

Country Evaluation Study for Nicaragua (Executive Summary)

KRI International Corp.
Commissioned by the Ministry of Foreign Affairs
March 2001

1 Outline of Japanese ODA to Nicaragua

Japan has given aid to Nicaragua in respect of a large variety of sectors since its democratization in 1990. The total amount of aid to Nicaragua by Japan between 1991–1999 amounted to more than JPY 56 billion.

Overarching goal of Japan's ODA to Nicaragua's is democratic and sustainable development of Nicaragua's economy and society. As shown in the chart below, various aids have been provided, focused on the four priority areas: 1) social development and poverty alleviation, 2) social and economic infrastructure, 3) environmental improvement, and 4) support for democratization and economic stabilization.

2 Performance of Japan's ODA

Japanese aid has almost wholly achieved its objectives, from grass-roots assistance which directly benefits the local people, to grant aid which has positively affected Nicaraguan economy as a whole. It has also had its expected impacts, contributing to the improvement of Nicaraguan people's living standards.

The relevant government officers appreciated Japanese ODA very much. Not only the beneficiaries but also the Nicaraguan people in general recognize the existence and the benefits of Japanese aid. The results of an evaluation of each of the four fields are as follows.

1) Social development and poverty alleviation

Social development and poverty alleviation is a significant area within Japanese ODA and represents 19.5% of the total grant aid to Nicaragua. The sectors of education, health and poverty alleviation are particular concerns of the Nicaraguan Government and Japan has been providing grant aid and technical cooperation in relation to these sectors. Although the projects

implemented have contributed directly to the improvement of Nicaraguan people's living standards and have had a certain impact, there are some areas to be improved to attain more efficient ODA.

2) Social and economic infrastructure

The bridges on the main national roads have been constructed and rehabilitated through Japanese aid. Therefore, the bottleneck in the Nicaraguan infrastructure has been solved and Japanese ODA has helped to stimulate the Nicaraguan economy. However, infrastructure for transportation, telecommunications and energy are still insufficient to attract foreign direct investment, and Japanese ODA is needed in these sectors.

3) Environmental improvement

Japanese ODA has been provided in water supply and disaster prevention in this field. The water supply in the capital metropolitan area is provided mainly by Japanese aid and this has brought a great impact in the area. Disaster prevention, emergency and reconstruction aid for disasters, which reflect Japan's own experiences from natural disasters, are also appreciated by Nicaragua.

4) Support for democratization and economic stabilization

In this field, there is no clear policy stated by the Japanese government. However, for stabilization of the economy, non-project grant aid has been provided in a total amount of JPY 7.9 billion. This has helped to improve Nicaragua's balance of trade. The project to remove the land mines, which was financed by the counter value of the non-project grant aid, was rated highly.

3 Suggestions for future ODA policy to Nicaragua

Japan has focused on nine priority sectors among the four priority areas given above. Suggestions for future policy in each sector are as follows.

1) Social development and poverty alleviation

(1) Education

It is desirable that Japan provides aid with more concrete aid strategies and with quantitative goals, on the basis of co-operation with Nicaraguan Development Plans such as the National Plan for Education, as well as PRSP. It is also important to cooperate with other donor countries. Furthermore, the tie-up of technical cooperation and grant aid will create synergies in their impacts through human cooperation. With regard to human resource development cooperation, technical cooperation needs to be expanded.

(2) Health

Since no program approach (sector-wide approach) has been adopted in this sector, it is not clear what is really targeted. Within this sector, aid needs to be provided in more focused sub-sectors. Since the budget of the Ministry of Health and Social Welfare has limitations, it is difficult for the Ministry to maintain the equipment and facilities of the hospitals. Until sector reforms become more settled and each hospital establishes itself economically independent from the Ministry, follow-up assistance will be needed. Advice for the management for hospitals will be effective. The Granada Hospital and the health project implemented by JICA will be a model for the cooperation between regional Health Project and Hospital.

(3) Alleviation of poverty

Nicaragua has great potential in terms of agriculture and fisheries, as it is an agricultural country as well as being rich in fishery resources. Since 70 % of the poor live in rural areas, assistance to agriculture and fisheries will contribute directly to an improvement in income for the poor. If Japan aims to contribute to poverty alleviation through agriculture and fishery assistance, not only technical cooperation but also financial support will be necessary. Micro credit could be conducted as a pilot project under the development study scheme, after choosing better-performed associations in terms of organizational and operational management.

2) Social and economic infrastructure

(1) Roads and bridges

It is necessary to shift the aid strategy from the principal highways, which are nearly all well maintained, to the poorly maintained local roads. Especially in consideration of links between communities, access to commercial and industrial areas, promotion of importation and exportation, distribution of agricultural goods and international transport, a Master Plan for road networking is desired, aiming to create social and economic repercussion effects. This sector of roads and bridges is one where Japan has a high level of technology; therefore, Japan's knowledge and experience will lead to a high level of repercussion effects with regard to technical cooperation with Nicaraguan engineers in connection with the maintenance of roads and bridges.

(2) Agriculture and rural development

Increase in productivity is necessary for the Nicaraguan Government to achieve its objectives of improving subsistence farming. For this, cooperation is required with domestic universities/institutes and other research centers/institutes in Central America, which have rich experiences in agricultural technology. At the same time, extension services of agricultural technology to medium and small-scale farmers associations should be established in institutions such as the Ministry of Agriculture and IDR. Considering the relative importance of agriculture,

which can be effective as regards the macro economy, special support to enhance comparative advantage of the areas and agricultural products is needed.

3) Environmental improvement

(1) Water supply

A National Master Plan for water supply is desired in order to correct the regional imbalance of water supply between the urban area and rural area. The national Water and Sewerage Company (ENACAL) needs support for the strengthening of its organization and system and for reform during the period when the expansion of rural water supply is implemented in the future. If associated projects such as improvement of the living environment including Public Health, income raising and protection of the natural environment are implemented with the rural water supply project, bigger repercussion effects can be expected from the project.

(2) Disaster Prevention

In Nicaragua an effective overall system for the prevention of disasters has not been established. Firstly, in terms of the law, the system of organization at the national and regional level is intended to be strengthened. However, in practice, the details have not been established. Secondly, neither any hazard maps nor any disaster prevention maps, which could guide project implementation for the human environment, have been produced. Finally, the development of human resources is necessary since it is difficult to implement disaster prevention projects at the current technical level of Nicaragua.

4) Support for democratization and economic stabilization

(1) Democratization

Since Nicaragua's democratization started in 1990, eleven years have passed and democracy has basically taken root. Therefore, the aid policy is to target for creating more strengthened democratic systems for implementing the law and to send experts who can advise on the creation of laws. Establishing law & order and a system for their implementation and monitoring will lead also to good governance. In order to ensure the transparency of ODA, it is recommended that experts be sent to the Ministry of Foreign Affairs and related organizations in order to establish monitoring systems.

(2) Stabilization of the economy

In order to improve the Nicaraguan financial and trade deficit, low investment efficiency and the country's high dependency on foreign assistance, donors should have long term aid strategies. Japan should draw up a comprehensive and consistent aid plan for the eventual reduction in

foreign debt, improvement of investment efficiency, the reduction in the financial deficit and so on, and thus achieve Nicaraguan economic stabilization. As well as promoting the reconstruction and expansion of infrastructure, Japan should support the economic stabilization of Nicaragua by providing aid for small and medium-scale industries, which contributes to the creation of employment and the regeneration of the 'Capitalist' mind. In anticipation of Nicaragua being taken into the expanded North American Free Trade Area and Caribbean Free Trade Area, attracting foreign direct investment should be thought of as a strategy for national development and the implementing organizations and research centers for the promotion of investment should be enhanced.

4 Suggestions for the aid schemes

The following points are recommended in connection with the modalities of Japanese ODA to Nicaragua in the future.

1) Grant aid

The grant aid implemented so far from Japan to Nicaragua consists of ordinary project grant aid, fisheries grant aid, cultural grant aid, non project grant aid, emergency relief, and grassroots projects. Depending on the scheme, the Japanese implementation agencies are different; therefore, cooperation between the schemes was difficult. Hereafter the scheme will need to be decided on the basis of the program approach rather than individual project approach, examining the target, the purpose and scope of assistance. In order to do this, a systematic and closer relationship ought to be established between the Ministry of Foreign Affairs and JICA.

2) Technical cooperation

In relation to technical cooperation, there has been the dispatch of experts and JOCV, the project type Technical Assistance, the development study. In general technical cooperation is limited simply to the transfer of technology. However, by tie up of technical cooperation and capital cooperation, a project can bring more synergy effects with long-term impacts. Capital cooperation can also contribute to improving the management capacity of the recipient organizations, which leads to attain sustainability of the project.