

NICARAGUA- Facilitation of Local Economic Development

1 Summary

The current situation at the local level in Nicaragua can be characterised as suffering from a high level of unemployment and an enormous housing backlog. Both issues can be solved in a targeted policy on Local Economic Development (LED). The aim of the LGCP Nicaragua Programme is to institutionally strengthen two organisations that associate local governments and 13 municipalities, with the end result that they can better facilitate LED.

The LGCP Nicaragua Programme is mainly implemented by the Landelijk Beraad Stedenbanden Nederland – Nicaragua (LBSNN) and its counterpart in Nicaragua, the Asociación de Municipios con Hermanamientos entre Nicaragua y Holanda (AMHNNH). The capacity development of the national local government association, Asociación de Municipios de Nicaragua (AMUNIC), is in the hands of VNG International. The implementation of the LGCP Nicaragua Programme remains the responsibility of VNG International.

2 Context Analysis

2.1 Introduction

Nicaragua is the second poorest country in Latin America. Nearly 45% of the population is poor, of which 9% is extremely poor¹. A research of the Fundación Internacional para el Desafío Económico Global (FIDEG) shows that the number of poor and extremely poor has been decreasing in recent years. Nicaragua has the 115th spot on the list of 169 countries measured on the human development index of the UN.²

¹ <http://www.fideg.org/investigaciones-y-publicaciones/36-resultados-de-la-encuesta-de-hogares-para-medir-la-pobreza-en-nicaragua-fideg-2010> The research of FIDEG was supported by the Embassy of the Kingdom of the Netherlands in Nicaragua.

² <http://hdrstats.undp.org/en/countries/profiles/NIC.html>

The national government's policy is formulated in the Plan Nacional de Desarrollo Humano, the National Plan for Human Development.³ The policy is based on public – private cooperation, investment in human resources and basic infrastructure, and integrated territorial development. Priority issues are production and commercialisation, food security, education, health, social housing, social security, water and renewable energy. The national plan presumes a decentralisation process directed to increased efficiency and effectiveness in the production, in the delivery of public services and in the development of human capacities with the focus on poverty alleviation and a balanced economic growth. Social issues are also high on the agenda of the national government of Nicaragua. The municipal policy based on (sectoral) civil participation has to stimulate the local economic development through the coordination of resources between public and private investments. For that the municipalities should insert their resources out of the municipal fund into a 'Local Economic Fund', in harmony with sectoral development programmes, in their area with the focus on small producers and entrepreneurs. Municipalities should be prepared for their role and tasks with capacities and policy instruments.

2.2 Analysis of local government challenges

The population of most cities in Nicaragua has doubled in the last 10-15 years⁴. The creation of formal jobs and the provision of basic services lag behind. There is an enormous shortage of social housing. Approximately 350,000 families need a new house and about 600,000 need improvements on their house⁵, and as a result new marginal groups are created. The Nicaraguan economy in most (urban) cities is relatively weak. On the other hand, these Nicaraguan cities have a productive rural area with economic potential; as (more) tourism and building more houses can be a motor for local economic development. There are good opportunities to develop local economies in terms of creating more production, more jobs and more income generating activities. In general the economic forecast for Nicaragua is positive and especially foreign investments are high⁶, the growth of tourism has been tremendous in recent years.⁷ CADUR, the organisation of urban developers, and INVUR (the Institute for Urban and Rural Housing) are asking the municipalities to produce urbanised lots as part of a strategy to increase the production of social housing and commercial buildings.⁸

Nevertheless, this potential is not fully used because of (still) insufficient links and collaboration between this potential and productivity, access to capital, access to markets, lack of agro-industry and introduction of technical modernisation. This is also due to insufficient access to water (in some cities), weak entrepreneurship and insufficient leadership, and lack of project and process management skills of municipalities.

To play their role as facilitator for the private sector, the municipalities should use their annual investment budget in favour of the economic potential and organise their municipal staff in such a way that they really facilitate local economic development.

³ <http://www.pndh.gob.ni/documentos/pndhActualizado/pndh.pdf>

⁴ Interview Sadrach Zeledón, mayor of Matagalpa / president AMUNIC, March 2012

⁵ Interview Judith Silva, president INVUR, March-April 2012

⁶ In Nicaragua nearly US\$ 1,000 million in 2011; Pro Nicaragua in La Prensa April 2012

⁷ Nearly 1 million in 2011, INTUR (National Institute for Urban and Rural Tourism)

⁸ Vivienda social en peligro, La Prensa, 25 April 2012 interview president of CADUR by LBSNN related to convenio marco entre AMHNN, INVUR, CADUR, CEPRODEL y LBSNN for the production of urbanised lots

2.3 Analysis of the political environment

The FSLN political party rules the Nicaraguan government; in January 2012 the government of Ortega started its second period of 6 years. After the municipal elections of November 2008 FSLN rules in 105 out of 153 municipalities. On the basis of the results of the municipal elections of November 2008, AMUNIC was able to strengthen its relationship with central government. At the same time AMUNIC then began to run the risk of losing its autonomy. Central government FSLN politics influence the local government sector and AMUNIC representing all interests of municipalities is not a strong enough player to have its voice heard in these political debates. AMUNIC focuses on technical assistance to a number of municipalities, also supporting national politics. Some of the April 2012 changes in the Election Law, partly based on critics from national and international (election observers) organisations, as the EU, are now being implemented by central government: re-election of Mayors (with the expectation that with the next round of local elections in November 2012 a high percentage of all municipalities will have FSLN leadership); 50% men and 50% women on the list of candidates. Another central government proposal reflecting increased participation of the population in municipal affairs is to triple the number of councillors in the municipalities and therefore change the municipal law. At present, this proposal is under discussion in national parliament in which the government party has a large majority. The challenge AMUNIC and the municipalities are facing is that this increase in the amount of municipal councillors is not accompanied by any budget increase.

On the one hand more councillors could mean more civic participation, and political and social control in municipal affairs. On the other hand the risk is that having more councillors means more sectional interests, and therefore a focus on short-term incidental detailed issues instead of a middle and long run coherent policy for sustainable (economic) development.

Popular participation is also set up along party lines. It changed the balance of power in the whole country. It means on the one hand a threat for political pluralism and the democratic system, and on the other hand it enables an easier access to and articulation of resources to fight poverty and to develop the economic potential of the country.

Although Nicaragua is a centralised country, the municipalities have become stronger over the years. The growth of the municipal fund (in 2012 10% of the national budget) has been important. In the municipal system the mayor is directly elected, which gives her/him a strong position. The cooperation between the elected people and the municipal staff varies. In some cases there is a clear division of tasks, but the mayor in particular is involved in everything.⁹ Municipal staff are generally selected on the basis of their loyalty instead of their professionalism, especially in management functions.¹⁰

Nevertheless, in recent years new young staff have been taking over leading posts, particularly in the larger municipalities, who are eager to learn and are open to modern management, and want to act and to be seen as professionals.¹¹

⁹ Interview director AMHNNH, March 2012

¹⁰ Interview director and technical coordinator AMHNNH, March 2012

¹¹ Interviews and workshops by director and board LBSNN with municipal staff in March and April 2012

Outside AMUNIC concerns exist about AMUNIC being the representative voice of all municipalities, and whether AMUNIC can still lobby in the interest of local government against central government politics. Although these challenges can have serious consequences for the recognition and legitimacy of AMUNIC in the future, internally some of the challenges are considered opportunities for change. For example, some changes and limitations in the amount of staff and budget lead to renewed staff commitment towards the performance of the organisation. Ownership for organisational improvement has grown, expressed in attention for the internal administrative system, internal handbooks etc. In addition, AMUNIC is more willing to change: AMUNIC holds registers on service delivery, has a detailed planning, control and reporting system, and already improved its membership fee collection rate. The organisation is aware that some changes are necessary.

2.4 Analysis of the target group

AMHNNH groups 13 municipalities in the LGCP Nicaragua Programme, which are: Chinandega, Condega, Estelí, Jinotega, Juigalpa, León, Masaya, Matagalpa, San Carlos (all departmental capital cities), La Libertad, San Marcos, San Pedro de Lovago and El Rama - eight capital departmental cities and five small cities. They form an interesting pilot group for the national local government association, AMUNIC, (of which they are also a member), for national government as well as the international donors, such as the Inter-American Development Bank (IDB). The LGCP target groups are:

- AMHNNH Board and Staff;
- AMUNIC Board and Staff;
- Staff and politicians selected on relevance of the topic of training of the municipalities of Chinandega, Condega, Estelí, Jinotega, Juigalpa, León, Masaya, Matagalpa, San Carlos (all departmental capital cities), La Libertad, San Marcos, San Pedro de Lovago and El Rama.

Based on the municipal law the mayor is responsible for local economic development and the vice mayor is responsible for tourism. With the programme's focus on local economic development, the target group consists of the municipal management team, and especially the civil servants of the departments of projects, housing and finance as well as their relationship with the (vice) mayor and councillors (and vice versa).

AMHNNH will implement the capacity development activities for the 13 municipalities. But AMHNNH will itself also be at the receiving end of capacity development from Dutch experts in order to better train the 13, to better promote the interests of the 13 municipalities vis-à-vis national government, alongside AMUNIC. AMHNNH is directed by a General Assembly of 13 members, which convenes at least twice a year, and a board of five representative Mayors (three from departmental cities and two from small cities), meeting at least four times a year. Daily management is in the hands of the executive director, whose salary is covered by the AMHNNH membership fees. For most municipalities involved AMHNNH is an a-political platform to defend and to explore municipal interest in specific topics.

AMUNIC is directed by the General Assembly of all 153 members, which convenes once a year (the next one is scheduled for June 2012), and a National Council of 17 representative Mayors, and a Board of Directors consisting of 13 Mayors, meeting four times a year. Municipal elections in November 2012 will change the composition of the political representatives in the Assembly and Board of AMUNIC. Daily management is in the hands of the executive director, who runs a team of 23 staff members, including technical professionals and administrative and supporting staff. The organisational structure of AMUNIC takes care of both the technical and political role of AMUNIC. The technical professionals are divided over four thematic areas.

2.5 Analysis of other relevant actors

2.5.1 Policies and actions of the national government

Nicaraguan municipalities receive transfers from their national government, totalling 10% of the national budget. The National Plan for Human Development 2012-2017 will be ready by June 2012¹². Instituto Nicaragüense de Fomento Municipal (INIFOM) is the municipal institute of the national government and norms municipal policies and tasks. INIFOM is relatively weak in the delivery of services to the municipalities. AMUNIC was cut down in central government transfers in 2012 from four to one million Cordoba. This means an increase in financial independence from the central government on the one hand, but on the other, especially as this was unforeseen, only some priorities can be attended to currently. AMUNIC also saw the amount of international donor programmes rapidly decrease. Almost all staff of AMUNIC emphasise the need for funding for their service provision to the member municipalities to continue. Staff lack the capacity to attract new funding.

Relevant ministries are the Ministry of Finance, Ministry of Justice, the national auditing officer, and thematic ministries occasionally. FISE (Investment Fund for Social and Economic Development) and INIFOM currently have great political influence on municipal affairs.

INIFOM and AMUNIC see AMHNNH, and its LBSNN activities, as a laboratory for new developments and pilots, which they can use and disseminate to more municipalities once elaborated and successful. AMHNNH maintains good relationships with both organisations, and with the various ministries and state agencies that are relevant to local economic development, among them: Ministerio Agropecuario y Forestal (MAGFOR) concerning rural production; Instituto Nicaragüense de la Vivienda Urbana y Rural (INVUR) concerning the development of urban neighbourhoods and the subsidies for the production of housing, including the production of urbanised lots; Instituto Nicaragüense de Turismo (INTUR), Ministerio de Fomento, Industria y Comercio (MIFIC) concerning all kinds of facilities and subsidies for economic affairs; Instituto Nacional Tecnológico (INATEC) concerning identification, development of curricula and investments for technical education that relates to the demand of the labour market/private sector; Ministerio de Educación (MINED) concerning education; and Ministerio de Hacienda (Min. of Finance) concerning the efficient and effective use of the municipal fund. For all these state institutes the group of 13 member municipalities of AMHNNH is an interesting pilot group to get their policy and programmes implemented. That is why they have offered their support to participate in and support the programme by offering workshops, courses and/or training related to their competence. AMHNNH has maintained contact with most institutes for many years and in some cases written agreements about cooperation exist.

¹² La Voz del Sandinismo, 17 April 2012

2.5.2 Policies and actions of the Dutch government/ Embassy of the Kingdom of the Netherlands

The Ministry of Foreign Affairs recently published its multi-annual strategic plan 2012-2015 for Central America (MAP).¹³ Security is the main issue addressed in the policy, and that is assigned to some particular actions in the region. Since 2011 Nicaragua has no longer held the status of partner country in the Dutch development cooperation policy. Therefore the Embassy pursues an exit strategy and the Embassy of the Kingdom of the Netherlands in Nicaragua itself will be closed by the end of 2013. From then on the Netherlands Ambassador in Costa Rica will maintain the (diplomatic) contacts in Nicaragua.

In March and April 2012 the LBSNN Board met the Embassy of the Kingdom of the Netherlands and shared their decision to continue to focus on local economic development, approaching it in the integrated manner that LBSNN has been using for many years now in Nicaragua. In January and April 2012 VNG International met the Embassy of the Kingdom of the Netherlands in Nicaragua and shared their decision to continue to work with AMUNIC to improve their institutional capacity in participatory planning, decision-making and service delivery in facilitating local economic development in Nicaragua.

LBSNN participates since the beginning of 2003 in the annual meetings between the Embassy and the Dutch donors active in Nicaragua. In recent years the development of the private sector, of certain production chains (like agriculture products and tourism) and of good governance were major topics of the programme of the Embassy. In the LGCP Nicaragua Programme some of the topics continue and will make use of the lessons learned and best practices of the programmes of the Embassy.

2.5.3 Relevance

In the 13 target municipalities the execution of their strategic development plans demands from local authorities an integrated approach in their territory. This is in terms of articulation of economic potential which will create more production, more jobs and more income generating activities (such as rural production, tourism, housing). For this it is important that politicians of the municipalities, backed up technically by their staff, are prepared to take leadership to combine the economic potentials in their city with the (national) resources for basic physical and social infrastructure (like housing) and for education, especially technical education related to the (future) demand of the labour market.

The challenge for the current and the incoming elected local government (elections in November 2012), is to (further) implement and execute the approved plans in a coherent way, together with private stakeholders. For this AMHNNH has requested for institutional support on project and process management as well as for technical assistance to the Project Management Offices in the 13 municipalities. This is to facilitate and stimulate local economic growth and distribution related to the topics of rural production, the production of urban lots for building houses.

¹³ *Multi-Annual Strategic Plan 2012-2016 for Central America (2012).*

LGCP is unique and therefore relevant for AMUNIC, because it targets the institutional and organisational capacity of AMUNIC and not only directly that of the municipalities. No other programme or organisations supports AMUNIC in their financial sustainability, organisation of service delivery, organisational approach to training of staff, internal performance etc. Because of the risks that AMUNIC is facing caused by the national political influence on municipal affairs and the decreasing international donor programmes, the timing is relevant to continue to work with AMUNIC on their own capacity to handle these risks.

3 Tailor-made LGCP Nicaragua Programme

3.1 Nicaragua specific programme objective

Increased capacity of the Association of Nicaraguan Municipalities with a city link with the Netherlands (AMHNNH), and the Association of Municipalities of Nicaragua (AMUNIC) and member municipalities, to facilitate and institutionalise Local Economic Development.

3.2 Programme results

The results to be achieved in the LGCP Nicaragua Programme are presented below. The manner in which these results relate to the five capabilities underlying the LGCP framework is also explained.

Result 1: *Increased capability of the Association of Municipalities of Nicaragua (AMUNIC), and the 13 member municipalities of the Association of Nicaraguan Municipalities (AMHNNH), to develop and agree on Multi Annual Plans*

- 1.1. Project management Offices (POMs) of 13 municipalities in Nicaragua are installed, functioning, transparent and accountable;
- 1.2. Project management Offices (POMs) of 13 municipalities in Nicaragua have developed and endorsed strategies, policies and plans;
- 1.3. AMUNIC is better capable to engage in dialogues and agreements with national and international organisations on behalf of all municipalities in Nicaragua, as result of advice, accompaniment and financial investment in membership relations and accountability instruments
- 1.4. AMUNIC has developed and endorsed a Strategic Plan 2013-2017, as result of advice, and financial investment in membership consultation

The integrated approach of LED will be central to the Multi Annual Plans. The capability *to act and commit* is increased by increasing the technical and managerial capacity of the association of local governments, both AMUNIC and AMHNNH, and the 13 target municipalities to successfully develop and agree on Multi Annual Plans.

The installation of Project Management Office (PMO) includes all relevant strategies, policies and plans, resources and products. These PMOs can become more or less independent based on the 'profit/margin' they can make in the market, especially with the production of urbanised lots. The PMO will consist at least of the current/new staff of the department of projects and in some cases also of the current/new staff of the department of housing, to the extent they are involved in the production of urbanised lots.

Result 2: *Increased capability of AMUNIC and AMHNNH and its 13 member municipalities to provide services in the area of Local Economic Development*

- 2.1. AMHNNH staff is capable of managing projects and processes on urbanisation of lots
- 2.2. AMHNNH municipalities' politicians and staff are capable to play a complementary role in LED
- 2.3. 25 PMO staff members are capable of managing projects and processes on housing and finances
- 2.4. AMHNNH municipalities have implemented LED plans
- 2.5. AMHNNH municipalities are accountable and learn from each other
- 2.6. 2 departmental and 2 small city Integrated Territorial Projects (PITs) are implemented
- 2.7. 4 departmental projects and 4 small city projects on production of urbanised lots are implemented
- 2.8. AMUNIC is capable to deliver LED and food security services in line with member needs and independently of donor support

The delivery of services of AMUNIC and AMHNNH to the member municipalities focuses on the current implementation capacity of the municipalities. The municipalities are capacitated to implement and sustain their Local Economic Development policies.

Their capability *to deliver on development objectives* is increased. The 13 AMHNNH target municipalities will be able to stimulate local economic development through Proyectos Integrales Territoriales (PITs) based on their economic potential (rural production and/or tourism) and on the production of urbanised lots and sell them at the market value to the private sector to build social and commercial houses.

Result 3: *Increased capabilities of AMHNNH and its 13 members to form strategic public-private alliances*

- 3.1. 13 AMHNNH municipalities know their economic potential and stakeholders
- 3.2. 13 economic commissions of AMHNNH municipalities consult with the private sector, institutes of education, financial institutes and civic society organisations
- 3.3. Politicians of 13 AMHNNH municipalities are capable to deal with Public-Private Partnerships (PPPs)
- 3.4. 13 AMHNNH municipalities work together with civil society and private enterprises (i.e. 'triangular' cooperation)

The capability *to relate to external stakeholders* is increased by focusing on the formation of strategic public-private alliances. Based on the economic potential of a municipality, which has been determined by assessments, the relevant stakeholders are determined and partnerships have been established – preferably based on a win-win situation for both - to stimulate local economic development in an integrated manner. External stakeholders are the private sector, institutions of education, financial institutions and civic society organisations.

Result 4: *Increased capability of AMHNN and its 13 member municipalities to achieve coherence in the strategic medium term allocation of resources*

4.1. AMHNN municipalities have annual budgets with prioritisation

4.2. AMHNN municipalities have spent in line with prioritisation

Coherence is to be achieved between ambition, vision, strategy and operations in the long term concerning the facilitating role of the municipalities in the process of integrated economic development on local level. In the municipalities the allocation of resources is integrated within the annual Municipal Investment Plan with a focus on the economic potential of the city and the agreements with the external stakeholders. By achieving coherence in the strategic medium term allocation of resources within the 13 municipalities the capability to achieve coherence is developed.

3.3 Programme activities

The Local Government Capacity Programme is built on VNG International's and LBSNN's colleague-to-colleague approach, in which expert-practitioners exchange knowledge and experiences. The essence is that experts have experience in the same job or in a comparable position as the beneficiaries. The practitioners exchange vision and views and work together. Challenges and analyses are shared and are conducive for building on existing local capabilities. Colleagues might come from the Netherlands, but also from neighbouring countries or even from the beneficiary country. This approach is also reflected in the activities designed to reach the results anticipated; colleague-to-colleague learning mainly takes place in coaching-mentoring trajectories, on-the-job training, workshops and study tours. Annually, VNG International will prepare activity work plans which will be submitted to the Netherlands Ministry of Foreign Affairs for approval. These activity work plans present a specific description of the activities foreseen.

At the level of the LGCP Nicaragua Programme, the activities to reach the results envisaged for Nicaragua are:

Result 1: *Increased capability of the Association of Municipalities of Nicaragua (AMUNIC), and the 13 member municipalities of the Association of Nicaraguan Municipalities (AMHNN), to develop and agree on Multi Annual Plans*

- Conduct a baseline study of AMHNN municipalities and AMUNIC to assess the capacity gaps
- Advise and coaching to AMHNN municipalities on PMO establishment and performance
- Advise and coaching to PMOs of AMHNN municipalities in the development and endorsement of strategies, policies and plans

Advise and coaching to AMUNIC on:

- The development and endorsement of the new Strategic Plan (2013-2017)
- Their internal organisational structure and member participation
- The collecting and administration of membership fees
- Lobbying and advocacy for financial institutional support

- Accountability and performance reporting
- Organisational decision-making as an association of local governments
- The functioning of its organisation in relation to departmental associations of municipalities

Result 2: *Increased capability of AMUNIC and AMHNN and its 13 member municipalities to provide services in the area of Local Economic Development*

- Training and coaching to AMHNN staff and board for the urbanisation on lots, lobbying and negotiation, leading participatory dialogues, and accountability
- Advise and coaching to AMHNN municipality politicians and staff in their role in LED
- Training to 25 PMO staff members on project and process management, housing and finance
- Advise and coaching to AMHNN municipalities on monitoring and evaluation of implementation of LED plans
- Training and coaching in the set up and use of the AMHNN LED benchmark system
- Coaching to 2 departmental and 2 small AMHNN municipalities in the implementation of PIT projects
- Coaching to 4 departmental and 4 small AMHNN municipalities in the implementation of production of urbanised lots projects

Advise and coaching to AMUNIC management and staff in:

- The improvement and organisational sustainability of service delivery
- Dealing with service needs of member municipalities.
- Organisational needs in acquisition of funds and service delivery

Result 3: *Increased capabilities of AMHNN and its 13 members to form strategic public-private alliances*

- Evaluation of 13 AMHNN municipalities on LED
- Coaching and advise to the economic commissions of 12 AMHNN municipalities in participation and consultation of stakeholders
- Training of politicians of 13 AMHNN municipalities in PPPs
- Coaching and advise to 13 AMHNN municipalities in triangular cooperation

Result 4: *Increased capability of AMHNN and its 13 member municipalities to achieve coherence in the strategic medium term allocation of resources*

- Coaching and advise to 13 AMHNN municipalities in annual budget allocation.
- Coaching and advise to 13 AMHNN municipalities in financial monitoring, budgeting and spending

Knowledge of new methodologies and elements of project- and process management will be transferred to the members of the National Technical Team/ Equipo Técnico Nacional – ETN/ AMHNN. The ETN transfers the knowledge in a ‘tailor-made’ manner, in steps or phases based on the Nicaraguan circumstances, to the project manager/project team of the municipalities by national workshops (all project managers together), local workshops in the municipalities (with the local project team and depending on the issue also the mayor, vice mayor and/or councillors) and technical assistance and/or ‘training on the job’. Besides that, special courses will be organised for special targets groups, such as the staff of the PMOs.

Also for politicians special training will be given on the topics which have been concentrated on and will be ‘tailor-made’ based on their role as (vice) mayor and/or councillor. Specialists of institutes and organisations will be invited to the national workshops and to relevant courses to bring in new vision, explain norms and/or procedures, etc.

Like in municipal finances, the AMHNN will set up a benchmark system for local economic activities. Based on the results, lessons learned and ‘best practices’ will be elaborated, discussed and spread. The focus will be on the process side of the institutional developments and on the specific executions of approved policy plans by the city councils. Horizontal cooperation as well as vertical cooperation will be stimulated. In the part of horizontal cooperation politicians and staff will be trained on skills and methodologies how to cooperate and to deal with private stakeholders. In the part of vertical cooperation politicians of local governments will be trained to act together towards the national government or a special institute or organisation. Municipal civil servants will be organised in networks and will be prepared – more than in the past – on their competence to act out lobby strategies for the mayors, based on ‘win – win’ situations.

The whole programme is not technical but is about the development of vision, taking position and decision making by local politicians.