than other offices. Administration, monitoring and audits of bilateral aid projects and programmes are the sole responsibility of the office. In addition, the Managua office is the only Coordination Office where tasks related to gender and environmental issues, such as gender and environmental screens, are delegated to the office consultant responsible for these issues. Within ADA, this is a unique model of decentralised and delegated decision making that seems to work very well and is appreciated by all stakeholders.

Yet, compared to the international trend of decentralisation and deconcentration that most bilateral and multi-lateral development agencies are following, i.e. the gradual transfer of resources and responsibilities to in-country offices, the ADA Coordination Office in Managua is still fairly dependent from headquarters. This is particularly true of co-financed projects, which are selected, administered and monitored in ADA headquarters. In many instances, the Coordination Office has been asked to comment on the feasibility of projects proposals. However, this level of participation has neither been the rule, nor does the Coordination Office have the capacity to provide input to or accompany all co-financed projects in Nicaragua and even less so in other regional cooperation countries. The Coordination Office also feels that its contributions and comments to co-financed projects are not always considered by ADA headquarters. Moreover, due to the fact that the Coordination Office does not have any contractual supervisory role, implementing agencies and/or local project partners often do not consider themselves to be accountable to the Coordination Office.

Even as far as bilateral projects and programs are concerned, the Coordination Office feels that it does not have sufficient instruments and decision power to effectively monitor and supervise projects implemented by Austrian NGOs, such as the authority to impose sanctions in case of non-performance. A number of actors feel that the restructuring of the Austrian aid architecture has reversed the decentralisation trend within the Austrian aid system. The centralised structure of ADA with the final decision making authority for every single programme and project at headquarters does not seem to be conducive to the new realities of how development cooperation is organised at the recipient country level. Donor coordination and harmonisation, policy dialogue, and the new instruments of development cooperation such as sector wide approaches and budget support require a high level of capacity and autonomy of each in-country donor delegation.

As far as the projects selected for the purpose of this evaluation are concerned, the actual level of involvement and quality of support provided by the Coordination Office differs from project to project as well as from sector consultant to sector consultant. On average, project managers rated the level and quality of support provided by the Coordination Office among a list of twelve different project related performance criteria as quite satisfactory, yet, with significant differences in their rating. The quality of the relationship between the Coordination Office and the individual Austrian implementing agencies often depended on the personalities and personal relations between the individual actors involved. Two local project partners mentioned that the ups and downs in the relationship between the Coordination Office and their Austrian counterpart also impacted on their relationship to their Austrian implementing agency.

Sector consultants usually monitor projects implemented directly by local project partners more closely than those implemented by Austrian NGOs and firms. Yet, sector consultants differ in their approaches to monitoring and support from project to project. Similarly, in some project areas the respective sector consultant has built up effective relationships with local government authorities, whereas in other areas ADA as official aid agency is barely known by government officials or other stakeholders. In general, sector consultants seem to work quite autonomously and are able to define their roles and responsibilities vis-à-vis other actors according to their own judgment.

Once a year or so, the Coordination Office organises thematic workshops to which project partners and in some cases Austrian implementing agencies are invited. The Office also supports exchange visits and the participation of individual project staff at national and international trainings and conferences. These initiatives are highly valued by project

managers and staff. However, as will be discussed further below, there is no established or systematic mechanism to promote exchange of experiences and joint learning amongst the projects supported by ADA in Nicaragua, such as regular meetings of project managers within or across sectors.

#### 2.1.4 Austrian Implementing Agencies and Local Project Partners

ADA itself does not act as an implementing agency but delegates the execution of bi-lateral programmes and projects to a wide range of NGOs and private firms in Austria as well as in Nicaragua. Austrian NGOs have for a long time been present and active in Nicaragua and many of those organisations that arrived in Nicaragua in the 1970s are still active in the country. Two of the five projects selected for the purpose of this evaluation are implemented by Horizont 3000, the largest Austrian NGO working on issues of international development, while two projects are now implemented directly by Nicaraguan projects partners without the intermediation of an Austrian counterpart. The fifth project has been implemented by a series of different Austrian firms.

The role of Austrian implementing agencies is to supervise and monitor project activities, provide technical backstopping and assistance when needed, and ensure accountability as well as effective reporting. Horizont 3000 and/or some of those organisations that joined forces to create Horizont 3000 have had a local presence in Nicaragua even before the Coordination Office of the MFA/ADA was opened. Horizont 3000 is generally perceived as a professional and capable organisation with experienced and qualified staff. The head of the delegation has been in the position for more than ten years and thus has intimate knowledge of the local and regional context.

Two external evaluations of projects in the rural development sector (*Escobar, Montalván and Grünberg 2001; Moncada 2003*) came to the conclusion that the roles and responsibilities of the actors involved, i.e. the Coordination Office, Austrian implementing agencies and local project partners, were not clear. *Moncada (2003)* even states that all project deficiencies in Rio San Juan are related to management and administrative issues and that the performance of the project has clearly suffered as a result of the poor relationship between the Austrian implementing agency and the local project partner. The L&R/INBAS team also perceived the relationship between these two actors as basically defunct. Without doubt, this is at least partly due to the fact the representative of the Austrian firm in charge and the local project partner have had a completely different concept of development. Even though these problems had been apparent for several years and were again confirmed by the external evaluation, the sector consultant did not make any significant efforts to mediate between the two parties and also does not see it as his responsibility to resolve conflicts between project partners. Yet, the evaluation team believes that this is exactly the role the Coordination Office should assume in such cases.

Both local partner institutions that now maintain a direct relationship with the Coordination Office had in previous project phases worked with an Austrian implementing agency as intermediary. Both of these institutions agreed that they preferred the new direct relationship to the previous arrangement, in particular because roles and responsibilities are now much clearer and because they now have to relate and coordinate with only one player instead of two. Representatives of these two institutions also mentioned that the Coordination Office was more demanding, maintained a closer relationship, and provided more and better support

to the local project partners than the Austrian implementing agencies had done in previous project phases as intermediaries.

As far as the rural development projects are concerned, three out of the four local partner institutions were only moderately satisfied with the level and quality of support Austrian implementing agencies have provided and/or had provided before the transition to the Coordination Bureau as direct counterpart. This is most probably related to the fact that Horizont 3000 usually works with smaller local communities, groups and NGOs and sees its key competency in supporting these institutions in their initial start-up and growth phases. The only less established institution Horizont 3000 is currently working with in rural development expressed a lot of appreciation for the support and technical assistance received by Horizont 3000, which related mainly to project cycle management. Yet, the more advanced and established local project partners felt that neither Horizont 3000 nor Austrian firms had offered them a great deal of specialised and first-rate technical know-how and expertise in areas relevant for more advanced project phases. In the health sector, local project partners expressed more appreciation for the support and contributions of Horizont 3000.

The quality of the technical support provided by Austrian implementing agencies also had an effect on the general perception of the quality of the partnership between Austrian agencies and local project partners. The evaluation team asked local project partners to characterise their partnership to their Austrian counterparts in terms of three alternatives:

- Shared vision, purpose and approach
- Good operational relationship
- Donor-recipient

The majority of current and/or former “partnerships” were of the second type, while some also had elements of the first type. The relationships in the health sector were usually qualified as healthier and more effective than in the rural development sector, where one local project partner even described the relationship to its Austrian implementing agency as primarily resembling a donor-recipient one.

#### *Recommendations to MFA:*

- Ensure that both MFA and ADA are sufficiently staffed to assume their assigned responsibilities.
- Ensure that all actors have a common understanding of their roles and responsibilities.
- Consider granting more autonomy and decision making power to the Coordination Office, in particular to enable it to actively participate in donor coordination and policy dialogue in Nicaragua.

#### *Recommendations to ADA:*

- Ensure that ADA headquarters and in-country offices are sufficiently staffed and that all actors have a common understanding of their roles and responsibilities.
- Establish mechanisms for increased communication and exchange of information between sector consultants at headquarters and the respective sector consultants deployed in ADC in-country offices.
- Ensure closer alignment of co-financed projects to the country programme.

*Recommendations to the Coordination Office in Managua:*

- Ensure that sector consultants adopt a more consistent approach as far as the level and quality of monitoring and support provided to projects is concerned, especially with respect to those directly implemented by local project partners.
- Assume a more active role in promoting the exchange of experiences and joint learning between Austrian-funded projects.
- Assume a more active role in mediating between Austrian implementing agencies and local project partners in case of conflicts or obvious communication problems.

*Recommendations to Austrian implementing agencies:*

- Strengthen capacities and capabilities to provide more specialised technical know-how and expertise to advanced project partners.

## 2.2 Performance Assessment of Austrian NGO projects in Nicaragua

### 2.2.1 Relevance

According to the *DAC* (2002) definition as well as the *Guidelines for Evaluation of the Austrian Development Cooperation* relevance primarily refers to the consistency of a programme or project to the policies and priorities of the recipient country, the needs and priorities of target group, and policies and priorities of the donor country.

#### 2.2.1.1 Relevance at the national level

The most relevant and important policy documents of the Nicaraguan government are the Reinforced Strategy of Economic Growth and Reduction of Poverty (ERCERP), which in fact is Nicaragua's PRSP, and the National Plan of Development (NDP). These documents set out the strategic vision for reducing poverty, the government's main objectives, and the key activities to be pursued, all of which are envisaged to guide the government's planning, budgeting, policies and activities.

Both the international donor community as well as national actors are not entirely satisfied with the quality of the ERCERP and the NDP. While most donors are committed to basing their strategies on national policies and priorities, they claim that alignment is difficult until the final versions are presented. Also, some parts of the existing ERCERP are viewed as better than others. For example, while the education section in the ERCERP provides a good framework for support, the document seems to have weaknesses in the areas of rural development and decentralisation. Some Millennium Development Goals have been included in the ERCERP, but others, such as targets on gender equality, HIV/AIDS, malaria, and other serious diseases, have not been considered. Donor alignment is also complicated by the fact that several conditionality matrices exist and that no medium term or multi year expenditure framework has been developed.

Due to the comprehensiveness, and to some extent also vagueness, of the ERCERP, there is little doubt that basically all donor activities can be justified by these two strategies. The Coordination Bureau mentioned that the elaboration of the Austrian Country Programme for Nicaragua (2003) was based on the first ERCERP and that the document is also in line with



the overall objectives of the draft NDP, although the NDP was prepared after the elaboration of the country programme. Yet, no government officials have been consulted during the elaboration process of the country programme, as the Coordination Office did not maintain any direct contacts to the former government of Alemán. The lack of a Spanish translations of the country programme has made any substantial discussion with government representatives on the programme very difficult. However, the Coordination Office plans to conduct a comprehensive study on the relevance and alignment of the country programme with national plans for 2005 and will then make adaptations where necessary. Following this exercise, the revised country programme will be translated into Spanish.<sup>5</sup>

Regarding Austrian project interventions, all Austrian projects selected for the purpose of this evaluation fit into the broadly defined ERCERP and NDP, with one exception. As will be discussed in more detail further below, the sawmill component of the Rio San Juan project infringed not only national development plans but even certain national and local laws on environmental standards. On the positive side, the experiences of the health programme in RAAN have been incorporated in the National Health Policy, implying that the programme has thus contributed to the elaboration of national policies. While some project documents refer to national strategies, they usually do not specifically analyse in which way project activities are embedded in these policies. This is probably also related to the critical attitude Austria had towards the former government as well as the lack of a comprehensive national development strategy at the time when some of the projects were designed.

Since the new government of Bolaños took office, the relation as well as coordination between government and donors, including Austria, has improved considerably. The participation of the Coordination Office in donor coordination and policy dialogue forums should ensure that Austrian activities correspond to the plans and priorities of the central government. The Coordination Office also provides regular information on its activities to the government on a bi-lateral basis. Yet, in line with the *DAC Peer Review (2004)*, the evaluation team feels that there is still some way to go to harmonise and align all Austrian NGO activities, including co-financed projects, more closely to Nicaragua's national strategies and systems. However, as has been argued above, donor coordination, harmonization and alignment requires a relatively high level of autonomy of the Coordination Bureau.

### 2.2.1.2 Relevance at the local level

Many municipalities do not have any local development plans yet, although the process of municipal planning has started in most parts of the country. While the majority of projects had good relationships with local government bodies and representatives, they were not necessarily based on local priorities and plans, where they existed. Most project documents do not specifically refer to local strategies and in many cases local government representatives were not consulted during the design phase. While in one case there were some frictions between project and local government representatives, most projects had a good standing at the local level. Several of the rural development projects have strengthened participatory planning capacities at community level and thus effectively contributed to municipal planning processes. In the health programme, a number of project components have had a very close working relationships with the Ministry of Health (MINSa) at the local level, with civil society project partners and MINSa often complementing each other.

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<sup>5</sup> Shortly after the draft of the present document was finished, the country program was translated into Spanish and revised for coherence with ERCERP and NDP.

Considering the question whether Austrian projects relate to the “development needs” at the local level, it could be argued that in a country like Nicaragua, the second poorest in the hemisphere, and in particular in the marginalized areas where Austrian projects are operating, any coherent development intervention that is broadly aimed at improving the livelihoods of the population would be seen as relevant. Similarly, most municipalities, especially in rural areas, are resource poor and often unable to even maintain basic infrastructure and services.

Nevertheless, the evaluation team had the impression that all of the projects visited effectively addressed the specific needs of the target groups. This has also been confirmed in various focus group discussions, where basically all beneficiaries expressed their appreciation for the activities pursued by the projects. A number of beneficiaries expressed some additional needs, but it is clear that no single project or even programme can address all of the needs and preferences of the local population. A more in-depth project evaluation (*Escobar, Montalván and Grünberg 2001*) confirmed the relevance of the El Rama project with respect to the needs of the local population, and ascribed this to good local knowledge and the presence of the Austrian implementing agency in the region for nearly 20 years.

However, none of the interventions studied contained a detailed contextual analysis to ensure that the projects really provided the right responses to the problems addressed. Also, there has not been any comprehensive monitoring and evaluation system in place to guarantee the continued relevance of projects in relation to the changing context and changing needs. The lack of a thorough contextual analysis as a basis for project design and activities has also been raised in an in-depth evaluation of the Rio San Juan project (*Moncada 2003*).

### 2.2.1.3 Coherence with ADA policies

The main Austrian policy documents for the Austrian Development Cooperation in Nicaragua are the Three Year Programme, the relevant sector policies and the country programme with Nicaragua. Generally, there is a good fit between these policies and the projects assessed. This may also be due to the fact that the policy documents, including the Austrian country programme, are quite broad and comprehensive and thus allow for a range of development approaches and activities.

The current country programme is the first of its kind for Nicaragua. Austrian implementing agencies, which for a long time used to operate quite independently in Nicaragua, have initially not been very receptive to the programming initiative of the MFA/ADA. In the mean time, they seem to have accepted that the MFA/ADA and the Coordination Office have the lead role in defining the country strategy in Nicaragua and in ensuring that bi-lateral activities are in line with this strategy. While those projects designed by the Coordination Bureau are obviously closely adjusted to the country strategy, project proposals from implementing agencies are assessed during the appraisal stage in terms of their relevance to the country programme. Project documents by and large refer to the country programme, however, often only in a very general and superficial way. Due to the lack of a comprehensive monitoring and evaluation system, there are currently no systematic mechanisms to ensure that project experiences are feed back into the country programme. As will be discussed in chapter 2.2.6, there are still considerable challenges regarding the coherence of co-financed projects with the country programme.

The evaluation team also came across some serious deviations from current Austrian policies and strategies. Apart from environmental infringements in the Rio San Juan project in relation to the sawmill, three out of the four rural development projects contained credit

components which were not in line with Austrian policies (*Austrian Development Cooperation 2002c, Manndorff 1997*). For example, in two of these components the project agricultural extension agents were also responsible for granting loans as well as for recovering debts from project beneficiaries. This sort of institutional arrangement has been known for more than a decade as worst practice and clearly contradicts long established Austrian policies. All three projects clearly did not have the capacity or systems in place to manage a credit programme. Also, it seems that the results of an evaluation on Austrian experiences in microfinance in Central America, carried out in 2001, were never fed back to these projects. As a result of these practices, all three credit components failed, with serious consequences for the projects as well as their beneficiaries. These experiences seem to indicate that there is not sufficient involvement of the responsible sector consultants in Austria to ensure that projects in Nicaragua are in line with international standards and Austrian policies.

#### *Recommendations to ADA:*

- Allow for closer donor harmonization and alignment in Nicaragua by granting the Coordination Bureau the necessary autonomy.
- Ensure that projects, where feasible, maintain a closer relationship with local administrations, contribute to municipal planning, and adjust their activities closer to local plans and strategies, where they exist.
- Ensure that projects are designed in accordance with Austrian sector policies.
- Establish a monitoring and evaluation system that allows for systematic feedback on the relevance and coherence of Austrian projects with national strategies and Austrian policies.
- Ensure that sector consultants in headquarters, or, where there is local capacity, the sector consultants in the Coordination Office, assure that all project components are in line with established Austrian policies and international standards.

## 2.2.2 Efficiency and Effectiveness

The twin issues of efficiency and effectiveness of development projects have increasingly attracted the attention of bi-lateral as well as multi-lateral donors. Yet concept of efficiency and effectiveness are still considered to be quite elusive in relation to development projects and programmes. While NGOs have generally been considered as operating cost-effectively, reports on failed NGO projects and initiatives with little long-term impact have led donors to no longer take the effectiveness and efficiency of NGOs for granted.

**Efficiency** is an economic term and means the use of the least costly resources to achieve maximum results. Efficiency measures both qualitative and quantitative outputs in relation to inputs. This would generally require comparing alternative approaches to achieving the same outputs to see whether the most efficient process has been used. Furthermore, as some of the projects had multiple donors, it has also been impossible to distinguish the efficiency of the Austrian input.

In general terms, the amounts of financial support granted by ADC to the projects assessed has been relatively modest, in particular in comparison with large European Union programmes. In this respect, the margin for inefficiencies was usually quite limited and regular accounting and monitoring visits reduced the opportunities for fraud and negligent

expenditure. However, many of the projects have been operating for a good number of years, so the total amount of funds received has again been quite considerable.

Apart from the few examples mentioned below, the evaluation team gained the impression that there was a generally acceptable relationship between costs and benefits, even though the team is not able to scientifically prove this assessment. The projects usually had very modest facilities, dedicated staff, acceptable systems of financial monitoring, and in many cases appeared to be able to squeeze the maximum out of their resources. Project managers shared this view and gave “efficiency” the highest rating among a list of twelve project performance criteria in a self-assessment exercise. A financial analysis of the health programme, with a total budgeted budget envelope of around 480,000 Euro for the year 2004, showed that basically all funds have been used for beneficiaries, i.e. for training activities, microprojects and project staff working primarily with beneficiaries.

A good example for the efficient use of funds is the Waslala component of the health program. With a budget of about USD 60,000 from ADA and very few additional resources, it trains and deploys a network of health volunteers in almost all rural communities of the municipality. With around 30,000 persons with access to some basic health services, the costs per person would be around USD 2, which seemed very reasonable. On the other hand, the university URACCAN has established a farm primarily for medical plants. Yet, the farm was very inaccessible and the experience of the previous farm, which had to be given up due to problems of land tenure, showed that the facility was not used very often, which raised some doubts about the usefulness of this investment.

In the rural development sector, the evaluation team came across more examples of inefficiency. Some of these projects have been operating for extended periods of time, in one case even more than 10 years, although with various project phases and different strategies. In El Rama as well as in Rio San Juan, some components, including the credit components, a rice processor, and a warehouse, have simply failed. Both projects have been reformulated various times and several components were phased out. As also established by external assessments (*Escobar, Montalván and Grünberg 2001; Moncada 2003*), this implied high learning costs. One of these evaluations (*Moncada 2003*) also pointed out that the sawmill, which has recently broken even, had operated inefficiently and incurred high losses over an extended period of time. Finally, a report of an Austrian implementing agency (*ADC 2004*) indicated that during the last six years one of the local partners received around 1,3 million Euros, without any effect on the per capita income in the project area.<sup>6</sup>

As far as project documents and reports are concerned, the issue of efficiency hardly appeared as a variable that projects used in their monitoring or assessment of their activities. Project logical frameworks did not include any targets or benchmarks on costs or cost-benefit relations. The recent *DAC Peer Review Evaluation (2004)* also suggested that more attention should be attached to cost-benefits ratios in economic sectors such as agriculture, in particular as project sizes expand.

More generally, small projects are relatively more expensive than the bigger ones, as the costs for design and administration usually grow on a diminishing scale with the size of projects. In several rural development the target groups consisted of slightly more than 100 beneficiaries, and in one case there were even fewer than 100 beneficiaries. For pilot

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<sup>6</sup> While the evaluators were not able to confirm this assessment, it also shows the problematic relationship between the Austrian implementing agency and its local partner.

projects, which are anticipated to be rolled out and scaled-up after a successful initial phase, this would be a reasonable number of beneficiaries. However, in none of these projects a significant expansion of outreach has been planned and most have served the same amount of beneficiaries for a long time. In the same vein, an evaluation of Austrian framework contracts (*Glutz and Wolf 2004*) recently suggested to establish a minimum size for projects.

**Effectiveness** measures the extent to which an aid project or programme attains its objectives. Generally, the evaluation team has come to the conclusion that most Austrian funded projects have to a large extent accomplished their project objectives, with some projects even surpassing specific targets. This was also confirmed by the project manager's own assessment, who gave the effectiveness of their intervention relatively high grades across all projects.

However, there have also been some constraints regarding the effectiveness of Austrian-funded projects. In rural development, all of the projects visited consisted of various components, with numerous activities, goals and indicators. The two rural development projects in El Rama and Rio San Juan even engaged in three different lines of activities each: (1) business development activities, such as operating a saw mill, palm oil production, and rice processing plant, or implementing a credit programme; (2) agricultural development activities, including the introduction of new crops and organic farming; and (3) community development activities, such as the promotion of participatory planning and civic education. Yet, all of these projects had relatively few staff or other resources available. Project managers thus often found it difficult to establish a clear focus and not get side-tracked. Scarce resources had to be spread across a broad range of activities. Not surprisingly, the two projects mentioned above have encountered severe problems and set-backs during the course of their respective projects lives. However, after a series of reformulations and clarification of focus, one of the projects now seems to be back on track again, and the other one is currently being revamped.

In three out of four rural development projects local partners had the impression that the Coordination Office and/or their Austrian implementing partners asked for too much in too little time. Also, project reality showed that project managers, quite understandably, did not have the same expertise in all activity areas. As a result, projects often focused their attention on one activity area while giving less attention to others. This was compounded by the fact that the assistance provided by Austrian implementing agencies was primarily administrative rather than technical, as discussed above. At least in rural development, the results of this evaluation seem to indicate that the success of projects and/or project components largely depended on the specific technical capacities of project managers and local project partners.

In the health sector, various projects have been incorporated into an integrated health programme some years ago, which helped to establish a consolidated focus as well as to achieve synergies. All stakeholders consulted during the evaluation, including Nicaraguan government representatives, have expressed their appreciation for the achievements of the Austrian Development Cooperation in this sector, which is predominantly executed by NGOs and other civil society organisations. Projects are generally seen to have produced tangible and useful results for their beneficiaries.

Yet, the evaluators also observed some diversions and challenges in the health programme. One local NGO started to focus on micro projects and civic education in the context of local development, clearly without having the expertise for these kind of activities. More generally, there have been some doubts about the soundness of the achievements at the

community level. While the number of communities visited was not representative, in four of the five communities visited, the evaluation team gained the impression that the community organization was not very solid – in one case, it was close to collapsing. This impression was confirmed by a project report that pointed to scarce support and poor participation of the community in the activities promoted by the project.

Strategic alliances between the organisations involved in the health programme certainly helped to improve effectiveness as well as efficiency. In Waslala and Alamikambang, for example, there was a clear division of labour between the Ministry of Health and the parish/NGO: MINSA basically assumed the curative aspects of health, while the parish/NGO were in charge of strengthening community participation and at the same time providing some funds for medicines and other inputs to MINSA. This cooperation allowed the project to achieve a good coverage of health services with modest funds, strengthen government services, and introduce innovative aspects to the health model in RAAN at the same time.

More generally, measuring the performance of development organisations and of the effectiveness of aid channelled through NGOs have been widely debated development topics over the past years. *Roche and Nelly* (2003) suggest that the effectiveness of NGOs and NGO projects needs to be assessed not only in relation to what happens in the field, but also at other levels. Achieving results is a product of organisational principles and values, as well as the approaches to intervention and the standards and quality of work on the ground. *VanSant* (2003) points out that NGOs with a clear vision and internal consensus regarding that vision usually employ resources effectively toward goal achievement because they understand what they stand for.

NGOs achieve results, both through their direct activities or formal interventions, and also indirectly through the relationships and influence they have on others, and the values they represent and spread. For example, one of the key elements of NGO practice was identified as the ability to develop long term and effective relationships with partner organisations and beneficiary communities. The critique of the one-dimensional use of indicators as measures of aid effectiveness in general has thus become more vocal. Simple and globalised targets and indicators are challenged to be inadequate to capture the interaction between interventions and the development process in any given situation (*Roche and Nelly* 2003).

The evaluators agree that assessing the effectiveness of aid activities requires a multidimensional approach that should also make use of qualitative instruments and believe that the quality of organizations and their institutional capacities can be good indicators for the more qualitative aspects of their development work, such as advocacy work and policy dialogue. Some aspects of the organisational capacity and sustainability of Austrian development interventions will be discussed in chapter 2.2.3. Another more qualitative aspect of the effectiveness of Austrian implementing agencies and local project partners in Nicaragua – their contribution to policy dialogue and their engagement in advocacy work – will be analysed in chapter 2.2.6.

Finally, the Austrian Development Cooperation in Nicaragua does not systematically use a comprehensive project cycle approach to effectively manage the different phases of the life cycle of projects, which has also been raised by the recent DAC evaluation (*DAC* 2005). The adoption of such a model would facilitate the introduction of important quality assurance methods currently not in use in the Austrian project management system, such as ex-ante evaluations. A “second opinion” to project proposals would be particularly important in a context where an NGO may have the responsibility for both project formulation and

implementation. As has already been pointed out above, ADA and/or Austrian implementing agencies generally did not conduct comprehensive feasibility studies and/or needs assessments as a basis for the design of the projects reviewed in Nicaragua. Moreover, none of the projects assessed has developed a clear exit strategy or alternative routes in case of severe external or internal challenges. Using a comprehensive project cycle management system, conducting feasibility studies and/or needs assessments, and developing exit strategies would certainly increase the performance and in particular the effectiveness of Austrian development initiatives in Nicaragua.

*Recommendations to the ADA and implementing agencies:*

- Place more emphasis on thorough feasibility studies and needs assessments to reduce the risk of comprehensive reformulations and/or failures during project implementation.
- Incorporate indicators regarding cost-benefit relations in project targets as well as project monitoring.
- Reduce the number of project components and ensure that implementing agencies and/or local project partners have experience and expertise in all project components.
- Consider scaling-up of successful projects as a serious option and establish a minimum size for projects.
- Incorporate more qualitative indicators in project monitoring and evaluations.
- Develop clear exit strategies for all Austrian development interventions.
- Implement microprojects only if the capacity for technical advice and monitoring exists.

### 2.2.3 Sustainability

Sustainability on a project level is usually defined as the extent to which the benefits of an aid activity will continue after the project has withdrawn and the extent to which the groups affected by the aid interventions want to and can manage to continue accomplishing the benefits.<sup>7</sup> Yet, sustainability has many dimensions and often means different things to different people. Sustainability is a concept often referred to in programme and project documents and an issue everyone seems to be concerned about. While there are some publications and position papers of the Austrian Development Cooperation that discuss sustainability, such as an entire issue of *Weltnachrichten (Austrian Development Cooperation 2002)*, neither the Three-Year Programme of the *Austrian Development Cooperation (2003a)* nor the Country Programme for Nicaragua of the *Austrian Development Cooperation (2003b)* includes any definition of the term sustainability.

Since 1999, project proposals submitted to ADA must include considerations on seven different dimensions of sustainability: political, technological, ecological, socio-cultural, gender, institutional and financial. While project proposals contained narratives on these dimensions, it is a somewhat demanding view of the concept that the majority of hard-pushed Austrian implementing agencies and local project partners usually found difficult to integrate into their project reporting system. In fact, there was very little discussion on the concept or the different dimensions of sustainability in the project reports reviewed. While all of the Austrian implementing agencies and local project partners were aware of the importance of

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<sup>7</sup> Most actors of the Austrian Development Cooperation seem to share this definition of “sustainability” at project level.

sustainability, many struggled to comprehensively turn it into an underlying and guiding principle of their development practice.

It should be mentioned, however, that other NGO assessment and evaluations (*Mellemfolkeligt Samvirke* 2000; *Kunguru, Kokonya, and Otiato* 2002; *Oakley* 1999; *Oakley* 2001) indicate that sustainability is a concept that most NGOs have not yet fully come to terms with and/or do not put sufficient emphasis on. Some even argue that in resource poor countries, and in contexts marked by poverty and gross social inequalities, the whole notion of sustainability has little meaning:

“The simple fact is that the lack of sustainability - along with other reasons such as a lack of local capacity or unequal access - is a main reason why development agencies like NGOs become involved in the first place. Many projects reviewed in the study provide services or attempt to promote development in marginal and resource poor areas and these often represent the only hope for local people. The price of this involvement is the limited prospect of sustainability” (*Okley* 1999).

The L&R/INBAS evaluation team does not take such a pessimistic view and has found a lot of evidence of awareness of the critical importance of “sustainability”. Most NGO projects in Nicaragua have taken a number of serious initiatives to address the issue. At project level, it is a mixture of financial sustainability and a beneficiary focused approach to sustainability that largely dominates current thinking on sustainability among Austrian implementing agencies and local project partners.

Investing in human capital and empowering beneficiaries and/or groups and communities to perform those activities promoted by the project on their own is cited in most project documentation as one of the primary objectives and is frequently reported on. Training and direct knowledge transfer have been the key ingredients of this approach. Given the limited resources available, this appears to be a highly plausible – although somewhat limited – approach to sustainability. As a matter of fact, there is little doubt that the capacity of numerous beneficiaries and groups has been strengthened and that many have been empowered to participate more actively in local decision making processes. One project, for example, has organized weekly local markets in rural areas, where farmers can display and sell their products. These markets have gradually been handed over to the local community and the strategy included that the project withdraws at the latest after the 8<sup>th</sup> market day, which in some cases has already been successfully accomplished.

Several initiatives have also promoted a “rights” focus in order to create “demand” for government support. However, the evaluation team believes that most the services provided and/or activities promoted by the projects would still cease as soon as Austrian funding would stop, as the government does not yet have the financial capacity, and in many cases probably also the willingness, to take on these activities. In addition, changing attitudes and behaviours of beneficiaries is an extremely complex and time-consuming activity, particularly in very traditional societies and communities, where many of the Austrian-funded projects operate. As mentioned before, the evaluation team feels that the contract as well as project duration of most projects assessed was simply not sufficiently long to ensure sustainable changes at these levels.

As far as the financial sustainability of the projects itself is concerned, it was evident that most projects would simply not be able to survive without Austrian support. Three out of four rural development projects had some focus on the financial dimension of sustainability,



in particular those that have promoted certain enterprises or micro projects, such as a sawmill, palm oil production, storage facilities, the provision of credit in cash, a rice processing plant, dispensaries, etc. Yet, with the exception of a saw mill, which has come close to the break even point in 2004 (after many years of very disappointing performance), most of these projects and enterprises have collapsed or are still far away from being able to survive on their own. As has been discussed in the chapter on effectiveness, this is partly due to the fact that some projects have engaged in too many activities and have thus not been able to deploy their limited resources in a focused and effective way, which is certainly one of the key factors for sustainability. As far as the provision of health services in remote and resource-poor areas is concerned, sustainability has a different notion. It can not be expected that even a small minority of the beneficiaries/clients in RAAN are able and/or – in the near future – will be able to fully cover the costs of these services. As long as the state does not have the capacity to provide adequate health services, the access of the local population to these services will mostly remain dependent on projects promoted and funded by foreign aid.

Financial sustainability is closely related to the financial capacity of the local institutions implementing the respective aid projects, i.e. whether these institutions have the capacity to continue with the project activities after ADC funding ends. The evaluators came to the conclusion that this notion of sustainability is neither a clear priority for the ADA nor for Austrian implementing agencies. Supporting local implementing partners to develop their own resources, for example by assisting partners to attend fund-raising courses, was not mentioned in any interview or in any of the project documents reviewed as an objective. Larger local Nicaraguan NGOs seem to have a more secure grip on the issue of financial sustainability, given their relatively large turnover. IPADE, one of the few more established NGOs in Nicaragua, has developed its own financial sustainability strategy. It has implemented twelve to fourteen projects per year, has had nearly as many different donors, and does not execute any project below USD100,000. While IPADE has been one of the most important partners for the Austrian Development Cooperation over the past years, the evaluation team gained the impression that their financial strength and independence was something that a number of actors in the Austrian Development Cooperation are slightly conspicuous of, even though IPADE should be applauded for their efforts in this respect.

Due to the selection of the projects, the evaluators have not been in a position to study a critical number of smaller local NGOs, but there is widespread agreement that most of the smaller Nicaraguan NGOs and groups implementing development projects are highly dependent on usually only one or very few donors. There is also little doubt that most of these NGOs and groups would collapse as soon as their key donor(s) withdraw their funding. Thus, if the Austrian Development Cooperation is really interested in sustained development efforts, it should prioritize institutions that are able to create a critical mass of resources that allows them to maintain the overall momentum of their work. Larger local organisations are also able to come up with a fair share of counterpart funding, an issue that has not been given a lot of attention by Austrian Development Cooperation in Nicaragua in the past, but that will most probably be pursued more aggressively in the future. This does not imply, however, that there should not be any room for working with smaller organisations. Yet, working via smaller NGOs and groups should only be considered if there is a clear long-term vision and strategy for building the capacity, in particular in financial terms, of these organisations, which evidently takes more time than the usual two to three year contract duration.

Possibly the most important aspect of sustainability is organisational sustainability. The majority of Austrian implementing agencies and local project partners viewed investment in human capital and strengthening the human resource base of their organisations as an integral

part of their approach to sustainability. Some have explicitly mentioned that investing in local human capacities ensures the availability of a pool of qualified Nicaraguans that can contribute to the development of the country. Indeed, a number of projects have made great efforts to select good staff and most of the projects visited had accomplished managers and competent employees. However, the evaluators have not come across any comprehensive human resource development strategy or any staff performance management system in any of the projects visited.

Even more important, there was substantial evidence that building the organisational and institutional capacity of local project partners has neither been a key priority for the Coordination Bureau nor for Austrian implementing agencies. This contradicts the most recent discussions and findings regarding the critical importance of building strong institutions – civil society as well as government – in developing countries. The *European Commission* (2002) views building the capacity of Southern civil society as the most important role of Northern NGOs and other non-state actors. It points out that strengthening Southern civil society is a long and time-consuming process, that should lead to the creation of national structures and the gradual build-up of networks at different levels. The Commission highlights that capacity building strategies should focus on internal structure and organisation, constituency building, the development of leadership qualities, the development of analytical and advocacy skills, and sustainable fund-raising mechanisms.<sup>8</sup>

As far as Austrian-funded projects with the Nicaraguan civil society are concerned, the concept of capacity building has in most cases been limited to training and knowledge transfer. Capacity building activities have primarily been geared at individuals rather than institutions. Two local project partners mentioned that their request for support in organisational development was not accepted by their Austrian implementing agency and/or the Coordination Office, and that they thus had to look for other funding sources. In most cases project practice and reports still constituted the basis of the relationship of Austrian implementing agencies with their partners and training and workshops were the main mechanisms to ensure satisfactory performance. Neither the Coordination Office nor the Austrian implementing agencies appear to have drawn back from their continual project practice in any substantial way and reflected on the organisational needs of their partners.

*VanSant* (2003) identifies three sub-categories of organisational sustainability of NGOs: autonomy, learning, and leadership. Autonomy can be understood as the organization's degree of independence from other organizations or forces in its environment. Effective autonomy is reflected in the power to make decisions about basic matters such as organizational goals, policy, budget, staff selection, pay and incentives, and external linkages. *Fisher* (1998) distinguishes several keys to organizational autonomy of NGOs, including:

- being driven my mission rather than by donors or other funding sources,
- financial diversification from any single-source patron,
- a mass constituency,
- technical expertise,
- strategic knowledge on development issues, and
- social and managerial knowledge.

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<sup>8</sup> *CONCORD* (2002), the most important European NGO network, agrees to centrality of capacity building, but seems to attach more importance to strengthening the capacity of partner communities than of civil society organisations.

As far as organizational learning is concerned, the second element of organisational sustainability, *VanSant* believes that just about anything an NGO does can be turned into a learning experience if done with creative attention to process. Yet, appropriate monitoring and evaluation as well as creating a flow of information to support continuous improvements are important tools for learning. Finally, leadership may be the most essential and at the same time most undervalued ingredient in organizational sustainability and at the same time the most important determinant of organisational performance. In the context of NGO performance, key elements of leadership include vision, innovation, decisiveness, and strong people orientation.

The evaluation team concluded that it has become quite apparent that neither Austrian implementing agencies nor local project partners pursued sustainability strategies that consider such a broad and comprehensive concept of organisational sustainability. Yet, the evaluators believe that larger organisations, on the Austrian as well as the local side, have more potential to reach a critical level of organizational sustainability than smaller ones. IPADE, for example, has certainly reached a higher level of financial independence, managerial expertise, and applies more professional performance monitoring than most of the smaller local project partners. Thus, it can be argued, that with respect to organizational sustainability, size does matter.

Sustainability is also closely linked to the institutional set-up of projects. A number of Austrian-funded projects have been designed as parallel stand-alone structures, with some project units basically scheduled to disintegrate when funding ends. In rural development, none of the projects assessed had any relevant institutional link to government structures, let alone were integrated into or embedded in government institutions. Nevertheless, taking into account recommendations of external evaluations, the new phase of project 1731 starting in 2005 has been designed as a programme, considering closer relationships national institutions and to local and regional levels. In the health sector, the programme as such is integrated into and/or part of the autonomous health model of RAAN, which, in turn, was reflected in the National Health Plan. One component of the programme was implemented by the Ministry of Health; the other three components involved civil society organizations, including a parish, which have closely cooperated with the Ministry and which mostly had already had a presence in the region before the programme started.

Finally, sustainability in its broadest sense should also be understood as the ability of an aid intervention to promote activities and practices beyond the limits of the project itself, i.e. sharing the experiences and lessons learnt with other projects and feeding them into the policy dialogue at local, regional and national level. While this dimension of sustainability is often seen as the most critical one, primarily because of its potential development impact, the record of Austrian-funded NGO projects regarding knowledge sharing and contributing to policy dialogue was rather mixed, as discussed in the chapter on Synergies and Multiplier Effects.

#### *Recommendations to ADA:*

- Extend contract duration to ensure a higher probability of sustainable impacts.<sup>9</sup>
- Consider development programme structures instead of stand alone projects.
- Prioritize local implementing institutions with a critical size and financial strength and/or put more emphasis on supporting local agencies in strengthening their financial capacity.
- Work only via smaller NGOs and groups if there is a clear long-term vision and strategy for building their organisational and financial capacity.
- Put more emphasis on building human resource development systems and staff performance management systems of local partner organisations.
- Promote the selection of local project partners and implementing agencies that have reached a critical level of organisational sustainability and/or ensure that building the organisational and institutional capacity of local institutions is a key priority in all projects.
- Where feasible, ensure that more projects and/or project components are integrated into or embedded in government institutions to minimize the creation of parallel structures.

#### *Recommendations to Austrian implementing agencies:*

- Strive to comprehensively turn the different dimensions of sustainability into an underlying and guiding principle of development practice.
- Select local project partners with a clear potential and commitment to achieve financial and organisational sustainability.
- Reflect on the organisational needs of partner organisations more intensively and put more emphasis on strengthening the financial as well as organisational capacity of partner organisations.
- Strengthen own capacities to be in a better position to transfer knowledge and expertise as far as financial and organisational capacity building of partner organisations is concerned.

## 2.2.4 Impact

Impact identifies the positive and negative changes produced by a development intervention, directly or indirectly, intended or unintended. Impact assessment involves identifying and measuring the main impacts and effects resulting from the activity on social, economic, gender, environmental and other development indicators. Generally, the identification, attribution and measurement of impact is one of the most problematic elements of project and programme evaluations, because aid results in change in numerous and complex ways which may be difficult to trace (*Conway and Maxwell 1999*). Yet, over the past ten years or so, development agencies, including donors and NGOs, have come under mounting pressure to demonstrate the impact of their development intervention. Implementing agencies are increasingly asked to monitor their performance more closely and document the overall impact of their development intervention. Furthermore, there has been a growing demand for institutional learning – to know what works and what doesn't work – and to strengthen the

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<sup>9</sup> Extending project duration does not necessarily mean the extension of funding. There are implementing agencies that have received funding for the same type of consecutive short term project (2 to 3 years) for ten years or more. Thus, project planning refers to the period considered in the contract. Projects should be planned for a more realistic period (8 –10 years), because realistic planning facilitates, among others, impact monitoring and the design of sustainability measures and exit strategies. Periodic evaluations should be realized in order to determine whether the project or programme is reaching its objectives, whether it should be modified, or whether funding should be continued or not.

capacity of an organisation on the basis of a continuous and systematic understanding of the immediate and long-term impacts of the organisation (*Oakley 1999*). Finally, there is more and more concern about the sustainability of development interventions. Yet, sustainability can only be assessed with a deep understanding of the impact of the intervention upon the original development problem.

There is substantial evidence that few development organisations, including donors and implementing agencies, have been able to show what long-term change has taken place as a result of their interventions. Over the past decade, especially in the late 1990s, several studies on the impact of NGOs have been conducted (*Madsen 1999; Oakley 1999; Ridell et al 1997*). However, most of these evaluations have been restricted because of the limited capacity of NGOs to adequately monitor and assess their interventions. It was found that NGOs, in case they do make attempts to monitor impact, had focused on project inputs and immediate outputs. Insufficient attention had been paid to analysing the wider impact of their work, and the fundamental changes that their development interventions may have brought about. Most of these NGO studies found evidence that NGOs had some positive impact on the lives of their beneficiaries, although not consistently. Mainly due to the conceptual and methodological difficulties involved, there are very few agencies that have been able to effectively present information on the long-term impact of their development interventions.

The evaluation team considers that the Austrian Development Cooperation has no specific culture or history of impact measurement. In Nicaragua, the evaluation team found that Austrian-funded projects lacked a common understanding or framework on the issue of impact. Different actors used the terms “immediate” and “long-term” impact to signify different stages of the project cycle. Most projects focused on the first dimension of impact and rarely raised the latter one. Until the time of the evaluation, only one project had carried out a base line study for the purpose of measuring impact on the project’s beneficiaries. Yet, the evaluation team believes that the large majority of projects also did not have the necessary resources or capacities to conduct impact studies. Project documents did not foresee any comprehensive impact measurement exercises and thus no specific budget had been allocated for this purpose. The only impact study undertaken until now has been conducted by a competent local NGO with some experience and expertise in the area of impact measurement.

The reports of all of the projects selected clearly focused on project inputs and outputs, rather than impact, let alone long-term impact. There is a total absence of longitudinal records or quantitative data across all projects stages, which makes a comprehensive impact assessment basically impossible. The frequent reformulations and changes in project focus, activities and thus indicators in some of the rural development projects made it even more difficult to gauge the impact of these interventions. Reports are predominantly narrative and there is very little quantitative data available in general, and on the standard of living of beneficiaries in particular. Regular impact monitoring, as part of the reporting system, is simply not done by any of the Austrian-funded projects in Nicaragua. Yet, most projects monitor outcome indicators, such as, in the case of the rural development projects, the size of the cultivated area per farm, the value of crops marketed, the number of farmers that participated in rural markets, etc. These indicators, however, do not shed light on changes in the quality of living of project beneficiaries.

In spite of these constraints, the evaluation team found that there was widespread agreement among all stakeholders of the Austrian Development Cooperation in Nicaragua, including national, provincial and local government, other stakeholders at the regional and local level, project managers and project staff, and, most important, beneficiaries, that Austrian projects

have had a considerable impact on the ground and contributed substantially to poverty reduction in their respective project areas. This impression was substantiated by the fact that projects have used the largest part of their overall project budgets for activities that directly benefited target groups. All of the project managers were also able to identify what they felt had been the three major impacts of their projects, although the evidence presented was more anecdotal than proven.

The most important contributions of the Austrian projects in rural development included the diversification of the agricultural production, in particular the introduction of non-traditional crops, and thus the diversification of income sources. Some rural development projects have contributed to the establishment of rural infrastructure and the creation of formal and informal jobs. Sustainable technologies have been introduced, as well as forms of organic agriculture and the land titling has been supported. Most projects promoted and strengthen participatory processes and strengthened community organizations. The team also found evidence for increased participation and empowerment of women, which was substantiated by a more in-depth project evaluation (*Escobar, Montalván, and Grünberg 2001*). Yet, the evaluator would like to point to the fact that the total number of direct beneficiaries of the four projects assessed does not exceed a couple of hundred persons.

The health programme appears to have had impact at the local, regional and national level. At the community level, the different programme components have contributed to an improvement in the population's overall health in the project areas. This seems to be evidenced by decreasing rates of the infant and maternal mortality, yet, without scientific research there is certainly a problem of attribution with regard to these indicators. Different programme components have promoted participatory processes at community level as well as the establishment of a regional network of health volunteers. The programme has also invested considerably in human resource development, which has certainly had positive effects in a region as deprived of qualified staff as RAAN. At regional and national level, the programme has undoubtedly had a strong influence of the development of an internationally recognized autonomous health model, which has also been included in the national health law

In more general terms, at the project level, there was very little understanding of the issue of "negative impact" or any suggestion that interventions might have adversely affected some while benefiting others. Most projects did not give the concept any consideration and were not able to mention any negative impact of their activities, even though in some – although few – cases negative effects of projects activities were evident. The failed credit components had severe consequences for beneficiaries in at least two different projects. As commonly known, failed microfinance projects usually impact negatively on the economic situation of debtors as well as on their social standing in their communities. The collapse of several enterprises, such as a rice processing plant or a warehouse, also had a negative effect on the level of self-esteem of the beneficiaries involved (*Escobar, Montalván, and Grünberg 2001*). Finally, as already mentioned, the saw mill seems to have caused severe environmental hazards and even damages.

While the only impact study conducted by any of the Austrian projects visited faces some methodological deficiencies, such as the absence of a control group, the research does provide some interesting information. The results suggest that there has not been a substantial improvement in the standard of living of the project beneficiaries since the time of the base-line study: neither enrolment nor literacy rates have increased, and improvements in housing, water and sanitation were marginal, if there were any improvements at all. Income levels of beneficiaries did not increase, but some diversification of income sources was recorded.

However, the study only covered a period of two years, which was probably not sufficient for any significantly change in the beneficiaries' lives to take place. Nevertheless, the results of the study certainly indicate the urgent need to find out more about whether and in which way Austrian projects impact on the lives of beneficiaries.

*Recommendations to the ADA:*

- Ensure that implementing agencies as well as local project partners have a better understanding of and give more attention to impact measurement by making more resources available for this purpose.
- Encourage implementing agencies to include some quantitative impact indicators in regular project reporting.

*Recommendations to implementing agencies:*

- Upgrade capacities to implement regular impact monitoring and to conduct impact studies.

## 2.2.5 Cross-Cutting Issues

Cross-cutting issues are generally considered as a priority by the Austrian Development Cooperation, inside as well as outside the MFA/ADA. Many view NGOs as having a comparative advantage over government institutions to promote these issues in their project work. The Country Programme for Nicaragua of the *Austrian Development Cooperation* (2003b) distinguishes five cross-cutting themes: gender, environment, participation and democracy, capacity building, and decentralisation. The different dimensions and importance of capacity building have been discussed in chapter 2.2.3.

### 2.2.5.1 Gender

Promoting the position of women and gender mainstreaming has become a cornerstone of the international development practice, including the Austrian Development Cooperation. Within ADA, the headquarter gender advisor has a backstopping and advisory function for the in-country part-time consultant for gender and environment in the Coordination Office. This person conducts gender and environmental screens of all new projects and programs and is responsible for backstopping ongoing projects on issues related to gender and environment. Due to time constraints – the gender and environment in-country consultant only holds a 50% position – and the broad range of projects in his responsibility, the coordination and dialogue with projects on gender and environmental issues is not very intensive. Nonetheless, implementing agencies and project partners are generally quite satisfied with the level and quality of support provided by the Coordination Office in this respect.

All implementing agencies were clearly aware of the concept of gender and conscious of its importance as a means to strengthening the position of women. However, the level of attention given to the issue very much depended on the persons involved in project management, with some persons clearly being more committed to promote a gender perspective than others. The evaluation teams recognizes the efforts undertaken in this field, but in the visits to projects it seemed that Austrian implementing agencies have not put a premium on transferring gender-relevant know-how to their local project partners. The evaluation team thus gained the impression that the effective promotion of gender issues was

to a large extent related to the capacities of local project partners, i.e. their commitment, experience, and expertise in this area as well as their involvement and participation in gender-related networks.

Overall, there was a lot of evidence of deliberate efforts to direct project benefits at women, to train them, to promote or link up with women's organisations, and to achieve a greater gender-balanced staffing within projects. Some projects have even promoted activities aimed at structural changes in the position of women in the local communities, such as the roles and responsibilities of women in their respective families and in society in general. However, the evaluation team also encountered a number of limitations to an integrated and comprehensive gender focus in the projects reviewed. First, none of the local project partners has developed an own gender strategy or a clear institutional statement on gender policy. Second, no gender study has been conducted as a base line for any of the projects or programs before inception. Yet, some studies and publications related to the health programme include research on gender relevant topics (*Gutuierrez Muñoz* 2004). Third, the majority of projects promoted the participation of women in terms of their access to benefits and resources ("practical needs"), but there was less evidence that they were actually strengthening the position of women in relation to power and its use in their local communities ("strategic interests"). Forth, monitoring of gender relevant developments and data was usually restricted to disaggregating statistics by sex and counting the number of women involved in project activities. Finally, none of the projects has conducted a gender impact study that could provide more in-depth analysis on gender relevant issues and provide a basis for a comprehensive gender strategy.

However, three out of the four rural development projects clearly pursued a strategy to change gender relations and to empower women within their families and communities. This included promoting opportunities for women to generate their own income and improve their financial management skills as well as empowering them to negotiate with their husbands and participate in local community decision making processes. The project implemented by a local women's association (FEM) clearly had the most comprehensive gender approach, including the promotion of women's rights, adult education for women, training on reproductive health and HIV/AIDS, promoting participation in local decision making committees and regional women's networks, etc. In almost every component of the health programme there was a focal point for gender issues, who tried to actively promote the position of women. Clearly, the three non-government local partner institutions have been a lot more active regarding gender issues than the Ministry of Health, where the topic seems to have been primarily donor driven.

On the whole, awareness of and sensitivity towards a gender perspective was clearly part of the development practice of all implementing agencies and local project partners. Yet, most projects could pursue a more comprehensive gender strategy. This is also reflected by the fact that the majority of project managers did not view their projects as being particularly successful in addressing gender issues. However, local project partners cannot always give the issue as much attention as it merits. Given their tight project budgets and satiated project agendas, there is usually little room for gender base line studies, more comprehensive gender monitoring, gender impact studies, active participation in gender relevant networks, etc. In case ADA wants implementing agencies and local project partners to perform such activities, more resources would need to be made available for these purposes.



### 2.2.5.2 Environment

While all of the rural development projects reviewed had a specific environmental focus in their project design as well as at the operational level, the health projects addressed environmental issues primarily in relation to health. The activities promoted by rural development projects included reforestation, stabilisation of the limit of agriculture, resource conservation, awareness raising and civic education on environmental issues (such as slash and burn practices), eco-farming, etc. As has been discussed in the chapters on effectiveness and impact, some of these activities were more successful than others. For example, two projects have been successful in introducing non-traditional crops, thus helping farmers to diversify their income sources and become less dependent on animal husbandry, an ecologically harmful practice in the respective project areas. On the other hand, it seems that at least in one project area no significant reduction in the prevalence of slash and burn practices had been achieved. In the health programme, environmental issues were primarily addressed through awareness raising activities at the community level.

Yet, it should be stressed that the effective promotion of transversal themes such as environment and gender are often dependent on changes in attitudes and behaviours, which are complex and time-consuming processes. For example, instilling a long-term vision in subsistence farmers with respect to forest management is not a matter of some years but usually takes at least one generation. Ensuring that the promotion of cross-cutting issues such as gender and environment at project level has a more significant long-term impact would thus require extending the duration of projects.

Similar to the situation regarding gender issues, no environmental base line or impact studies have been conducted and comprehensive environmental monitoring is not part of any project. Even if some projects, especially outside the rural development sector, have not employed a thorough environmental strategy, most have taken great care that none of their activities is harmful to the environment. However, one component of a rural development project, a saw mill, seems to be the exception to this rule. A comprehensive evaluation of the project (*Moncada* 2003) identified several environmental problems related to the saw mill, such as the storage and handling of waste, the location of the oil tank, and logging of specific trees. A recent law suit against the saw mill related to environmental issues seems to have been dismissed for procedural reasons only. Yet, it is likely that another suit will be filed, probably appealing against the location of the mill in the middle of the village as well as against infringements related to waste management.

### 2.2.5.3 Participation and Democratisation:

Stakeholder participation usually means a development practice called “participatory development”, or a style of project intervention that seeks to involve beneficiaries and other stakeholders in project processes. Several studies (*Kunguru, Kokonya, and Otiato* 2002; *Oakley* 1999; *Oakley* 2001) found that NGOs are in fact not very effective in truly implementing this approach, with *Oakley* (1999) pointing out that the “development community” as a whole is immensely strong on rhetoric but much less so on the practice of “participatory development”. Given the short amount of time spent at each project, the evaluation team was unable to see much evidence of a “participatory process” unfolding in front of them. The evaluators feel that it is almost impossible to make confident judgements on processes that are supposed to constitute the basis of project operations on brief visits.

However, through reviewing project documentation and talking to staff, management, beneficiaries, and other stakeholders, the evaluators gained the impression that implementing agencies as well as local project partners generally sought to promote effective local involvement in project activities. While some projects seem to have been designed without much participation from beneficiaries and other stakeholders, it appears that both the Coordination Bureau as well as implementing agencies are now putting more emphasis on this aspect. Only in the case of the Rio San Juan project the evaluation team felt that the principles of participatory project practice has not yet quite filtered through and that even slightly paternalistic attitudes on the side of the Austrian implementing agency persisted.

For most of the projects visited participation was an essential means for both effective intervention and sustainability, but not so much an issue of ownership. Only in the case of the women's association, and to a lesser extent in two other rural development projects, community participation was at the heart of the project approach and beneficiaries – at least to some extent – felt that they “owned” the project. These projects also actively promoted participation of beneficiaries in local decision making processes and thus supported democratisation. For one local implementing agency, IPADE, rural development and democratisation are two sides of the same coin and IPADE projects usually promote these two issues at the same time.

By choosing IPADE as a key implementing partner in the rural development sector, the Austrian Development Cooperation clearly attached a lot of importance to participation and democratisation. As mentioned, at least three projects have had considerable impact as far as the participation of beneficiaries in local decision making processes is concerned. In both of the projects implemented by IPADE, local government representatives spoke well of the project efforts to build up the capacities of the local population and promote community participation. These government representatives also mentioned that the level and quality of dialogue between the local government and local communities has improved as a result of project activities. Without doubt, these projects have prepared the ground for more effective decentralisation, an area that has received a lot of attention by the donor community and is increasingly so also considered by the government of Nicaragua.

As mentioned in chapter 2.2.3, the evaluators gained the impression that building the organisational and institutional capacity of local project partners has neither received sufficient attention by Austrian implementing agencies nor by the Coordination Office. Yet, strengthening Nicaraguan civil society organisations should be seen as a prerequisite for effective democratisation, in terms of promoting greater pluralism in the sector as well as a countervailing power in relation to the state.

#### 2.2.5.4 HIV/AIDS

While the situation regarding HIV/AIDS in Nicaragua is not as bad as in some other priority counties of the Austrian Development Cooperation, the disease is spreading at an accelerating rate also in Nicaragua. Yet, HIV/AIDS has not been a priority of Austrian aid activities in Nicaragua, except for projects in the health sector. HIV/AIDS is also not identified as a cross-cutting issue in the current Austrian Country Programme for Nicaragua, but the Coordination Office stated that the issue will receive more attention in the future.

As far as the rural development projects are concerned, managers and staff were aware of the issue and to some extent also conscious of its importance, but there were no policies or strategies how to address the issues and basically no activities related to fighting HIV/AIDS.

Only one rural development project has integrated HIV/AIDS in their training programme, but no rural development project has systematically trained their own staff on the issue. The health projects have addressed the HIV/AIDS issue more specifically. The Bilwi clinic, for example, has promoted civic education on the issue, established an information centre on sexually transmitted diseases, and created a network for the treatment of AIDS and other sexually transmitted diseases.

#### 2.2.5.5 Socio – cultural aspects

The evaluation team gained the impression that socio cultural aspects, although not always clearly expressed in project design, were considered and promoted in the reality of the projects. Technologies introduced were generally accepted and adjusted to locally used ones. The socio cultural aspects of the indigenous people in the RAAN is an important issue for the health programme, which tries to recover and promote indigenous medicine and integrate it into the regional health care system. Obviously, this has also been an important contribution to the strengthening of self esteem of local population and their local culture.

##### *Recommendations to ADA*

- Ensure that a HIV/AIDS component is integrated into the design of every project or programme. This should include training of project staff, awareness raising in the target group, avoiding proliferation of HIV/AIDS through project activities, etc.

##### *Recommendations to the Coordination Office:*

- Ensure that implementing agencies as well as project partners are aware of and follow Austrian policies with respect to cross-cutting issues.
- Increase resource allocation for gender and environmental base line studies, a more comprehensive monitoring of cross-cutting issues, gender and environmental impact studies, and active participation of project partners in networks and conferences relevant to cross-cutting issues.
- Ensure that targets for as well as monitoring of cross-cutting issues become a more integrated element of project practice across all projects.
- Put more emphasis on HIV/AIDS issues, for example by promoting a HIV/AIDS training for all project managers.

##### *Recommendations to Austrian implementing agencies:*

- Strengthen capacities related to cross-cutting issues and increase capabilities to transfer know-how on these issues to local project partners and/or choose local project partners with sufficient expertise in these areas.

#### 2.2.6 Synergies and Multiplier Effects

Coherence, alignment and coordination have become the buzz words of international development cooperation over the last couple of years and are increasingly so also discussed within the Austrian context. One of the key reasons why donors strive to achieve greater coherence and focus of their aid activities is the aim to increase efficiency, effectiveness, and impact by exploiting synergies between the different development projects and aid instruments. In fact, policy coherence has been introduced in the new Austrian development

cooperation law, and the current Three Year Programme of the *Austrian Development Cooperation* (2003a) calls for a greater geographic and thematic focus of Austrian aid, mainly to reduce transaction costs, increase efficiency, achieve a critical mass and more visibility, and to strengthen Austria's expertise and comparative advantages.

Yet, international as well as Austrian studies and evaluations (*DAC 2005; Kunguru, Kokonya, and Otiato 2002; Manndorff et al 2004; Oakley 2001*) clearly indicate that NGOs and NGO projects – globally as well as in the Austrian context – face severe challenges regarding policy coherence and that the coordination and cooperation between NGO projects has been one of the key weaknesses of aid channelled through NGOs. All donors visited by the evaluation team in Managua agreed that their NGO projects in Nicaragua are often disconnected from other aid activities and that the potential for synergies between NGOs projects and other aid interventions is far from being exploited.

While the issue of coordination and synergies between Austrian development projects in Nicaragua seems to have been given more importance over the past years, the evaluation team still considers the level of cooperation and information sharing between projects as one of the weakest aspects of Austrian aid activities in Nicaragua. Indeed, among a list of twelve performance criteria, project managers gave the level of cooperation with other Austrian projects the lowest rating. Two external project evaluations (*Escobar, Montalván and Grünberg 2001; Moncada 2003*) confirmed that there was not enough exchange and cooperation between the different Austrian rural development projects and, in one case, even between the different local partner organizations within one project.

The review of project documentation revealed that the issue of coordination and cooperation between and across projects has usually not been given a lot of attention in project designs, and even less so in project reports. The evaluation team gained the impression that even projects within the same sector often had little information on each other. Only in the case of the two rural development projects implemented by IPADE, which were both working under similar climatic conditions and applying comparable methodologies, there was a lot of exchange and sharing within IPADE itself. In the Rama region, for example, two Austrian projects work, to some extent, with the same beneficiaries, but otherwise follow a fairly complementary approach. Yet, both of these projects have, at least for some time, used a different set of extension agents providing similar technical assistance. The evaluators believe that the unsatisfactory level of complementarities and synergies between the projects visited also seems to be related to how Austrian aid to Nicaragua is organised and managed in more general terms. Apart from the health projects in RAAN, which have been consolidated into a programme, the Austrian Development Cooperation still follows a project based approach, with a large number of smaller stand-alone NGO projects with often little connection to each other. In the health programme in the RAAN, coordination meetings are held on a regularly basis, although it appears that some projects still have few links to the other components of the programme.

Interviews with different stakeholders also revealed that a number of Austrian projects have, at least in the past, not given a lot of attention to the coordination with development projects of other donors in the same area, thus missing out on the potential to exploit synergies and mutual learning. Several local government officials in the project areas visited complained about the lack of coordination among donor projects, including Austrian-funded projects. As most municipal development committees do not have the capacity yet to function as information sharing and coordination mechanisms, it seems that donors as well as

implementing agencies need to make a greater effort to coordinate their activities on the ground with all stakeholders.

While project managers unanimously argued that they would be interested to learn more about other Austrian projects and exchange experiences and knowledge with these projects, they felt that it was on them to establish these contacts and look for synergies. Apart from the respective sector consultants transferring knowledge and experiences between projects, there has not been any coordinated mechanism to foster information exchange and synergies, such as regular geographic or thematic meetings. The evaluation team believes that it would be the responsibility of the Coordination Office to set up such meetings and to promote more information sharing, coordination and cooperation between Austrian projects in Nicaragua. The evaluators are also of the opinion that the deficient level of cooperation and synergies between Austrian development interventions can, at least in part, be ascribed to unclear roles and responsibilities between the different actors as well as the lack of systematic knowledge management within the Austrian Development Cooperation, as discussed in previous chapters of this report.

Yet, it should be mentioned that the larger Austrian implementing agencies with a presence in Nicaragua have had their own mechanisms to exchange experiences and knowledge between the projects they implement. Horizont 3000, for example, the largest Austrian implementing agency with a strong presence in Managua, has a substantial portfolio of 60 different projects, of which only some are financed by the Austrian Development Cooperation. Horizont 3000 has convened monthly project meetings, to which other stakeholders are often invited too. In addition, there have been some informal exchanges between Austrian implementing agencies in Nicaragua, in particular between those with an in-country presence.

As the list of projects selected for the purpose of this evaluation only included one framework contract project, the evaluation team is not in a position to draw general conclusions about the difference between these projects and projects funded through other modalities. Yet, as far as this one framework contract project was concerned (FEM), the evaluators found that the Coordination Office had some relation to the project, but that it was clearly not integrated into the bilateral country programme and had basically no institutional links to any of the other of the projects visited. Two Austrian external evaluations, including a recent evaluation of framework contracts, (*Glutz and Wolf 2004; Manndorff et al 2004*) suggest that projects within framework contracts often lack coherence to country programs and have no or very little connection to other Austrian projects in the respective country. This also seems to be the case for most framework contract projects in Nicaragua. The Coordination Office in Managua strongly feels that framework contract projects should be integrated more closely into the country programme. The office also suggested that it should, as a rule, be given the opportunity to comment on framework contract project proposals and that these comments have to be taken into consideration by headquarters.<sup>10</sup> Yet, given that there were around 17 projects within framework contracts implemented in Nicaragua in 2004, the Coordination Office clearly did not have the capacity to monitor – let alone provide technical support – to every single project. Considering its current staffing level, it would probably not even be capable to assess and comment on every single new project proposal within framework contracts.

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<sup>10</sup> An NGO policy that will also govern the roles and responsibilities of the different players with respect to co-financed projects is currently in preparation.

More coordination among Austrian NGO projects, in particular when decreed by ADA, could, however, be perceived by Austrian NGOs as an infringement on their autonomy and independence. Austrian NGOs understandably seem to be wary on the issue of coordination and coherence and fear that more “coordination” would also mean more control by ADA. In addition, there are some question marks regarding the potential conflict of interest Austrian NGOs have to expose themselves to when asked to cooperate more closely with each other in the field or at a more strategic level, when exactly these same organisations may be competing against each other during tender processes.

The evaluation team certainly has great respect for and appreciates the obvious benefits of independent and autonomous NGOs. As argued in chapter 2.2.3, organisational autonomy of NGOs is viewed as a precondition for their sustainability and effectiveness. However, the evaluators still deem that a more concerted effort should be made to increase information sharing and coordination between Austrian-funded projects in Nicaragua, without undermining the autonomy of Austrian and local NGOs or turning NGOs to mere sub-contractors for ADA. While coordination and cooperation certainly comes at a cost, including more frequent exchange visits and meetings, the evaluators are of the opinion that the benefits would clearly outweigh the costs. The efficiency, effectiveness and impact of Austrian aid to Nicaragua could be increased by making more use of synergies regarding the employment of human and other resources as well as by a stronger concentration of strategies, efforts and resources.

Another form of increasing the efficiency, effectiveness and impact of aid interventions is to make use of multiplier effects, i.e. replicating experiences, networking, scaling up, and contributing to policy dialogue. The most obvious method of multiplying the effects of a development project is to transfer experiences and lessons learnt in one project to other projects and programmes. Yet, most projects have been very slow and/or not even started to systematically analyse, document and disseminate their experiences. The Rama rural development project, which has made considerable advances as far as the adoption of new agricultural techniques and approaches to rural empowerment are concerned, has only now started to document and publish its experiences, even though an external evaluation has recommended to do so already in 2001. Most rural development projects have had the feeling that the Austrian Development Cooperation has not put a lot of emphasis on these sort of activities and two rural development projects have in fact looked for other donor sources to fund the analysis and dissemination of their project experiences. In the health sector, some documents have been produced that build on the experiences of specific elements of the programme, for example a small book by *Gutiérrez Muñoz* (2004) on the reproductive health of Miskito women.

Another form to replicate and multiply the experiences for NGOs is to form alliances and engage in networking. Networks can be an important strategic device for NGOs as they can contribute to adaptability and problem solving and well as increase the leverage of individual projects (*VanSant* 2003). Most rural development projects visited have established and/or are currently developing relationships to a number of equally-minded institutions. These relationships seem to have contributed considerably to project progress as well as to widening the impact of these projects. IPADE in Rama has, for example, developed working relationships to five different national and regional universities and research institutes, which has clearly helped to enhance and build up the project’s research activities. While the Coordination Office now appears to support networking activities more pro-actively, these engagements have in many cases been the initiative of the projects themselves. In the health programme, the components managed by NGO, the parish and the university institute,

maintain contacts and relationships of mutual support, exchange of information and cooperation to a wide range of institutions (mostly NGOs) in the health sector. Only the component implemented by the Ministry of Health has not developed many relations to other organizations working in the sector. The reasons for the good performance and good results of the health programme probably are: good knowledge of and long presence in the region, good selection of local project partners, use of existing structures, selection of a relatively new topics for Nicaragua (such as the combination of indigenous and western health care approaches), linking health care and the struggle for regional autonomy, and the commitment of the staff with respect to the programme and the region.

The evaluation team believes that the most effective way to increase the impact of development initiatives is to contribute to broader social, economic and political change through advocacy, lobbying and policy dialogue. As discussed in chapter 1.2, the role of NGOs, in particular of Northern NGOs is changing rapidly. Northern NGOs are expected to move away from direct intervention at the operational level and focus more on strengthening local organizations to engage in advocacy and policy dialogue. Development projects are increasingly seen as having only a legitimacy if their experiences are also fed into the policy dialogue. As argued by *Lennkh* and *Stachel* (2002), the former Head and Deputy of the Department for Development Cooperation in the Ministry of Foreign Affairs, the practice of promoting individual stand-alone projects has proven as obsolete, also because such projects can hardly be added up to a comprehensive development process.

Even though smaller NGOs projects are usually not particularly well placed to contribute to policy changes at national level, the Horizont 3000 health programme in RAAN has been a remarkable exception to this rule. The programme has played an important role in facilitating cooperation between the regional government and civil society in the health sector and contributed to the ability of the regional stakeholders to negotiate with central government. The most impressive result of the health programme was its contribution to the development of a demand-driven autonomous regional health model and its inclusion in the national health law. The project experiences have also put Horizont 3000 as well as the Coordination Office in a position to actively contribute to central policy dialogue in the health sector.

In the rural development sector most projects still concentrate on the micro context, with little focus on national level policies. While some projects have established important alliances and engaged in networking more recently, a wider perspective or achieving broader impact through contributing to policy changes at national level were not mentioned as important elements or goals in project designs. While some rural development projects have without doubt had an impact on local government policies and approaches, for example by promoting the adoption of more participatory processes, these changes have usually had little effect beyond municipality borders. In order to achieve broader impact, ADC should thus consider to move away from funding a large number of small projects, but rather scale up some activities to increase their leverage and potential influence at the national policy level. Size certainly matters in this respect. This, however, should not be taken to mean that there should not be room for innovative pilot projects. Yet, each initiative, or at least the large majority of projects funded by ADC, should have the clear goal to reach the national or at least regional level and include concrete and realistic strategies and milestones how to get there.

Even though Austria is a relatively small player in Nicaragua, whose voice is certainly not as strong as that of larger donors, the Coordination Office in Managua as well as Horizont 3000 have made some important contributions to the policy dialogue at national level, in particular in the health sector. Other Austrian implementing agencies mentioned national seminars and

workshops with participation of Nicaraguan government officials as mechanisms to promote policy dialogue. Yet, neither the Coordination Office nor Austrian implementing agencies have put a lot of emphasis on strengthening and empowering local NGOs to engage in advocacy work or policy dialogue. The focus of most projects, at least in rural development, seems to have been on concrete results on the ground rather than the promotion of broad long-term change. IPADE, one of the larger Nicaraguan NGOs, mentioned that most donors expected local NGOs to engage in advocacy and to participate in policy dialogue, but that basically no donor was willing to fund these activities. Thus, if the Austrian Development Cooperation is genuinely interested in strengthening civil society and promoting pluralism and democratisation in Nicaragua, it needs to put more emphasis on strengthening the capacity of local civil society institutions and supporting their engagement in advocacy and participation in policy discussions.

*Recommendations to MFA:*

- Develop policies on how to include multiplier effects such as information sharing, networking, advocacy and policy dialogue in project design, implementation, monitoring and evaluation.

*Recommendations to ADA:*

- Ensure that synergies and complementarities between projects are considered more explicitly in project designs.
- Put in place mechanisms, procedures and resources to encourage greater information sharing, coordination and cooperation between Austrian-funded projects, by establishing an integrated knowledge management system as well as by creating initiatives such as three monthly meetings of project managers or regular geographic and thematic meetings set up by the Coordination Office.
- Ensure that the Coordination Office has the means to respond to deficient performance of co-financed projects.
- Increase focus on networking, strategic alliances, advocacy and policy dialogue in project designs as well as in ongoing projects and ensure that all projects include concrete strategies and goals to reach the regional and/or national level.
- Provide resources and support implementing agencies and project partners to systematically analyse, document and disseminate their experiences.
- Place more emphasis on strengthening the organisational capacity of local civil society institutions to engage in advocacy and policy dialogue.
- Consider scaling up project activities and initiating larger and more sectorally based programmes.

*Recommendations to Austrian implementing agencies:*

- Increase efforts to exploit information sharing, synergies and complementarities between projects and support local project partners more pro-actively in networking and alliance building.
- Place more emphasis on a structured and systematic analysis, documentation and dissemination of project and programme experiences.
- Give more importance to assessing project work in the light of national level policies and strategies.
- Attach more attention to building the organizational capacity of local organizations to engage in advocacy and policy dialogue.



## 2.2.7 Conclusions: Support Routes for Austrian Aid to Nicaragua

For ADC, as for any other donors, there are essentially three paths to fund technical development activities in Nicaragua and elsewhere: support can be channelled through Austrian implementing agencies (or international implementing agencies), who act as intermediaries and facilitating partners, through direct funding of Nicaraguan NGOs and other civil society organisations, or via Nicaraguan government bodies. As far as the first two options are concerned, ADC can fund international as well as national NGOs and other implementing agencies to work with the Nicaraguan government, a support route that has become increasingly popular in development cooperation over the past years and will thus be discussed separately.

### 2.2.7.1 The context

Over the past years, there have been significant changes in the area of international development in general as well as in Nicaragua. Globally, most donors have shifted towards a new aid paradigm, aimed at placing the government in the driver's seat and promoting government ownership through sector-wide approaches and budget support. In Nicaragua, donors have come to place more confidence in the new government of Bolaños, elected in 2001, and strengthened their efforts to cooperate with government institutions. Most donor agencies have accepted national development strategies like the ERCERP and the PND as the reference framework for their development work. Growing alignment to national plans, as well as more emphasis on donor coordination and harmonisation have had a significant impact on how donors operate in Nicaragua. Finally, in response to myriads of NGO projects with little or no long-term effect, many donors in Nicaragua –as elsewhere – have started to question the effectiveness and impact of supporting isolated and uncoordinated small NGO activities. These developments have decreased the focus of donor agencies on international and national NGOs as development partners in Nicaragua as well as reduced the room of NGOs to follow their own approaches.

While the Austrian Development Cooperation has not been at the forefront of promoting the new aid paradigm, the international discussion on new aid modalities as well as the more recent political developments in Nicaragua have not gone unnoticed. The *Austrian Country Programme with Nicaragua* (2003) mentions that a dialogue about a reorientation of role of Austrian NGOs in Nicaragua is anticipated. In addition, ADC has given more importance on country programming, implying a more active role of ADA and the Coordination Offices in defining the overall strategy vis-à-vis their partner countries as well as in designing and selecting aid channels and activities. Austrian NGOs have thus lost some of their autonomy they have so far enjoyed in Nicaragua as the pressure to align their bi-laterally financed interventions to the Austrian country program has increased. Since 2004, the Coordination Bureau in Managua has also started to explore possibilities to increase its direct cooperation with the government institutions at national, regional and municipal level as well as with local civil society organisations.

### 2.2.7.2 Using Austrian NGOs and other implementing agencies as intermediaries

As previously discussed, the role of Northern NGOs is changing rapidly. Northern NGOs and other implementing agencies are expected to move away from direct operational involvement towards a position where they primarily facilitate and support processes. Most donor agencies see the principal role of Northern NGOs in identifying and supporting partner civil

society organizations in developing countries as well as in building capacities amongst them, in particular to engage in advocacy and policy dialogue. There is widespread agreement, also within the civil society community in Austria, that the responsibility of Northern NGOs is in principle temporary, until Southern NGOs and government institutions can take over.

In Austria, the primary reason provided for channelling aid through Austrian NGOs and other implementing agencies, rather than directly funding local civil society or government institutions, is their capability to transfer technical know-how to local institutions and build their capacities. As discussed above, the results of the evaluation suggest that the core competency of Austrian implementing agencies lies in transferring project cycle management capacities to smaller NGOs or grass-roots organisations in their initial start-up and growth phases, rather than specialised and first-rate technical know-how and expertise in areas relevant for more advanced project phases.

While capacity building is certainly a key activity of Austrian implementing agencies, it has primarily been geared at individuals rather than institutions. Strengthening the financial and organisational capacity of local partner institutions in Nicaragua has not been a priority of Austrian implementing agencies. Several local project partners also mentioned that the potential contribution of Austrian implementing agencies was also undermined by their lack of autonomy and independence vis-à-vis ADA and/or the Coordination Bureau.

The *European Commission* (2002) sees Northern NGOs as playing an important role with regard to strengthening and empowering local NGOs to engage in advocacy work and policy dialogue, for example by providing assistance for facilitating and promoting the initiation or consolidation of in-country dialogue processes and helping key organisations to participate in the dialogue. It seems, however, that the Austrian Development Cooperation in general, and Austrian implementing agencies operating in Nicaragua in particular, have not yet started to give these issues much consideration – the exception being *Horizont 3000* in the case of their health programme in RAAN.

Many of the projects implemented by Austrian implementing agencies in Nicaragua still belong to the category of “isolated stand-alone” projects, with little reference to national strategies, limited connection to other projects, and thus not much potential to feed into the national policy dialogue. Austrian NGOs and other implementing agencies have not yet really started to support the development of advocacy initiatives within their work with Nicaraguan civil society organisations through shared advocacy work and the integration of policy and programming, as suggested by *CONCORD* (2003) with respect to the role of Northern NGOs.

Another reason for channelling aid through Austrian NGOs is their commitment to raising public and social awareness in Austria, mainly by participating in advocacy and development education activities. The involvement of Austrian NGOs in Nicaragua and other development countries is generally seen as (1) a necessary requirement to ensure that their experiences from the field are fed back into the policy making process through policy dialogue in Austria, and (2) as a mechanism to guarantee wide support and involvement from many quarters of the Austrian society. Through their lobbying and educational work Austrian NGOs have been able to mobilise significant additional resources for their work in Nicaragua from their Austrian constituencies. Austrian firms and consulting firms usually do not engage in lobbying and development education work. The evaluators have not been in a position to assess the level and quality of the advocacy and education work of Austrian NGOs in Austria. However, the team certainly sees great value in these activities and appreciates that the

involvement of Austrian NGOs in Nicaragua and elsewhere has an important impact on the Austrian society.

Another argument in favour of the involvement of Austrian implementing agencies as intermediaries is the increased visibility vis-à-vis other donors and the government that comes with contracting Austrian agencies instead of working directly with local institutions. In Nicaragua, Austrian NGOs are indeed recognized implementers, especially Horizont 3000 with respect to its engagement in RAAN. In addition, Austrian implementing agencies know Austrian policies and procedures (as well as the German language) usually much better than international and local NGOs and/or government organisations. This gives Austrian agencies a comparative advantage over these organisations, as it is generally easier for ADA to work with Austrian institutions than organisations with less knowledge of Austrian idiosyncrasies.

Finally, there are long-established relationships between ADC and Austrian NGOs and other implementing agencies, also on a personal basis. Over the years, both sides have come to know each other well and usually also trust each other, an important bonus in the precarious context of development work. The most compelling reason for a continued presence of Austrian implementing agencies in Nicaragua may well be the weak capacity of local civil society and government organisations, which means that most donors still work through international facilitating partners. Yet, this situation is changing rapidly as the Nicaraguan civil society is consolidating and becoming more diverse.

Working via Austrian implementing agencies also comes at a price, i.e. the expenses these organisations charge for their intermediary services. These costs vary from project to project, but can amount to up to 10% of total project costs. In case the relationship between the Austrian implementing agency and the local project partner carries on for a very long time, there is also the risk of creating dependency on the side of the local counterpart. As far as the Austrian projects in Nicaragua are concerned, this may in fact be a real risk, as some of these projects have been going on for quite some time, and most of the Austrian institutions involved have neither put enough emphasis on building the financial and organisational capacities of their counterparts, nor have they defined clear exit strategies.

In spite of these disadvantages and risks that come with funding Austrian implementing agencies, the evaluation team still believes that they can and should play a vital role in the Austrian Development Cooperation in general as well as in Nicaragua in particular. Their commitment to work with the most marginalized population groups as well as their intimate knowledge of and close relationship to local civil society organisations places them in a unique position. Yet, the evaluators feel that their potential has not been fully exploited. Austrian implementing agencies should sharpen their profile and make a serious effort to upgrade their capabilities to transfer expert technical know-how to local counterparts, possibly by narrowing and thus concentrating their respective thematic and/or geographic orientation. They should also try to give more attention to the new trends and instruments of international development cooperation, such as harmonisation, PRSPs, SWAPs, budget support, etc. In general, NGOs should not degrade themselves to mere brokers, with little added value other than transferring financial resources from Austria to Nicaragua and other developing countries.

However, the ADA also has to contribute to strengthening Austrian NGOs and other implementing agencies by clarifying their role as well as ADC's position on PRSPs, SWAPs, and budget support. The ADA should also give implementing agencies a chance to work with these new modalities, for example by designing a call for proposals that specifically supports

innovative work of Austrian implementing agencies with respect to PRSPs or SWAPs. Finally, the ADA in general and the Coordination Bureau in Managua in particular should undertake more concerted efforts to examine ways in which the rich experience and expertise of Austrian NGOs working in Nicaragua and elsewhere can be used more effectively for the design and implementation of the Austrian bi-lateral country programme with Nicaragua as well as for the Austrian Development Cooperation as a whole. A regular and strategic dialogue between the MFA/ADA and Austrian NGOs in Vienna as well as in Nicaragua and elsewhere should facilitate mutual learning and reinforce the common understanding that they are complementary partners in the overall development work.

### 2.2.7.3 Direct funding of local NGOs and other civil society organisations

The civil society in Nicaragua – of which NGOs are the backbone – is still largely weak, unstable, fragmented, highly dependent on external support, with considerable problems of accountability, and relatively little influence on national policy. Yet, over the past years, civil society in Nicaragua has gained in strength as well as in autonomy, and has become a serious counterpart for international donors as well as the national government. The focus of most Nicaraguan NGOs has traditionally been the implementation of projects and the delivery of services to their communities. More recently, some have become more active in advocacy, policy dialogue and promoting citizenship. While greater civil society participation in national policy formulation has started out as a deliberate donor-supported effort, several NGOs are increasingly in a position to take part in consultation processes and policy dialogue with government as well as external donors.

Out of the five projects assessed during the evaluation, two were directly implemented by Nicaraguan NGOs. While this is not a sufficiently larger sample to draw any candid conclusions on the performance of projects without Austrian intermediaries, or to compare them with projects executed by Austrian agencies in Nicaragua, the evaluation team would still like to give some more general comments on the perceived advantages and disadvantages of this funding approach.

Some donors in Nicaragua, such as the European Commission, believe that supporting local NGOs comes with the advantage that these institutions stay in-country, and that increasing their capacities thus benefits the sustainable development of Nicaragua. Direct support to local civil society organisations is also seen as advancing the ownership of the development process and deepening democracy in Nicaragua. Other donors, such as the Spanish Cooperation and USAID, only work via their own implementing agencies and do not channel any funds directly to local civil society organisation, supposedly mainly for political reasons.

The two Austrian projects directly executed by local NGOs show a satisfactory performance, in particular the rural development project implemented by IPADE in El Rama. Both of the local partner institutions had in previous project phases worked with an Austrian implementing agency as intermediary, and both expressed their preference for the direct relationship with the Coordination Office. As mentioned earlier, the reasons given for this preference included clearer roles and responsibilities and the need to relate and coordinate with only one player instead of two. While the evaluation team does not want to draw any definite conclusions from only two project cases, these experiences clearly show the potential advantages of this kind of arrangement.

For ADA, overall project cost can be reduced when implementing projects directly with local counterparts, as the expenses for the Austrian implementing agency can be saved. However,

in the case of the two projects mentioned above, the Coordination Office has incurred additional transaction costs, as local counterparts require closer monitoring and supervision than Austrian implementing agencies. Inflexible funding procedures on the part of ADA, such as the need to prepare contracts in German language, have also increased transaction costs. Yet, once the project is on track and the local counterpart has become more familiar with Austrian policies and procedures, the total costs incurred by ADA for accompanying the project usually drop again.

The direct funding path, however, is only feasible with more experienced and established civil society organisations, otherwise transaction costs and uncertainties become too much of a burden for the Coordination Office. In the case of Nicaragua, only few large NGOs capable of executing donor projects without international facilitators exist. The Austrian Development Cooperation, for example, has had a strong focus on IPADE. IPADE also receives funding from other donors, but it does seem to be able to handle the diverse demands made by different donors quite well, without endangering the performance of the projects it executes. However, Austria as well as other donors certainly need to be aware of the risk of overburdening the few NGOs that are able to administer donor projects in Nicaragua.

It has also been argued that direct funding favours larger and more institutionalised NGOs, to the detriment of smaller NGOs and grass-root organisations. As discussed above, the evaluation team believes that working with larger and more institutionalised civil society organisation comes with the advantage that these institutions have at least the potential to broaden their impact through policy dialogue. Indeed, IPADE, has fed back its project experiences into policy discussions with government institutions and donors.

*CLONG et al* (2003) offer a number of other disadvantages associated with the direct funding route. Donors, for example, may not feel the same pressure to maintain long-term stable funding relationships with Southern NGOs as they do with Southern governments, and there may be a lack of accountability mechanisms from donors to Southern NGOs in case the latter feels unfairly treated. *CLONG et al* also mention numerous examples of competent local civil society organisations being encouraged by a variety of donors to undertake programmes at a much larger scale than their existing capacity permits, and then having their funds withdrawn or dramatically reduced at a later stage when the donor decides to move on. Similarly, *CLONG et al* quote examples of civil society organisations being encouraged to undertake programmes that are well outside their core area of competency, with the result that they lose their focus and ultimately become ineffective. While the evaluation team has not observed any of these developments in the case of the Austrian-funded projects, the team strongly feels that any donor engaging in direct funding of local civil society organisation has to be aware of the potential damage of such practices and refrain from them.

#### 2.2.7.4 Supporting NGOs to work with government institutions

In Nicaragua, the relationship between civil society organisations and the government has in the past been less than harmonious, with both sides showing little interest in each other or even taking antagonistic positions. Over the past years, in particular since the new government has taken office, this situation has changed somewhat. To some extent pressed by donors, the government, or at least parts of the government, do seem to realise that it needs to establish some working relationship with civil society, and many NGOs, also driven by donors, are now slowly opening up to engage more actively with government institutions. For donors, there are basically two ways to foster civil society – government cooperation: (1) to support local and/or international NGOs to engage with government, or (2) to directly fund

government institutions, which are encouraged to then link up with or sub-contract NGOs and other civil society organisations. For specific projects or programmes, donors can also pursue a mixed strategy, supporting both sides at the same time.

As elaborated by *VanSant* (2003), NGOs have several choices regarding their policy towards government. Some may consciously choose political isolation in order to focus on building an appropriate base of support and their own approaches to development. NGOs that adopt that strategy normally are focussed on service delivery more than advocacy and often operate in an environment where governments are seen as failing or corrupt. A second choice is cooperation with government, whether at the project or strategic level. This strategy provides leverage for both sides and, at its best, allows for constructive dialogue on development issues. Cooperating NGOs may feel comfortable only with a limited set of policy influence tactics – those that are not likely to upset to cooperative relationship with government that, among other things, can be an important source of funding. A third strategy, not necessarily contradictory with cooperation, is one of more active policy advocacy where an NGO engages in legal and lobbying efforts and even electoral politics. These strategies are not mutually exclusive and organizations may try to take two or even all these paths at the same time.

There are, of course, also great variations in government strategies towards and receptiveness to NGOs. At the extreme, governments may actively repress all independent citizen voice, including NGOs. More commonly, governments in the South may try to effectively control NGOs by co-opting them with either carrot or stick kinds of incentives. In a more positive vein, governments may encourage NGOs in gap-filling service delivery activities. In some cases, where mutual trust develops, government may even invite NGOs to the policy making table to benefit from their experience. As described above, the Nicaraguan government is slowly moving from an attitude of benign neglect or even open antagonism towards NGOs to a more cooperative attitude, without, though, showing much receptiveness to NGO policy advocacy.

As has been discussed in previous chapters, most of the Austrian NGO projects assessed did not have any relevant institutional link to government structures, except for the health programme in RAAN, where one project component is currently implemented by the Ministry of Health and another one by a regional university. Most projects did also not entertain close working relationships with government institutions. In the rural development sector, the only exception is the El Rama project implemented by IPADE, where strong links to universities and research institutes haven been established. Even at local, i.e. municipality level, most Austrian projects operated quite independently from government plans and structures. In Rio San Juan, the relationship between the local government and the Austrian implementing agency was, at times, tainted by a number of conflicts. Austrian-funded NGO projects have thus generally missed out on the opportunity for policy influence at the local level, where the government is usually more susceptible to independent advocacy.

Most of the Austrian projects focused on building the capacity of communities and individuals rather than of local government institutions. In theory, this approach can contribute to strengthening relations between government and citizens and thus become a key leverage point for increasing citizen access and influence. While NGOs are particularly well-placed to implement this strategy in local and regional settings, Austrian projects did not put much emphasis on creating these sort of linkages. The only exceptions, again, have been IPADE in El Rama and the health programme in RAAN, where communities have successfully been empowered to negotiate more effectively with local and regional government institutions.

Overall, Austrian projects implemented by NGOs have focussed more on service delivery than cooperation with government or even advocacy. In an environment like Nicaragua, where some government institutions are hardly present in rural areas and/or lack the capacity to provide basic social services, where the role of civil society institutions in local development has not yet been clarified, and where partnerships with civil society are often exploited by government for window dressing, it is quite understandable that NGOs are drawn into the strategy of gap-filling. However, many projects have missed the opportunity to adopt a strategy of both ensuring service delivery and strengthening the capacity of local government institutions at the same time. Although not every single project necessarily needs to provide for government involvement, Austrian projects should put more emphasis on informing, supporting and complementing the public sector, not replacing it – also in order to guard against duplication and overlap as well as to ensure sustainable results. To serve justice, it should be mentioned that the Coordination Office has identified these weaknesses and wants to put more emphasis on building the capacity of local government institutions as well as on strengthening linkages between civil society and government.

### 2.2.7.5 Direct funding of government institutions

Following the trend in international development, donors in Nicaragua are increasingly turning more responsibility over to the government. Alignment to national strategies and plans, sector wide approaches, and direct support to government institutions through basket funding and budget support, have become key strategies and instruments for the international donor community in Nicaragua. While the Austrian Development Cooperation has not yet fully committed to SWAPs or budget support, these aid modalities are considered at headquarters level as well as in the Coordination Office in Managua.

The evaluation did not include any projects directly implemented by government institution. However, the Coordination Office mentioned that the majority of its previous experiences with direct funding to government institutions, including two projects with the Ministry of Agriculture, had been rather disappointing, primarily because of lack of transparency and accountability on the side of the Ministry. Yet, the Coordination Office maintains funding relationships to some municipalities and generally intends to increase its direct cooperation with government institutions, provided that the circumstances allow it.

The potential advantages associated with working directly with government include increased country ownership, alignment to national plans and strategies, strengthening government capacity and avoiding parallel structures, better donor coordination and harmonisation, and direct access of donors to government, which should allow for an improved policy dialogue. However, the challenges and risks involved in direct funding of government institutions are still high in Nicaragua, including deficient participation of civil society in policy dialogue, weak capacities and frequent change of staff in most ministries and government bodies, political polarisation, uncertainty about the commitment of the government to pro-poor service delivery and marginalized areas, lack of transparency and accountability on the side of most government institutions, widespread corruption, poor monitoring systems, extreme lack of public trust in government institutions, strong political influence of powerful economic domestic groups, and weak links between planning, budgeting processes and resource allocation.

For most international as well as national civil society organisations the shift of nearly all donor agencies in Nicaragua towards the new aid paradigm comes as a threat, while others, in

particular local NGOs, also see new opportunities. Given the government's poor infrastructure and capacities especially in rural areas, NGOs and other civil society organisations will be used more frequently to implement national plans and strategies. In fact, a number of local NGOs, including IPADE, already deliver basic services, such as food assistance, to the communities they operate in. The Ministry of Health has working relationships with 150 different NGOs, out of which 110 have signed a Memorandum of Understanding with the Ministry. However, the nature of the relationship between civil society organisations and government certainly changes when the former are not longer financed by international donors but government institutions. NGOs funded by the government actually become sub-contractors of the government, losing one of their most important qualities, i.e. their independence and autonomy vis-à-vis the government, and thus their ability to challenge the government and engage effectively in advocacy.

More direct cooperation with government does not necessarily only mean increased support to central government bodies. Donors, including Austria, are also expanding their direct collaboration with decentralised institutions, such as regional and municipal administrations. Given that little is known about the share of total government budget that actually reaches the municipalities and communities, a number of donors see direct transfers to regions and municipalities as a more effective instrument to improve service delivery to the poor. Basically all actors interviewed in the field, including municipal government representatives, agree that budget support at central level would hardly benefit the more marginalized communities outside larger cities and business clusters.

However, collaboration with municipalities does not come without its own set of challenges. Many municipalities simply do not have the capacity yet to implement donor projects on their own, while others are not willing to agree to citizen participation or involve civil society. And accountability at regional or municipal level is often an even bigger problem than at the central level. Also, not all activities can and should be handed over to government. NGOs certainly do have their comparative advantages, in particular with respect to topics like civic education or HIV/AIDS. Yet, the evaluators agree with the Coordination Office that direct funding of decentralised government bodies is an interesting support route, in particular when combined with initiatives to strengthen the capacity of local and/or regional administrations and to promote citizenship, which would in turn open the door to more civil society involvement again.

For international implementing agencies, and in particular for NGOs, the shift towards new aid modalities will require them to radically review their strategies and operating models. While there will probably still be some room for traditional NGO projects for some time to come, also in Austria, international implementing agencies need to adjust to the new reality and adopt more innovative approaches, such as building the capacity of Southern NGOs to engage in harmonisation processes such as SWAPs or PRSPs.

#### 2.2.7.6 Concluding Comments

In terms of the traditional evaluation criteria, i.e. relevance, efficiency, effectiveness, impact and sustainability, the balance sheet of the five Austrian projects assessed is a generally healthy one, although with considerable variations within projects as well as across projects. In specific areas, especially as far as organisational capacity building or synergies and multiplier effects are concerned, the performance of most of these projects has been less than satisfactory.



With reference to the above discussion, ADC has different support routes available, that is (1) using Austrian implementing agencies as intermediaries, (2) direct funding of local civil society organisations, or (3) direct support to government institutions. It is difficult to determine the most effective methodology of deploying Austrian aid, as each funding path has its advantages and disadvantages and certain approaches work better than others depending on different needs and circumstances. So far, the Coordination Office in Managua has applied a mix of these three support mechanisms, although with a strong focus on Austrian and national NGOs as implementers. Combining direct cooperation with decentralised government bodies with support to civil society organisations at the local level seems to be one of the most promising approaches for the future.

As far as NGOs in general are concerned, there is little doubt that they have their comparative advantages and are important agents of helping, learning and change. Yet, in Nicaragua and elsewhere, they can certainly not replace government, but only complement it in some areas. As far as Austrian NGOs are concerned, they need to review their strategies and operating models, and most probably will have to do so quite radically. Austrian NGOs, with the support of the MFA/ADA, need to adjust to the new aid paradigm and should concentrate more on innovation, which is still assumed to be an area of comparative advantage vis-à-vis the state. Also, the different actors of the Austrian Development Cooperation, including the MFA, ADA, Austrian NGOs and other implementing agencies need to engage more effectively in a strategic dialogue, especially to develop a joint strategy regarding new aid modalities. This should contribute to mutual learning as well as allow for maximising the impact of Austrian aid in Nicaragua and in general.

*Recommendations to MFA:*

- Initiate, together with ADA, a broad-based and regular strategic dialogue among all actors of the Austrian Development Cooperation to develop a joint strategy regarding new aid modalities.
- Clarify the position of ADC vis-à-vis budget support and other new aid modalities.

*Recommendations to ADA:*

- Undertake a more concerted effort to examine ways in which the rich experience and expertise of Austrian NGOs working in Nicaragua and elsewhere can be used more effectively for the design and implementation of the Austrian aid interventions.
- Initiate, together with the MFA, a broad-based and regular strategic dialogue among all actors of the Austrian Development Cooperation, in particular with Austrian NGOs, to develop a joint strategy regarding new aid modalities.
- Put more emphasis on strengthening the institutional capacity of local NGOs and other potential counterparts in order to broaden the choice of institutions for direct funding arrangements.
- Where feasible, encourage local civil society organisations to collaborate more closely with government institutions.
- Continue to explore further possibilities for direct funding of decentralised government bodies combined with initiatives to strengthen the capacity of local and/or regional administrations and to promote citizenship

*Recommendations to Austrian implementing agencies:*

- Sharpen profile and review strategies and operating models in order to be better prepared to engage in the new trends and instruments of international development cooperation, including harmonisation, PRSPs, SWAPs, and budget support.

- Build own capacities aimed at strengthening and empowering local civil society organisations to engage in advocacy work and policy dialogue.
- Put more emphasis on strengthening the relationship to local, regional and national government institutions in order to make use of the opportunity for policy influence as well as to guard against duplication and overlap.
- Focus on innovative approaches adapted to the new development context.
- Avoid creating dependency on the side of the local counterpart by strengthening the financial and organisational capacities of counterparts and by defining clear exit strategies.

### 3 Annex I: Complete List of Recommendations

#### **Recommendations to MFA:**

- Ensure that both MFA and ADA are sufficiently staffed to assume their assigned responsibilities.
- Ensure that all actors have a common understanding of their roles and responsibilities.
- Consider granting more autonomy and decision making power to the Coordination Office, in particular to enable it to actively participate in donor coordination and policy dialogue in Nicaragua.
- Develop policies on how to include multiplier effects such as information sharing, networking, advocacy and policy dialogue in project design, implementation, monitoring and evaluation.
- Initiate, together with ADA, a broad-based and regular strategic dialogue among all actors of the Austrian Development Cooperation to develop a joint strategy regarding new aid modalities.
- Clarify the position of ADC vis-à-vis budget support and other new aid modalities.
- Ensure that the new NGO policy considers the need for Austrian implementing agencies to strengthen their capacities, to select strong and committed local project partners, to increase efforts regarding information sharing, synergies and complementarities between projects, to sharpen their profile with respect to new operating models, and to put more emphasis on strengthening the relationship to local, regional and national government institutions.

#### **Recommendations to ADA:**

- Ensure that ADA headquarters and in-country offices are sufficiently staffed and that all actors have a common understanding of their roles and responsibilities.
- Establish mechanisms for increased communication and exchange of information between sector consultants at headquarters and the respective sector consultants deployed in ADC in-country offices.
- Ensure closer alignment of co-financed projects to the country programme.
- Allow for closer donor harmonization and alignment in Nicaragua by granting the Coordination Bureau the necessary autonomy.
- Ensure that projects, where feasible, maintain a closer relationship with local administrations, contribute to municipal planning, and adjust their activities closer to local plans and strategies, where they exist.
- Ensure that projects are designed in accordance with Austrian sector policies.
- Establish a monitoring and evaluation system that allows for systematic feedback on the relevance and coherence of Austrian projects with national strategies and Austrian policies.
- Ensure that sector consultants in headquarters, or, where there is local capacity, the sector consultants in the Coordination Office, assure that all project components are in line with established Austrian policies and international standards.
- Place more emphasis on thorough feasibility studies and needs assessments to reduce the risk of comprehensive reformulations and/or failures during project implementation.
- Incorporate indicators regarding cost-benefit relations in project targets as well as project monitoring.
- Reduce the number of project components and ensure that implementing agencies and/or local project partners have experience and expertise in all project components.

- Consider scaling-up of successful projects as a serious option and establish a minimum size for projects.
- Incorporate more qualitative indicators in project monitoring and evaluations.
- Develop clear exit strategies for all Austrian development interventions.
- Implement microprojects only if the capacity for technical advice and monitoring exists.
- Extend contract duration to ensure a higher probability of sustainable impacts.<sup>11</sup>
- Consider development programme structures instead of stand alone projects.
- Prioritize local implementing institutions with a critical size and financial strength and/or put more emphasis on supporting local agencies in strengthening their financial capacity.
- Work only via smaller NGOs and groups if there is a clear long-term vision and strategy for building their organisational and financial capacity.
- Put more emphasis on building human resource development systems and staff performance management systems of local partner organisations.
- Promote the selection of local project partners and implementing agencies that have reached a critical level of organisational sustainability and/or ensure that building the organisational and institutional capacity of local institutions is a key priority in all projects.
- Where feasible, ensure that more projects and/or project components are integrated into or embedded in government institutions to minimize the creation of parallel structures.
- Ensure that implementing agencies as well as local project partners have a better understanding of and give more attention to impact measurement by making more resources available for this purpose.
- Encourage implementing agencies to include some quantitative impact indicators in regular project reporting.
- Ensure that a HIV/AIDS component is integrated into the design of every project or programme. This should include training of project staff, awareness raising in the target group, avoiding proliferation of HIV/AIDS through project activities, etc.
- Ensure that synergies and complementarities between projects are considered more explicitly in project designs.
- Put in place mechanisms, procedures and resources to encourage greater information sharing, coordination and cooperation between Austrian-funded projects, by establishing an integrated knowledge management system as well as by creating initiatives such as three monthly meetings of project managers or regular geographic and thematic meetings set up by the Coordination Office.
- Ensure that the Coordination Office has the means to respond to deficient performance of co-financed projects.
- Increase focus on networking, strategic alliances, advocacy and policy dialogue in project designs as well as in ongoing projects and ensure that all projects include concrete strategies and goals to reach the regional and/or national level.
- Provide resources and support implementing agencies and project partners to systematically analyse, document and disseminate their experiences.

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<sup>11</sup> Extending project duration does not necessarily mean the extension of funding. There are implementing agencies that have received funding for the same type of consecutive short term project (2 to 3 years) for ten years or more. Thus, project planning refers to the period considered in the contract. Projects should be planned for a more realistic period (8 –10 years), because realistic planning facilitates, among others, impact monitoring and the design of sustainability measures and exit strategies. Periodic evaluations should be realized in order to determine whether the project or programme is reaching its objectives, whether it should be modified, or whether funding should be continued or not.

- Place more emphasis on strengthening the organisational capacity of local civil society institutions to engage in advocacy and policy dialogue.
- Consider scaling up project activities and initiating larger and more sectorally based programmes.
- Undertake a more concerted effort to examine ways in which the rich experience and expertise of Austrian NGOs working in Nicaragua and elsewhere can be used more effectively for the design and implementation of the Austrian aid interventions.
- Initiate, together with the MFA, a broad-based and regular strategic dialogue among all actors of the Austrian Development Cooperation, in particular with Austrian NGOs, to develop a joint strategy regarding new aid modalities.
- Put more emphasis on strengthening the institutional capacity of local NGOs and other potential counterparts in order to broaden the choice of institutions for direct funding arrangements.
- Where feasible, encourage local civil society organisations to collaborate more closely with government institutions.
- Continue to explore further possibilities for direct funding of decentralised government bodies combined with initiatives to strengthen the capacity of local and/or regional administrations and to promote citizenship

#### **Recommendations to the Coordination Office in Managua:**

- Ensure that sector consultants adopt a more consistent approach as far as the level and quality of monitoring and support provided to projects is concerned, especially with respect to those directly implemented by local project partners.
- Assume a more active role in promoting the exchange of experiences and joint learning between Austrian-funded projects.
- Assume a more active role in mediating between Austrian implementing agencies and local project partners in case of conflicts or obvious communication problems.
- Ensure that implementing agencies as well as project partners are aware of and follow Austrian policies with respect to cross-cutting issues.
- Increase resource allocation for gender and environmental base line studies, a more comprehensive monitoring of cross-cutting issues, gender and environmental impact studies, and active participation of project partners in networks and conferences relevant to cross-cutting issues.
- Ensure that targets for as well as monitoring of cross-cutting issues become a more integrated element of project practice across all projects.
- Put more emphasis on HIV/AIDS issues, for example by promoting a HIV/AIDS training for all project managers.

#### **Recommendations to Austrian implementing agencies:**

- Place more emphasis on thorough feasibility studies and needs assessments to reduce the risk of comprehensive reformulations and/or failures during project implementation.
- Incorporate indicators regarding cost-benefit relations in project targets as well as project monitoring.
- Reduce the number of project components and ensure that implementing agencies and/or local project partners have experience and expertise in all project components.
- Consider scaling-up of successful projects as a serious option and establish a minimum size for projects.
- Incorporate more qualitative indicators in project monitoring and evaluations.

- Develop clear exit strategies for all Austrian development interventions.
- Implement microprojects only if the capacity for technical advice and monitoring exists.
- Strengthen capacities and capabilities to provide more specialised technical know-how and expertise to advanced project partners.
- Strive to comprehensively turn the different dimensions of sustainability into an underlying and guiding principle of development practice.
- Select local project partners with a clear potential and commitment to achieve financial and organisational sustainability.
- Reflect on the organisational needs of partner organisations more intensively and put more emphasis on strengthening the financial as well as organisational capacity of partner organisations.
- Strengthen own capacities to be in a better position to transfer knowledge and expertise as far as financial and organisational capacity building of partner organisations is concerned.
- Upgrade capacities to implement regular impact monitoring and to conduct impact studies.
- Strengthen capacities related to cross-cutting issues and increase capabilities to transfer know-how on these issues to local project partners and/or choose local project partners with sufficient expertise in these areas.
- Increase efforts to exploit information sharing, synergies and complementarities between projects and support local project partners more pro-actively in networking and alliance building.
- Place more emphasis on a structured and systematic analysis, documentation and dissemination of project and programme experiences.
- Give more importance to assessing project work in the light of national level policies and strategies.
- Attach more attention to building the organizational capacity of local organizations to engage in advocacy and policy dialogue.
- Sharpen profile and review strategies and operating models in order to be better prepared to engage in the new trends and instruments of international development cooperation, including harmonisation, PRSPs, SWAPs, and budget support.
- Build own capacities aimed at strengthening and empowering local civil society organisations to engage in advocacy work and policy dialogue.
- Put more emphasis on strengthening the relationship to local, regional and national government institutions in order to make use of the opportunity for policy influence as well as to guard against duplication and overlap.
- Focus on innovative approaches adapted to the new development context.
- Avoid creating dependency on the side of the local counterpart by strengthening the financial and organisational capacities of counterparts and by defining clear exit strategies.

## 4 Annex II: Abbreviations

AMC	Acción Médica Cristiana/Christian Medical Acción
BID	Banco Interamericano de Desarrollo/ Interamerican Development Bank
ERCERP	Estrategia Reforzada de Crecimiento Económico y Reducción de la Pobreza/Reinforced Strategy for Economic Growth and Poverty Reduction
MDM	Metas de Desarrollo del Milenio/Goals of the Millenium
MINSA	Ministerio de Salud/Ministry of Health
OEZA	Cooperación Austriaca para el Desarrollo/Austrian Development Aid
OPS	Organización Panamericana de Salud/Panamerican Health Organization
PIS	Programa Integral de Salud/Integrated Health Programme
PND	Plan Nacional de Desarrollo/Nacional Development Plan
RAAN	Región Autónoma del Atlántico Norte/Autonomous Region of the North Atlantic
RAAS	Región Autónoma del Atlántico Sur/Autonomous Region of the South Atlantic
SWAP	Enfoque sectorial ampliado/Sector wide approach
UE	Unión Europea/European Union

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<sup>12</sup> This bibliography does not contain any project documents of the projects assessed during this evaluation.



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## 6 Annex IV: Brief description of the projects and programs visited

Development of agriculture and forest production systems in the buffer zone of the "Indio Maíz" reserve (1731)

The Rio San Juan region is located in the southeast of Nicaragua, at the border with Costa Rica in the basin of the river San Juan. It has an area of 12,200 km<sup>2</sup> and 70,000 inhabitants, half of which live in the San Carlos head of municipality. The population pressure and the advance of the agricultural border threaten the forest Reserve of "Indio Maíz" since the end of the 1988 civil war.

The project seeks to preserve the forest reserve through the following objectives:

- The stabilization of the agricultural border through the strengthening of the agricultural and forest production farming systems, and the improvement of the family income.
- The consolidation of local economic circuits based on the ecologically sustainable production of wood and palm oil, with positive effects on the employment and the population economy.
- The creation of organizational and institutional capacities to assure the institutional sustainability of the local economies.

The project is carried out through the implementation of the following components:

- Agricultural and forest production farming systems
- Literacy and training
- Production of palms for oil production
- A sawmill

Until November 2004, the institution in charge of the project was adc Development Corporation Projektmanagement GMBH, of Austria. Currently, a German consulting company is implementing the project. The Local partners are FUNDEVERDE, IPADE, UCOPA and SOSMADERA. According to the "Detailbestimmungen zu EZA-Vertrag 1731-00/02", the total project amount is 989,031.81 €

## The empowerment of 142 rural women through an alternative model of production FEM (1980)

The strategic objective of the project is to strengthen the organizational level of the participating women to improve their living condition. It seeks to guarantee the access of 100 women to means of production. The following components form part of the project: cattle breeding and breeding of small species, vegetable seeds, reforestation and farming tools. The project also foresees the strengthening of seven groups of peasant women who have obtained land.

An evaluation carried out in 2003 points out the following project results:

- The most important achievement identified by the beneficiaries is to have learned to work, plus the access to land and credit. The land property has strengthened them in their struggle to survive.
- Food security. The beneficiaries used to buy food, now they produce it. The different products, like vegetables, eggs and milk have been a significant contribution to the family economy and have improved the diet.
- The support is aimed to the poorest women. One achievement of the program is the participation of 100 women with plots and their multiplication through payment in kind.
- Through the motivation of being organized and of being able to show their solidarity to the group and the family they have improved their relationship between them.
- The exchange of experiences and the technical training allow them to apply the acquired knowledge in the estates and plots.
- The consolidation of the organic agriculture. The exchange of experiences and the training have raised the awareness of the women producers to stop using chemicals.
- The certification process for three estates as organic coffee producers.
- An important achievement of the women is that they began to accept the self-criticism regarding the management of their land (to learn how to reach a consensus and to recognize their weaknesses).
- In the case of the women producers, the organization facilitates a work system that contributes directly to the self-management of the 100 beneficiaries.
- The families of the women beneficiaries value the work they carry out and view the activities they perform in the project mean a real economic contribution for the family.

The project is implemented by Horizont 3000 and FEM – Fundación entre Mujeres as local partner.

## Agricultural ecology and economic development in the south of El Rama (1078 - 04)

The main objective of the project is to provide the target group (180 peasant families) with permanent income sources through the diversification of the production in their respective estates, and thus to prevent their migration to the protected forest reserves of Cerro Silva and Humedales de Mahogany.

The ecologically integrated and sustainable management of the estates seeks to change the inappropriate forms of production (extensive cultures, monocultures, absence of productive infrastructure, lacking of integrated production cycles), to guarantee the sustainable production for self-consumption and for the market. Alternative technologies emphasize the introduction of permanent and semi-permanent crops in forest zones, as well as the conservation of soils, handling of secondary forests, pastoral systems, the use of organic fertilizers, biological plague controls and the breeding of animals.

The improvement of the living standards is sought through the development process of ecological and sustainable estates; for example regarding health, food, education, water quality, personal hygiene and the change of attitudes towards socio-economic problems, at individual and communal level. In order to achieve the change of attitudes of the family, alphabetization, adult education and technical training of producers' children are prioritized. Healthy relationships among the family members are encouraged as well as their participation in the solution of socio-productive problems; strategies related to the planning of the estate, the promoters' training and gender equity are also strengthened.

To achieve access to a fairer and more stable commercialization, there is a specific commercialization component, which improves the knowledge and skills of the families regarding the commercialization of their products.

There is a credit fund, which facilitates the access to resources for the acquisition of simple equipment for the processing of production, the improvement of the products quality and the increment of the quantity of marketable products.

A relationship with other actors and institutions, such as BICU, URACCAN, CATIE, INTA, AGROFOR, the Municipality, and similar projects in the humid tropic (New Guinea, Boaco - Chontales and Rio San Juan) will be sought during the execution of the project.

The project is implemented by IPADE.

## Alternative commercialization with the support of the commercialization network RENICC (1996)

The project began in 1996 with the promotion of an organizational process to coordinate and strengthen small and medium producers (peasants and artisans) at local, regional and national level through direct commercialization without intermediaries.

For this purpose, the *Red Nicaragüense de Comercio Comunitario* (RENICC) (Nicaraguan Network for the Community Trade) was created. RENICC has Regional Promoters in several regions of the country in charge of the coordination and advising of the target group and of the information exchange with RENICC's office in the capital.

Currently, the target group consists of 2100 producers that are members of 57 organizations in 11 municipalities of the country. The members can be associations, cooperative societies and individual producers of basic food, fruits and vegetables, agro-industry and crafts, as well as consumers of the poor neighborhoods of Managua, head departments and rural communities.

In accordance with the DETAILBESTIMMUNGEN zu EZA-Vertrag 1906-02/02, the main objective of the project is:

- The improvement of the income of the small and medium producers organized in RENICC through organized actions in the framework of the alternative commercialization.

The objectives of the project are:

- To organize the agricultural and handcraft producers in RENICC for the commercialization of their products find access to markets, improve their individual income and manage to establish an economic base for RENICC.

The expected results of the project are:

- The members of the network will carry out commercial transactions during the project period.
- The members of RENICC will improve the quality and presentation of their products to commercialize them.
- The producers will have access to markets for their products.
- The small and medium producers will have improved information about prices and markets.
- Once the project is over, the producers and artisans will trust in the transactions carried out by the network.
- The members of RENICC will establish alliances for the cooperation and the exchange of their experiences with other organizations and networks.
- Once the project is finished, the members of RENICC will have improved their organizational capacity to solve problems.

According to the DETAILBESTIMMUNGEN zu EZA-Vertrag 1906-02/02, the project budget is 599,350.00 € for 2 years.

## "Improvement of health services and prevention" program in the North Atlantic Autonomous Region (RAAN)" (1494)

Although the RAAN is rich in natural resources, it is one of the poorest zones in Nicaragua. While the RAAN territory occupies approximately 25% of the country surface, only 5% of the total population lives in the region, without infrastructure. Approximately half of the population belongs to the Miskito and Mayangna indigenous groups; the rest of the population is mestizo and a small minority is Afro-Caribbean.

The health work of OEZA (Austrian Development Cooperation) in the region counts with a long history and various individual projects have been financed for a long time. Since 2001, these projects have been part of the Health Program, managed by Horizont 3000 and local counterparts, which has the following components:

- Health care for the communities in the Rio Prinzapolka banks, that the NGO Christian Medical Action (AMC) implements.
- Integral health care for the population of Waslala's rural areas, which is carried out by the Waslala's parish.
- Strengthening of the traditional medicine and the community development, Instituto de Medicina Tradicional y de Desarrollo of the URACCAN (University of the Autonomous Regions of the Caribbean Coast of Nicaragua).
- Integral health care of the rural population of Rosita and Bonanza, with the Ministry of Health. In order to strengthen the work in Bonanza (Mayangna Health Model) the financing at Rosita had been stopped.
- Prevention of HIV/AIDS in Puerto Cabezas (Bilwi), through the Clínica Bilwi. At the moment of the evaluation, this component was not financed by OEZA, but by DFID.
- Implementation of a decentralized health model, with URACCAN.

The objectives of the program are the following ones:

Main objective:

- The improvement of the health situation of the population in the RAAN target regions, especially the one of children and women.

Specific objectives

- Improvement of the quality of health services for the mother-children binomial;
- Improvement of the hygiene education efficiency and social communication in the communities;
- Strengthening of the volunteers' network (midwives, dental promoters, natural health promoters);
- Strengthening of the communities organization regarding their health problems, with stress on their environmental and socio-economic conditions;
- Strengthening of the current health model;
- Prevention of HIV/AIDS and other sexually transmitted diseases in the communities of Puerto Cabezas municipality;
- Strengthening of the advisers network in the 71 communities of Puerto Cabezas for AIDS patients care;
- Promotion of traditional medicine;
- Promotion of gender equity in all the areas of the program.



The current phase of the program seeks to increase the efficiency of the health system in RAAN and to create a health organization in accordance with the local conditions and the needs of the population. On the other hand, it seeks to promote the different initiatives of the civil society by means of social participation. It supports the development of a health system according to the autonomous status of the region, the implementation of a mayangna health model, the development of health services for the rural population, the promotion of traditional medicine and the HIV/AIDS prevention.

The efficient use of resources, empowerment and the sustainability of the interventions are aimed for through inter-sector coordination, the promotion of social participation, a gender mainstreamed approach and the consideration of the socio-cultural conditions of the target population.

**Target groups.** Direct: The personnel of the health system of the RAAN (650 persons), and the inhabitants of the municipalities of Bonanza, Waslala, Prinzapolka and Puerto Cabezas (110,000 inhabitants). Indirect: The total population of the RAAN (192,000 persons).

**Total cost in 2004:** 524,219.00 EUR

## 7 Annex V: List of Persons Consulted

### Government, Nicaragua

Eliseo Aráuz Palacios	Ministerio de Salud, División General de Planificación y Desarrollo, Director General	Managua
Mignone Vega	Presidencia de la República, Directora Comunicación Estratégica	Managua
Mauricio Gómez	Cancillería	Managua
Mayra Llanes	MINSA Municipal, Responsable de Docencia	Waslala
Miguel Aguilera Medal	Ministerio de Relaciones Exteriores, Director de Cooperación No Gubernamental	Managua
Rodolfo Canales Matúz	Alcaldía Municipal de Rama, Gerente de Planificación	El Rama

### Ministry of Foreign Affairs/Austrian Development Agency

Michaela Ellmeier	Embajada de Austria, Cooperación para el Desarrollo, Directora de Oficina	Managua
Christina Hörnicke	Embajada de Austria, Cooperación Austríaca para el Desarrollo, Asesora Técnica	Managua
Yader J. Baldizón Ibarra	Embajada de Austria, Cooperación para el Desarrollo, Asesor Técnico	Managua
Nelson López Ortegaray	Embajada de Austria, Cooperación para el Desarrollo, Asesor Técnico	Managua
Manfred Schnitzer	MFA, Rural Development and Decentralisation Sector Consultant, Poverty Advisor	Vienna
Hermann Spirik	MFA, Director - Programming	Vienna
Wolfgang Moser	MFA, Co-Financing Director	Vienna
Hans Danninger	Ex – Director de la Oficina de Coordinación de ADA en Managua	Managua
Georg Grünberg	Coordination Office, Thematic Consultant Gender and	Managua

	Environment	
Johanna Mang	ADA, NGO Officer	Vienna
Rosa Zehner	ADA, Desk Officer Central America	Vienna
Toni Mair	MFA, Head of Evaluation Department	Vienna
Edwin Künzi	ADA, Thematic Consultant, Environment	Vienna
Robert Zeiner	ADA, Head of Programmes	Vienna
Lydia Sadaat	MFA, Social Sector Consultant	Vienna
Brigitte Holzner	ADA, Gender Consultant	Vienna

### **Donor Agencies and Programmes**

Wolfgang Oberreit	DED, Country Manager	Managua
Florence Levy Wilson	Health Unlimited, Country Manager	Managua
Remy Linares	UE, Asesor en asuntos de cooperación	Managua
Jürg Benz	SDC, Resident Director	Managua
Laurent Sillano	NGO Officer	Managua
Miguel Ángel Encinas Encinas	AECI, Coordinator	Managua

### **Austrian implementing agencies**

Doris Kroll	HORIZONT 3000, Directora.	Managua
Hans Peter Rupilius	HORIZONT 3000, Asesor de Proyectos	Managua, Bilwi
Thomas Vogel	Horizont 3000, Project Desk Nicaragua	Vienna
Gerhard Kovatsch	Nord Süd Institut, Coordinador Regional	Managua
Norman Spitzegger	Nord-Süd Institut, Director	Vienna
Gerhard Monsberger	ADC, Coordinador	Boca de Sábalos
Heidi Burkhart	Hilfswerk, Programme Director	Vienna

### **Project managers and staff**

Martha Lorena Montoya	RENICC, Administradora	El Rama
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Padre Nelson Líbano	Párroco	Waslala
Bernarda Vivas Hernández y equipo de trabajo	Programa Integral en Salud, Parroquia Inmaculada, Coordinadora	Waslala
Dr. Gerardo Gutiérrez Muñoz	Acción Médica Cristiana, Gerente de Proyectos, RAAN	Alamikamba
Médica Responsable del Proyecto,		Alamikamba
Mercedes García Amador	Promotora	Alamikamba
Equipo de Capacitadoras	Acción Médica Cristiana	Alamikamba
Personal encargado del Centro Moss, (Curandero y Técnico Agrónomo),	IMTRADEC	Waspám
Alta Hooker	Rectora de URACCAN	Bilwi
Serafina García	Instituto de Medicina Tradicional, IMTRADEC,	Bilwi
Porcela Sandino	Instituto de Medicina Tradicional	Bilwi
Dra. Chang	Directora Centro de Salud, MINSA,	Rosita
Directora Centro de Salud, MINSA,		Bonanza
Encargados del Puesto de Salud MINSA,		Musawás
Domingo García	Director Clínica Bilwi	Bilwi
<b>Others</b>		
Elfriede Schachner	AGEZ, Managing Director	Vienna
Michael Obrovsky	ÖFSE, Research Fellow	Vienna
		Vienna
Sandra Mairena	Líder de Salud	Boca de Piedras, Zinica, Waslala
Félix Mairena	Delegado de la Palabra, Boca de Piedras	Zinica, Waslala
María Elena	Comisión Regional de Salud, Presidenta	Bilwi,

Juan González	Comisión de Salud	Bilwi
.Eddy MacDonald	Comisión Regional de Salud,	Bilwi
Dixie Lee	Comisión Regional de Salud Representante Sociedad Civil	Bilwi
Eufemia Ritsin Suazo	Líder comunitario	Río Prinzapolka
Tomás Hernández	Líder comunitario	Río Prinzapolka
Odel Suazo	Líder comunitario	Río Prinzapolka
Reinaldo Hernández	Director del Silais RAAN,	Bilwi

### **Focus Group Discussions**

Líderes Comunitarios en salud		Río Prinzapolka
Estudiantes Curso Técnico Superior de Enfermería,		Waspám
Consejo Municipal de Salud		Waslala
Grupo de Salud Boca de Piedra		Waslala
Organización MASAKU,		Musawás
Parteras y Brigadistas de Salud de la Comunidad		Musawás
Grupo del huerto de plantas medicinales Talalate		Rosita
Grupo de campesinos de Río San Juan		Río San Juan