

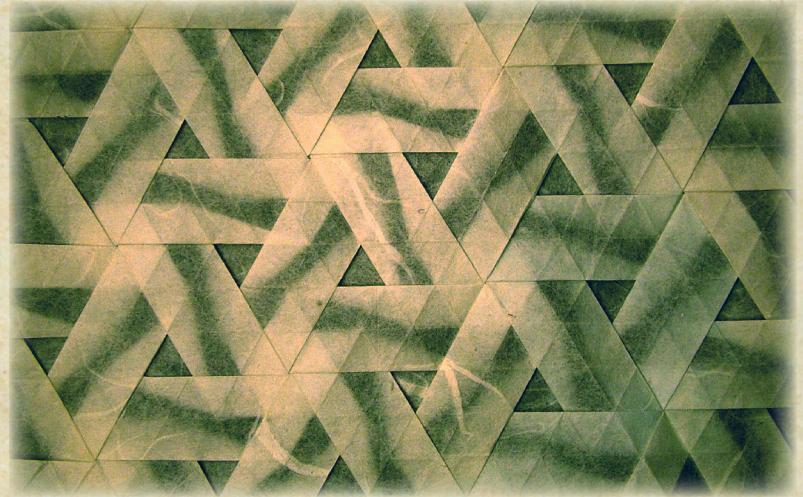
# U4 PRACTICE INSIGHT

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Ananda S. Millard  
Partner  
Nordic Consulting Group

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## Lessons from Nicaragua's experience with the Joint Donor Anti-Corruption Fund

Since 2002, the Joint Donor Anti-Corruption Fund (FAC) in Nicaragua worked with the national government to respond to corruption. The FAC brought together a group of nine donors to jointly support the strengthening of public institutions. This effort provides interesting lessons in terms of multi-donor funds, which can establish a common donor voice, place anti-corruption on the agenda, and foster coordination between government bodies. These lessons can help inform joint efforts elsewhere.

## Nicaragua, corruption, and the birth of the Joint Donor Anti-Corruption Fund

### Spanish names of institutions/laws:

Attorney General's Office:  
*Procuraduría General de la República*

Office of Public Ethics:  
*Oficina de Ética Pública*

Public Ministry:  
*Ministerio Público*

General Audit Office:  
*Contraloría General de la República*

Law of recourse:  
*ley de amparo*

When Nicaraguan President Dr. Enrique Bolaños Geyer (in office 2002–2006) was elected, he felt that a concerted anti-corruption effort was required to re-establish the credibility of the Nicaraguan government in the eyes of the people and the international community. In order to confront the challenge of corruption faced within state institutions, the president sought the support of the donor community, as he could not count on support from within his own administration. Discussions between the president and the donor community led to the establishment of the Joint Donor Anti-Corruption Fund in Nicaragua (FAC) (in Spanish: *Fondo Anticorrupción*). The objective of the FAC was to launch a concerted effort to combat corruption within the public sector. The FAC focused on addressing corruption within the civil service in order to improve service delivery in key institutions. At the time of its establishment, the FAC brought together nine donors: Denmark, Finland, Germany, Netherlands, Norway, Sweden, Switzerland, United Kingdom, and the United Nations Development Programme (Barbini 2009; Araus, Bain, and Mattila 2008).

An effort such as the FAC was considered necessary, as corruption in Nicaragua at the time was a structural and endemic problem obstructing the establishment of a solid and robust democratic process. Today corruption remains a challenge in the country. However, this should not necessarily be understood as a failure of the FAC. Rather it highlights the complexity of the problem and the need for long, sustained, and multi-faceted efforts. In Nicaragua corruption is manifested at multiple levels within society and affects all provision of services.

### Finding solutions: a joint donor fund

A joint donor fund offers many advantages for donors. By pooling funds, donors can leverage available resources for a specific intervention

to increase the impact of the available development assistance. Increased coordination helps avoid the potential for overlaps between donor-supported interventions. These funds also provide an opportunity to jointly agree with a recipient government on a common set of priorities. More importantly it has the potential for broad and coordinated approaches with strong national ownership.

In view of the increasing attention being paid to joint donor responses to corruption, joint donor funds allow donors to speak with one voice and to arrive at mutually agreed performance targets with the recipient government. Rewards can be given when targets are achieved, and sanctions when they are not. Finally, with often limited resources available for large reform agendas, pooling funds holds real opportunities for support to anti-corruption efforts.

With eight donors and one United Nations agency as part of the fund, the FAC did pool a significant proportion of funding available for support of anti-corruption efforts in Nicaragua. The participating donors also jointly agreed with the Nicaraguan government on a common set of priorities. This Practice Insight seeks to highlight the achievements and limitations of the approach taken by the donors in Nicaragua, as well as lessons learned of potential interest when considering similar modalities in other countries.

### The FAC: who was funded and for what?

The focus of the FAC was the work of the civil service. Its aim was to improve the provision of services through support to existing government institutions. From the outset the FAC supported the Attorney General's Office, the National Council for Combating Drugs (which later became the National Council Against Organised Crime), the Office of Public Ethics, the Public Ministry, and, since the start of the third phase in 2010, the national police. These institutions were targeted, as they make up the majority of the key institutions directly involved in anti-corruption efforts.

#### About the author:

Ananda S. Millard is a partner at the Nordic Consulting Group ([www.ncg.no](http://www.ncg.no)). She holds a PhD in Peace Studies, and an MA in International Conflict Analysis. Her main fields of work include capacities and vulnerability analysis, and development and humanitarian support in conflict/post conflict environments.

The support provided by the FAC consisted primarily of three types of initiatives:

- **Salary support:** funding for staff positions dedicated exclusively to anti-corruption-related tasks.
- **Running costs and material support:** funding for both supplying offices with adequate equipment and material, as well as covering running costs in order to enable anti-corruption work.
- **Capacity building:** funding of workshops and trainings on anti-corruption issues ranging from activities focusing on how to prevent corruption in the workplace to efforts on how to investigate and bring to trial corruption cases.

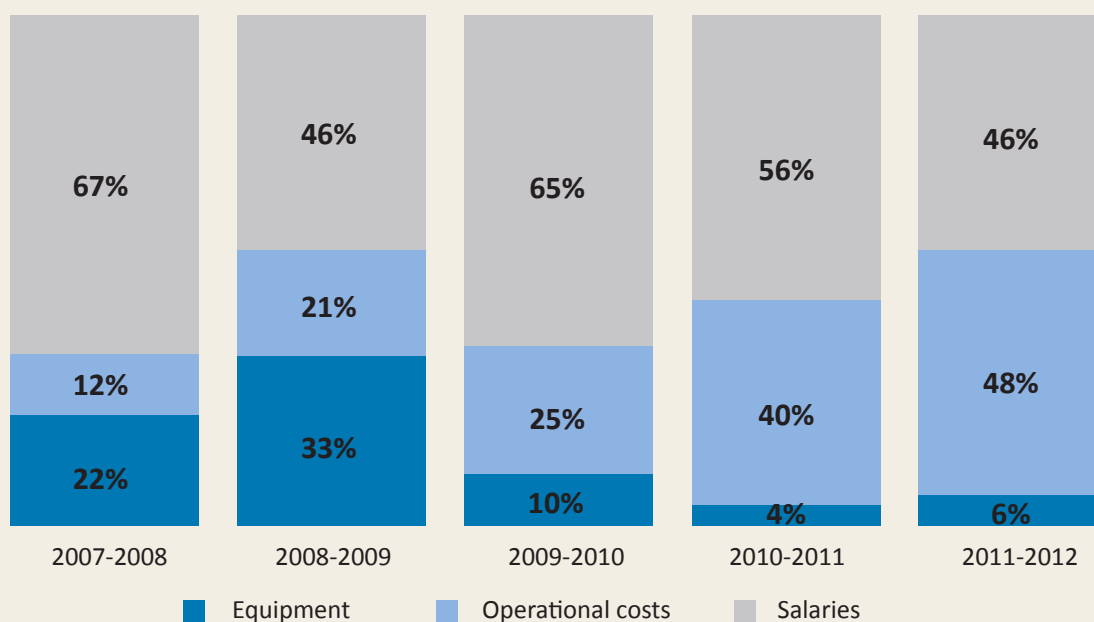
The support provided by the FAC enabled the funded offices to provide a wider coverage of anti-corruption activities including better policing, increased number of awareness-raising activities, more qualified/specialised staff, and an increased number of investigations of anti-corruption cases. The FAC also supported Nicaragua in meeting its international obligations in the area of anti-corruption. FAC support seems to have been instrumental in enabling the relevant state institutions to provide more expedient and

professional services. In short the FAC has facilitated the government’s ability to respond to the increased demand for anti-corruption-related services.

The funding distribution in most recent years, shown in Figure 1, shows the distribution of funding by type of area of support. The visible trend has been to reduce the amount of funds destined to equipment, as these were understood as one-off purchases, in favour of operational costs for activities that could be carried out. Salaries have traditionally accounted for a substantial proportion of the funding allocation, but a reduction is also notable here. This reduction accounts for efforts by the Nicaraguan government to assume the responsibility for some staff positions, which had been previously funded by the FAC. This is critical to ensuring the sustainability of the programme.

In terms of funding the public sector, the reasons for why certain institutions were prioritised and others omitted is unclear. Notably absent was the General Audit Office, as well as the Supreme Court and the National Assembly, all of which have a critical role to play in any efforts to come to terms with corruption. The omission of these institutions, and as such not involving all agencies that play a key role in anti-corruption within the civil service, is a weakness of the FAC.

Figure 1: Proportion of funding allocation by general category



This suggests that for a joint approach such as the FAC, either all key organisations need to be included from the start or there should be a phased process that dynamically identifies key institutions at the different stages of development of the anti-corruption effort. Ensuring that key institutions are involved, particularly those that could become bottlenecks for other efforts should be a pre-condition established by a joint fund.

### The FAC: how was it administered?

The way the FAC has been administered has changed over the years. On the donor side a single agency – the donor focal point – has been responsible for interacting with the government counterpart and this agency changed only once; from Norway to Switzerland. On the part of the government the organisation and mechanism to communicate with the donor focal point and coordinate activities by government agencies have changed numerous times. During the first phase the FAC's government focal point was the Office of the President. During the second phase the FAC had a governmental focal point at the Attorney General's Office, which served as the main interlocutor between the Nicaraguan government and the donor focal point. The most recent phase of the FAC included the establishment of a coordinating office, which is based in the Attorney General's Office. It has as its sole function to serve as a coordinating body for reporting to donors.

The coordination office has served as a central repository of information (i.e., reports) and as a conduit to the donors. Having this office as an interlocutor between donors and each funded agency has expedited the reporting system. However, the office has not been mandated to intervene beyond a secretariat approach, for example to deal more substantively with the progress made, the shortcomings and the reasons for them, or how progress can be expedited, facilitated, and/or supported.

The planning of FAC activities and determination of individual objectives emerged from discussions between the representatives from each agency and the donors. These meetings,

which are conducted jointly (i.e., representatives from all government funded agencies and donors) result in the formulation of a programme document that governs the funding period/phase.

Reporting on implementation is quite limited. Indeed it only requires funded agencies to provide numerical data on activities conducted based on the objectives outlined in the project document. The effects of any one activity, let alone of the entire programme, is neither discussed nor problematised in the reporting documents. The general emphasis has been on quantitative deliverables rather than a qualitative understanding of the impact of any one deliverable/output. This resulted from donors' and government agencies' broad and undefined approach to anti-corruption, in which they were prepared to work towards objectives in a very flexible way without placing an emphasis on the need for clear indicators of success. The donor community may have relied too heavily on the perceived political will of the government at the start of the FAC and as a result adopted a far more loose approach to measuring success. Lessons from the first few phases of the FAC led to a new initiative to attempt to problematise effects of activities and develop indicators that are focused on impact rather than quantitative output.

The Nicaraguan experience demonstrates that having one donor focal point and one government focal point, as well as a coordination office, is important to ensure efficient communication and adequate reporting. However, the roles and responsibilities of each actor require further consideration. First, it may not be ideal to have a body that is both a focal point within the government and at the same time responsible for the implementation of certain parts of the programme. This could lead to bias in implementation priorities. Second, it is important that the coordination office be given sufficient authority. The coordination office for the FAC did not have in its mandate the power to push for implementation, promote discussion on experiences among different funding recipients, or distil lessons learned. These activities would have fitted well with the duties of this office.

The FAC experience shows that there is a need to think critically about interventions, their sustainability and impact, and how this will be measured. This type of critical thinking can be used to develop indicators that are reliable and also to create a strong focus on achieving impact. It could be argued that expecting the measurement of impact at an earlier stage would have been premature and that mechanisms to do so would be developed over time. However, there is a danger that without clear indicators and targets, implementing bodies may very well feel that any effort is a “good effort” without regard for its cost effectiveness. Also, problematizing activities and outputs is a useful exercise in itself that can generate innovation.

### What can be gained from joint donor efforts?

The original group of nine donors came together to pool their resources for anti-corruption and work towards a common goal. At the onset donors were invited to work on anti-corruption by the Office of the President, with substantial support at the highest levels. This degree of support has waned over the years. While the fund has continued to operate and the Office of the President of Nicaragua continues to adhere to policy of “zero tolerance” for corruption, the support for anti-corruption by the same office today merits questioning.

The participating donors were represented by a single country, Norway, which served as the interlocutor between the donors and the government. This arrangement remained largely stable for the first eight years of the FAC, but suffered a jolt at the end of the second phase. According to the Joint Evaluation of Support to Anti-Corruption Efforts Nicaragua Country Report (Norad 2011), a number of donors felt that their continued support to the FAC could be interpreted as condoning what they perceived as slow progress from the government. At this point six out of nine donors left the FAC and soon thereafter their physical presence in Nicaragua ceased all together. Only Norway, Switzerland, and UNDP remained. At this time Switzerland assumed the role of lead country as the Embassy of Norway in Nicaragua had closed.

The reasons for most donors departing remains obscure, as they are formally attributed to home-based policy shifts, though many informed observers believe it to be linked to the current Nicaraguan president and his policies.

As a result of the donor exodus the FAC has been drastically shrunken in terms of its internationally backed collective donor voice. However, the value of three donors working jointly continues to be highlighted by multiple stakeholders (donors, government representatives, and civil society) as a considerable asset to the anti-corruption work, because it enables coherence between donors. Also, the fund's mechanism supports synergies among funded agencies, and the effort supports government structures. Some see this last point as an important alternative to supporting civil society alone, which may weaken the state's role/effort in anti-corruption.

While the departure of the majority of donors did potentially reduce the strength of the fund in terms of its political leverage, their very departure appears to demonstrate that even as a larger group they were unable to apply sufficient political pressure needed to secure more rapid progress in the area of anti-corruption. The departure of donors was neither sudden nor unexpected. Rather it appears to have been amply communicated and understood by the offices of the government. One of the principal demands by donors was the drafting of a strategy to govern anti-corruption work. The strategy has now been produced, but clearly too late to ensure broader donor participation in the fund. The delays with the drafting of the strategy could suggest that the donor group may have needed to adapt their expectations to a pace that was far slower than what they wished for or was required by their respective funding parameters. Or that there was a need for clear, jointly agreed targets and timelines at the outset of the FAC.

A critical examination of donors' departure suggests that while it is understandable that donors left given the lack of government commitment to anti-corruption and to a broader democratic process, the combination of on the one hand acceptance of slow progress previ-

ously (i.e., during the first phase of the FAC) and the demand for meeting a “quick” deadline on the other hand (i.e., the demand for a strategy in the second phase) may have sent an unclear message to the government. First, it is important for donors to agree with recipient governments on a realistic set of deliverables with clear and realistic consequences for lack of delivery. Second, it is equally important that donors adhere to their agreement and implement the pre-agreed rewards and/or penalties.

Such an approach would enable both recipient governments and donors to have a clear understanding of each other's expectations and also of what can or cannot be achieved. When examined critically there were a number of aspects, including the law of recourse, which had not been adequately implemented during either President Bolaños Geyer or President Ortega's administration. This should have given donors ample reason to pause and consider the invitation by the Bolaños Geyer administration with some caution. This should have also led to the

identification of very clear agreements on objectives and realistic milestones.

The joint donor fund in Nicaragua allowed donors to work together and pool their funds. It also provided clear visibility to the programme as all work was conducted under a single banner. However, while the fund enjoyed the president's support at its outset, one key lesson is to recognise that initial support does not necessarily mean long-term support, and hence statements of commitment by governments require “action based” periodic evaluation by donors (i.e., what tangible steps has the government taken to underscore its commitment to anti-corruption). Joint donor funds have the ability to highlight an issue by working together, but this does not necessarily allow them to overcome the lack of clear and tangible commitment from the recipient government.

### BOX 1: PERCEPTIONS OF CORRUPTION IN NICARAGUA

The Americas Barometer, which has utilized the same methodology on biennial studies dating back to 2004, has registered a general decline in perceived corruption (72 per cent in 2004, 84 per cent on 2006, 74 per cent in 2008, 67.5 per cent in 2010 [Booth 2010]). The perception that corruption is on the decline is also supported by the Gallup World Poll and by the Community, Information, Empowerment, and Transparency (CIET) studies.

The CIET measurement secured partial funding by FAC and became a tool used by FAC and the government as a baseline for anti-corruption knowledge in Nicaragua. Their findings have shown that in the field of anti-corruption Nicaragua has demonstrated on balance progress over the years.<sup>1</sup> It is unclear from the work conducted why in some areas perception of corruption has increased; it could be that by slowly raising awareness, expectations have risen as well.

Payments	1998	2003	2006	2009	2012
Payments without receipts in mayors' offices	5%	8%	6%	3%	5%
Contributions in health centres	28%	17%	11%	2%	1%
Contributions in schools	58%	44%	35%	16%	15%
Direct payments to traffic police	40%	28%	18%	24%	23%
Payments to expedite the judicial system/process	22%	27%	29%	32%	25%

1. General findings regarding impact are based on data gathered during the evaluation of the third phase of the FAC February–April 2012.

## A mammoth task at a snail's pace: what have 10 years of efforts accomplished?

It appears that, despite the many challenges faced, the support from the FAC has enabled the government to better respond to corruption challenges. Perception of corruption in Nicaragua is on the decline (see box 1) and with the FAC being one of the main efforts in the field of anti-corruption, it can be assumed that it has, at least in part, contributed to this.

But while it may be difficult to attribute the impact of the FAC on levels of corruption, evaluations that have been carried out of the fund indicate other critical achievements, including:

1. **Increasing the relevance of the corruption/anti-corruption theme in the government agenda:** A recent evaluation of the third phase of the FAC concluded, on the basis of interviews with multiple stakeholders, that the very funding of anti-corruption efforts by a group of donors has served to increase the importance and attention given to the issue within the funded institutions. Part of the visibility of the programme is tied to its multi-donor nature as well as to the targeting of multiple institutions.
2. **Enabling inter-institutional cooperation:** The FAC, by virtue of funding multiple government offices, has brought together many agencies that need to cooperate to fight corruption. Additionally, in an effort to synergise the work done, the FAC has promoted coordination between the different fund recipients. Recipients of funding now credit the FAC with enabling them to both utilise the expertise of other agencies as well as to highlight their own work with other agencies. Still this is an area that could be further developed by using the coordination office as an active agent in fostering inter-agency collaboration and coordination.

## Lessons learned from the FAC experience

So what can the experience of the FAC in Nicaragua tell us about the potential value of joint donor funds, and what are critical considerations when contemplating a joint fund?

1. **Joint donor funds** allow relatively modest individual contributions to be pooled, allowing for a more **comprehensive and coordinate approach** to supporting government's anti-corruption efforts. It also allows for increased visibility of programme interventions.
2. Joint approaches do have the potential to **strengthen the voice of donors**, by working together through a formal framework. This must also include, however, the willingness to act (e.g., reducing funding or pulling out of the country) when agreed reforms/activities are not carried out or actions are taken in contravention of previously agreed commitments.
3. This willingness to take action also requires that **clear goals** for the work on the ground be established jointly with the recipient government. Donors should also be aware of the limitations of the joint pressure they can exert and realistic about the actions which they are willing and able to take. These goals should have **realistic timelines**, that is to say, the national government must be able to deliver. There must also be realistic consequences for not meeting the terms of the agreements – i.e., actions donors are actually in a position to follow through on – that are well understood by all parties. This was not the case in Nicaragua and may have contributed to some extent to the inability of donors to exert sufficient pressure for positive change.
4. While joint donor approaches can help **place corruption squarely on the government agenda** and a greater degree of influence is gained from working together, it does not overcome the need to have full backing from the national government. As

with any donor intervention, joint donor funds require the **ownership and full support of the national government**, that is to say clear political will that is demonstrated by clear tangible actions on the part of the government. The case of Nicaragua clearly demonstrates the difficulties faced when there is insufficient political will. Initial political will may not last and donors should make contingency plans for this potential risk when designing a joint approach.

5. If a joint fund has as an objective to **strengthen the overall capacity of the recipient government** to address corruption it should not only bring together the donors but also all relevant government institutions. When adopting a joint approach, donors should therefore also undertake an assessment of the national integrity system as a whole and ensure that all the relevant institutions are involved, at least at the level of coordinating the support. This is also a way by which donors can further test political will for change.
6. It is important to consider the coordination mechanism for a joint fund, since the aim is not only to **ensure coordination among donors**. An important result of the FAC was increased **coordination among government institutions** as well. This is critical to overall anti-corruption efforts and a valuable result in itself. The FAC experience also indicates that coordination benefits from having clear focal points on both sides, and that an empowered government focal point can have the potential to help push implementation on the part of participating government institutions.

## Acknowledgements

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U4 Anti-Corruption Resource Centre  
Chr. Michelsen Institute (CMI)  
P.O.Box 6033  
5892 Bergen, Norway  
[u4@u4.no](mailto:u4@u4.no)

**CMI** CHR.  
MICHELSEN  
INSTITUTE