

Karin Küblböck
Adolfo José Acevedo Vogl

NOTES ON THE NICARAGUAN BUDGETING PROCESS AND THE ROLE OF EXTERNAL COOPERATION

16

CONTENTS

TABLES, FIGURES AND BOXES.....	5
ABBREVIATIONS.....	7
1. PREFACE AND EXECUTIVE SUMMARIES	11
1.1. KEY MESSAGES.....	12
1.2. SHORT EXECUTIVE SUMMARY	13
1.3. LONG EXECUTIVE SUMMARY.....	16
2. POLITICAL BACKGROUND	29
3. THE IMPORTANCE OF FOREIGN ASSISTANCE IN NICARAGUA	34
3.1. INTRODUCTION.....	34
3.2. FOREIGN AID RELATIONS UNDER PRESIDENT BOLAÑOS (2002-2006).....	38
3.3. FOREIGN AID RELATIONS UNDER PRESIDENT ORTEGA (2007-).....	39
4. BUDGET SUPPORT IN NICARAGUA	43
4.1. PRESIDENT BOLAÑOS: NICARAGUA AS A PILOT CASE FOR BUDGET SUPPORT	43
4.2. BUDGET SUPPORT UNDER THE ORTEGA GOVERNMENT	47
4.3. ROLE OF THE BUDGET SUPPORT GROUP IN DONOR COORDINATION	50
5. THE BUDGETING PROCESS	51
5.1. THE LEGAL FRAMEWORK OF THE BUDGETING PROCESS AND ITS PARTICIPANTS.....	51
5.2. ACTORS INFLUENCING THE BUDGETING PROCESS	56
5.3. THE KEY STEPS AND PHASES IN THE BUDGETING PROCESS.....	60

6. CHANGES IN BUDGET REVENUE AND SPENDING FOR 1994-2009	75
6.1. GENERAL REMARKS	75
6.2. PERIOD I: BUDGET REVENUE AND SPENDING FROM 1994-1998 (GOVERNMENTS OF CHAMORRO/ALEMÁN)	76
6.3. PERIOD II: BUDGET REVENUE AND SPENDING IN THE POST-MITCH PERIOD	80
6.4. PERIOD III: BUDGET REVENUE AND SPENDING DURING THE BOLAÑOS GOVERNMENT (2002-2006)	83
6.5. BUDGET REVENUES AND SPENDING OF THE ORTEGA GOVERNMENT (2007-)	99
APPENDIX	107
OBSERVATIONS ON THE BUDGET SUPPORT GROUP AND ON THE ROLE OF BUDGET SUPPORT IN NICARAGUA	107
NOTES ON THE AID FROM THE REPUBLIC OF VENEZUELA	110
ANNEX	119
REFERENCES	119
LIST OF INTERVIEW PARTNERS	123
AUSTRIAN RESEARCH FOUNDATION FOR INTERNATIONAL DEVELOPMENT – ÖFSE	124
ABOUT THE AUTHORS	124

TABLES, FIGURES AND BOXES

TABLES

TABLE 1:	Composition of National Assembly 2002-2010	32
TABLE 2:	External Aid for the Public Sector, 2006-2009 in Million US\$	36
TABLE 3:	External Aid for the Public Sector – Share of Budget Support, 2006-2009 in Million US\$	50
TABLE 4:	Budget of the Central Government, 2001-2006 as a Percentage of GDP	83
TABLE 5:	Spending to Alleviate Poverty, 2000-2005 as a Percentage of GDP.....	86
TABLE 6:	Disbursements of Freely Available Foreign Aid to the Central Government, 2005-2007.....	98
TABLE 7:	Disbursements of Freely Available Foreign Aid to the Central Government, 2005-2010.....	100
TABLE 8:	Budget of the Central Government, 2001-2009 as a Percentage of GDP	101
TABLE 9:	Income and Expenditures, 2008-2010 in Million US\$	103

FIGURES

FIGURE 1:	GDP/Capita, in PPP (Power Purchasing Parity) in US\$.....	29
FIGURE 2:	External Cooperation Flows, 1994-2009 in Million US\$	34
FIGURE 3:	External Cooperation Flows, 1994-2009 as a Percentage of GDP.....	35
FIGURE 4:	Change in Foreign Debt Balance by Debtor in Million US\$	62
FIGURE 5:	Change in the Functional Makeup of the Central Government's Expenditures in Percent	76
FIGURE 6:	Comparing Public Debt Servicing and Spending on Education, 1994-1998 in Million US\$	77
FIGURE 7:	Direct Taxes as a Percentage of Total Taxes, 1990-1998.....	79
FIGURE 8:	Change in the Servicing of the Central Government's Public Debt, 2000-2003 in Million Córdoba.....	85

FIGURE 9: Change in the Central Government's Tax Revenue, 1999-2006 in Million US\$	88
FIGURE 10: Changes in the Tax System Structure, 1995-2009 in Percent	89
FIGURE 11: Change in the Functional Makeup of Total Government Spending, 2001-2006 in Percent	93
FIGURE 12: Change in Spending on Social Services by the Government, 1992-2006 in Million US\$	93
FIGURE 13: Public Social Spending per Resident 2005 in constant US\$ from the Year 2000	94
FIGURE 14: Change in Budgetary Transfers to Municipalities, 2001-2008	95
FIGURE 15: Change in Tax Revenues, 2001-2010 as a Percentage of GDP	99
FIGURE 16: Evolution of Social Spending, 1999-2011 as a Percentage of GDP (current prices)	102
FIGURE 17: Functional Structure of Total Government Spending, 2009, 2010 and 2011 in Percent	103
FIGURE 18: Per Capita Social Expenditure in Latin America 2008 in constant US\$ from the Year 2000	104

BOXES

BOX 1: 'El Pacto'	31
BOX 2: Contested Candidacy	33
BOX 3: Budget Support	43
BOX 4: Role of External Actors in Strengthening PFM Capacities	58
BOX 5: Nicaragua's Foreign Debt Situation and Debt Relief Initiatives	81
BOX 6: The Nicaraguan Tax System	89