Transforming development?: The millennium challenge account and US-Nicaraguan relations

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Transforming Development? The Millennium Challenge Account and US-Nicaraguan Relations

by

Tom Mais

A Doctoral Thesis

Submitted in partial fulfilment of the requirements for the award of

Doctor of Philosophy of Loughborough University

15/06/2009

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Abstract

This thesis explores a relatively new and arguably innovative United States (US) international development initiative called the Millennium Challenge Account (MCA), which was launched by President Bush in 2004 as his flagship development programme for combating global poverty. Inciting transformational change, both in the delivery of aid and within the recipient countries themselves, lies at the heart of the MCA, which is housed in a new development entity named the Millennium Challenge Corporation (MCC). In-depth semi-structured interviews were utilised to facilitate the accumulation of rich and varied data, through which the rhetoric and discourses surrounding the MCA could be challenged, contested and debated at a variety of levels. This study critically engages with the MCA to reveal its core motivations and ideological underpinnings, through which we can better understand its origins and potential to deliver sustainable development in the South. In order to do this, specific attention is given to Nicaragua’s involvement in the initiative; a country which has played host to a plethora of US foreign policy activities, actions and interventions over the years. An exhaustive exploration of Nicaragua’s experience of the MCA is subsequently utilised as a platform for engaging with the core debates and issues surrounding the MCA and development discourse more broadly. In particular, the study’s findings critically question the neoliberal model of development being promoted through the MCA and challenge the programme’s ability to address the complexities of impoverishment. Part and parcel of this process involves examining the seemingly inseparable marriage between ‘democracy’ and market liberalisation in development, through which it is argued in this thesis that transnational liberalism has been extended as the hegemonic ideology of this epoch and a polyarchic system of rule promoted across much of the South.

Key Words: United States, Millennium Challenge Account, Nicaragua, Poverty Reduction, Neoliberalism, Free-Trade, Democracy, Polyarchy
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### Abbreviations

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<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AEI</td>
<td>American Enterprise Institute</td>
</tr>
<tr>
<td>ALBA</td>
<td>Bolivarian Alternative for the Americas</td>
</tr>
<tr>
<td>AMULEÓN</td>
<td>Association of Municipalities from North León</td>
</tr>
<tr>
<td>AMUNORCHI</td>
<td>Association of Municipalities from North Chinandega</td>
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<tr>
<td>ASODEL</td>
<td>Association for Survival and Local Development</td>
</tr>
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<td>CACM</td>
<td>Central American Common Market</td>
</tr>
<tr>
<td>CAFOD</td>
<td>Catholic Agency for International Development</td>
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<tr>
<td>CCER</td>
<td>Civil Coordinator for Emergency and Reconstruction</td>
</tr>
<tr>
<td>CDC</td>
<td>Sandinista Defence Council</td>
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<tr>
<td>CEB</td>
<td>Christian Base Community</td>
</tr>
<tr>
<td>CEDPA</td>
<td>Center for Development and Population Activities</td>
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<tr>
<td>CIA</td>
<td>Central Intelligence Agency</td>
</tr>
<tr>
<td>CIP</td>
<td>Center for International Policy</td>
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<tr>
<td>CIPA</td>
<td>Center of Initiatives for Environmental Policies</td>
</tr>
<tr>
<td>CISAS</td>
<td>Center for Health Information and Consulting Services</td>
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<tr>
<td>COCI</td>
<td>Control of Corruption Index</td>
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<tr>
<td>CODECHI</td>
<td>Departmental Development Council of Chinandega</td>
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<tr>
<td>CONDELEÓN</td>
<td>Departmental Development Council of León</td>
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<td>CONPES</td>
<td>National Council on Economic and Social Planning</td>
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<td>CPC</td>
<td>Council of Citizen Power</td>
</tr>
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<td>CPI</td>
<td>Corruption Perception Index</td>
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<tr>
<td>CSIS</td>
<td>Centre for Strategic and International Studies</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<td>DDC</td>
<td>Departmental Development Council</td>
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<td>DFA</td>
<td>Director of Foreign Assistance</td>
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<td>DfID</td>
<td>Department for International Development</td>
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<tr>
<td>DR-CAFTA</td>
<td>Dominican Republic - Central American Free Trade Agreement</td>
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<td>ERR</td>
<td>Economic Rate of Return</td>
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<td>FSLN</td>
<td>Sandinista National Liberation Front</td>
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<td>FTAA</td>
<td>Free Trade Area of the Americas</td>
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<td>FUSADES</td>
<td>Salvadoran Foundation for Development</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GNI</td>
<td>Gross National Income</td>
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<tr>
<td>GTC</td>
<td>German Technical Corporation</td>
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<tr>
<td>HIPC</td>
<td>Highly Indebted Poor Country</td>
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<tr>
<td>IADB</td>
<td>Inter-American Development Bank</td>
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<tr>
<td>IDA</td>
<td>International Development Association</td>
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<td>IDD</td>
<td>International Development Department</td>
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<tr>
<td>IFI</td>
<td>International Financial Institution</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>INGES</td>
<td>Institute for Research and Social Action</td>
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<td>INIFOM</td>
<td>Nicaraguan Institute of Municipal Management</td>
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<tr>
<td>ISIS</td>
<td>Import-Substitution Industrialisation Strategy</td>
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<td>LAWG</td>
<td>Latin American Working Group</td>
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<td>LCC</td>
<td>Community Committee</td>
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<tr>
<td>LIC</td>
<td>Low Income Countries</td>
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<td>LMIC</td>
<td>Low-Middle Income Countries</td>
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<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>LRAI</td>
<td>Land Rights and Access Index</td>
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<tr>
<td>MAGFOR</td>
<td>Ministry of Agriculture and Forestry</td>
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<tr>
<td>MARENA</td>
<td>Ministry of the Environment and Natural Resources</td>
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<tr>
<td>MCA</td>
<td>Millennium Challenge Account</td>
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<td>MCC</td>
<td>Millennium Challenge Corporation</td>
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<tr>
<td>MDC</td>
<td>Municipal Development Committee</td>
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<td>MDG</td>
<td>Millennium Development Goals</td>
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<td>MIGOB</td>
<td>Ministry of Governance</td>
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<td>MTI</td>
<td>Ministry of Transportation and Infrastructure</td>
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<tr>
<td>NAFTA</td>
<td>North American Free Trade Agreement</td>
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<td>NDP</td>
<td>National Development Plan</td>
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<td>NED</td>
<td>National Endowment for Democracy</td>
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<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<tr>
<td>NRMI</td>
<td>Natural Resource Management Index</td>
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<tr>
<td>NSS</td>
<td>National Security Strategy</td>
</tr>
<tr>
<td>OAS</td>
<td>Organisation of American States</td>
</tr>
<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PASE</td>
<td>Project of Support for the Monitoring and Evaluation of Nicaragua’s Poverty Reduction Strategy Paper</td>
</tr>
<tr>
<td>PEPFAR</td>
<td>President’s Emergency Plan for AIDS Relief</td>
</tr>
<tr>
<td>PEMCE</td>
<td>Promotion of Equity through Pro-Poor Growth</td>
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<tr>
<td>PLC</td>
<td>Constitutional Liberal Party</td>
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<tr>
<td>PIP</td>
<td>Public Investment Programme</td>
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<td>PPP</td>
<td>Plan Puebla Panama</td>
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<td>PRP</td>
<td>Property Regularisation Project</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<td>PSIA</td>
<td>Poverty and Social Impact Analysis</td>
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<td>PWC</td>
<td>Post-Washington Consensus</td>
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<td>RADEL</td>
<td>Network of Actors for Local Development</td>
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<td>RBDP</td>
<td>Rural Business Development Project</td>
</tr>
<tr>
<td>SAP</td>
<td>Structural Adjustment Programme</td>
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<tr>
<td>SEFIN</td>
<td>Honduran Ministry of Finance</td>
</tr>
<tr>
<td>TCB</td>
<td>Trade Capacity Building</td>
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<tr>
<td>TI</td>
<td>Transparency International</td>
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<tr>
<td>UFCo</td>
<td>United Fruit Company</td>
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<tr>
<td>UNAG</td>
<td>National Union of Farmers and Ranchers in Nicaragua</td>
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<tr>
<td>UNAN</td>
<td>National Autonomous University of Nicaragua</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>UNO</td>
<td>National Opposition Union</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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<td>WBI</td>
<td>World Bank Institute</td>
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<tr>
<td>WC</td>
<td>Washington Consensus</td>
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<tr>
<td>WOLA</td>
<td>Washington Office on Latin America</td>
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<tr>
<td>WMD</td>
<td>Weapons of Mass Destruction</td>
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Chapter 1: Introduction

This thesis provides a unique insight into a relatively new and 'transformational' United States (US) development initiative called the Millennium Challenge Account (MCA). It reveals the ideas and ideologies behind this seemingly 'new' programme and analyses how these have been expressed within the specific context of Nicaragua. Through this process this study seeks to answer the following research question:

Does the MCA live up to its 'transformational' rhetoric or is it yet another case of 'old wine in new bottles'?

In this regard, a core aim of this study is to strip away the fancy packaging and 'gimmicks' surrounding the MCA, to reveal the initiative's core motivations and ideological underpinnings. Through this process we can begin to understand the origins of the MCA, its subsequent role as fundamental tenet of the US' foreign aid system, and gauge its ability to address the underlying causes of impoverishment in the South. In setting the pretext to this investigation, this introduction begins by explaining my interest in the MCA and why I believe that this initiative warrants in-depth analysis and examination. This is followed by a discussion of the reasons for selecting Nicaragua as the geographical focus for this thesis. The chapter then presents the main themes that this research seeks to reveal and elucidate, and finishes by providing an outline of the thesis chapters.

1.1 Why the MCA?

Improving the effectiveness with which aid is delivered and channelled has become a core priority of the international development community in recent years, as the failure of past efforts to address the fundamental causes of poverty has placed increased pressure on international donors and their activities. This has been particularly noticeable in the activities of what one might consider to be the heavy-weights of the donor world, i.e. the International Financial Institutions (IFIs) and powerful bilateral donors in the North. In response to these

1 The label 'North' is used throughout this thesis in referring to those countries that are generally considered to be more economically developed than their 'less-developed' counterparts. Other descriptions could include the 'first world' and 'developed world'. Whilst this crude separation is inevitably problematic, it still has an
Chapter 1: Introduction

growing pressures, donors have reacted in a number of different ways, one of which has been to promote and enforce the adoption of 'sound policy environments' in the South\(^2\). These environments constitute what many in the development arena consider to be the optimal conditions for delivering aid, with their promotion reflecting a perspective in which the past failures at combating poverty have been increasingly located as a product of 'deficiencies' and 'inadequacies' within the aid-recipient countries themselves. In line with this understanding, there has been a tangible shift in the policies and actions of the official institutions and bilateral donors over recent years, as efforts to maximise 'aid effectiveness' have informed development practice. It is within this context of change that the MCA was conceived and established in the US as a new mechanism for channelling and delivering international development assistance.

The MCA represents a new and reportedly innovative foreign aid programme, which aims to answer many of the longstanding criticisms within the development community over international and/or, more specifically, US foreign assistance. In this regard, the MCA puts the new found wisdom/consensus on what makes aid effective to the test and this, in turn, makes it an extremely interesting and important initiative to study. As such, in choosing this subject for my thesis I was eager to explore the MCA’s defining features, such as strict selectivity, country ownership, and its agenda for transformational development, and reveal what these tell us about the ideas and ideologies driving the initiative. As part of this process, I wanted to examine how the MCA’s conceptual underpinnings and commitments have translated, and continue to translate, into praxis within the compact-countries\(^3\) themselves. As witnessed so many times in the past, there is often a disjuncture between the positive rhetoric of donors, financial institutions and the programmes/policies they promulgate, and the experience of the South. With this in mind, the analysis presented here draws upon the experience of a specific country within the MCA and utilises that country’s experience as a platform for engaging with the programme and reflecting upon its potential to address the fundamental causes of poverty in recipient countries. This focus on a single compact-country has also provided a mechanism with which to locate the MCA in a more nuanced intellectual and/or political validity, in that it provides a platform with which to analyse and understand geopolitical relations. In contrast, MCC documentation tends to refer to the 'North' as 'developed countries'.

\(^{2}\) In accordance with footnote 1, the label 'South' is used here in referring to those countries that are generally considered to be less economically developed than the North. Other descriptions might include, the 'third world' and 'underdeveloped world'. In contrast, the MCC tends to refer to the 'South' as 'developing countries'.

\(^{3}\) Compact-countries are used within this thesis to refer to those countries that have signed MCA ‘compacts’ with the US.
understanding of the political, economic, social and cultural context within which the initiative is being implemented in the South. In this way it has facilitated a broader appreciation for how the MCA fits into the long-term relationships between the US and recipient countries, and offered an entry point with which to reflect upon the highly interventionist role of other external actors such as the World Bank and International Monetary Fund (IMF) in the South.

1.2 Why Nicaragua?

Although the MCA is broadly conceived to be a global initiative, as witnessed by its stated mission to reduce 'global' poverty (Millennium Challenge Corporation website), this study is predominantly interested in understanding the experience of a comparatively small country located within the Central American isthmus. Nicaragua, which has a population of approximately 5.7 million, represents an incredibly interesting and unique opportunity for exploring the MCA and how it has operated within complex and politically volatile conditions within the South. Being located in what is commonly referred to as the US’ backyard, Nicaragua has played host to a plethora of US foreign policy activities, actions and interventions over the years. As discussed in detail in chapter 4, this reality was witnessed most visibly and controversially during the 1980s, when the US sponsored Contra army wreaked havoc across Nicaragua following the overthrow of the brutal Somoza dictatorship in 1979. The legacy of this hostile period, combined with many years of prior internal and external oppression, has resulted in a highly complex and challenging environment in which to undertake a development programme such as the MCA. As such, I was eager to explore and locate the initiative within the historical context of US-Nicaraguan relations and identify how the ideas/ideologies enshrined within the ‘new’ programme correspond to the country’s development and experiences thus far. At the same time as appreciating the particular nature of US-Nicaraguan relations, however, the US’ position as a world superpower means that many other countries have similar histories of US interference and intervention, and this presents opportunities within the research for drawing connections to other compact-countries engaged with the MCA.

Another reason for focussing on Nicaragua in this research is rooted in the country’s strategic position within both the Plan Puebla Panama (PPP) and the Dominican Republic -
Central American Free Trade Agreement (DR-CAFTA). These economic initiatives are intrinsically linked, with the PPP helping to provide the regional infrastructure necessary for implementing and embedding free-trade across the isthmus. As demonstrated later in this thesis, the MCA is directly implicated in these two economic initiatives (see chapter 7 section 7.7.2) and its proximity to these controversial programmes clearly warrants investigation. Indeed, I believe that its association with the PPP and DR-CAFTA speaks volumes about the MCA's driving logic and core reasoning, and this has clear repercussions for how one interprets its pro-poor credentials. In this regard, focusing on Nicaragua's experience enables us to draw parallels between the MCA and these larger neoliberal mega-projects, which are ultimately aimed at opening up the region's economies to free-market competition. This analysis will, therefore, contribute significantly to how we can understand the MCA more broadly and help us to draw out the motivations propelling its creation and implementation within the South.

1.3 Aims and objectives

This study is broadly composed of four interrelated themes/objectives. The first objective of this research is to understand the specific experience of Nicaragua in the MCA. By looking at Nicaragua's engagement with the MCA, this thesis provides a unique and comprehensive insight into how a relatively un-researched and somewhat controversial international development initiative has been implemented in practice, and this is located within a thorough treatment of the country's historical relationship with the US. Secondly, this thesis seeks to engage with, and contribute to, the core debates surrounding the MCA as a development initiative. This involves, among other things, understanding the logic behind the initiative's strict approach to country selectivity, analysing the nature of the relationship between the MCC and USAID, and recognising the potential impact of severe under-funding on the MCA's ability to incite transformational changes in the South. A third key objective of this study is to locate the MCA within the context of dominant development discourse, looking specifically at the Washington Consensus (WC), Post-Washington Consensus (PWC) and neoliberalism. As part of this process, significant attention and thought is given to the role of the IFIs, and most noticeably the World Bank, in shaping and influencing development policy and practice. Through engagement with these key issues, this research is able to question the econocentric model of development being promulgated through the MCA
and draw connections between its ‘transformational’ agenda and development doctrine. Finally, this research seeks to utilise this study of the MCA as a platform for examining the relationship between development discourse and ‘democracy promotion’. In particular this thesis looks to unpick the seemingly inseparable marriage between ‘democracy’ and free-trade, which has operated as a powerful tool for intervention within the South. Part and parcel of this involves reflecting upon the MCA’s commitment to ‘country ownership’ and drawing out what this central concept of ‘ownership’ means in practice.

1.4 Chapter outline

In order to address the four themes/objectives set out above, this thesis is composed of nine interconnected chapters, which together provide a thorough and detailed analysis of the MCA and Nicaragua’s experience within the initiative. Chapter 2 looks at the ideas, theories and discourses leading up to the creation of the initiative and in doing so focuses primarily on the WC and PWC, both of which represent a set of ideas that have been particularly influential in shaping and influencing the direction and content of international development policy. Chapter 3 builds upon the discussion in chapter 2 by locating the MCA within a general framework of power and it does this from a predominantly geopolitical perspective. This is followed by an examination of changes made to the US aid system over recent years and a discussion on the emergence of a ‘transformational development’ agenda within the US. Attention is then turned to exploring the MCA, its creation, scope, management, and defining characteristics. Chapter 4 provides the historical and geographical context to the study and looks at US-Nicaraguan relations prior to, during, and following, the volatilities of the 1980s. Chapter 5 identifies the methods and approaches used in conducting this study and reflects extensively upon the key issue of positionality. Chapter 6 is divided into two main sections. The first analyses changes in the quantity and composition of US development assistance to Nicaragua over recent years. The second concentrates on drawing out the specifics of Nicaragua’s MCA and its core components. Chapter 7 and 8 present the main findings of this research, the first of which focuses on the key issue of poverty reduction and the second on democracy promotion. The thesis conclusion then summarises and draws together the main findings of this investigation and reflects upon the contribution of the study to the four research themes set out above. In addition to this, it suggests potential avenues for conducting further research.
Chapter 2: Development discourse, the Washington Consensus and the Post-Washington Consensus

Introduction

This chapter provides the theoretical backdrop to the creation of the Millennium Challenge Account (MCA), through an analysis of what have been commonly termed the 'Washington Consensus' (WC) and the 'Post-Washington Consensus' (PWC). In order to do this, the following discussion traces the contours of development theory back through time, reflecting upon both the continuity and discontinuity of development discourse and the ideologies that they portray. It takes a famous speech made by President Truman on the 20th of January 1949 as a starting point with which to begin exploring development theory formation and places specific emphasis on the Latin American experience. Following this preamble, the chapter examines the construction of the WC, which has dominated debates on development since the 1980s, and unravels the relationship between the WC and neo-liberal discourse. Attention is then given to the subsequent ‘transition’ towards the PWC, which is located as both a departure from, and reinsertion of, previous development discourse. As part of this analysis, the chapter identifies the key components of the PWC (many of which could be seen as ‘new’ or ‘different’) and discusses the importance of these elements within the context of contemporary development debates and practices. Consideration is also given to the role of the new United States’ (US) security agenda in shaping development practice and the potential repercussions of this convergence.

2.1 Development and underdevelopment

“...we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas” (President Truman, cited in Rist 1997: 71).

\footnote{As illustrated throughout this chapter, ‘development’ is a highly malleable concept, and not only has its multiple meanings changed over time but these meanings have, as Bebbington notes, varied depending on who is talking about ‘development’ (2002: 105). In this respect, ‘development’ can be identified as a highly subjective phenomena and any discussion on ‘development’ must, therefore, be subject to close scrutiny and analysis. The discussion of development theory and discourse bears witness to this reality.}
This essay takes the inaugural speech made by President Truman in January 1949 as a starting point to discuss the shifts in development discourse. Arguably, the use of the adjective ‘underdevelopment’ marked the first time in which the concept had been used as a synonym for ‘economically backward’ areas and marked a “technological innovation which altered the meaning of ‘development’ itself, by relating it in a new way to ‘underdevelopment’” (Rist 1997: 72). This is not to say, however, that development did not exist prior to this event, only that it had never been defined in terms of escaping from underdevelopment. Its use established a new sense of ‘self’ and ‘other’ as two billion people became “transmogrified into an inverted mirror of others’ reality” (Esteva 1993: 7). To escape from this condition of underdevelopment, countries would need to look outside their own cultures and boundaries, and embrace a model of development propagated by the North. In this respect, the North was to become the benchmark through which progress in the South was to be measured and gauged.

2.2 Modernisation theory

Modernisation theory can be located as the theoretical expression of the dualistic vision of the world expressed by Truman in his 1949 speech. Indeed, the manner in which development was expressed reflected the tendency of early modernisation theorists to proliferate a sense of difference, i.e. self and other, through the labelling of the developed and underdeveloped. Unsurprisingly, therefore, modernisation theory was originally couched in a very arrogant and condescending language which is, in many ways, indicative of the underlying prejudice traditionally found within dominant development discourse. The following extract illustrates one such example:

“There is something in the quality of the Latin American man [sic] and his culture which has made it difficult for him to be truly modern... which has made this part of the Western world so prone to excesses of scoundrels, so politically irrational in seeking economic growth, and so ready to reach for gimmicks” (Silvert cited in Moles 1999: 2).

The language through which the concept of the ‘modern’ first came to be defined was rooted in enlightenment discourse, in which the North was the model, prototype and gauge of social
progress (Slater 1993: 421). In this respect, one can identify the modernisation paradigm as being very dualistic in nature, founded through the lens of colonial infantilisation, in which the South was often portrayed as a child needing guidance. It is within this broader ideological context that we can begin to look more closely at the model of development promoted by modernisation theorists.

2.2.1 The Rostowian ‘take-off’ model

Modernisation theory strongly ties in with the notion of pre-determination, i.e. that there is a fixed path all countries must take in order to become ‘modern’ and ‘developed’. This perspective is illustrated most clearly by Rostow’s model of development, in which each country is categorised as falling into one of five graduating levels within a linear trajectory of economic growth:

"It is possible to identify all societies, in their economic dimensions, as lying within one of five categories: the traditional society, the pre-conditions for take-off, the take-off, the drive to maturity, and the age of mass consumption" (Rostow 1960: 4).

This simplistic model for economic modernisation gained influence within US foreign policy, particularly during the Kennedy and Johnson administrations of the 1960s, where Rostow’s elevated positions within government granted him direct influence over US policy towards the South. Through his capacity as a presidential advisor, Rostow was able to couch his ‘stages’ theory within the context of a political mission, aimed at putting a stop to the spread of communism. His most famous book ‘The Stages of Economic Growth: A Non-Communist Manifesto’, was particularly influential and provided additional legitimacy for intervention in the South. As Slater comments, “the notion of modernisation – or more specifically modernisation theory – came to be closely associated with the nature and direction of US interventions in the Third World in the 1950s and 1960s” (2004: 58). In many ways, therefore, this link to communism provided the justification for promoting development policy at a time when national security interests were dominating the geopolitical landscape. Rostow therefore played an incisive role in launching the first

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5 As seen later, this tendency to infantilise development has not disappeared from contemporary discourse and one could suggest that this is a testament to modernisation theory’s enduring legacy.
6 Arguably, at a time of growing complexities and ideological rivalry, it is this ‘simplicity’ that made Rostow’s ‘take-off’ theory so influential within US foreign policy.
‘development decade’, during which Kennedy substantially increased the US budget for foreign assistance.7

According to Menzel, Rostow ‘succumbed to the hubris of power’, in that he “believed he could not only define the world but also change it” (Menzel 2006: 213). This, in turn, made him a particularly controversial political figure and disquiet over his influence gained momentum in the wake of growing criticism over his theory for linear development and bias towards the Anglo-Saxon experience. It is within this context that we now turn our attention to dependency theory which, arguably, represented an antithesis to modernisation theory.

2.3 Counter-discourse and dependency theory

Dependency theory, which is most commonly associated with the Latin American region, can be identified as the counter-discourse to modernisation theory. As Slater comments, “the dependency perspectives that emanated and spread from Latin America to other parts of the periphery were part of a vital project of counter-representation” (2004: 119). In contrast to modernisation theory, which tended to ignore the impact of power relationships on development, dependency theorists located underdevelopment as a direct consequence of the South’s relationship with the North. This is a process termed by radical political economist Andre Gunder Frank as the ‘development of underdevelopment’ (see Frank 1969). In employing this phrase, Frank makes references to the suggested process by which the development of one area, i.e. the ‘core’ (or North), necessitates the underdevelopment of another, i.e. the ‘periphery’ (or South). According to this perspective, therefore, economic growth and development in the North is intrinsically linked to the extraction of key resources from the South. Within this context, power exists as a constant and the only thing that changes is its distribution. This understanding of dependency theory negates the possibility that power can be created from within and as a result it could be argued that, within this particular interpretation, dependency theory is a disempowering discourse.

7 In this respect, one could suggest that the founding of the United States Agency for International Development, the Alliance for Progress, the Peace Corps, the Development Assistance Committee, and the reorientation of the World Bank from post-war reconstruction aid to financing development, were rationalised and designed through modernisation theory (Menzel 2006: 215).
Chapter 2: Development discourse, the Washington Consensus and the Post-Washington Consensus

Although this discussion only provides a brief overview of the main tenets of development theory, it is important not to oversimplify dependency and ignore its important contribution to development discourse more broadly. For example, it critiqued and deconstructed the representation of the international system as being a dichotomy between the ‘modern’ and ‘traditional’, as portrayed within modernisation theory. For example Cardoso and Faletto (1979) identified the concepts of the modern and traditional as being insufficient in recognising specificity and the economic and cultural histories that countries contain (cited in Slater 2004: 122). Part of this process of critical deconstruction can be seen within the context of a more fundamental shift towards self-emancipation, through which countries of the South were able promote an identity driven from within and in doing so challenge northern dominance over the construction of knowledge. Ultimately, however, southern identity came to be dominated, throughout much of the latter part of the twentieth century, by the Cold War geopolitical order and this reinforced a dualistic construction of the world, through which the legitimacy for intervention by the North in the South was maintained and promoted. As a result, many Latin American countries became host to the ideological proxy wars of the Cold War era and development was frequently defined through the lens of this ideological battleground.

2.4 Neoliberalism

In the 1980s, something of a development impasse occurred within development thinking (Brown 2005: 105). This impasse was situated within the midst of escalating economic stagnation in Latin America. The inability of previous development paradigms to achieve sustainable and stable economic progress set the foundations for a coup in official development thinking, which took the form of a ‘neoliberal counter-revolution’ (Toye 1987). This counter-revolution was indicative of a fundamental ideological shift, not in terms of how development was necessarily interpreted, i.e. its core meaning was still ‘economic growth’, but in terms of agency:

"The neo-liberal position argued that the whole idea of bringing about development through directed state interventions within society was fundamentally misplaced and that development would only be achieved through the pursuit of free competition and the prioritization of market mechanisms" (Brown 2005: 107).
One could, therefore, argue that the neoliberal counter-revolution represented a “major assault on national developmentalism” (Oniş and Senses 2005: 263), through which traditional identity was deconstructed and market forces strengthened. Within this context of shifting power relations, a ‘new’ model of development was advocated and the development lexicon came to be dominated by the concepts of ‘market liberalism’, ‘outward-orientation’ (ibid), and ‘free-market democracy’.

The ideas associated with neoliberal discourse were swiftly adopted by the major financial institutions such as the International Monetary Fund (IMF) and the World Bank, indicative of both the influence and ideology of some governments in the North (such as Thatcherism and Reaganomics). Within the context of a spiralling debt crisis and disenchantment with traditional discourse, the International Financial Institutions (IFIs) took the lead in providing financial assistance to the South. This was accompanied by a reprioritisation of goals in both the World Bank and IMF, as their agenda became orientated towards “protecting the integrity of the global financial system and guaranteeing interest payments” (Brown 2005: 109). The IFIs’ elevation to the position of global financial regulators was accompanied by a shift in power, through which they became agencies of knowledge, orientated towards the promotion of the neoliberal discourse across the South. Development policy in the South came to be dominated and, to a large extent, dictated by these institutions, which were able to exert substantial influence through the application of strict loan conditionalities. Of particular importance in this regard, were the highly controversial ‘Structural Adjustment Programmes’ (SAPs), which stipulated structural changes in exchange for financial assistance. Whilst these programmes were presented as the panacea to the Latin American debt crisis, they were largely unsuccessful, drawing greatest criticism for their disregard for social programmes. Consequently, the SAPs did, in many cases, exacerbate existing levels of poverty and inequity, conditions that were already prevalent throughout many Latin American countries.

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8 One must be careful in applying ‘new’ to neoliberal discourse, as one could argue that it merely represents an extension of modernisation theory (see Kiely 1998).

9 In chapter 7 section 7.3.1 we look at the push during the end of the 1990s towards promoting the World Bank as a ‘knowledge bank’.

10 These SAPs had five major components; stabilisation, privatisation, liberalisation, deregulation, and fiscal austerity (for further information see Brown 2005).
2.5 The emergence of the Washington Consensus

Neoliberal ideology gained practical expression through the WC, replacing the previous Import-Substitution Industrialisation Strategies (ISIS)\(^{11}\) that had been prevalent in many Latin American countries prior to the 1980s. Whilst the ISIS had dominated as the prevailing development paradigm in the region for many years, defects in this inward-looking model of economic growth became increasingly evident during the 1960s and 1970s, as many governments were faced with spiralling costs and growing debts. Yet, despite the increasingly apparent flaws of the ISIS, some countries in Latin America, such as Brazil, proved reluctant to make the necessary adjustments and turned instead to expanded foreign borrowing in an attempt to sustain domestic demand (Grilli 2005: 12, 13). Although this additional funding may have provided some temporary reprieve, the international debt crisis of the 1980s\(^{12}\) provided the real impetus for change. This situation set the foundations for a paradigmatic shift in development policy throughout Latin America, as the IFIs began to demand market-orientated reforms by governments in the region as a condition for granting credit (Hayami 2003: 41). The SAPs, mentioned above, provided the mechanism for implementing these reforms and the WC constituted the conceptual and ideological framework through which they were exercised\(^{13}\).

2.5.1 Locating the Washington Consensus

The Washington Consensus was a term first coined by the economist John Williamson at the end of the 1980s. It was initially used by Williamson to express “a list of policies that were widely held in Washington to be desirable in Latin America” (2004a: 1). As such, the WC was not originally formulated as a policy prescription for development, but was nevertheless widely interpreted as being one. Over time, the consensus has been used in a variety of different ways to express competing ideas and agendas. In this respect the term ‘consensus’ is somewhat misleading, as it suggests that there was/is conformity within...

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\(^{11}\) Import-Substitution Industrialisation is a “development strategy by which a technologically backward [sic] economy tries to accelerate industrial investment primarily for the home market through heavy reliance on government manipulation of market prices, barriers to entry and access to imports and finance” (Felix 1989: 1455).

\(^{12}\) According to Moreno-Brid et al, this was “triggered by the reversal in the net financial transfers to Latin America, linked to a sharp increase in its foreign debt service combined with severely restricted access to external finance and the deterioration in its terms of trade” (2004: 435).

\(^{13}\) In this regard, the WC had a distinctly Latin American grounding although, as illustrated throughout this thesis, it would come to have universal applicability.
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Washington D.C. towards development policy. In reality, however, the doctrine came to "obscure profound disagreements among the experts in Washington and elsewhere behind the facade of the consensus", disguising what, in effect, "were a multitude of very different reforms" (Nairn 2000: 506). In light of this situation, Nairn suggests that it may be more reasonable and realistic to talk about the Washington 'confusion'. Moreover, in the wake of such complexities it is hard to define exactly what the WC was/is and identify which interpretation of the consensus has been most significant in terms of influencing US development assistance. Consequently, this chapter now highlights what Williamson was referring to when he first coined the term 'Washington Consensus'.

Williamson's original WC stipulated that there was a high measure of agreement in Washington that in, the majority of Latin American countries, ten policy actions were desirable. Table 2.1 below highlights what these entail.

Table 2.1: The ten policy actions of Williamson's original consensus

| 1. Budget deficits should be small enough to be financed without recourse to inflation tax. |
| 2. Public expenditure should be redirected from politically sensitive areas that receive more resources than their economic return can justify toward neglected fields with high economic returns and the potential to improve income distribution, such as primary education and health, and infrastructure. |
| 3. Tax reform so as to broaden the tax base and cut marginal tax rates. |
| 4. Financial liberalization, involving an ultimate objective of market determined interest rates. |
| 5. A unified exchange rate at a level sufficiently competitive to induce a rapid growth in non-traditional exports. |
| 6. Quantitative trade restrictions to be rapidly replaced by tariffs, which would be progressively reduced until a uniform low rate in the range of 10 to 20 percent was achieved. |
| 7. Abolition of barriers impeding the entry of FDI (Foreign Direct Investment). |
| 9. Abolition of regulations that impede the entry of new firms or restrict competition. |
| 10. The provision of secure property rights, especially to the informal sector. |


From the policy actions presented above, it is possible to identify three general themes: macroeconomic (particularly fiscal) discipline, the deregulation and promotion of a market economy, and openness to the world economy (at least with respect to trade and foreign direct investment) (Clift 2003: 9). Whilst these policy areas are indicative of neoliberal
ideology, one can contest the degree to which the original consensus, as presented above, was in fact neoliberal. For example, there is no reference to the idea of a minimalist state in the original consensus, which is a core tenet of the neoliberal agenda. Moreover, Williamson himself argues, as the following extract reveals, for greater differentiation between his consensus and neoliberalism, which is not surprising bearing in mind the bad press that neoliberalism and its associated SAPs have received over the years:

“Audiences the world over seem to believe that this [the Washington Consensus] signifies a set of neo-liberal policies that have been imposed on hapless countries by the Washington-based international financial institutions and have led them to crisis and misery. There are people who cannot utter the term without foaming at the mouth... Some of the most vociferous of today's critics of what they call the Washington Consensus, most prominently Joe Stiglitz (whose recent book, for example, specifically endorses gradual trade liberalization and carefully done privatization), do not object so much to the agenda laid out above as to the neo-liberalism that they interpret the term as implying. I of course never intended my term to imply policies like capital account liberalization (as stated above, I quite consciously excluded that), monetarism, supply-side economics, or a minimal state (getting the state out of welfare provision and income redistribution), which I think of as quintessentially neo-liberal ideas... If you mean what Joe Stiglitz means by it, then hardly anyone who cares about development would want to defend it” (Williamson 2002).

Although Williamson may debate the direct association between his original consensus and neoliberal orthodoxy, it is the reinterpretation of the consensus by others that has been most pervasive in shaping development policy and debate. In many ways, the WC acquired a second, broader connotation, moving beyond what may have been Williamson’s initial intentions. It is this mutated version of the WC which arguably became the policy backbone of the IFIs, through which stabilisation and structural adjustment policies were pursued (Gore 2000: 789) and the blueprint for economic growth in Latin American, and elsewhere in the world, established.
2.5.2 Critiquing the Washington Consensus

As the failure of the SAPs to achieve positive and sustainable results became increasingly apparent among the development community, so too was there growing criticism over the WC and the policies it represents. Hayami (2003) identifies these criticisms as stemming from several observations: Firstly, the Latin American countries for which Williamson’s initial intentions were focused were not able to sustain economic growth after their ‘recovery’ from the debt crisis; secondly, the East Asian markets fell into crisis in the late 1990s following a major disruption in the financial market; and thirdly, the SAPs failed to deliver economic growth and reduced poverty in low-income countries. For example, Clift states that “around the world, 10 middle-income developing countries experienced major financial crises between 1994 and 1999 that damaged living standards and, in some cases, toppled governments and left millions worse off” (2003: 9). In the wake of such setbacks, it became clear that the WC was incomplete and largely incompatible with the complexities of Latin American cultures, politics and underlying power relations. Even its defendants came to recognise that the doctrine disregarded the role of institutions in economic development and “tended to minimise that of social policy” (Ocampo 2004: 294). As discussed below, the shift to the PWC aimed to rectify some of perceived misconceptions and omissions of the WC.

2.6 The emergence of the Post-Washington Consensus

The IFIs, which were seen by many to be the ‘handmaidens of the consensus’ (see Clift 2003), became a lightning rod for those individuals and groups unhappy with stagnant economic growth and growing social deprivation. In the wake of this growing discontent, the IFIs were faced with a crisis of confidence, as the inability of the SAPs to significantly reduce poverty through economic growth became more and more visible. This fuelled doubts over their neoliberal policy prescriptions, prompting rising criticism over the role of the IFIs and, in particular, the World Bank in development. By 1995 the World Bank found itself in a highly compromised position15, with the fundamental tenets of the organisation’s approach to ‘development’ being called into question (Pender 2001). Faced with these difficulties, the

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14 One can question the degree to which these countries did, in fact, ‘recover’ from the debt crisis, as many were left with extremely fragile economies, an over-dependency on external assistance and, in the worse cases, civil war (as seen in Nicaragua). Indeed, the 1980s became widely known as the ‘lost decade’ in Latin America.

15 This situation resulted from a combination of factors, such as; the ‘Asian Miracle’, the failure of the adjustments to deliver high and sustained growth in developing countries, and the Mexican crisis in 1994/95.
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World Bank was left with little choice but to reform, re-orientate itself and ‘repackage’ its policy outlook and practice. As a result, the emergence of the PWC can be located, in part, as an attempt by the IFI to replace the previous blueprint for development with a ‘new and improved’ one, whilst simultaneously looking to reinvent its image in the wake of the SAP’s failure.

2.6.1 Examining the Post-Washington Consensus

"By the first years of this millennium the Post-Washington Consensus has become firmly established as the principal guidepost to policies for developing economies" (Hayami 2003: 60).

One could argue that a fundamental mistake of the WC was that it omitted the important role state institutions can play in regulating the economic sphere and implementing effective reforms (Öniş and Senses 2000: 276). In contrast, the PWC rejected the state-versus market approach, promoting a more complimentary development process in which the state and market work together (Harriss 2002: 78). This dramatic shift in emphasis towards the state came to be reflected in the activities of international donor organisations and the way in which foreign aid is utilised. For example, in an interview held with the Department for International Development (DfID) in Nicaragua, I was told the following:

"...a lot of the work we do is actually less on the implementation of policies and more on the working structures... to ensure that the machine works. So, things like public financial management and good financial management, which are mandatory no matter what policy you have" (research interview with Michelle Winthrop).

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16 According to Caufield, the fact that the World Bank has “survived more than half a century of dramatic global and political changes is due largely to its ability to redefine itself” (1996: 2). Chapter 7, examining the relationship between the MCA and poverty reduction, explores this issue further, and analyses the World Bank’s transition to an apparent ‘knowledge bank’ (see section 7.3.1).

17 As demonstrated below, however, although the PWC does depart in several ways from the previous consensus, it nevertheless holds on to its central tenets, i.e. pursuing macroeconomic stability, opening up markets and the deregulating the economy.

18 DfID, previously known as the Overseas Development Association, is the department within the British government that is primarily responsible for promoting international development.

19 Michelle Winthrop, Growth and Private Sector Advisor in DfID-Nicaragua - Interview held in Managua on 5th May 2006.
The ‘East Asian Miracle’ was particularly influential in promoting this re-evaluation of role of the state by the IFIs and their sponsors. As Pender notes, success in the Asian economies had little to do with World Bank policy prescription. In fact the World Bank actually modified its “view of the state’s role in development as a consequence” (2001: 400). The East Asian Miracle can, therefore, be seen as playing a key part in the shift towards the PWC.

2.6.2 The Post-Washington Consensus: Prioritising poverty reduction?

In addition to re-evaluating the role of the state in development, the PWC located poverty reduction as an “immediate objective of development assistance, rather than as a consequence of the economic growth the assistance in designed to stimulate” (Hayami 2003: 57). A fundamental flaw of the SAPs was that they left the task of poverty reduction to the anticipated trickle-down effect of economic growth which, as history dictates, failed to translate into reality. Indeed, these programmes greatly underestimated the complex realities faced by many countries in the South, especially in Latin America where inequality is widespread and power tends to be concentrated in the hands of the economic and political elite. The shift towards ‘pro-poor’ development was very much evident in the creation of eight Millennium Development Goals (MDGs) in 2000, the first of which aims to reduce the proportion of people living on less than a dollar a day and those who suffer from hunger by half between 1990 and 2015 (see the United Nations website). Furthermore, no specific targets were set in terms of economic growth and this is indicative of this apparent transition towards prioritising poverty reduction within development.

In addition to reflecting this pro-poor shift, the creation of the MDGs bore witness to the elevation of concepts such as ‘selectivity’, ‘ownership’ and ‘participation’ within development policy and practice. This process was synonymous with a more fundamental change in awareness over the effectiveness of aid and how best to achieve results. Of

20 From 1965 to 1990 the 23 economies of East Asia grew faster than all other regions of the world and this was marked by a substantial improvement in the standard of living, and advances in a host of other economic and social indicators. In most of the economies the government intervened systematically to ‘foster growth’ (see World Bank 1993 for further detail).
21 Hayami states that “in the heyday of SAP, from 1987 to 1996, the number of people living below the poverty line of one US dollar per day in Sub-Saharan Africa increased by one third, and nearly half the total population continued to live below this poverty threshold” (2003: 55).
22 The MDGs were agreed upon at the United Nations Millennium Summit in September 2000 and roughly 190 UN member states signed on to them. They consist of eight key goals, which are to be met by 2015, ranging from halving global poverty to tackling discrimination against women.
particular importance in this regard, was the World Bank report produced in 1998 called 'Assessing Aid: What works and what doesn’t’ which, as revealed later in this thesis, was highly influential in shaping the core principles underlying the MCA. This document encapsulated the World Bank’s ‘new’ and ‘improved’ vision for development in the South, through which the principles of the PWC could be extended with universal applicability. In particular, this report recommended that donors adopt performance-based aid systems, in which developing countries would be rewarded for pursuing ‘sound policy environments’. However, whilst on the one hand this transition towards greater selectivity may represent an innovative approach to delivering assistance, on the other it can be identified as a new phase in ‘conditionality’ which, as discussed below, was the hallmark of the WC and its associated SAPs. In light of this, the extent to which the PWC truly represents a departure from neoliberal discourse can, as emphasised by the following extract, be debated:

“This shift [towards the PWC] should not be seen as a reversal of the structural adjustment policies which characterised the Washington consensus. Rather, it can be argued that the PWC should be more properly viewed as an attempt to develop a political institutional framework to embed the structural adjustment policies of the Washington consensus” (Jayasuriya 2001: 1).

2.7 Promoting ‘good governance’ through aid

The introduction of the concept of ‘good governance’ to the field of international development is relatively recent. Indeed, it first surfaced towards the end of the 1980s in the World Bank’s report on Sub-Saharan Africa, which talked about a ‘crisis of governance’ (World Bank 1989). Since then, it has come to dominate development lexicon and arguably constitutes one of the PWC’s most defining features. Moreover, its emergence is illustrative of the recognition that the state, as discussed in section 2.6.1, has an incisive and positive role to play in development. Yet despite the concept’s widespread use, there is still much ambiguity regarding what good governance actual entails:

“Aid practitioners have not yet been able to articulate an unambiguous and operational definition of the concept. A variety of definitions, greatly differing in scope, rationale and objectives, have been advanced. This multitude of definitions has
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*generated an increasing confusion regarding the boundaries of the concept*" (Santiso 2001a: 4).

It is clear that the way in which governance, or more specifically what constitutes good governance, is interpreted and perceived varies significantly, with the concept meaning different things to different people at different times. In this respect, it is a very subjective term, with past attempts at defining ‘good’ or ‘bad’ governance having limited success. However, bearing in mind the World Bank’s significant global influence, its tendency to preach doctrine, and the propensity of other donors to follow the bank’s lead, it is useful now to set out how the World Bank defines governance. One of the most cited World Bank definitions is taken from its report on ‘Governance and Development’, in which it describes governance as “the manner in which power is exercised in management of a country’s economic and social resources” (1992:52). If we accept this definition, then one clearly cannot ignore the concept’s political inference. However, as the following discussion reveals, this presents a real dilemma for the World Bank and IMF which, according to their ‘traditional mandates’, are supposed to be apolitical.

2.7.1 The World Bank and the good governance agenda

An image of political neutrality is extremely important to an organisation such as the World Bank, which has one-hundred and eighty-five member countries, thousands of multinational staff and a global presence. In is not surprising, therefore, that in promoting ‘good governance’ the World Bank has tended to focus on the economic dimensions of the concept, thereby embracing the ‘functionalist logic’ that “economic and technical questions can be separated from politics” (Boás cited in Santiso 2001a: 6). Arguably, by targeting assistance at areas such as public administration, rule of law, and transparency and accountability, which are located as the “major elements to ensure economic growth and development”, it has been able to maintain, to a degree, this apolitical image whilst pursuing governance reform (Nanda 2006: 274). Consequently, the World Bank has not explicitly questioned issues such as the ‘legitimacy of government’, nor the equitability of the

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23 Whilst this neutral image has been a very significant part of the World Bank’s identity and perceived legitimacy, various scholars have, as Miller-Adams suggests, “made the case that the World Bank has never been as apolitical as it maintains” (1999: 23).

24 Robinson, however, argues that “the separation of the political and the socioeconomic is an illusion, since the concentration of economic resources leads to the concentration of political power” (2007:34). Greater consideration is given to this relationship later in the following chapters.
economic/social system\textsuperscript{25}. According to Santiso, the "quality of governance is ultimately attributable to its democratic content", with neither one being sustainable without the other (2001a: 2). One could, therefore, argue that the World Bank, restricted by its mandate, has tended to ignore the more fundamental issues of power, wealth and control, in formulating and pursuing good governance policy. Indeed, whilst defining governance in terms of the 'exercise of power' in managing a country's resources, it gives little consideration to the way in which control over these resources is accumulated, maintained and concentrated by a country's political and economic elite.

2.7.2 Good governance: Conditionality re-packaged?

As stated earlier, a major flaw of the SAPs was that they greatly underestimated the complexities and intricacies of developing countries and, in doing so, failed to challenge the status quo through which power and wealth has been distributed. Whilst the 'good governance' agenda of the World Bank does place greater emphasis on a country's internal dynamics, it does not, as mentioned above, go beyond the realm of policy\textsuperscript{26} the reform of which continues to be defined through the lens of neoliberalism. Indeed, conditionalities, which as mentioned earlier were a defining feature of the WC, continue to play a key role in ensuring policy compliance in the South. Ultimately, 'good governance', however ambiguous and debated the concept may be, has become the means by which agencies, such as the World Bank, have been able to exert new aid conditionalities based upon the perceived performance and effectiveness of countries in the South. This situation is indicative of the shift towards greater selectivity in the delivery of aid which, despite suggestions to the contrary\textsuperscript{27}, represents a new phase of proactive-conditionality. More specifically, pro-active conditionality, commonly referred to as 'pre-emptive development' (see Soederberg 2004), has ensured that many countries wishing to access loans or grants meet a range of criteria before they can become eligible for assistance. This approach is, as discussed later in the thesis, very much evident in the framework of the MCA, in which financial assistance is

\textsuperscript{25} As discussed earlier, one of the key reasons for the monumental failure of the SAPs to promote development was that they greatly ignored the complexities of Latin American society and the underlying power relations that dictate society's characteristics.

\textsuperscript{26} According to Santiso, the World Bank's approach to governance is one of 'extricating policy from politics' (2001a: 6) and, as illustrated later in this thesis, the MCA appears to adopt a similar mentality.

\textsuperscript{27} For example Chhotray and Hulme talk about the 'abandonment of conditionality' and the 'adoption of selectivity' (2007: 4).
granted as a reward for ‘good behaviour’. Furthermore, the growing tendency of donor organisations to work with the ‘best performers’ in development reflects the transition towards a strongly results-driven agenda, in which the emphasis is increasingly placed on getting the greatest ‘bang for buck’.

2.7.3 Good governance and neoliberalism

The extent to which good governance, a central tenet of the new consensus on development, does in fact represent a real departure from traditional discourse is, for reasons outlined above, debateable. By locating the governments and policies of developing countries as being culpable for the failure of the WC, the IFIs have been able to reinforce their position within the field of development, whilst at the same time paving the way for “institutional and political reforms through aid conditionalities in the borrowing countries” (Singh 2004: np). According to this perspective, therefore, “it was not the neoliberal model that was to blame for the lack of progress but rather the immature, corrupt and inefficient state administrations” (Demmers et al 2004: 1). In this respect, governance policy provided an incisive mechanism with which to embed neoliberal discourse in the South, ensuring that governments pursue and adopt the ‘right’ policies. The current emphasis placed on ‘fighting corruption’ in the South is, in many ways, complicit with this agenda and provides “a convenient explanation as to why the pro-market economic reforms of the past two decades in the South have not borne the fruit that they were supposed to” (Brown and Cloak 2004: 273). Moreover, this crusade against corruption has gained momentum within the post 9/11 environment, in which threats to national security are increasingly seen as emanating from so called ‘failed states’ and weakly governed regions. According to the United States Agency for International Development (USAID) for example, countries will only “assume responsibility for their own

28 This notion of rewarding good behaviour was very much evident in the 2006 US National Security Strategy (NSS) and represents a clear example of the infantilisation referred to earlier, in which the South is basically treated as a child needed guidance and discipline: “Long-term development must include encouraging governments to make wise choices and assisting them in implementing those choices. We will encourage and reward good behaviour rather than reinforce negative behaviour. Ultimately it is the countries themselves that must decide to take the necessary steps toward development, yet we will help advance this process by creating external incentives for governments to reform themselves” (NSS 2006: 33).
29 Indeed, the current Bush administration’s agenda for ‘transformational’ policy is, as the following chapter reveals, illustrative of this reality
30 The global ‘crusade’ against corruption in the South has been spearheaded by the World Bank, which locates it as a major threat to ‘development’: “Today one of the biggest threats to development in many countries is corruption. It weakens fundamental systems, it distorts markets, and it encourages people to apply their skills and energies in non-productive ways. In the end governments and citizens will pay a price, a price in lower incomes [and] lower investment” (Wolfowitz 2006: np).
Chapter 2: Development discourse, the Washington Consensus and the Post-Washington Consensus

security” through building “good policies, stable institutions and local capacity” (2004: 5) and this association has, as revealed below, prompted a convergence between US security concerns and development policy.

2.8 The new security agenda and development policy

Since 9/11 there has been a fundamental shift within US international development priorities, in which foreign assistance has become increasingly allied to a broader strategy of combating terrorism. Indeed, ‘development’ is now located as one of the three pillars of the US NSS and this convergence has been witnessed in practice by the aligning of USAID’s “foreign assistance and foreign policy objectives and resources” with the State Department (Natsios 2004: 3). The following extract sheds further light on this situation:

"Given many threats to national security in the post-Cold War, post-9/11 world, U.S. foreign assistance must address more than humanitarian and developmental goals. Conditions of instability and insecurity that arise from terrorism, transnational crime, failing states, and global disease must be mitigated for sustained economic and social development to take root and flourish” (USAID 2004: 5)

This joining of development and security concerns is reminiscent of the speech made by President Truman in 1949 in which he stated that:

"More than half the people in the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas” (Truman, cited in Rist 1997: 71).

Both extracts identify threat as emanating from the ‘third world other’, although there is a subtle difference. Whereas Truman relates threat as stemming from conditions associated with ‘underdevelopment’ such as food scarcity, disease and economic stagnation, USAID identifies threat in much more specific terms as originating from the conditions of ‘instability and insecurity’ created through the existence of terrorism. This is important, as it ultimately shifts the emphasis placed on development away from a position of combating poverty, to a
position of combating terrorism. Whereas poverty and what it constitutes is somewhat open to debate, there is nonetheless a universal consensus that poverty does exist and is expressed through, for example, a lack of basic services, low living standards, high infant mortality and so on. On the other hand, the attachment or designation of the ‘terrorist’ label is far more subjective. As the saying goes, one person’s terrorist is another person’s freedom fighter. Consequently, the persuasiveness and pervasiveness of such a label is inextricably linked to what is referred to Foucault as the ‘power/knowledge nexus’ in discourse, which is explored in much greater detail in the following chapter.

2.8.1 The dangers of convergence

There are some obvious concerns regarding the convergence between development assistance and broader US security objectives. For example, there is danger that the popular ‘with us or against us’ mentality found within prevailing US ideology will be applied to a development context. If this happens then assistance may well be biased towards those countries which are seen as ‘friends’ of the US. Indeed several examples are revealed whilst examining the MCA in the following chapter, where political considerations appear to have influenced eligibility within the initiative, reinforcing the need to examine the “intersection between politics and development policy” (research interview with Manuel Orozco31). Furthermore, there is a tendency, as highlighted at various times during this thesis, for countries in the South and policy-makers alike, to couch development issues in terms of ‘combating terrorism’ in order to secure additional funding at a time when US security interests are dominating the political landscape. In Latin America, for example, US officials in charge of policy towards the region have increasingly sought attention and resources by “lumping a broad range of issues together in the counterterrorism - and narcoterrorist - basket” (Youngers and Rosin 2004: 9). Whilst this might help secure additional support in the short-term, it helps to perpetuate a discourse in which the value of development is increasingly measured by its ability to combat perceived threat. Moreover, this could be counter-productive in the long run in terms of combating poverty, in which the distribution of foreign assistance may no longer be defined in terms of need, but by broader US security concerns.

31 Manuel Orozco, Senior Associate and Director of Remittances and Development at the Inter-American Dialogue - Interview held in Washington D.C. on 4th October 2005.
Conclusions

In concluding, it is important to emphasise that the purpose of this chapter was not to analyse the intricacies of development discourse and doctrine, but to provide the foundation for discussions to come. Indeed, many of the themes explored here are expanded upon and developed throughout this thesis, presenting additional complexities and twists to the discussion.

This chapter began by looking at a famous speech made by President Truman in 1949, in which the meaning of development was profoundly altered by relating it to ‘underdevelopment’. This paradigmatic moment in development discourse set the staging ground for ‘modernisation theory’, a school of thought in which western experience was located as the panacea to underdevelopment. It gained much sway within US foreign policy, providing the ‘legitimacy’ for interventions in the South during the 1950s and 1960s. The prevailing geopolitical landscape was particularly important in this regard, as it established the precedence for implementing development policy. Dependency theory, which emerged in Latin America, contested the notion that there was a positive relationship between the ‘core’ and ‘periphery’ and, in doing so, helped to deconstruct traditional representations of the South. Although this did undoubtedly provide a valuable insight into Latin American underdevelopment, it nevertheless fell into the same trap as modernisation theory, in that they both tried to create universally applicable theories (Moles 1999: 7).

By analysing the succession of development discourse in Latin America, this chapter set the foundation for the focus of this discussion, the WC and the PWC. The WC, which emerged as a response to the crippling debt crisis of the 1980s, provided the conceptual framework through which strict market-orientated reforms, stipulated by the IFIs, would be enacted. Although originally emanating as part of the so called neoliberal counter-revolution in Latin America, these SAPs were soon imposed on other parts of the world with little or no regard for social policy or country complexities. Whilst, as already stated, these programmes were presented as the answer to the South’s underdevelopment, they had very little success, prompting fierce criticism over the IFIs and their policy prescriptions. In this respect, it is not

Arguably, this reality bears witness to the fact that development is a highly dynamic phenomenon, with its meaning being moulded and shaped according broader geopolitical interests. This is very much evident today in the convergence between development policy and security concerns.
surprising that the PWC arose when it did. Indeed, it presented the World Bank with the opportunity to redefine itself and its policy at a time when confidence was low and it was facing a crisis of legitimacy. A particularly important process in this transitional phase was the emergence of the 'good governance' agenda, through which new forms of conditionality have been imposed on countries in the South. By locating the failure of past programmes with the state, the World Bank and its sponsors have been able to divert attention away from their own failures, whilst continuing to promulgate a model of development that is defined and shaped through the lens of neoliberalism.

Finally, this chapter has illustrated that in order to understand the contemporary conditions shaping development policy and the distribution of foreign assistance, one must look beyond traditional development discourse and growth paradigms, to embrace a more fundamental understanding of the interchange between geopolitics and development policy. The following chapter, which explores the MCA and its various dimensions, adds weight to this suggestion and presents concrete examples of how the initiative has been affected by broader political considerations following the tragic events of 9/11.
Chapter 3: United States Foreign Assistance and the Millennium Challenge Account

The previous chapter looked at the changes in development discourse over the last fifty to sixty years and, in doing so, placed a particular emphasis on the Latin American experience. It set the basic theoretical backdrop to contemporary United States (US) development assistance, within which we can locate the Millennium Challenge Account (MCA). The MCA, broadly speaking, can be seen as a construct of the Post-Washington Consensus (PWC) and its associated thinking, with its creation being indicative of a shift in the way that foreign development assistance is delivered by the US. More specifically, the MCA symbolises a reaction to the perceived failures of past efforts and general disenchantment regarding the effectiveness of US development assistance. As argued by Clark, “all of the MCA innovations are designed to answer longstanding criticisms within the development community of assistance effectiveness” (2005: 32). However, the extent to which the MCA represents a clear and fundamental departure away from the core tenets of traditional development discourse is debateable. Chapter 2 highlighted this point more generally with regard to the PWC and its association with neoliberal ideology, arguing that although the PWC does offer a somewhat new approach to the delivery of foreign development assistance, it does so whilst continuing to hold on to essentially neoliberal ideas. In following on from that discussion, this chapter focuses more specifically on the MCA, what it involves and how it differs from traditional US aid programmes. Before doing this, however, the chapter locates US foreign assistance within a general framework of power.

3.1 Understanding ‘power’

‘Power’ is a concept that is constantly being re-evaluated, repackaged and reinvented, and as a result is in a perpetual state of flux. This discussion does not attempt to unravel the myriad of ideas and interpretations of power, other than recognise that these complexities exist. Instead this section looks at the concept of power from a geographical perspective and, more specifically, through the lens of ‘geopolitics’.

It is important to recognise in starting this discussion that just as the concept of power is plagued by ambiguity, so too is there a profound haziness regarding both the interpretation
and meaning of geopolitics. As Agnew and Corbridge (1995) comment in their influential book ‘Mastering Space’, there is in fact little agreement as to geopolitics’ precise meaning and influence. This stems from an array of potential factors, ranging from the contamination of ‘geopolitics’ through, for example, the historical ‘misuse’ of the German school of ‘Geopolitik’ by the Nazi-regime (see Mamadouh 1998), to the necessity for geopolitical thought to evolve in the wake of profound changes to the global world order, as witnessed by the end of the Cold War:

“At first glance the end of the Cold War, the deepening of ‘globalisation’ and the de-territorializing consequences of the new informational technologies seem to have driven a stake into the heart of geopolitics” (Ó Tuathail and Dalby 1998: 1).

Arguably, the fall of the Berlin represented the disintegration of ‘traditional’ geopolitical understanding about meaning and identity across global political space and, furthermore, marked the end of an era that had been dominated by the subordinating geopolitics of the Cold War. This global drama that had ‘eclipsed all others’ had finally ended and the ‘geopolitical architecture’ of the world was transformed (Luke 1996: 491). Fukuyama’s pronouncement of the ‘end of history’ was indicative of this sense of finality, although his positivistic view on western liberal democracy was not without significant contestation (see Dodds 2000: 6, 8). Arguably, the collapse of the pervasive and persuasive geopolitical Cold War discourse created a sort of intellectual vacuum or, more specifically, a space of awakening for the construction of new alternative visions of global space, such as Huntington’s ‘clash of civilisations’ and, as already alluded to, Fukuyama’s ‘end of history’ thesis (Ó Tuathail and Dalby 1998: 1). Although these were two very different

33 It could be argued, as illustrated later, that there has been another dramatic shift following the events of 9/11. This shift is specifically examined in section 4.4.10 of chapter 4, which looks at how 9/11 has affected US-Latin American relations.

34 Huntington’s approach to the ‘new’ geopolitics of the post-Cold War era is exemplified in the following extract taken from his influential essay entitled ‘The Clash of Civilisations?’: “It is my hypothesis that the fundamental source of conflict in this new world will not be primarily ideological or primarily economic. The great divisions among humankind and the dominating source of conflict will be cultural. Nation states will remain the most powerful actors in world affairs, but the principal conflicts of global politics will occur between nations and groups of different civilizations. The clash of civilizations will dominate global politics. The fault lines between civilisations will be the battle lines of the future” (Huntington 1993: 1).

35 The end of the Cold War also coincided with the highly popularised ‘end of geography’ thesis. As Yeung discusses, “this thesis argues that the juggernaut of globalisation, as a planetary force, is capable of penetrating all kinds of national boundaries and eroding any geographical differences therein. The convergence effects of globalisation are so strong that there is no place for geography in the processes of global change” (2002: np). Like Fukuyama’s ‘end of history thesis’, this interpretation has been heavily critiqued, especially within human
interpretations of the post-Cold War order, it is argued that the theme unifying both approaches was their profoundly ‘anti-geographical’ stance, which ignored the “complex geographies of world politics” (see Dodds 2000: 11-15). Furthermore, in response to the apparent legitimacy given to Huntington’s thesis following the events of 9/11, Edward Said wrote a particularly scathing article entitled ‘The Clash of Ignorance’ in which he called ‘The Clash of Civilisations’ a gimmick like ‘The War of the Worlds’. Said identified Huntington as an ‘ideologist’ who wants to make ‘civilisations’ and ‘identities’ into what they are not – “shut-down, sealed-off entities that have been purged of the myriad currents and counter currents that animate human history…” (2001: np). The work of critical geopolitical writers presents a useful entry point with which to begin deconstructing such representations of the world order and recognises the important interplay between power-knowledge and social/political relations (Dodds 2000: 33).

3.1.1 Critical geopolitics

Critical geopolitics can be defined as “a school of thought which explores the meanings, forms of representation and symbolic contestation of the geopolitical world and the discourses which underpin the production and reproduction of the meanings of geopolitical space” (Johnston et al 2000: 311). It has been influenced to a large extent by postmodernism, which has sought to deconstruct the grand claims and grand theories of the modern era and, more specifically with regard to the discussion here, questioned the “epistemological limits of the ethnocentric practices underpinning Cold War geopolitics” (Ó Tuathail and Dalby 1998: 2). It is not surprising, bearing in mind the fact that ‘plurality’ is endemic to postmodernism, that the analytical framework of critical geopolitics is derived from many different sources including “discourse analysis, international political economy, feminist approaches and post-modern social theory” (Dodds 2000: 34). Arguably, however, the greatest influence on critical geopolitics has been the insistence by Foucault that one must explore the ‘power-knowledge nexus’ in discourse. As stated by Agnew, “knowledge is always situated in specific historical-intellectual contexts and power relationships that colour both approaches and interpretations” (2002: 7). As such, far from being viewed as a neutral technique or ‘device for viewing the world’, geopolitics is now seen within critical geopolitics as a discourse that may be used to represent the world in particular ways (Dodds geography, in which it is contested that “despite the accelerated processes of globalization, national boundaries still matter in the decision-making and global reach of capital” (Yeung 1998: 291).
This recognition coincides with the realisation by critical geopolitical writers that the notion of a detached and objective researcher is a fallacy, with approaches to understanding world politics being self-consciously situated within a body of assumptions about the world (ibid). Therefore, a defining contribution of the geopolitical approach to our understanding of the world order is that it provides an insight into how global space may be 'constructed' and 'represented' in multiple ways to reflect and legitimise particular geopolitical interests. As Ó Tuathail and Dalby argue, "critical geopolitics bears witness to the irredeemable plurality of space and the multiplicity of possible political constructions of space" (1998: 3).

3.1.2 Power and space

John Allen's work analysing the geographies of power provides an interesting insight into this discussion of geopolitics by looking at the interplay between 'power' and 'space'. Allen states that "power is inherently spatial and, conversely, spatiality is imbued with power" (2003: 3). As discussed below, there are many different types and modalities of power, and each one is uniquely constituted in both time and space. Therefore, it is important to keep in mind that 'power', in whatever form, is heavily influenced by the factors of 'reach, proximity and presence' (ibid: 190). Moreover, there has been a tendency, particularly within orthodox accounts of power, to simply equate 'power' with 'domination' and use power and domination interchangeably, with little or no regard for the concepts' multifacetedness. Reducing our understanding to such a monolithic interpretation not only masks the complexities of power as exercised at all scales and levels of society, but it is also counter-productive in that it reinforces a discourse that places the 'dominated' in a powerless and subordinated position. As Sharp et al discuss, "power should not be viewed solely as an attribute of the dominant, expressed as coercion or political control, since it is also present in the ability to resist" (2000: 3). Furthermore, Sharp et al distinguish 'dominating power' as that power which attempts to control or coerce others, to impose will, and/or manipulate the consent of others, and 'resisting power' as that power which attempts to establish situations, groupings and actions to 'resist' the impositions of dominating power (ibid). However, the idea of power existing as a duality in which a line is drawn between those doing the 'dominating' and those 'resisting' is arguably somewhat simplistic. Consequently, the following section applies the concept of 'hegemony' to help us challenge some of the oversimplifications identified in the preceding literature.
3.1.3 Geopolitics and hegemony

'Hegemony' is a term derived from the prison writings of Antonio Gramsci (1971) and can be defined as follows:

"The capacity of a dominant group to exercise control, not through visible regulation or the deployment of force, but rather through the willing acquiescence of citizens to accept subordinate status by their acceptance of cultural, social and political practices and institutions that are unequal and unjust" (Johnston et al 2000: 332).

As a concept it has, as indicated above, been traditionally associated with the state, often referring to the way in which power is manipulated at quite local levels. However, since these initial writings alternative discourses have arisen around hegemony, with its original meaning being expanded and extended to reflect a variety of interests and conditions. In this regard, it is the literature on the so called ‘Great Powers’, which included Great Britain in the mid nineteenth century and the US from 1945 to the 1970s (Agnew 1998: 10), that presents the most useful point of entry with which to frame our understanding of hegemony here. Agnew argues that the dominant representations and practices constituting the modern geopolitical imagination have overwhelmingly been those of the political elites of Great Powers, i.e., “those states and empires most capable of imposing themselves and their views on the rest of the world” (ibid: 9). At any one time within this privileged grouping, a single state can be number one, i.e. the ‘hegemon’, and this state is able to play the lead role in laying down and enforcing the ‘rules of the game’.

Although countries have often been the ‘agents’ of hegemony, there is no requirement stating that any given ‘geopolitical order’ must be dominated by a single state (Agnew and Corbridge 1995: 17). Consequently, hegemony can exist without having a hegemonic state and this is arguably the case in the post-Cold War epoch. The fall of the Soviet Union represented the formal end point for the Cold War geopolitical order, with the US emerging as victor and unrivalled world hyperpower. However, it is debateable as to whether, in this new world order, the US actually constitutes a dominant state hegemon. Instead, it could be
argued that ‘transnational liberalism’\textsuperscript{36} stands as the hegemonic ideology of this epoch, constituting the belief that “universal progress lies in the expansion and extension of capitalist markets across the globe” (Ó Tuathail 1998: 19). William Robinson’s conceptualisation of ‘polyarchy’ provides a useful mechanism for exploring this reality further.

3.1.4 Polyarchy and hegemonic ideology

In adopting the concept of polyarchy, Robinson draws upon ‘World-Systems Theory’\textsuperscript{37} and a neo-Gramscian perspective on hegemony in international relations (Stahler-Sholk 2000: 134). He argues that the shift in the US to promoting ‘democracy’ during the 1980s and 1990s, as seen most vividly in the case of Central and Latin America, represents a new ideology for the promotion and protection of transnational interests. In the era of economic globalisation ‘democracy promotion’ has, according to Robinson’s interpretation, been used to legitimise states adopting neoliberal reforms, endorsing a model of ‘development’ in which “a small group actually rules, and mass participation in decision making is confined to choosing leaders in elections that are carefully managed by competing elites” (Robinson 2000: 43). Polyarchy can therefore be understood as part and parcel of ‘transnational liberalism’, a hegemonic ideology in which the US remains an undeniably important sponsor and actor, but not necessarily a hegemom itself. This situation reinforces Agnew and Corbridge’s statement that “there is always hegemony, but there are not always hegemons” (1995: 17). This realisation calls into question the fundamental tenets of modern geopolitical imagination, which has tended to focus on the state, necessitating the reevaluation and reinterpretation of space to take into account a frequently changing and evolving world economy. Nevertheless, although one could and should question the extent to which the US is a global hegemon, the power it exerts and exercises across global space continues to be unsurpassed by any other state. Indeed, as Allen comments, “the mix of awe

\textsuperscript{36} By way of further clarification, Routledge describes ‘transnational liberalism’ as follows: “Transnational liberalism celebrates capital mobility and ‘fast capitalism’, the decentralization of production away from developed states and the centralisation of control of the world economy in the hands of transnational corporations and their allies in key government agencies (particularly those of the seven most powerful countries, the G-7), large international banks, and institutions like the World Bank, the IMF and the World Trade Organization” (1998: 252).

\textsuperscript{37} World-Systems Theory is defined as a “materialist approach to the study of social change developed by Immanuel Wallerstein” (Johnston et al 2000: 901).
and fear that the US generates in equal measure as the world’s only hyperpower tells us pretty quickly where power lies” (2004: 19).

3.1.5 Examining the ‘entanglements of power’

It is important here to reinforce the fact that power is as much about resistance as it is about domination. As Sharp et al’s work looking at the ‘entanglements of power’ suggests, expressions of power are far from separate, but are in fact overlapped and entangled. For example, it is argued that power is entangled within the state, with ‘resistances’ existing between various state apparatus\(^{38}\) (Sharp et al 2000: 7). Furthermore, in exploring the interplay between the various modalities of power one cannot ignore the political processes occurring at a wide range of scales, from the very local to the international. Routledge’s 1996 essay on ‘Critical Geopolitics and the Terrains of Resistance’ looks at the role of social movements in challenging state-centred notions of hegemony and provides an insight into how critical geopolitics can promote a more radical understanding of the ‘political’ at a scale other than global. Of particular interest in this respect, is the fact that hegemony is a dynamic process, with the individuals involved – including both the dominant and resistant elements – and the terrain upon which they struggle, always shifting (Routledge 1996: 511).

Within this context, therefore, hegemony can thus be viewed as “an active site upon which the contestation between forces of resistance and domination are enacted” (ibid). Moreover, Routledge refers to what he terms the ‘terrains of resistance’ to further contextualise our understanding of hegemonic and counter-hegemonic powers and discourses, with each ‘terrain’ combining a ‘political praxis’ that includes politics occurring at both a micro and macro level (1996: 17). Consequently hegemony is a dynamic phenomenon and is as much about resistances as it is about the various forms of domination (and indeed it tends to go beyond this simple dichotomy). Therefore, it can not be truly understood from a purely international geopolitical perspective, as events happening at a range of scales, from the local to the global, are also important. Indeed, this will be illustrated multiple times throughout the thesis. For now, however, we return to the issue that pre-

\(^{38}\) This point will be exemplified further in the following chapter looking at the history of US foreign policy towards Central America and the frequent conflict within the US state apparatus between Congress and the Executive.
empted this discussion on power and focus on the current geopolitical order in which the MCA is being implemented and exercised in practice.

3.1.6 Post 9/11: A new geopolitical order?

As mentioned above, the end of the Cold War brought with it a crisis of identity within the sphere of geopolitics and catalysed the formation of new ideas regarding the organisation of space within a new world order. In a similar fashion, the events of 9/11 also led to a total re-ordering and re-organisation of global politics, with the ‘War Against Terror’ replacing communism as the “catalytic motivation and ideological frame for a resurgent United States” (Dodds 2005: 3). The Bush Doctrine has arguably become the face of this new geopolitical order and put into practice a new phase of unilateral interventionism, justifying the use of preventative US military measures to deal with perceived ‘threat’, even if that ‘threat’ is not yet established or imminent. Although combating ‘Weapons of Mass Destruction’ (WMDs) was the most visible expression of intent, control of the world oil supply by countries such as Iraq was also undeniably seen as a ‘threat’ to US interests (enhancing energy supply was mentioned explicitly in the US’ NSS 2002). That being said, such developments have not gone unchallenged and it is important to emphasise that in this post 9/11 world new ideas are being formed and propagated about the organisation of political space, and the exercise of entangled power across this space. As a result, the MCA is occurring in a world of emerging identities and discourses, and it is important to recognise the shifting geopolitical contexts within which the initiative was formed and continues to act. In fact, Agnew suggests that there are three possible candidates as the basis of a ‘new’ geopolitics, one which focuses on the transnational economy and the process of globalisation, another which sees the prospect of ‘culture wars’ between civilisations, and a third which perceives the US exercising imperial dominance with little or no military competition (2003: 115). At this point in time, it could be argued that there is evidence for all three and much could be said for incorporating each one, to varying degrees, within a holistic analysis of global politics.

3.1.7 Geopolitics and power: Locating the MCA

Although these visions for the new ‘world order’ are useful in framing the broader context for the MCA, I think that Robinson’s conceptualisation of ‘polyarchy’, as part of the
Chapter 3: US Foreign Assistance and the Millennium Challenge Account

project for ‘transnational liberalism’, is particularly useful in facilitating a more
geographically grounded understanding of the initiative. The US’s promotion of polyarchy in
Latin America had, as chapter 4 examines, two phases. The first phase involved the
‘promotion of democracy’ in the 1980s and was marked by a shift in US policy away from
bolstering authoritarianism and regional dictatorships. The second encompassed the pursuit
of democratic consolidation during the 1990s and early twenty-first century (Robinson 2000).
The PWC can be seen as part of this second phase, particularly in terms of promoting ‘good
governance’, which was identified in chapter 2 as being one of the major outcomes of the
transition towards the PWC. Although, ‘democracy’ and ‘governance’, as mentioned in the
previous chapter, are two different things, it is easy to see how they may be mutually
enforcing. However, bearing in mind the current discussion, it is perhaps more applicable,
especially when discussing the Latin and Central American experience, to replace
‘democracy’ with Robinson’s concept of ‘polyarchy’. The PWC can thus be seen within the
broader ideological context of ‘transnational liberalism’, reinforcing the argument made in
chapter 2 that far from representing something fundamentally new, the PWC is in fact
embedded within neoliberal discourse and, as such, it endorses and facilitates a model of
‘development’ that is neither equitable nor genuinely ‘democratic’.

So what does this mean in terms of understanding the MCA? As stated in the
introduction to this chapter, the MCA can be seen as a construct of the PWC and as a result it
has direct implications for our understanding of polyarchy and transnational liberalism, and
vice versa. In fact, as this chapter illustrates later in discussing the programme’s selection
criteria, the promotion of ‘sound policy environments’ is demonstrative of an approach that
continues to operate upon fundamentally neoliberal assumptions. This reality is reflected to a
large degree by the nature of the actual projects established in MCA-recipient countries,
including Nicaragua, in which there is an overwhelming presence of large-scale
infrastructural programmes, which could be seen as putting in place the foundations for
transnational liberalism. The fact that the MCA uses economic criteria from the international
figureheads of neoliberal reform - the International Monetary Fund (IMF) and World Bank -
in selecting recipient countries, reinforces this association. Nevertheless, as discussed below,
the selection of certain countries, such as Jordan, appears to be less associated with the
promotion of US-led economic development, than with maintaining US strategic interests. As

39 See chapter 4 on US-Nicaraguan relations for greater detail on the concept of ‘democracy’ and its relationship
with polyarchy.
such, although I would argue that the promotion of transnational liberalism is the underlying factor driving the MCA, there are moments in which other interests have taken precedence in determining country selectivity. Undoubtedly, in the post-9/11 world the promotion of US strategic interests has gained much influence in policy decisions and there has been an inevitable degree of politicisation in, among other things, the delivery of foreign development assistance. As argued by Robinson “polyarchy promotion is always only one component of overall US foreign policy, part of broader strategies designed on a country-specific basis that may include the synchronizing of ‘democracy promotion’ with diplomatic undertakings, military aggression, Central Intelligence Agency (CIA) propaganda and covert operations, and multilateral actions” (2007: 35).

3.2 The United States: Promoting a new development paradigm?

Although the above discussion has been useful in setting out the underlying power dimensions of US foreign policy and practice, a more systematic approach is required if we are to understand the different aid policies and programmes that exist in the US today, and where the MCA fits within that framework. Fortunately, a relatively recent reform package being adopted in the US provides an entry point for doing this.

3.2.1 A vision for ‘transformational diplomacy’

In January 2006 Condoleezza Rice announced the beginning of a sweeping reform plan that sought to ensure that foreign aid would act to advance broad US foreign policy and national security goals (Patrick 2006: 1). This reform package was part of a broader mission by the US to promote what has been labelled ‘transformational diplomacy’. Rice defines this mission as follows: “To work with our many partners around the world to build and sustain democratic, well-governed states that will respond to the needs of their people - and conduct themselves responsibly in the international system” (2006: np). This vision of ‘diplomacy’, as articulated by Rice, represents a very different conceptualisation and expression of the phenomenon; one that focuses on internal state factors and ‘supporting’ changes within foreign states, as opposed to the more mainstream interpretation of diplomacy as constituting inter-state relations. As Krasner comments, “it’s about the nature of domestic political regimes rather than the international balance of power” (2006: 3). This emphasis on internal
transformation is indicative of the good governance agenda discussed in chapter 2, in which the fundamental factors limiting development progress are identified as arising from internal conditions or, more specifically, from state inadequacies. This re-conceptualisation of diplomacy also reflects a reality within which ‘threat’ towards the US is no longer seen as resulting primarily from other major powers (as witnessed during the Cold War), but instead it is seen as arising from the domestic conditions within foreign developing states.

3.2.2 Reforming US assistance

In recent years, there has been significant pressure to streamline US foreign assistance which has, as the following extract reveals, become increasingly fragmented and bogged down in bureaucracy:

"Today, foreign aid pours out of at least eighteen separate aid spigots within the State Department and the US Agency for International Development (USAID) alone, addressing everything from health interventions to military training, counter-narcotics assistance, and economic support to allies. This is to say nothing of the twenty-odd other federal departments and agencies that maintain their own aid programmes. Rather than reflecting coherent US strategies toward particular countries, aid is too often driven by the desires of individual agencies or US missions, with the right hand not always knowing what the left hand is doing" (Patrick 2006: 1).

As such, the reform package promoted by Rice can be seen as the first step in bringing order to what is seen by many as a somewhat chaotic aid system. More specifically, this process is about coordinating and centralising the control and accountability of funds between USAID and the State Department. At the same time, this convergence raises the likelihood for a much greater level of politicisation in USAID’s activities. Indeed, Engler states that through this process the Bush administration is tying aid to US strategic interests in a much more overt manner (2006: np). Arguably, this is part of a more fundamental shift within the US following 9/11, in which “the lines traditionally separating development and humanitarian aid

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40 The newly created position of ‘Director of Foreign Assistance’ (DFA) is to play a key role in overseeing this process of reform, having significant authority over the actions of USAID and the State Department, whilst also reportedly giving ‘guidance’ to other agencies and entities of the government, including the Millennium Challenge Corporation (State Department 2006a). However, according to a report presented to US Congress in 2007, the MCA is outside the DFA’s scope (Veillette 2007: 4); which suggests that influence on the initiative itself will be limited.
from political and military action” have become blurred (Oxfam America 2006: np). As one USAID official is quoted as saying, “the days when aid workers could set their own agenda, without concern for national security priorities, are over... that's a peacetime luxury... we're a country at war” (Stockman et al. 2006: np).

Ironically, USAID was created in the 1960s in an attempt to separate development assistance from political and security-based aid. As stated on USAID’s webpage, “Freed from the political and military functions that plagued its predecessor organisations, USAID was able to offer direct support to the developing nations of the world” (USAID 2005). It would, of course, be very naïve and incorrect to suggest that this separation from politics and military agendas has until now been maintained - one look at the Cold War suggests otherwise - but there is nevertheless a clear danger that the organisation’s practice will become determined by the wider political agenda post 9/11, i.e. the ‘War on Terror’. However, it should be mentioned that the nature of the convergence between USAID and the State Department is less than clear. For example Krasner, who was appointed Director of Policy Planning41 by Condoleezza Rice in 2005, states that USAID will remain an ‘independent’ agency, with its legal status remaining the same (2006: 8). That being said, the concept of ‘independence’ can be very ambiguous and whilst USAID will, according to Krasner, remain an ‘independent’ structure in the formal sense, there will inevitably be compromises made in terms of less tangible assets such as the ‘ideas’ shaping US development discourse within USAID.

### 3.2.3 ‘Transformation’ and US foreign assistance

Whilst Condoleezza Rice applies the concept of transformation to her vision for US diplomacy it has also, as demonstrated above, become a defining feature of contemporary US foreign assistance. Broadly speaking ‘transformational development’ is a central goal that seeks to achieve the ‘transformation’ of recipient countries’ economic development paths through the use of US development assistance (Nowels and Veillette 2006: 1). Consequently, it aims to do more than, for example, raise living standards or address the immediate issues of poverty, but it seeks to transform countries “through far-reaching, fundamental changes in

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41 According to the State Department website, this position involves focussing “on a wide range of strategic issues, including the development of American capacity to address problems posed by weak and failing states and to support institutions that support freedom, democracy and good governance” (State Department 2005).
institutions of governance, human capacity, and economic structure” (USAID 2004: 14). In this respect, the shift to transformational development reflects the view expressed by many development experts that for aid to be used effectively it must invested in sound policy environments. Once again, this ‘sound policy’ perspective is indicative of the mentality expressed through the PWC in which the state is now understood to be a key player in the development process (as opposed to what was seen under the framework of the Washington Consensus (WC), where the emphasis was placed on ‘rolling back the state’). Through this re-conceptualisation of the state, the onus within the field of development has now shifted to state effectiveness and efficiency.

Although I do not doubt that improving internal state dynamics can be advantageous in promoting ‘sound policy environments’, it is possible that a broader critical questioning of the actual model of development being pushed by governments and institutions in the North is being diverted by an overemphasis on the ‘state’. Arguably, there is a danger that by locating development as a predominantly national issue, one may fail to take into account the potentially negative impact of external relations on development, both past and present. This gives credence to the interpretation of the PWC expressed by Jayasuriya, in which contrary to being something new, the PWC is simply seen as “an attempt to develop a political institutional framework to embed the structural adjustment policies of the Washington consensus” (2001: 1). Furthermore, designating blame for past development failures to the governments of aid-recipient countries provides greater legitimacy and leverage for external actors to intervene in the South. In terms of the MCA, therefore, which as indicated earlier is the flagship development programme for achieving this ‘transformational’ process, we must consider the degree to which the underlying assumptions driving the programme do in fact represent something new and innovative, or whether it is simply another case of ‘old wine in new bottles’.

3.3 The MCA: An introduction

In 2002 President Bush announced the beginning of a new kind of foreign assistance programme by the US that would in theory lead to a fifty percent increase in US core
assistance to so called ‘developing’ countries (2002b). This statement was confirmed in 2003 when the ‘Millennium Challenge Act’ was passed, which founded a new development entity, the Millennium Challenge Corporation (MCC), to oversee and manage the initiative (Clark 2005: 31). According to Radelet, the biggest advantage of establishing this new organisation is that it was able to “avoid the political pressures, bureaucratic procedures, and multiple congressional mandates that weaken current aid programmes” (2003a: 10). In this way it would be able to avoid some of the perceived problems of traditional US development programmes, which had prompted the process of foreign aid reform highlighted earlier in section 3.2.2. However, whilst it is true that the MCC has managed to avoid many of these issues, one could also suggest that it has not done anything to improve the situation. In fact, in the 2006 Development Assistance Committee (DAC) Peer Review, it states that the creation of the MCC had ‘further fragmented’ the US aid system (Organisation for Economic Co-operation and Development 2006: 20). What is more, one cannot ignore the implications of the creation of the MCC on USAID, which appears to have been increasingly sidelined in the delivery of US Official Development Assistance (ODA). Within this context, the creation of the MCC is seen by some as a ‘sign of distrust’ towards USAID (see Steinhilber 2004: 5), prompting fears over the agency’s future.

It is important to recognise that foreign aid can be used to pursue several goals, only one of which is ‘development’. Lancaster identifies six uses of US foreign aid including ‘promoting security’, ‘promoting development’, ‘providing humanitarian relief’, ‘supporting political and economic transitions’, ‘building democracies’, and ‘addressing transnational problems’ such as HIV and AIDS (2000: 33). According to Radelet, however, problems may arise when “one programme attempts to simultaneously meet multiple, sometimes conflicting, objectives, leading to a lack of coherence in everything from broad strategic planning to specific programmes on the ground” (2003a: 4). This is particularly true when we consider the Cold War period, during which foreign aid allocated on the basis of ‘strategic’ not developmental considerations, often failed to deliver positive results. In this regard, the

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42 In reality this pledge of 50% has not been met, with the MCC in 2006 receiving less than half of what was originally stipulated by President Bush. The reasons for and impact of this are looked at later in this chapter.

43 According to the DAC review, between 2002 and 2005 the amount of ODA administered by USAID fell by around 50% (OECD 2006: 12). This coincides with growing global security interests following the events of 9/11; a process referred to earlier in this chapter.

44 Further consideration is given to this important issue in chapter 6, which examines the relationship between USAID and the MCC, and considers whether or not MCA funding has occurred to the expense of other USAID programmes.
MCA can therefore be seen as an attempt to bring order to an environment where the delivery of aid is, as suggested in section 3.2.2, somewhat fragmented and uncoordinated. Indeed, the MCC’s stated mission is to “reduce global poverty through the promotion of sustainable economic growth” (MCC website a). In order to do this, the MCA adopts a somewhat unique selection process in which a country’s prior ‘performance’ determines their eligibility within the initiative. However, before looking more closely at the MCA and the processes involved in becoming a compact-country, it is first useful to locate the fund within the broader framework of US foreign assistance. The new strategic framework for foreign assistance offers an effective entry point in which to do this.

### 3.3.1 Locating the MCA

In May 2006 a new strategic framework for foreign assistance was implemented and this set out how the US would pursue the goal of ‘rationalising’ foreign aid allocated to both the State Department and USAID (Patrick 2006: 3). The overarching goal of this ‘Foreign Assistance Framework’ is to promote ‘transformational diplomacy’ (as defined by Condoleezza Rice in section 3.2.1). Five key objectives are found within this new assistance framework and these are shown in table 3.1.

<table>
<thead>
<tr>
<th>Table 3.1: US foreign assistance objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Advancing peace and security</strong>: Preventing, mitigating, and recovering from internal or external conflict.</td>
</tr>
<tr>
<td>2. <strong>Promoting just and democratic governance</strong>: Making governments accountable to their people by controlling corruption, protecting civil rights, and strengthening rule of law.</td>
</tr>
<tr>
<td>3. <strong>Encouraging investments in people</strong>: Including appropriate expenditure on health, education, and environment.</td>
</tr>
<tr>
<td>4. <strong>Promoting economic growth</strong>: Including reduction in barriers to entry for business, suitable trade policy, and fiscal accountability.</td>
</tr>
<tr>
<td>5. <strong>Providing humanitarian assistance</strong>: Emergency relief and rehabilitation.</td>
</tr>
</tbody>
</table>

Source: Office of the Director of Foreign Assistance 2007

The MCA, as illustrated later, can be seen as fulfilling (in theory) goals two, three, and four directly, although more broadly speaking it could be suggested that it also contributes to goal number one, as reducing poverty is seen by many as being conducive to
the advancement of 'peace and security'. The administration has also, as part of this overall reform process, categorised all US development aid recipient countries according to an assessment of their current conditions. These divisions, defined within the new strategic framework, are shown in table 3.2 below.

Table 3.2: US foreign assistance framework

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
<th>Countries</th>
<th>Goal of US foreign assistance</th>
<th>Graduation Trajectory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rebuilding Countries</td>
<td>States in, or emerging from, and rebuilding after, internal or external conflict.</td>
<td>Including: Afghanistan, Colombia, Haiti, Sudan, Liberia, Kosovo, Iraq, Democratic Republic of Congo, Nepal, Cote D'Ivoire, Sierra Leone, and Somalia.</td>
<td>Stable environment for good governance, increased availability of essential social services, and initial progress to create policies and institutions upon which future progress will rest.</td>
<td>Advance to the developing or transforming category.</td>
</tr>
<tr>
<td>Developing Countries</td>
<td>States with low or lower-middle income, not yet meeting MCC performance criteria, and the criterion related to political rights.</td>
<td>Includes a wide range of countries at various states of development, such as Cambodia, Pakistan, Egypt and Ecuador.</td>
<td>Continued progress in expanding and deepening democracy, strengthening public and private institutions, and supporting policies that promote economic growth and poverty reduction.</td>
<td>Advance to the transforming category.</td>
</tr>
<tr>
<td>Transforming Countries</td>
<td>States with low or lower-middle income, meeting MCC performance criteria and the criterion related to political rights.</td>
<td>Includes all MCA recipient and threshold countries (these are listed in detail below).</td>
<td>Government, civil society and private sector institutions capable of sustaining development progress.</td>
<td>Advance to the 'sustaining partnership' category or graduate from foreign assistance.</td>
</tr>
<tr>
<td>Sustaining Partnership Countries</td>
<td>States with upper-middle income or greater for which US support is provided to sustain partnerships, progress, and peace.</td>
<td>Includes a diverse group of countries such as Israel, Mexico, Russia and Kuwait.</td>
<td>Continued partnership as strategically appropriate where US support is necessary to maintain progress and peace.</td>
<td>Continue partnership or graduate from foreign assistance.</td>
</tr>
<tr>
<td>Restrictive Countries</td>
<td>States of concern where there are significant</td>
<td>Includes countries such as Belarus, Burma, China, Cuba.</td>
<td>Civil society empowered to demand more effective democracies</td>
<td>Advance to other relevant foreign</td>
</tr>
</tbody>
</table>

45 This is readily apparent in the fact that development now forms one of the three pillars of the US security strategy. This accords with the discussion on power presented earlier in which it is argued that a new geopolitical world order has emerged following the events of 9/11 and that this has been accompanied by the reorganisation of political space.

46 This category was established from work undertaken by Patrick (2006: 3, 4)
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| governance issues | Iran, Libya, North Korea, Syria, Uzbekistan, Venezuela, and Zimbabwe. | and states respectful of human dignity, accountable to their citizens, and responsible towards their neighbours. | assistance category. |

Source: Adapted from the ‘Foreign Assistance Framework’ (2007)

As we can see from table 3.2, the MCA is the central initiative adopted by the US to assist ‘transforming’ countries. US assistance within this context has the broad goal of establishing conditions in which a country’s development can be sustained through ‘capable’ government, civil society and private sector institutions. Once again, this is indicative of the good governance agenda discussed earlier. The actual MCC performance ‘criteria’ mentioned in the definitional section is discussed in detail later in this chapter, as is the selection process in general. For now, however, it is useful to note that the five categories established within this new strategic framework are not independent, but actually represent a system of progression in which countries can ‘graduate’ from one position to another (for example, graduating from a ‘developing’ country to a ‘transforming’ country). A country would, in theory, reach the pinnacle of this graduating process once it reaches the enviable position of no longer requiring foreign assistance to sustain development. Both ‘Transforming Countries’ and ‘Sustaining Partnership Countries’ have this ambitious goal as the next possible phase in their ‘graduation trajectory’47. The following section takes a closer look at who these ‘Transforming Countries’ are and where they are positioned within the MCA process.

3.3.2 Identifying the countries

As illustrated in table 3.3 below, there are a total of thirty-nine countries involved with a Threshold or MCA Compact programme in one form or another. The Threshold Programme aims to improve the performance of a given country on specific MCC indicators. Through this process, therefore, a country may by improving a low indicator score become eligible for greater assistance through a compact agreement. That being said, however, countries are not, according to the MCC, “required to participate in the Threshold Programme to improve their indicator scores and to qualify for compact funding” (MCC website b). Consequently, whilst Threshold assistance may be used as a stepping stone for securing

47 As demonstrated later in this chapter, this notion of ‘graduating’ for development assistance is very much a defining aspect of the MCA.
significantly more funding through the MCA, this is not always the case. Table 3.3 below provides an overview of those countries involved with the MCC and their status in the initiative.

Table 3.3: MCC-engaged countries and funding

<table>
<thead>
<tr>
<th>Country</th>
<th>Status</th>
<th>MCA compact amount (rounded to the nearest US$ million)</th>
<th>Threshold amount (rounded to the nearest US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>Threshold</td>
<td>[ ]</td>
<td>16</td>
</tr>
<tr>
<td>Armenia</td>
<td>Compact</td>
<td>236</td>
<td></td>
</tr>
<tr>
<td>Benin</td>
<td>Compact</td>
<td>307</td>
<td></td>
</tr>
<tr>
<td>Bolivia</td>
<td>Compact Eligible</td>
<td>481</td>
<td>13</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>Compact &amp; Threshold</td>
<td>481</td>
<td>13</td>
</tr>
<tr>
<td>Cape Verde*</td>
<td>Compact</td>
<td>110</td>
<td></td>
</tr>
<tr>
<td>El Salvador</td>
<td>Compact</td>
<td>461</td>
<td></td>
</tr>
<tr>
<td>Georgia</td>
<td>Compact</td>
<td>296</td>
<td></td>
</tr>
<tr>
<td>Ghana</td>
<td>Compact</td>
<td>547</td>
<td></td>
</tr>
<tr>
<td>Guyana</td>
<td>Threshold</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Honduras</td>
<td>Compact</td>
<td>215</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>Threshold</td>
<td>55</td>
<td></td>
</tr>
<tr>
<td>Jordan</td>
<td>Compact Eligible &amp; Threshold</td>
<td>[ ]</td>
<td>25</td>
</tr>
<tr>
<td>Kenya</td>
<td>Threshold</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>Threshold Eligible</td>
<td>[ ]</td>
<td></td>
</tr>
<tr>
<td>Lesotho</td>
<td>Compact</td>
<td>363</td>
<td></td>
</tr>
<tr>
<td>Madagascar</td>
<td>Compact</td>
<td>110</td>
<td></td>
</tr>
<tr>
<td>Malawi</td>
<td>Compact Eligible &amp; Threshold</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Mali</td>
<td>Compact</td>
<td>461</td>
<td></td>
</tr>
<tr>
<td>Moldova</td>
<td>Compact Eligible &amp; Threshold</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Mongolia</td>
<td>Compact</td>
<td>285</td>
<td></td>
</tr>
<tr>
<td>Morocco</td>
<td>Compact</td>
<td>698</td>
<td></td>
</tr>
<tr>
<td>Mozambique</td>
<td>Compact</td>
<td>507</td>
<td></td>
</tr>
<tr>
<td>Namibia</td>
<td>Compact</td>
<td>305</td>
<td></td>
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<tr>
<td>Nicaragua</td>
<td>Compact</td>
<td>175</td>
<td></td>
</tr>
<tr>
<td>Niger</td>
<td>Threshold</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>Paraguay</td>
<td>Threshold</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>Peru</td>
<td>Threshold</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>Compact Eligible and Threshold</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Rwanda</td>
<td>Threshold</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>São Tomé and Principe</td>
<td>Threshold</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Senegal</td>
<td>Compact Eligible</td>
<td>[ ]</td>
<td></td>
</tr>
<tr>
<td>Tanzania</td>
<td>Compact &amp; Threshold</td>
<td>698</td>
<td>11</td>
</tr>
<tr>
<td>Timor-Leste</td>
<td>Compact Eligible and Threshold Eligible</td>
<td>[ ]</td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td>Threshold</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Ukraine</td>
<td>Compact Eligible &amp; Threshold</td>
<td>45</td>
<td></td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>Country</th>
<th>Compact</th>
<th>66</th>
<th>21</th>
<th>23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vanuatu</td>
<td>Compact</td>
<td>66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yemen**</td>
<td>Threshold</td>
<td>21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zambia</td>
<td>Threshold</td>
<td>23</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*According to 2008 MCC eligible country report Cape Verde was not re-selected after it failed to meet the test criteria for the third year in a row. However, this is unlikely to affect compact participation as the MCC does not believe that there has been a ‘serious policy reversal or a pattern of actions inconsistent with the selection criteria’ (MCC 2007a).

**Yemen was suspended in 2005 following deterioration in the country’s performance on the selection criteria. However, the country was reinstated in 2007 by the MCC after undertaking a series of reforms. In addition The Gambia was also suspended from the MCA following a ‘disturbing pattern of deteriorating conditions in eight of the sixteen policy categories’ (MCC 2006a). The country was removed from the programme completely at the end of 2007. It is interesting to note that Sri Lanka, with whom the MCC had predicted it would sign an MCC agreement with by the end of 2007 (see MCC 2007a: 9), was also removed from the programme following escalating violence within the country. Interestingly however, the MCC did this very quietly, and there has been little, if any, mention of this action or reasons for the decision (see Herrling 2007a).

Source: Compiled using multiple country reports (MCC 2007b) 48

Within the specific context of the MCC, a ‘compact’ is an agreement made between the US, acting through the MCC, and the government of a given country. The document itself constitutes a detailed agreement between the parties involved, stating the compact goals and objectives, the development projects, the programme implementation process, the compact terms and clauses, funding details and so on. As such, these agreements essentially dictate the rules by which both parties must act and cooperate, thereby clarifying the nature of their relationship within the framework of the MCA. There are currently eighteen compact agreements, representing a commitment of over US$6 billion by the US to these recipient countries. As discussed in more detail below, however, the size of these compacts varies considerably, ranging from US$66 million in Vanuatu, to close to US$700 million in Morocco.

### 3.3.3 Examining the ‘threshold’ countries

Threshold Programme Agreements are defined by the MCC as being a ‘contract between the United States and a country’ that provides financial assistance in order to help that country improve its performance in one or more of the MCC’s seventeen policy indicators 49 (MCC website b). Once selected, countries are encouraged to construct a plan identifying the measures that could be adopted to improve a specific indicator score and to

48 The information in table 3.3 was last updated 22/10/08 from data held on the MCC website.
49 These are shown in table 3.5 on page 59.
submit this plan to the MCC for review and approval. However, it is USAID that is primarily responsible for administering and overseeing the effective implementation of the Threshold Programmes in recipient countries. Arguably, this ‘partnership’ is necessary bearing in mind that the MCC has very little direct presence in the recipient countries themselves, as alluded to later in the chapter. In contrast, USAID has, through years of activity, attained a significant field presence within much of the South and this, combined with the agency’s substantial development expertise and infrastructure, makes it an ideal candidate for the task.

According to MCC, the board of directors selects threshold countries based upon three broad criteria:

1. The country’s overall performance on all seventeen policy indicators.
2. The opportunity to reduce poverty and generate economic growth within a country.
3. The availability of funds.

(MCC website c)

Despite these established criteria, however, there appears to be some confusion regarding the inclusion of certain countries, such as Jordan, within the initiative. Indeed, Jordan already receives substantial assistance from the US, assistance which totalled over US$1.3 billion in 2003 and 2004 – with only Iraq and Afghanistan receiving more (Radelet 2005). As illustrated later, significant restrictions have, since the MCA was first created, been placed on the MCC in terms of its budget and, therefore, the decision to provide further assistance to Jordan through this specific programme was somewhat confusing. In addition to this funding issue, concerns were also voiced over the inclusion of ‘non-democracies’ in the programme (see Radelet 2005) and this, in turn, mirrors an ongoing broader set of debates over exactly which types of countries the MCC should be working with. Regardless of such controversy, however, Jordan has since been elevated to the position of being ‘compact-eligible’, prompting further objections from parts of the development community (see Freedom

50 Despite the use of words such as ‘partnership’ there has been significant debate, as highlighted already in section 3.3, over what the creation of the MCC means for USAID as a development entity.

51 Chapter 8, which specifically explores the issue of democracy in the MCA, sheds further light on this issue.
The following section, which looks closer at the MCC’s decision-making process, explores this issue in greater detail.

3.4 Understanding the selection process: The MCC board of directors

The MCC’s board of directors consists of the Secretary of State Condoleezza Rice who acts as the board’s Chairperson, the Secretary of Treasury Henry Paulson as Vice Chairperson, the US Trade Representative Susan Schwab, USAID Administrator Henrietta H. Fore, and MCC CEO John Danilovich, who took over the reigns of the MCC in 2005 following the previous CEO’s departure. There are also four public individuals on the board who were appointed by President Bush including President of the International Republican Institute Lome Craner, Senator William Frist, who served as majority leader in the US Senate from 2002 to 2007, President of the Catholic Relief Service Ken Hackett, and Alan Patricof, who is the founder and managing director of a venture capital firm (MCC website).

In terms of the selection process, the board is supposedly ‘guided’, as discussed below, by a country’s performance on seventeen indicators. In addition to this, the board can also take into account “data gaps, lags, trends, or other material information, including leadership, related to economic growth and poverty reduction” (White House website), as well as the funds available to the MCC at a given time. Whilst giving the board this latitude in choosing potential recipient countries is necessary, it also brings into the decision making process a level of subjectivity. As Radelet suggests, “this discretion must be used carefully and only in a limited set of circumstances to guard against too much political influence on selection” (2003a: 7). However, with more than half of the MCA compact-countries now failing the indicator test, the degree to which the board can restrict this discretion to a

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52 Freedom House is a US-based international non-governmental organisation that conducts research and advocacy on issues such as democracy. It also provides two of the MCC’s seventeen indicators for selection, including one on ‘Civil Liberties’ and another on ‘Political Rights’, both of which fall within the ‘Ruling Justly’ category.

53 Paul Applegarth, who was the founding CEO of the MCC, resigned in June 2005 following reported complaints over the pace at which new compacts were being signed (see The New York Times 2005). In addition to this, it has been suggested that Applegarth ‘wasn’t qualified for the job’ in the first place, as the Republican campaign contributor had “limited experience in international aid” (Kurlantzick 2006). Similar concerns have also been raised over his successor John Danilovich (ibid).

54 As demonstrated later, this is important in light of the severe budget constraints placed on the MCC since its inception.

55 According to the 2008 MCC scorecards available on the MCC website, the following MCA compact-countries are now failing the indicator test: Armenia, Benin, Cape Verde, El Salvador, Honduras, Madagascar, Mali, Morocco and Mozambique. Consideration is given to why this may be the case later in the chapter.
Chapter 3: US Foreign Assistance and the Millennium Challenge Account

'limited set of circumstances' is debateable. Furthermore, there are signs that political considerations may have influenced the decision-making process. For example, the decision to select Jordan as a compact eligible country for 2007 was perceived by many to be based upon political factors:

"This is not a question about whether or not the US should provide support to Jordan. But [that] the MCC is not the appropriate funding source. US foreign policy goals should be met through State Department and USAID funding mechanisms, not the MCA..." (Herrling et al 2006: 2).

As illustrated later in section 8.3.4 of chapter 8, there are other examples in which the US' broader agenda for pursuing the 'War on Terror' has been seen to influence eligibility within the MCA. This is indicative of the new geopolitical world order referred to earlier, in which security interests are increasingly affecting overall US foreign policy objectives and practice. As a result, it is clear, despite assurances to the contrary, that politics do matter in the MCA and this theme is examined in greater detail later in this thesis. For now, however, we turn out attention to understanding the process by which countries come to be involved in the MCA.

3.4.1 Phase 1: Identifying candidate countries

There are two main stages in the selection of eligible countries, the first of which focuses upon identifying the candidate countries. In order to do this, the MCC uses an income threshold level to determine eligibility. For example in the first year of selection, it was decided that the MCA candidates should be those 'low-income countries' (LICs) that are eligible to borrow from the International Development Association (IDA) and have a per capita income equal to or less than US$1,435 (which at that time was the historical cut-off for IDA assistance). This level was subsequently raised over a three year period, so that from 2006 onwards both the 'low income' and 'low-middle income countries' (LMICs) form part of the candidate pool. Consequently there are now two income tests for eligibility, one for the LICs and another for the LMICs. As a result, the number of candidate countries has increased, with a total of ninety-five countries being (re)selected for 2008, compared to sixty-

56 The International Development Association, which is part of the World Bank, provides interest free loans and grants to the South and is largely funded by governments in the North (World Bank website a).

57 For further information see MCC (2007c).
three in 2004. Out of that ninety-five, sixty-seven candidates were identified as being LICs and a further twenty-eight as LMICs (MCC 2007d). Whilst there is a ‘cap’ limiting the amount of programme funds that can be channelled to the LMICs, concerns have been raised over the inclusion of this category. Further consideration is given to this important issue later in the chapter whilst looking at the MCC and how it is funded.

3.4.2 Phase 2: Applying the selection criteria

The second stage in the selection process involves applying a set of indicators to the candidate countries in order to determine country eligibility. In all there are now seventeen indicators, which fall into the three broad categories of ‘Ruling Justly’, ‘Investing in People’ and ‘Economic Freedom’.

Table 3.4: The MCA selection indicators and their sources

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Category</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil Liberties</td>
<td>Ruling Justly</td>
<td>Freedom House</td>
</tr>
<tr>
<td>Political Rights</td>
<td>Ruling Justly</td>
<td>Freedom House</td>
</tr>
<tr>
<td>Voice and Accountability</td>
<td>Ruling Justly</td>
<td>World Bank Institute (WBI)</td>
</tr>
<tr>
<td>Government Effectiveness</td>
<td>Ruling Justly</td>
<td>WBI</td>
</tr>
<tr>
<td>Rule of Law</td>
<td>Ruling Justly</td>
<td>WBI</td>
</tr>
<tr>
<td>Control of Corruption</td>
<td>Ruling Justly</td>
<td>WBI</td>
</tr>
<tr>
<td>Immunisation Rates</td>
<td>Investing in People</td>
<td>World Health Organisation (WHO)</td>
</tr>
<tr>
<td>Public Expenditure on Health</td>
<td>Investing in People</td>
<td>WHO</td>
</tr>
<tr>
<td>Girl’s Primary Education Completion Rate</td>
<td>Investing in People</td>
<td>United Nations Educational, Scientific and Cultural Organisation (UNESCO)</td>
</tr>
<tr>
<td>Public Expenditure on Primary Education</td>
<td>Investing in People</td>
<td>UNESCO and national sources</td>
</tr>
<tr>
<td>Natural Resource Management</td>
<td>Investing in People</td>
<td>Center for International Earth Science Information Network (CIESIN) and the Yale Center for Environmental Law and Policy.</td>
</tr>
<tr>
<td>Business Start Up</td>
<td>Economic Freedom</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>Inflation</td>
<td>Economic Freedom</td>
<td>International Monetary Fund World Economic Outlook</td>
</tr>
<tr>
<td>Trade Policy</td>
<td>Economic Freedom</td>
<td>Heritage Foundation</td>
</tr>
<tr>
<td>Regulatory Quality</td>
<td>Economic Freedom</td>
<td>WBI</td>
</tr>
<tr>
<td>Fiscal Policy</td>
<td>Economic Freedom</td>
<td>National sources, cross checked with International Monetary Fund World Economic Outlook</td>
</tr>
</tbody>
</table>

The Center for Global Development (CGD), a Washington-based think tank, has been particularly vocal with regard to this issue.

In the 2008 selection process, two new measurements were adopted by the MCC board of directors, including a ‘Natural Resource Management index’ (NRMI) and a ‘Land Rights and Access index’ (LRAI) (see MCC 2007e). In addition to this, two of the previous Economic Freedom indicators (Cost of Starting a Business and Days to Start a Business) were combined to form the ‘Business Start Up’ indicator. As a result of these changes, the total number of indicators now stands at seventeen.
Source: MCC website e

Each country has a scorecard in which their ‘progress’ at meeting the indicators is shown over a five to six year period. This information should then be utilised by the MCC board of directors to help determine which countries to include in the programme. Candidates wishing to be eligible for the MCA must, in theory at least\(^\text{60}\), score above the country median for its group (LIC or LMIC) on at least half of the indicators in each category\(^\text{61}\), including the Control of Corruption test\(^\text{62}\). However, as emphasised earlier in section 3.5, passing this test does not ensure inclusion within the MCA, as the board of directors can take into account a range of other factors, including the resources available to the MCC, in making their final decision. Consequently, whilst country selection should be based primarily upon a candidate’s performance in the three categories highlighted in table 3.4, this is not necessarily always the case. The following section, which looks at the inclusion of countries currently failing the indicator test, throws further light on this situation.

### 3.4.3 Programme inclusivity: Beyond the indicators

As highlighted in section 3.5, more than half of the compact-countries re-selected by the MCC board of directors for 2008 are currently failing the indicator test. At first glance, this is a somewhat worrying state of affairs, especially when we consider that the majority of these countries were not failing in these areas when first selected to receive programme funding. However, a closer examination of events reveals that much of this apparent deterioration in performance has been driven by factors out of the countries’ control. For example, some countries such as Armenia have, since becoming eligible for MCA compact assistance, moved from the LIC to LMIC category. Consequently, whilst the performance of these countries may not have necessary diminished, their position relative to other candidates

\(^{60}\) The MCC board of directors selected seven countries in the 2007 selection round that did not pass the indicator test.

\(^{61}\) On the inflation indicator, however, a country must have an inflation rate of less than 15% rather than the median.

\(^{62}\) As Tarnoff notes, “should a country fall below the median on the corruption indicator, it will be disqualified from consideration unless other, more recent trends suggest otherwise” (2008: 2). It is interesting to note that three of the fifteen countries that have a compact signed with the MCC are, according to the 2008 scorecards, failing the corruption test. This situation is explored in greater detail below.
within their new grouping has essentially worsened. In the past, the MCC has, according to Herrling and Radelet, "given new LMICs certain leeway regarding the new standards to which they are compared" (2007: 10). Whilst one can appreciate the logic for doing this, it does not change the fact that there is a fundamental flaw in the way that candidate selection is designed. Ultimately, a country's relative performance in the MCA can deteriorate, or indeed improve, for no other reason than the World Bank has changed its definition of what constitutes an LIC or LMIC. Arguably, this situation is illustrative of what was referred to earlier as the 'power-knowledge' nexus in discourse.

A second reason for why certain compact-countries are now failing the indicator test is rooted in the recent decision of the MCC board of directors to include the new NRMI. In previous years, both Mali and Mozambique would have qualified by passing just two of the Investing in People indicators; however, the inclusion of this new index means that countries wishing to pass the indicator test must now perform above the median on at least three of the five measurements. As a result, whilst the performance of these countries may be just as good as, if not better than, previous years, they now technically fail this test for eligibility.

Consequently, the MCC board of directors has, since this is the first time that the new index has been formally included as a programme indicator, recognised the heightened difficulties faced by countries in passing the Investing in People hurdle, and taken this factor into account whilst reselecting the compact-countries for 2008 (see MCC 2007a). Moreover, in order to help address the imbalance created through having an odd number of indicators within the Investing in People basket, strong arguments have been made in favour of introducing an additional 'education quality' index to the category. According to Radelet et al. this would "give education the attention it deserves", helping to ease concerns that the addition of the new NRMI and LRAI would "dilute attention that countries give to the education indicators' (2007: 4). The MCC has already devoted a significant amount of time and effort to locating an acceptable educational quality index (reportedly exploring no fewer

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63 Chapter 7, which looks at the specific issue of the MCA and poverty reduction in Nicaragua, sheds further light on this relationship by examining the way in which 'poverty', as defined by organisations such as the World Bank, has been resisted and redefined by citizens on the ground.
64 For example, Mozambique has, despite failing the indicator test, performed significantly well, passing all of the Ruling Justly indexes and all but one of the indicators for Economic Freedom.
65 In the previous year, both the NRMI and the LRAI were used as 'supplemental information' in the selection process, in order to give countries "notice of the new measures" (MCC 2007e).
66 Reportedly, when the initial MCA eligibility process was first created there was a desire to have six Investing in People indicators, but a "shortage of appropriate indicators... made it difficult to do so" (Radelet et al. 2007: 4).
than twenty-three possible indicators - see Rose et al 2007) and has, furthermore, stated its intention to continue this search in the years to come (MCC 2007f).

A third and final reason for the apparent ‘underperformance’ of compact-countries explored here is to do with the reliability of the all important ‘control of corruption index’ (COCI). The corruption indicator is the only indicator that countries must score above the median in order to qualify, in theory, for MCA assistance. This year, however, two compact-countries that failed to pass the ‘hard-hurdle’ for corruption, Benin and Honduras, were reselected for assistance in 2008 by the MCC board of directors. In understanding why this was the case, it is essential to recognise that, in contrast to other MCA criteria, there are ‘explicit margins of error’ in measuring the control of corruption. As the designers of the index themselves emphasise, “a simple ‘in-or-out’ rule runs the risk of misclassifying some countries precisely because margins of error are not trivial” (Kaufmann and Kraay 2002). The MCC has clearly taken note of such limitations in making its selections this year. For example Honduras, which failed the ‘decisive’ COCI by a very narrow margin, was reselected because the margin of error for this indicator means that one cannot definitively say that the country did in fact score below the 50th percentile, i.e. the required median (Herrling and Radelet 2007: 5). In addition, the MCC has utilised supplemental information, such as Transparency International’s ‘Corruption Perception Index’ (CPI), to help reach decisions on country performance on this indicator, according to which Honduras’ score had remained unchanged from the previous year. It is interesting to note that Benin, which out of all the MCA compact-countries was marked the lowest on the COCI (scoring in the 45th percentile), did actually score better than Honduras, Mali and Nicaragua in the CPI. In addition to this, Benin’s score on this indicator had improved significantly from the previous year, in which it was placed in the 38th percentile, and this was arguably a key factor for the MCC board of directors in reselecting the country.

Bearing in mind the importance of ‘combating corruption’ in the MCA, further consideration is given to this issue below. Before doing that, however, it is important to note

67 In 2008 Nicaragua only just passed the COCI, which could raise concerns about the country’s future in the MCA.
68 In addition to this, it is interesting to note that in 2006 Benin scored in the 86th percentile according to the corruption index and this fell to 38 the following year. According to Herrling and Radelet this was due to the WBI, the source of the COCI, “changing the underlying data for Benin’s indicator” (2007: 5). One again, this illustrates the fragility of this crucial index, as well as the importance of utilising supplemental data in determining inclusion within the MCA.
that although issues such as changing income categories, additional indexes and existing margins of error have clearly been significant in influencing apparent country performance, one should not become complacent in dismissing all perceived 'underperformance' as being caused by such factors. For example, Armenia was identified above as a country that had suffered in terms of its relative performance as a result of moving from the LIC category to the LMIC category. Whilst Armenia would have passed three of the Ruling Justly indicators had it stayed in the LIC category (as opposed to passing just one), it still would have failed all three of the so-called 'democracy indicators' (which includes 'Political Rights', 'Civil Liberties' and 'Voice and Accountability'). According to Herrling and Radelet, this should be a point of concern for the MCC "since it has only rarely selected countries that fail these indicators" (2007: 10). In addition, Cape Verde has also, as alluded to previously, witnessed a declining performance on several key indicators, only passing one index from each of the Investing in People and Economic Freedom categories. Consequently, the MCC board of directors took the decision in the 2008 selection process not to re-select Cape Verde\textsuperscript{69}. Whilst one cannot draw too much from this situation, the MCC does, as discussed later, operate according to an incentive system approach and, therefore, any sustained decline in performance among compact-countries may start to raise questions over the initiative's ability to propagate the 'transformational' change it aspires to.

3.5 Examining the corruption indicator: A closer look

There is not time here to discuss and analyse every one of the seventeen indicators outlined in table 3.4\textsuperscript{70}. Instead, this chapter focuses primarily upon what is considered the most important measurement in determining country eligibility, the COCI. As mentioned above, the corruption indicator is the only pass or fail test within the MCA selection process and this is indicative of the emphasis placed on tackling the issue of corruption by the current Bush Administration and Washington-based institutions. Despite the growing importance of this concept, especially within the field of development, corruption is still a very difficult issue to measure and this stems in part from its definitional ambiguity. For example, Brown and Cloke (2004) perceive serious deficiencies in the conceptualisation of corruption adopted

\textsuperscript{69} Whilst Cape Verde was not deemed eligible for 2008 compact funding by the MCC board of directors, this will reportedly have "no impact on compact participation... since compact continuation is based more on performance on implementing the compact itself" (Herrling and Radelet 2007: 11). Instead, this represents a warning to Cape Verde that it must do more to meet the required criteria (see Kraham 2007).

\textsuperscript{70} For more detail on each of the indicators see MCC (2007g).
by the World Bank and by Transparency International\(^1\) (TI), in which corruption is defined as the “abuse of public power for private gain...” (World Bank 1997: 102). One of the major limitations of this definition is that corruption is reduced to a purely public phenomenon and, as a result, there is a failure to take into account the “rising possibilities for private sector corruption caused by market-led economic reforms” and, furthermore, to recognise the inter-linkages that exist between corruption in public and private spheres (Brown and Cloke 2004: 283).

As discussed above, the MCC draws its corruption indicator from the WBI or, more specifically, from a governance database compiled by Kaufmann, Kraay and Mastruzzi\(^2\). To construct this database, Kaufmann et al rely on thirty-three data sources provided by thirty different organisations around the world (Kaufmann et al 2007a: 1). Consequently, it is reported that the information used in creating this database reflects the “views on governance of public sector, private sector and NGO experts, as well as thousands of citizen and firm survey respondents worldwide” (ibid). Due to the fact that the database is compiled from multiple sources, it also has the advantage of covering a much larger number of countries than any individual data set, thereby facilitating cross-country comparisons. Furthermore, measures of precision are provided for users of the database, in which the margins of error for each country are identified. According to Radelet, many other survey sources fail to do this, which can create a false sense of precision (2003a: 33). Arguably, as Kaufmann et al themselves recognise, the fact that they must provide these margins of error, reflects the ‘inherent difficulties’ of measuring governance using “any kind of data” (2007a: 1).

As with most databases on corruption and associated governance concepts, the Kaufmann et al approach is primarily based upon subjective measures of governance (Radelet 2003a: 33). As a result, country scores are measured relative to one another and, therefore, it is not always easy to determine if a given country has improved or whether others got worse (ibid.)\(^3\). Indeed, due to the very nature of corruption, any estimates of its extent are as much “a matter of perception and feeling” as they are a “mathematical measurement of the phenomenon” (Meny cited in Brown and Cloke 2004: 278). In reality, there is a significant

\(^1\) TI is a leading ‘non-governmental’ organisation that ‘measures’ corruption (see www.transparency.org for further information).

\(^2\) In fact the MCC takes five of its seventeen indicators from this database; four ‘ruling justly’ measurements and one index in ‘economic freedom’ category (see World Bank website b for further information).

\(^3\) Radelet does, however, mention that Kaufmann and Kraay have constructed an adjustment factor to take into account changes in world averages over time (2003a: 33).
level of subjectivity involved in “codifying all but the most basic and obvious features of
countries’ constitutional, legal and regulatory environments” (Kaufmann and Kraay 2007: 8)
and, therefore, it is easy to overstate the objectivity of such measurements. This is
particularly relevant when considering TI’s use of the ‘Perception Index’ in measuring
corruption, which ranks countries according to the degree in which corruption is ‘perceived’
to exist among public officials and politicians (TI 2004a: 1). However, due to the nature of
corruption itself, responses based on individuals’ actual experiences are, according to
Kaufmann et al, “sometimes the best available, and the only, information” available (2006:
1) 74. Nevertheless, it is essential to bear in mind the limitations and dangers of using such
information, especially when applying it to a highly selective initiative such as the MCA.

3.6 The MCC and funding levels

One of the factors the board of directors takes into account in selecting eligible
countries is the actual resources available to them. In this sense, the MCC is no different from
any other development entity. However, the MCC’s ‘transformational’ agenda lends greater
precedence to securing large levels of funding, as the following extract exemplifies:

“MCC must focus its available resources to fulfil its mission of supporting
transformative development programs. MCA is intended to provide a significant
policy incentive to candidate countries by commanding the attention needed to
galvanize the political will essential for successful economic growth and sustainable
poverty reduction, and needs substantial resources to have that incentive effect”
(MCC 2005a: 8).

This agenda for bold investment was set by President Bush in a speech in 2002, when he
declared an ambitious vision for development in which the US would lead by example, and
dramatically increase US development assistance to the South (see Bush 2002a). He
designated the MCA the flagship development programme for this process, through which
the US would channel an extra US$5 billion in assistance a year by 2006. Unfortunately this
intent has not, as table 3.5 below illustrates, been reflected in practice.

74 See Kaufmann et al (2007b) for an account of the major criticisms people have of this approach to
establishing world wide governance indicators.
Table 3.5: Funding the MCC

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Presidential Pledge</th>
<th>Presidential Request</th>
<th>Actual Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>n/a</td>
<td>US$1.3 billion</td>
<td>US$1.0 billion</td>
</tr>
<tr>
<td>2005</td>
<td>n/a</td>
<td>US$2.5 billion</td>
<td>US$1.5 billion</td>
</tr>
<tr>
<td>2006</td>
<td>US$5.0 billion</td>
<td>US$3.0 billion</td>
<td>US$1.75 billion</td>
</tr>
<tr>
<td>2007</td>
<td>US$5.0 billion</td>
<td>US$3.0 billion</td>
<td>US$1.75 billion</td>
</tr>
<tr>
<td>2008</td>
<td>US$5.0 billion</td>
<td>US$3.0 billion</td>
<td>US$1.54 billion</td>
</tr>
</tbody>
</table>

Source: Center for Global Development website a.

President Bush’s pledge to designate an extra US$5 billion in foreign development assistance by 2006 seems rather moot in light of the reality presented in table 3.5. Whilst no one would call the US$1.75 billion allocated to the MCC in both 2006 and 2007 a small amount, it is clearly nowhere near the level of funding initially envisioned. What is more, this figure actually dropped to US$1.54 billion in 2008 and events in recent months suggest that the problem of under-funding is only going to get worse:

“Trading in its shears for a guillotine, the Senate Appropriations Committee essentially decapitated the MCC, providing $254 million (a cut of $1.97 billion from the Administration's request), covering one year of basic life support services for the corporation during which time it must prove its worth. Meanwhile, the Committee recommends redirecting the freed-up MCC money to top up other development accounts, USAID operating expenditures75, and then a host of short-term humanitarian, peacekeeping and non-proliferation accounts” (Herrling 2008a: np).

Arguably, with a growing congressional deficit, the fallout from Hurricane Katrina, the War on Terror and the crippling effects of the global credit crunch, accessibility to funds has become increasingly limited. As Herrling comments, short-term security interests are dominating the ‘political landscape’ and this is putting foreign assistance for ‘long-term development programmes’ at risk (2007b: 4). That being said, however, one cannot shift all

75 The recommendation that MCC money be used to top up other development accounts and USAID’s operating expenditure is very interesting in light of some of the debates surrounding the relationship between the MCC and USAID (see section 3.3). As discussed in greater detail within chapter 6, the money channelled through the MCC is supposed to go ‘above and beyond existing aid requests’ (Bush 2002a). The recommendation that MCC funds be used to prop up other areas in the US foreign aid system therefore raises serious question marks over the extent to which this assistance is in fact ‘additional’. Furthermore, one could suggest that reallocation of MCC funds would undermine the initiative’s position and propagate doubts over the programme’s future.
the blame for the programme’s under-funding to these broader political issues, as the MCC’s slow disbursement of funds has also been complicit in this process.

According to an MCC-country report produced in November 2007, a total of US$125.48 million has been disbursed to the compact-countries since the MCA was first established back in 2004. This figure is, as table 3.6 below demonstrates, significantly below what would have been expected for many of the countries involved.

Table 3.6: The disbursement figures for the eight compact-countries that had completed their first year of programme implementation by November 2007

<table>
<thead>
<tr>
<th>Country</th>
<th>Estimated (US$ millions)</th>
<th>Actual (US$ millions)</th>
<th>Difference (US$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>12.6</td>
<td>7.93</td>
<td>-4.67</td>
</tr>
<tr>
<td>Benin</td>
<td>32.4</td>
<td>13.43</td>
<td>-18.97</td>
</tr>
<tr>
<td>Cape Verde</td>
<td>7.53</td>
<td>7.53</td>
<td>0</td>
</tr>
<tr>
<td>Georgia</td>
<td>51.7</td>
<td>25.54</td>
<td>-26.16</td>
</tr>
<tr>
<td>Honduras</td>
<td>27.7</td>
<td>3.02</td>
<td>-24.68</td>
</tr>
<tr>
<td>Madagascar</td>
<td>9.65</td>
<td>9.65</td>
<td>0</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>20.4</td>
<td>6.28</td>
<td>-14.12</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>1.7</td>
<td>1.7</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>163.68</td>
<td>75.08</td>
<td>-88.6</td>
</tr>
</tbody>
</table>

Source: MCC (2007b)

Whilst the MCC did meet its disbursement projections for year one in three of the countries, it performed much worse in the other five countries where initial projections for funding disbursements were higher. If anything, year two of programme implementation looks to fare even worse, as the amount of projected disbursements is set to increase dramatically. If, for example, we take Honduras, which is one of the countries to have completed its second year, the country received only US$7.96 million of the US$62.2 million projected by the MCC. Moreover, the prospects do not appear to be any better for many of the other compact-countries coming close to finishing their second year of implementation. There could be a number of different reasons for this slower than expected progress in disbursement funds, from over-rigorous procedures and processes within the MCC, to complexities within the recipient

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76 For example, Georgia had only received US$10.12 million at the time of the November 2007 report, despite the fact that the MCC projected a total disbursement of close to US$105 million by March 2008. According to the quarterly MCC Status Report for July 2008 to September 2008, this figure now stands at approximately US$50 million (MCC 2008a), less than half that projected to be disbursed by the close of the second year of implementation in March 2008. Additionally, it is likely that recent volatilities in Georgia may further impede compact progress this year.
countries themselves. Whatever the precise reasons, it is clear that Congress has used this situation to justify lower than anticipated funding to the MCC, prompting fears over the agency’s future (see Danilovich 2007a).

3.6.1 Is under-funding undermining the MCA?

One may question why, if the MCC has currently disbursed only a small amount of the funds already available to it, should the lack of additional funding be a concern. Surely the MCC could use existing resources to begin financing other compacts? Actually, the MCC cannot, by law, do this. As Herrling and Rose explain, “funds are committed to countries when a compact or threshold programme is signed, at which point the MCC is legally required to have the funds for all five years of each compact in their entirety in hand…” (2007: 2). In light of these restrictions, attempts were made by Senator Lugar in November 2007 to introduce an amendment that would change this, requiring that no more than fifty percent of the entire compact amount be obligated upfront. However, whilst proponents of the ‘Lugar amendment’ reportedly saw this change as necessary in order to “protect both the future MCA funding levels and the reputation of the MCC” (see Herrling 2007b), others were much less optimistic about its inclusion stating that, among other things, the MCC would become “like the World Bank and all the other countries using overseas development aid in a stop and go fashion” (President Kufor of Ghana, cited in Dugger 2007: np). Nevertheless, although the amendment was approved unanimously by the Senate, it was eventually dropped from the 2008 FY budget, with the final figure of US$1.54 billion likely to be enough to fund the anticipated compacts for 2008. That being said, one cannot ignore the broader implications of this financial straightjacket on the MCC’s future operations.

For the MCC to succeed in inciting ‘transformational’ change, it clearly must be one of the largest donors in a given country and also the most effective in terms of delivering results. With this in mind, it is useful now to look at the specific country contexts in which MCA programmes are being implemented and, furthermore, examine MCA funds relative to those of other donor sources. Consequently, table 3.7 below examines compact size relative

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77 For example, Dugger states that “putting stringent accountability systems in place has consumed more time that expected” (2007: np). Chapter 6 considers this issue of ‘accountability’ in greater detail whilst looking at the specific experience of Nicaragua.
to ‘Gross Domestic Product’ (GDP), ‘Official Development Assistance’ (ODA) and other donor organisations, within the MCA compact-countries.

Table 3.7: MCA programme size comparison for signed compacts

<table>
<thead>
<tr>
<th>MCC Compact</th>
<th>Total compact size ($US millions)</th>
<th>Compact annual average (US$ millions)</th>
<th>MCC donor rank by size (2005 commitments)</th>
<th>Compact, % 2005 GDP</th>
<th>Compact, % 2005 ODA/OA (net disbursements) **</th>
<th>Compact per capita (current US$, 2005 population)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>236</td>
<td>47.2</td>
<td>3rd</td>
<td>0.96%</td>
<td>24.39%</td>
<td>78.24</td>
</tr>
<tr>
<td>Benin</td>
<td>307</td>
<td>61.4</td>
<td>4th</td>
<td>1.43%</td>
<td>17.61%</td>
<td>36.38</td>
</tr>
<tr>
<td>Cape Verde</td>
<td>110</td>
<td>22.0</td>
<td>4th</td>
<td>2.24%</td>
<td>13.70%</td>
<td>217.05</td>
</tr>
<tr>
<td>El Salvador</td>
<td>461</td>
<td>92.2</td>
<td>1st</td>
<td>0.54%</td>
<td>46.24%</td>
<td>67.00</td>
</tr>
<tr>
<td>Georgia</td>
<td>295</td>
<td>59.0</td>
<td>3rd</td>
<td>0.92%</td>
<td>19.07%</td>
<td>65.93</td>
</tr>
<tr>
<td>Ghana</td>
<td>547</td>
<td>109.4</td>
<td>7th</td>
<td>1.02%</td>
<td>9.77%</td>
<td>24.74</td>
</tr>
<tr>
<td>Honduras</td>
<td>215</td>
<td>43.0</td>
<td>6th</td>
<td>0.52%</td>
<td>6.32%</td>
<td>29.84</td>
</tr>
<tr>
<td>Lesotho</td>
<td>363</td>
<td>72.6</td>
<td>1st</td>
<td>5.01%</td>
<td>105.49%</td>
<td>202.25</td>
</tr>
<tr>
<td>Madagascar</td>
<td>110</td>
<td>27.5</td>
<td>10th</td>
<td>0.55%</td>
<td>2.96%</td>
<td>5.91</td>
</tr>
<tr>
<td>Mali</td>
<td>461</td>
<td>92.2</td>
<td>2nd</td>
<td>1.74%</td>
<td>13.33%</td>
<td>34.10</td>
</tr>
<tr>
<td>Mongolia</td>
<td>285</td>
<td>57</td>
<td>1st</td>
<td>3.03%</td>
<td>26.91%</td>
<td>111.59</td>
</tr>
<tr>
<td>Morocco</td>
<td>698</td>
<td>139.6</td>
<td>3rd</td>
<td>0.27%</td>
<td>21.42%</td>
<td>23.14</td>
</tr>
<tr>
<td>Mozambique</td>
<td>507</td>
<td>101.4</td>
<td>4th</td>
<td>1.53%</td>
<td>7.89%</td>
<td>25.62</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>175</td>
<td>35.0</td>
<td>9th</td>
<td>0.71%</td>
<td>4.73%</td>
<td>33.99</td>
</tr>
<tr>
<td>Tanzania</td>
<td>698</td>
<td>139.6</td>
<td>4th</td>
<td>1.15%</td>
<td>9.28%</td>
<td>18.21</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>65.7</td>
<td>13.1</td>
<td>2nd</td>
<td>3.86%</td>
<td>33.28%</td>
<td>310.83</td>
</tr>
</tbody>
</table>

*GDP population data from World Development Indicators 2007

**ODA data from DAC database, retrieved July 26, 2007

Source: Adapted from the Center for Global Development website

As illustrated above, the MCC is the leading donor in only three of the sixteen compact-countries shown in table 3.7 (El Salvador, Lesotho and Mongolia) and this may raise doubts over the initiative’s ability to incite ‘transformational’ development. Indeed, Herrling and Radelet argue, with regard to the early programmes, that the compacts are “simply not large enough to bring about the kind of transformational change originally envisioned for the MCC” (2005: 2). In the wake of the current funding issues facing the MCC, the corporation is presented with two options: they can either have a larger number of smaller compacts or a smaller number of larger compacts. To date, the trend has been towards the latter, as

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78 At the time of compiling this information, Namibia and Burkina Faso had not yet become MCA compact-countries and, as a result, are not included in the above table. Details regarding the size of Namibia and Burkina Faso’s MCA compacts are provided in table 3.3. More information can be found on the MCC’s website (www.mcc.gov).
witnessed by the fact that the total funds for the first five MCA programmes totalled US$905 million, compared to over US$2.5 billion for the last five. This reality is indicative of the position expressed by MCC CEO Danilovich soon after taking over from Applegarth, in which he stressed the following:

"MCC is meant to create transformative programmes. To have a truly transformative impact in the countries MCC partners with, I believe that future Compacts will generally need to be larger than those signed thus far. This means that faced with finite resources, MCC will have to allocate reduced resources to fewer countries if it is to achieve this transformative impact" (2005: 2).

As one would expect, this increase in the allocation of country assistance, witnessed in table 3.7 above, has been accompanied by an improvement in the MCC’s position relative to other donors in compact-countries. At the same time, however, this has occurred to the detriment of programme numbers, prompting concerns over the MCA’s level of inclusivity at the global level.

3.6.2 Weighing up the LICs and the LMICs

Within the context of the continuing funding constraints already outlined in this discussion, a strong argument has been made for focussing entirely upon the LICs as opposed to including the LMICs, which became eligible for MCC assistance in 2006. Although a ‘funding cap’ was actually included in the law that established the MCC to help “ensure that the majority of the funding would be reserved for the world’s poorest countries” (see MCC website), this was done under the understanding that by 2006 there would be an additional US$5 billion available in resources (or close to that amount). However, as illustrated in table 3.5 above, the amount actually granted to the MCC in practice has fallen well short of the amount originally pledged by the Bush administration. This has clear implications for the

79 The first five countries to sign agreements with the MCC are; Madagascar, Honduras, Cape Verde, Nicaragua and Georgia. The last five countries, excluding Namibia and Burkina Faso, which are not included in table 3.7, are Mozambique, Lesotho, Morocco, Tanzania and Mongolia.
80 The extent to which the MCA does in fact work with the world’s ‘poorest’ countries has been open to considerable debate. Ultimately, the initiative is about providing assistance to the ‘top-performing’ countries within given income categories and logic suggests that, more often than not, these countries will not be the poorest or have the greatest need for assistance. Further consideration is given to the MCA’s pro-poor credentials later in the thesis.
MCC’s agenda for creating transformational results in compact-countries, prompting calls for the MCC to exclude the LMICs, which on average tend to be two or three times richer than the LICs:\footnote{See Radelet et al (2005) for further information.}

"We have long argued that the MCC should not include LMICs as long as the overall programme funding remains well below the originally envisioned $5 billion per year. While LMICs do have very many poor citizens, MCA resources should not be diverted from the poorest countries to those with greater tax bases, better access to private capital and higher domestic savings" (Herrling and Radelet 2007: 9).

Despite these strong arguments, there are now four LMICs with signed compact agreements\footnote{These countries include; Cape Verde and El Salvador in 2006, Morocco in 2007 and Armenia in 2008 (Herrling and Radelet 2007).} (as shown in table 3.7), with Morocco and Tanzania having the largest compacts to date. However, in the most recent round of selection, the MCC board of directors did make the decision not to include any new LMICs, which is a reflection of the fact that there are significant budget constraints and also that several countries that had been selected as eligible in previous years have moved from the LIC category to the LMIC category. Nevertheless, whilst these steps have clearly been made to help mitigate against a "leaner-than-expected financial diet" (Starks 2007), one cannot ignore, as the following section explores, the obvious dangers that under-funding may bring.

### 3.6.3 Under-funding and the MCA’s future prospects

In 2007, aid officials reportedly warned that the MCC was likely to run out of money in the 2007 fiscal year (FY), meaning that several countries that had “laboured to meet its strict eligibility criteria” might have to be turned away (Phillips 2007: 1). Whilst the MCC still managed to sign/approve five substantial compacts towards the end of 2007, voicing these concerns did little, if anything, to improve the programme’s prospects this year. As shown in table 3.5 above, the MCC was allocated just US$1.54 billion for FY2008, half the amount requested by President Bush and less than a third of the US$5 billion figure originally pledged in setting up the MCA\footnote{Although this year’s congressional allocation of US$1.54 billion does reportedly allow the US to ‘save face’ (see Herrling 2007c), it does little in terms of facilitating the MCC’s agenda for ‘transformational development’.}. As alluded to in section 3.6, this situation is set to worsen in...
2009. Such persistent under-funding is undoubtedly going to impact on the ability of the MCA to operate as an incentive system for reform in development; a phenomenon commonly referred to as the ‘MCC-Effect’. Indeed, Danilovich states that countries take it upon themselves to “enact economic, social and political reforms that they previously would not have considered doing” in order to be deemed eligible for MCC funding (2006: np). According to this logic, therefore, the transformative power of the MCA is irrevocably linked to the size of its resources, i.e. the bigger the ‘carrot’ the greater the incentive for change and vice versa.84

3.7 The MCA: An innovative approach to delivering aid?

With all the budget constraints, criticisms over the MCC’s efficiency and question marks over the initiative’s future capabilities, it is more important than ever to reflect upon the programme’s defining characteristics. According to Chassy, the MCA is intended to represent the ‘antithesis of the traditional aid programme’, which has long been criticised for its ‘redundancy, ineffectiveness and worse’ (2005: 37). As a result, one could suggest that the ‘innovations’ found within the MCA are designed to answer ‘longstanding criticisms within the development community’85 over the effectiveness of aid (Clark 2005), with the programme acting as a model to ‘reform existing development assistance’ (see Pasicolan 2003). The World Bank was undoubtedly the lead actor in promoting this general process of reform in the US and in other donor countries in which, among other things, it called for aid agencies to be more ‘selective’ in the delivery of assistance. This shift in the delivery of foreign aid was indicative of the recommendation by David Dollar and Lant Pritchett that aid is most effective when invested in ‘sound policy environments’86 (Dollar and Pritchett 1998). Consequently, one could suggest that the MCC was established to test the idea that past aid efforts had often failed because the assistance went to ‘corrupt’ and ‘ineffective

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84 This situation reinforces Allen’s suggestion that “there are no pre-formed blocs of power out there waiting to constrain or limit the choices of others. There are only resources and abilities of many different kinds... which may be mobilised and deployed to produce what we would recognise as power” (2003: 96).

85 Whilst the MCA may have been designed to answer the criticisms of some parts of the ‘development community’, one should not forget that the programme is essentially a Republican-led initiative and, therefore, the initiative is likely to be biased towards a particular set of concerns.

86 This shift in emphasis was part and parcel of the PWC, a phenomenon that has already been discussed in chapter two.
governments'\textsuperscript{87} (see Dugger 2005). This is, as the following section explores, readily visible in the MCC’s pre-emptive approach to delivering aid.

3.7.1 A pre-emptive approach to delivering aid

A key aspect of the MCA and its selection process is that countries wanting to be part of this new aid programme must strive to meet the criteria set before they can actually access the funding. Many previous aid programmes, though not all, have given aid on the understanding that certain reforms seen as necessary for development will be adhered to after aid flows have begun. In this respect, the MCA is different as it demands that countries wanting to be involved in the initiative must have already put into effect the changes and reforms seen as necessary for healthy and productive economic growth. As such, it works as a sort of incentive system, rewarding ‘sound policy’ with greater development assistance. In this sense, it is not all that dissimilar to the approach adopted within the Highly Indebted Poor Country (HIPC) Initiative of the World Bank and IMF, in which countries must meet a range of conditions before they may receive debt relief\textsuperscript{88}. Arguably, both employ a method of delivering assistance through pro-active conditionality in which funds are withheld until demands, made by the donor, are met (Soederberg 2004: 281). Clearly, for this carrot-and-stick approach to work well there must be an effective incentive system in place. In the case of the MCA, however, this system is, as discussed earlier, potentially being undermined by reduced funding and this is already limiting the MCC’s ability to propagate transformational change at the global level.

3.7.2 Country ownership

The MCA differs from many traditional US aid programmes in that grants are awarded based on a foundation model as opposed to the traditional country programme approach adopted by USAID (Clark 2005: 31). What this means is that each compact-country

\textsuperscript{87} Whilst the argument that aid is only effective in ‘sound policy environments’ has received widespread support, it has not gone without contestation (for example see Hansan and Tarp 2000, and Santiso 2001). Greater consideration is given to these debates in later chapters.

\textsuperscript{88} In order to begin receiving relief on a ‘provisional’ basis, countries must have a “track record in macroeconomic stability, have prepared a Poverty Reduction Strategy Paper, and cleared any outstanding arrears. For a country to reach completion point it must maintain macroeconomic stability under a PGRF-supported programme, carry out key structural and social reforms as agreed upon at the decision point, and implement a PRSP satisfactorily for one year” (World Bank website c).
takes responsibility for developing, implementing and monitoring their MCA programme\(^{89}\). As one interview respondent commented, “The MCA is the country’s programme... they design and implement it” (research interview with Jim Vermillion\(^ {90}\)). According to Radelet, this approach puts “the responsibility for programme design and implementation where it belongs – with the recipient countries” (2003a: 8). However, whilst the emphasis on country ownership has clearly led to greater compact-country control over their MCA projects, it would be a mistake to assume that this represents a shift to complete autonomy. In the end, the MCC retains ultimate control over the programmes, maintaining the right to veto certain decisions or stop funds altogether if they deem it necessary. Although this is not unexpected, after all the MCC is accountable to US taxpayers for those funds, it does highlight the need for a closer examination of what the concept of ‘country ownership’ means in practice\(^{91}\).

Whilst the MCC does have mechanisms with which to exert a degree of control over the MCA programmes, one could suggest that, through its highly selective approach to country eligibility, the need for intervention is rather limited. Hence, those deemed eligible for compact assistance are in fact countries that are already committed to a model of development that is shaped by the North. What the MCC does is give countries that have already demonstrated an active commitment towards towing the official development line, greater ‘control’ over a development process which has, in many ways, already been defined through the lens of ‘transnational liberalism’. Perhaps, this is one of the reasons why there are such striking similarities between many of the compact programmes, in which the dominant focus is nearly always placed on improving transport and agricultural infrastructure (see the MCC 2007b). Alternatively, one could hypothesise, in light of the MCC’s stated focus on results\(^ {92}\), that countries may have opted for projects that are seen to be easily monitored, accounted for and measured, over what may be seen as vaguer, but nevertheless important, programmes. Whatever the precise reasons, this tendency to prioritise large-scale infrastructural projects within the framework of the MCA has prompted criticism from parts

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\(^{89}\) This is one of the potential reasons why MCA projects have taken longer than expected to implement. Indeed, in a recent article it was suggested that ‘poor countries’ are not used to planning such ‘complex developments’ and have, therefore, needed additional time to get the programmes up and running (Dugger 2007).

\(^{90}\) Jim Vermillion, Managing Director for Latin America in the MCC - Interview held in Washington D.C. on 5th October 2005.

\(^{91}\) Chapter 8 explores this key issue in greater detail, with a specific focus placed on Nicaragua’s MCA experience.

\(^{92}\) According to the MCC “assistance goes to those countries that have developed well-designed programmes with clear objectives, benchmarks to measure progress, procedures to ensure fiscal accountability for the use of our grants, and a plan for effective monitoring and objective evaluation of results” (MCC website a).
Chapter 3: US Foreign Assistance and the Millennium Challenge Account

of the development community who argue that the MCC does not fund projects of direct benefit to the poor, but rather relies on a ‘trickle-down’ approach (see Kurlantzick 2007) which as history demonstrates has often been a hollow promise.

3.7.3 Consultation and the MCA

In examining this issue of ‘ownership’, it is essential to look at the processes through which individuals within the compact-countries are able to engage with the MCA. Within this context, the concept of ‘consultation’ is particularly significant as, to a large extent this defines the formal mechanisms through which public participation, a process which is increasingly seen as being a determinant of programme success, is enabled. It should come as no surprise that the MCC places a strong emphasis on the consultative process in the development of the MCA programmes. In fact, this focus was hardwired into the MCC’s approach through its founding legislation, which requires the following:

“In entering into a Compact, the United States shall seek to ensure that the government of an eligible country (1) takes into account the local-level perspectives of the rural and urban poor, including women, in the eligible country; and (2) consults with private and voluntary organizations, the business community, and other donors in the eligible country” (MCC 2006b: 3).

Clearly, if the principle of ownership is to have meaning, then recipient countries should move beyond the sphere of government and engage with society as a whole, i.e. it must represent more than a tokenistic attempt to build a foundation of legitimacy. As Clark suggests, it is essential “to build in a channel of influence in the MCA for civil society groups that is real and not just window dressing” (2005: 34). Whilst the MCC is required to ensure that genuine consultation does take place in recipient countries, the degree to which this has happened in practice is, as illustrated later in this thesis, debateable. This has implications for how we understand and value ‘democracy’, which becomes increasingly important in a country such as Nicaragua, where democracy is a particularly fragile phenomenon.
Conclusions

The MCA should not be seen as a single initiative, but as part of a global package through which US interests are being pursued. Its inception at the start of the twenty-first century was symbolic of the emergence of 'transformational' policy in the US, through which the hegemonic ideology of 'transnational liberalism' has been extended. Whilst recognising this reality, however, one cannot ignore the impact of 9/11 on US foreign policy, through which security interests have come to dominate the geopolitical landscape. As discussed earlier in this chapter, the MCA has not been immune to the effects of this. Despite such complexities however, the MCC has a clear focus in its approach to promoting international development and focuses specifically on reducing global poverty through the “promotion of sustainable economic growth” (MCC website a). According to this approach, therefore, economic growth is directly conducive to the reduction of poverty and with this in mind it is not surprising that the MCC is highly selective in working with those countries that have the greatest economic potential.

Although economic growth is undoubtedly an important component of development, it is important to recognise that inequality can greatly affect its impact on poverty (Lustig et al 2002: 4). This can be seen most clearly with regard to the neoliberal Structural Adjustment Programmes (SAPs) of the eighties and nineties in Latin America, which in many cases greatly exacerbated existing social and economic inequity. The consequences of these programmes were, in several cases, disastrous, with critics likening their impact to that of a tropical storm (see Nitätápan-Envío team 1992). Although the MCC does grant countries greater control and flexibility in composing and implementing their compact projects, this is being done within a pre-defined model of development that continues to give primacy to economic growth. The historical legacy of these SAPs, which were highly econocentric in nature, cannot be ignored. It is vital that donors move away from a ‘one model fits all’ mentality in development and acknowledge the conditions and underlying power relations that are particular to each country. In recognition of this need for specificity, the following chapter examines the historical backdrop to Nicaragua’s unique and at times volatile relationship with the US, through which the country’s MCA can be contextualised and an explicit analysis of the MCA undertaken.
The second chapter in this thesis focussed on providing the theoretical backdrop to the Millennium Challenge Account (MCA), beginning with a famous speech made by President Truman in 1949. From there, the chapter examined two very influential bodies of thought, modernisation theory and dependency theory, which preceded the neoliberal counter-revolution of the 1980s and the subsequent transition to the Washington Consensus (WC). This was followed by a discussion of the apparent transition to the Post-Washington Consensus (PWC), which coincided with an emerging ‘good governance’ agenda that would come to dominate the actions of key development organisations and thinkers from the 1990s onwards. The chapter concluded by recognising the fundamental shift within the United States’ (US) international development priorities towards realigning foreign assistance with the post 9/11 US security agenda and emphasised the need to re-evaluate the concept of ‘development’. The third chapter examined the MCA and its defining aspects, locating the initiative within the broader context of US foreign policy. It identified some of the fund’s perceived strengths and weaknesses, whilst simultaneously considering the emergence of ‘transformational’ policy in the US and the associated reform of US foreign assistance. The chapter concluded by stressing the need for greater historical and spatial specificity in understanding of the MCA and, in this respect, the following discussion exploring US-Nicaraguan relations is particularly important as it provides the historical and geographical context to the study. In doing this, however, the chapter does, at times, refer to Latin America and Central America more broadly, in order to distinguish between moments in which the wider geopolitical context has shaped the nature of these relations.

4.1 Introduction

It is easy when writing about the history of US-Nicaraguan relations to fall into the trap of simply listing events in a chronological fashion - indeed this does have a certain appeal. Such an approach would undoubtedly simplify this daunting task and provide an intriguing overview of events within the discourse of US-Nicaraguan relations. However, without recognising the interrelated issues and complexities that criss-cross historical relations, it would offer little more than a glorified timeline. Of much greater significance here is the identification of historical themes, of the continuities and discontinuities that shape
this unique relationship. Arguably, historical events have repercussions that transcend both spatial and temporal boundaries, and it is this interconnectedness which must be explored and unravelled here if we are to understand the past, present and future of US–Nicaraguan relations. That being said, however, for the purpose of clarity this chapter is divided up into three broad historical periods. Although structuring the discussion in this way may appear to contradict the previous suggestion regarding the adoption of a timeline approach, it does help bring coherence to what is an incredibly complex topic. Furthermore, in order to avoid the dangers of lumping events into detached historical groupings, frequent connections are drawn between these ‘historical periods’, reflecting the transcendental qualities of US-Nicaraguan relations referred to above.

The first section entitled ‘pre-crisis US-Nicaraguan relations’ considers a number of important historical events and themes, such as the commencement of the Cold War geopolitical order and the creation of the Alliance for Progress. The second section labelled ‘Central America in crisis’ focuses on US-Nicaraguan relations during the 1980s. The use of the label ‘crisis’ in distinguishing this period was decided upon for two key reasons: Firstly, it reflects the fact that the 1980s was a hugely volatile period in Central American history, referred to by some as the “bloodiest, most violent, and most destructive era in Central America’s post-1820 history” (Lafeber 1993: 362). Secondly, its use here is indicative of the plethora of books and articles that emerged, both from within the isthmus itself and from outside the region, during this period, which talked about a region in crisis. Whilst applying this label here, however, it would be a mistake to assume that crisis in Central America only began in the late seventies and concluded with the end of civil war in the region. The final part of this chapter looks at US-Nicaraguan relations from the early 1990s to present day, focussing on a range of issues illustrative of the post-Cold War era and reflecting on the increasing submersion of the Central American region into international obscurity. As Naim discusses more generally, Latin America once thought to be the ‘backyard’ of the US is now more like Atlantis – the lost continent (2004: np).

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94 Within the context of this specific chapter, ‘crisis’ should be seen in a broad relational sense, marking paradigmatic moments in the discourse of US–Nicaraguan relations, which act as waypoints in giving direction to a topic that is both highly complex and multidimensional.
It is useful to begin this chapter by considering how the historical relationship between the US and Central America has generally been interpreted by individuals with an interest in the region and, in turn, how this has shaped the identity of the isthmus. A brief dip within the academic literature provides an interesting indication as to the region’s modern history which, although very telling, tends to mask over some important historical realities. Taking several examples, the region is described as an ‘obscure backwater’ held hostage to the demands of American imagination (Black 1988), a ‘workshop of empire’ (Grandin 2006), and an area ‘by-passed by history’ (see Prevost and Vanden 1999). Much of the literature presents an image of Central America as being powerless, unable to shape its own history - a history that has been defined through the desires and whims of external forces. As this chapter demonstrates, the role of the US and other external actors in the region cannot be ignored, as these forces have been paramount in shaping the region’s development. But whilst their importance in the isthmus is undeniable, one cannot and must not discount the determining role internal dynamics have played in defining regional history. Far from being ‘passive’ non-actors in a history imposed and defined from without, regional stakeholders have acted as decisive agents of change. Countries within the isthmus have been active participants in shaping their own histories and have not been shy in exercising their power of ‘resistance’ in the face of unwanted foreign impositions and moulding their own outcomes; a reality exemplified throughout this chapter.

4.2 ‘Pre-crisis’ US-Nicaraguan relations

This part of the chapter seeks to explore the historical antecedents to the Central American crisis of the 1980s and discusses what are arguably some of the most important episodes in ‘pre-crisis’ US-Nicaraguan relations, beginning with Franklin D. Roosevelt’s Good Neighbour Policy in 1933.

4.2.1 The ‘Good Neighbour Policy’ and the Central American dictatorships

The Banana Wars formally ended with the announcement of the Good Neighbour Policy in 1933 by US President Franklin D. Roosevelt. This declaration represented a radical reversal of US policy towards Latin America, which had previously entailed - as already demonstrated within a Nicaraguan context - successive military interventions. Grandin argues
that if such a shift were to happen today it would be the equivalent of "George W. Bush withdrawing troops from Iraq, repudiating his doctrine of pre-emptive strikes, signing the international Criminal Court Treaty, normalising relations with Syria and Iran, and permitting third-world nations to have greater control over international capital flows" (2006: 28). What the Good Neighbour Policy promised for the Latin American region was threefold: that the US would desist from unilateral military interventions, it would relinquish its administrative and financial control over the Central American countries, and it would respect the political traditions and sovereignty of the 'sister republics' (Niess 1990: 100). The instigation of this policy, however, was far more than a purely peace-driven agenda or PR campaign. If anything, this dramatic shift in stance reflected the recognition of many within Washington that US interests could be better served through diplomatic and commercial means, as opposed to 'gunboat diplomacy'\(^{95}\). This, however, is not to say that the Good Neighbour Policy actually represented the end of interventionism, only that it would take place through more subtle and subversive means, i.e. through ambassadors, foreign 'advisors' and the strategic use of economic assistance\(^{96}\). In fact, one could argue that this led to a situation that was actually more interventionist than before, institutionalising US authority over the Americas and bringing the countries further into the political, economic and cultural orbit of the US (Grandin 2006: 3-4). As Lafeber argues, following the introduction of the Good Neighbour Policy, the US "carried out interventionism in Central America and tightened the system far beyond anything Theodore Roosevelt and Woodrow Wilson probably imagined" (1993: 83).

4.2.2 An unholy alliance: The US and regional dictatorships

Beyond increasing US interventionism throughout the Americas, the Good Neighbour Policy also helped sustain dictatorships within the isthmus (Maira 1986: 21). Successive US administrations lent their support to authoritarian regimes in Nicaragua, El Salvador and

\(^{95}\) Within the context of Central America, 'gunboat diplomacy' can be understood as a manifestation of the Roosevelt Corollary in 1904, in which military (and more often naval force) was used as an instrument of US foreign policy within the isthmus. Furthermore, "the use of gunboat diplomacy, including the deployment of marines, in support of direct U.S. control over government finances was... central to Washington's involvement in Nicaragua between 1916 and 1933" (US History Encyclopaedia).

\(^{96}\) It is interesting here to draw parallels between this event and Condoleezza Rice's conceptualization of 'transformational diplomacy' referred to previously, part of which seeks to make US foreign diplomacy more efficient as a tool of US foreign policy.
Guatemala. To a large degree, these regional dictatorships were seen as a source of stability in the region and, therefore, conducive to US interests. In Nicaragua, for example, dictator Anastasio Somoza was the “trusted interlocutor of the United States in Central America”, constituting an “authentic power axis which was stable, permanent, lasting and which had all the political flexibility required to carry out its role in the region” (Cerdas 1986: 181). As such, these dictatorships were not a paradox, but were in fact necessary for the ‘system’ to work (Lafeber 1993: 83) and, therefore, the US tended to avoid any interventions that could have caused ‘discomfort’ to the regimes. The US’ support for despotism throughout Central America meant that dictators had little pressure or incentives to meet the demands of both the middle and lower classes for reforms or even ‘nominal political participation’ (Weeks 1986: 114). This created social, economic and political conditions that were conducive to the formation of oligarchic groupings, supported by two pillars: the US on the one hand and the domestic military elites on the other. Ironically, these systems of repression would, as Martinez argues in discussing Nicaragua, become the source of much instability at a later date, as “domestic developments gradually turned the strongest regional system for domination and the most secure for US foreign policy in the isthmus into the exact opposite” (1986: 183).

4.2.3 A new geopolitical order

This discussion engages with the debates and issues that helped shape the development of the isthmus during the 1950s and 1960s. Once again, US activities within Nicaragua and the Central American region during this period were heavily motivated by the pursuit of economic and strategic interests and less visibly, although no less importantly, by the continuation of the US’ ‘civilising’ mission. The end of the 1940s marked the onset of an ideological tug of war between US-led capitalism and Soviet-led communism, in which much of the South, and Central America in particular, would fall victim to this global struggle for hegemonic dominance. As previously discussed in chapter 3, which analysed the concept of power from a geopolitical perspective, the end of World War II coincided with the inception of a new ‘pervasive’ and ‘persuasive’ world order, which would come to dominate the geopolitical imagination until its formal collapse in 1989. Hence, the commencement of the Cold War came to redefine US relations with its southern neighbours, but also with much of

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97 For example, Roosevelt made a famous remark commenting that “Somoza [the Nicaraguan dictator] may be a son of a bitch, but he’s our son of a bitch” (cited Zepezauer 1994).
the rest of the world, as the promotion of strategic interests took centre stage within US policy. However, it is the US' unique relationship with Central America and Nicaragua in particular, that is of greatest relevance here and the following discussion focuses on these areas.

4.2.4 The 1954 Guatemalan coup

Much of the Cold War geopolitical order was dominated by the US agenda for combating alleged communist inspired revolutions in Central America. However, the 1954 US-assisted coup in Guatemala was of particular significance as it represented a paradigmatic moment in the commencement of Cold War relations with the isthmus. The coup saw the installation of a US friendly puppet regime headed by President Col. Carlos Castillo Armas, who was in no way disillusioned as to the role the US expected him to play. In a visit to Washington D.C., following his successful takeover of power, he was painfully forthright in saying to then Vice President Nixon “Tell me what to do and I will do it” (Kinzer 2003: np). The coup, which was one of the earliest interventions by the US legitimised through Cold War ideology, is recognised as being one of the most important events in the history of US relations with Latin America (see Grandin 2004) and, with regard to Central America more specifically, set the precedent for later interventions. Moreover, it was the Central Intelligence Agency’s (CIA’s) first major covert action within the isthmus and it marked the beginning of an era of US backed military regimes, not only in Central America but across the Latin American region as a whole. In the specific case of Guatemala, the coup dramatically changed the country’s historical course, ending democracy and inaugurating forty years of dictatorships; regimes under which one hundred thousand civilians would be murdered (Stokes 2003: np).

4.2.5 Containing communism

The Guatemalan coup marked the commencement of a policy of containment that went way beyond the Monroe Doctrine, in which in the face of aggressive European colonialism the US laid claim to the Americas. Although the policies were similar, in that they were both concerned with keeping unwanted powers or systems out of the US’ ‘sphere of influence’, they had one fundamental difference. As Niess clarifies, “while Monroe’s aim had been to contain the power-political ambitions of the European states, the Truman
administration’s Latin American policy sought to block or reverse any undesirable social changes” (1990: 134). Consequently, the Cold War containment doctrine was much more intrusive than the Monroe Doctrine, having direct implications for the internal dynamics of the Central American countries. Any social change or mobilisation seen as undesirable by the country elites was met by cries of communist subversion, a call which rallied much support in the US. Indeed, whilst helping to bolster the positions of local elites, it also provided politicians in the US with the perfect excuse for deploying ‘countermeasures’⁹⁸. As Booth et al suggest, “US policy in the region perhaps responded more to domestic political fears, misperceptions, and rhetoric in the United States and the fears of local elites, than to the reality of the situation in the isthmus” (2006: 178)⁹⁹. The subordination of Central American relations under the auspices of the containment doctrine was synonymous with the emergence of the new geopolitical world order, in which both national and international politics were seen as a zero-sum game between communism and the ‘free world’ (Booth et al 2006: 179).

Although no longer defined today in terms of an East-West conflict, US political rhetoric is still very much confined to this ‘zero-sum’ mindset, witnessed most visibly in President Bush’s frequent assertion that in the new fight against terror countries are either ‘with’ the US or ‘against’ it, denying the possibility of a neutral standpoint¹⁰⁰.

4.2.6 A self-fulfilling prophecy

It could be argued that the inflexibility of local elites and US politicians to accept social change placed many Central American governments and social movements in a

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⁹⁸ These countermeasures included a wide range of both subtle and more direct actions by the US involving: information/disinformation campaigns, counterinsurgency programmes, covert actions by secret police, political destabilisation, economic blackmail through the International Monetary Fund (IMF), 'subliminal warfare' through the help of research and social organisations, military aid of all types, intimidating naval manoeuvres, support for armed insurgency and direct military intervention (Niess 1990: 133-134).

⁹⁹ Some parallels could be drawn here to the post-9/11 world, in which many countries have embraced anti-terrorist rhetoric in the hope of legitimising action or indeed inaction against various groups or countries, and often in order to secure additional support, financial or otherwise, for their alleged anti-terrorist activities. For example, in Latin America it is far more common post-9/11 for coca-producing countries to identify small coca farmers as being somehow related to global terrorist networks. Moreover, as attention has shifted away from Latin America, officials in charge of US foreign policy towards the region have increasingly sought attention and resources by “lumping a broad range of issues together in the counterterrorism - and narcoterrorist – basket” (Youngers and Rosin 2004: 9).

¹⁰⁰ In a speech made in November 2001 President Bush stated the following: “Over time it’s going to be important for nations to know they will be held accountable for inactivity...You're either with us or against us in the fight against terror” (cited in CNN November 6th 2001). He also asserted this dualistic global vision in his use of the phrase ‘axis of evil’ for the first time in January 2002 during the State of Union Address, to describe those governments accused of sponsoring terrorism and seeking weapons of mass destruction - WMDs (mentioning Iraq, Iran and North Korea) (Bush 2002b).
position where any attempt to pursue alternative models of development, that would help address 'underdevelopment', were construed as un-American and, hence, essentially communist.\textsuperscript{101} Ironically, this brought about a self-fulfilling prophecy, a point expressed in the following extract from Niess:

"The foolish attempt to put revolutions or reforms under quarantine like infected cattle, to prevent the communist 'bacillus' from spreading from one region to another, left beleaguered reformers no option but to look for economic aid and political support from the Soviet Union and Cuba, countries which they initially would probably not have seen as allies" (1990: 134).

Bearing in mind the above quote, it is important to ask ourselves whether the communist ‘threat’ was, in fact, a legitimate concern for the US and determinant to hemispheric Cold War interventions, or whether this rhetoric acted as a smokescreen for an alternative agenda. For example, whilst Booth et al suggest that “the containment of Soviet-inspired communism was the major force driving US foreign policy” (2006: 178), Stokes states that Soviet expansion was rather a peripheral concern for the US. Indeed, Stokes argues that the two states that have traditionally been used to illustrate US containment efforts most clearly, Cuba and Nicaragua, both initially sought good relations with the US and US hostility towards these states occurred prior to any Soviet alignment (2003: np). This lends support to the idea that US hostility towards many Central American and Caribbean countries during the Cold War era may have been triggered by the domestic policies of such countries (policies that were seen as non-conducive to US interests), as opposed to any real Soviet threat. For example, in the case of Guatemala, the CIA led coup discussed earlier was driven more by the need to protect certain US corporate interests, in the shape of the United Fruit Company\textsuperscript{102} (UFCo), than combating any real sort of communist threat. In a country of more than three million people, the communist party had a membership of only four thousand and in the governing coalition only four out of fifty-one deputies were communists, with none being cabinet members (Oliver 2004: np). So perhaps one could argue that US ‘concern’, which was often couched in terms of Soviet expansionism and used to legitimise

\textsuperscript{101} This can be seen most visibly in terms of ‘dependency theory’ (discussed in chapter 2), which evoked “fears of Marxism, communism, radicalism, [and] general disrespect for established academic procedures” (Bath and James 1976, cited in Hyman 1994: 37).

\textsuperscript{102} At the time of the coup, US Secretary of State John Dulles was a major UFCo shareholder, his bother Allen Dulles - Director of the CICA - had been the company’s president, and Assistant Secretary of State for Inter-American Affairs John Cabot was a major shareholder (Niess 1990: 149).
interventions in Central America during the Cold War period, was driven in part by corporate and economic interests. The following section looking at the Alliance for Progress sheds further light on this possibility.

4.2.7 The Alliance for Progress

The Alliance for Progress was initiated by US President Kennedy in 1961 and represented a ten year plan for ‘development’ in Latin America, to be administered by the newly created United States Agency for International Development (USAID). The alliance provided economic and military assistance to its allies in Latin America and played an incisive role in promoting modernisation throughout the Americas (MacDonald 1997: 31). In light of this discussion, it is useful here to refer back to chapter 2 which analysed modernisation theory and its evolution, whilst simultaneously establishing a clear link between development theory and the geopolitical Cold War era (see section 2.2.1). The influential work undertaken by Rostow in the 1950s and 1960s establishing the ‘stages of economic growth’ not only exemplified the extremely paternalistic, as well as ethnocentric ideas enshrined in the modernisation discourse, but also, as indicated by the title of Rostow’s famous book ‘The Stages of Economic Growth: A Non-Communist Manifesto’, demonstrated the theory’s entrenchment within Cold War geopolitics. Consequently, modernisation theory, through being embedded within prevailing ideological discourse, helped to legitimise US interventions in the South, particularly in the US’ ‘backyard’ - Central America.

In a speech given in March 1961, President Kennedy set out his vision for the alliance:

"...we propose to complete the revolution of the Americas, to build a hemisphere where all men [sic] can hope for a suitable standard of living and all can live out their lives in dignity and in freedom. To achieve this goal political freedom must accompany material progress... Let us once again transform the American continent into a vast crucible of revolutionary ideas and efforts, a tribute to the power of the creative energies of free men and women, an example to all the world that liberty and progress walk hand in hand. Let us once again awaken our American revolution until it guides the struggles of people everywhere - not with an imperialism of force or fear"
but the rule of courage and freedom and hope for the future of man [sic]” (Kennedy 1961: np).

It is interesting to note that as Kennedy was setting out this vision for the Americas and pledging to dramatically increase US economic assistance to the region\(^\text{103}\), he had full knowledge of the preparations being made to invade Cuba, giving his go ahead for the ‘Bay of Pigs’ operation only three weeks later (Niess 1990: 173). Moreover, despite his reference to ‘freedom’ and ‘liberty’, the regional dictators and military elite, many of whom were installed through US support, continued to rule in Guatemala, El Salvador, Honduras and Nicaragua. As McGrew states, “US policy towards Central America appeared increasingly paradoxical; in the fight against communist totalitarianism it was engaged in alliances with highly undemocratic regimes” (1992: 66). With regard to Nicaragua more specifically, the US maintained strong and visible support to the Somoza dictatorship, giving millions of dollars in aid for ‘social and economic projects’ under the auspices of the Alliance for Progress, despite ample evidence showing that Somoza and his accomplices stole much of this assistance (Booth et al. 2006: 72). Additionally, during the 1960s and 1970s, the Nicaraguan dictatorship received US military support far out of proportion to that of other Central American countries, with Somoza’s National Guard subsequently becoming the most “heavily US-trained military establishment in Latin America” (ibid).

Despite Kennedy’s passionate speech on completing a revolution for ‘freedom’ and ‘dignity’ in Latin America, the Alliance for Progress was essentially an instrument of US foreign policy, aimed at supporting and furthering US interests in the region. As a result, far from representing the beginning of something fundamentally new, the creation of the Alliance demonstrated the continued efforts of the US to maintain ‘stability’ in the region, driven by the pursuit of US economic and strategic interests. Ironically, Kennedy’s vision of awakening an ‘American revolution’ signified the accelerated attempts by the US to pre-empt growing political instability, instability that had resulted, to a large degree, from the US’ unbridled support for oligarchical and dictatorial patterns of rule in the region (McGrew 1992). In this respect, one could suggest that the Alliance was utilised by the US and local elites to fight ‘genuine’ revolution in Latin America, signifying a determined effort by both

\(^{103}\) The Alliance for Progress aimed to inject the huge sum of $100 billion into Latin America over a ten year period, of which the US would contribute one fifth (becoming the US’ largest single foreign-aid programme at the time).
parties to engineer a revolution from above in order to prevent a revolution from below (Niess 1990: 176). Consequently, whilst the Alliance may be identified as an effort to combat ‘underdevelopment’ in the region through the use of economic aid and the promotion of a US led model of development, it was nevertheless a project opposed to fundamental internal change, aimed at keeping the lid on problems as opposed to confronting them.

Although the Alliance for Progress witnessed some limited economic advances, it failed to achieve any meaningful results and, in some cases, exacerbated regional problems. According to Niess, there was an inherent contradiction within the Alliance in that “the planned reforms were neither in the interest of the Latin American elites, because they undermined their very basis of existence, nor of the Americans, because they undermined their economic and political interests” (1990: 178). More specifically, it is argued that whereas the business sector wanted ‘political stability’ in order to maximise their profits, the US sought to keep out communism by ensuring social ‘peace’, and both of these could be provided by the armed forces in Latin America\(^{104}\) (ibid). Within this context, the emergence of a number of new dictatorships and military regimes during the 1960s in Latin America (including in Guatemala, Honduras and El Salvador), can be seen as being directly related to the Alliance for Progress. Furthermore, despite a modest increase in regional Gross Domestic Product (GDP) over the period spanning the Alliance’s existence, very little of the accumulated wealth trickled down to the general population, with many of the benefits being reaped by fly-by-night US investors\(^{105}\) (Black 1988: 113). President Kennedy clearly had a point when he said that ‘political freedom must accompany material progress’ and the Alliance proved him right, if for all the wrong reasons. Central America, which had been intended as a showcase for the Alliance, became the very symbol of its collapse (ibid).

4.2.8 The seventies and growing obscurity

The seventies began with the failure of the Alliance for Progress and the collapse of the Central American Common Market\(^{106}\) (CACM) (Lafeber 1993: 267). The region also slid...
from US attention as politicians within the US became preoccupied with other issues, such as the war in Vietnam and the Watergate scandal. Consequently, Central America was, under both the Ford and Nixon administrations, demoted in terms of US foreign policy priorities. Although there was an increase in economic and military aid to the Americas, the emphasis was placed upon maintaining existing regimes in power, not about facilitating any meaningful social change (McGrew 1992: 66). Nevertheless, it would be a mistake to assume passivity in Central America during this period. In particular, there was increased mobilisation within civil society, driven by members of the Catholic Church and catalysed through the onset of clerical activism. Liberation theology, which arose out of this movement, was hugely significant in that it “combined the formation and consolidation of grassroots organisations with ideas of local democracy” (Bebbington and Thiele 1993: 37) and it is through this relationship to ‘democracy’ that notions of empowerment became infused, to a large degree, within Central American societies. The impact of this social revolution was enormous, with extensive grassroots activity being facilitated through Christian Base Communities (CEBs) set up by nuns and priests in Guatemala, Honduras, El Salvador and Nicaragua (Booth and Walker 1999: 151). Needless to say, this activation of society was largely met by condemnation from elite groupings within the isthmus, which saw this ‘awakening’ as being highly subversive and it was quickly labelled as ‘communist’.
Nevertheless, despite repressive countermeasures instigated by the Central American ruling elite, the movements grew stronger and would come to be an incisive factor in shaping the region’s future.

4.2.9 President Carter and US regional policy

Central America found its way back onto the US radar once political instability within the region threatened social revolution (Arnson 1993: 2). In contrast to previous US administrations, however, the inauguration of President Carter in 1977 presented the possibility of a more humanistic, if not moralistic, US policy outlook towards the region. According to Niess, the US elections “heralded a turnabout in US Latin American policy similar to that effected by President Kennedy 16 years earlier” (1990: 189). Of particular significance, was the promise of the new administration to abandon the ‘East-West straightjacket’ and adopt a differentiated approach that would recognise the specificity of

converged with those of the Alliance for Progress, which sought to “bolster the capitalist development model” (Booth et al 2006: 50).
individual nation states (ibid). Additionally, the new administration elevated the promotion of ‘democracy’ and the advancement of human rights as the core tenets of US foreign policy, inciting domestic and political reform in what was arguably an attempt to gain some measure of control over the region’s revolutionary movements (McGrew 1992: 66). Although this transition to a more humanistic regional approach, if taken at face value, was a potentially positive step, it should not be mistaken as being indicative of a crisis of conscience among politicians within the US, as it arguably represented the continued efforts of leading figures within the US to maintain control and stability in the region. However, in considering the volatile events that were to follow in the 1980s, it becomes clear that this attempt to engineer a US managed revolution from within the isthmus was unsuccessful and, as explored below, there are several important reasons for this failure.

Firstly, the US’ containment policy was, as alluded to earlier, a self-fulfilling prophecy, in that it gave countries in Central America little choice but to look for support elsewhere, i.e. from the Soviet Union or Cuba. Consequently, whilst there was, initially at least, a shift away from viewing US relations with the region through the lens of the East-West conflict, Cold War geopolitics had, in many ways, already become entrenched in regional relations. For example, the 1970s had witnessed the emergence of Cuban-aided leftist revolutionary movements in both Nicaragua and El Salvador, whilst in the US the ‘right-wingers’ remained diametrically opposed to aiding ‘communist’ groupings in any way or form. Secondly, linking to the above discussion, Carter’s ‘transformation’ of US foreign policy was essentially too little, too late. The US had through its unbridled support of regional dictatorships and oligarchies, its Cold War policy and imperialistic activities in the Americas, already helped put into motion a course of events that would inevitably lead to disaster for the region. Instead of focussing on the underlying causes of instability and impoverishment in Central America, the US had been happy to put a lid on the growing discontent and ignore the social oppression and deprivation, so long as its short-term economic and strategic interests were being served. It was only once the regional troubles started to boil over and threaten US interests that they decided to act, by which point it was too late. As Black argues, “each President in his own way fell into the trap of believing that US power and technological skill could mould Central America like putty, even at a time when its social systems were breaking apart” (1988: 136).
In addition to the above discussion, there are some more specific, although not unrelated, factors to consider. For example, one key reason for the downfall of Carter’s regional policy was ‘Vietnam syndrome’. The fallout from the Vietnam War continued to dominate US political debates, having substantial repercussions for US foreign policy. Indeed, Arnson argues that Vietnam was the most important context to shape US policy debate over Central America and this stemmed, to a significant degree, from a lack of consensus over the purpose of American power in a post-Vietnam world (1993: 3). Whereas, for many people in the US, Vietnam tended to revive old isolationist tendencies, the majority of conservatives argued that the US only lost in Vietnam because of a lack of will and they therefore pushed for a more aggressive confrontation with the Soviet Union and its allies (Felton 1993: VII-VIII). Of particular importance, however, was the impact of the Vietnam War on Congressional-Executive relations in the US, which ended decades of co-operation over foreign policy and saw the reactivation of powers that Congress would now choose to exercise ( Arnson 1993: 3). As discussed below, recognising the interaction between the different structures of government is essential in understanding US policy towards the isthmus, especially during the 1980s. Furthermore, the legacy of defeat in Vietnam would continue to shape the American psyche and Central America was to become the arena in which the US would seek to erase the trauma it caused.

Another reason for the breakdown of Carter’s policy emanated from internal dynamics within the region or, more specifically, from those very structures of power that the US had fought so hard to maintain, the dictatorships and military regimes. Many of these regimes became concerned about Carter’s new ‘moralistic’ policy and began to adopt a more aggressive stance towards the US. Moreover, a number of high profile events led to widespread public revulsion in the US over the administration’s alliance with the Central American dictators and military elites. Ironically, in light of the historical role the US played in maintaining such systems of rule, a number of these regimes argued that they would no longer tolerate US interference in their internal affairs, with some going so far as to

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107 The complex relationship between Congress and the Executive in US government, illustrates the importance of not being too monolithic in discussing the US and its foreign policy. It also reasserts the discussion presented in section 3.1.5 of chapter 3 exploring the entanglements of power, i.e. that resistances often exist between apparatus within the state structure (Sharp et al 2000: 7).

108 For example in one incident in 1979 an ABC news correspondent was shot in the head by the National Guard in Nicaragua – a moment captured on video camera and later aired on US television. In another incident in 1980, the bodies of several US nuns who had been raped and subsequently killed by the El Salvadoran National Guard were found (Black 1988: 138-139).
decline further US military aid\textsuperscript{109} (Niess 1990: 191). Therefore, despite all the ‘good intentions’, “inter-American relations reached an almost unprecedented low in the course of 1977” (ibid). A combination of events in 1979, such as the Sandinista revolution in Nicaragua and the overthrow of El Salvador’s military, not only re-awoke US interest in Central America, but also marked a transition in the US to viewing regional relations through the lens of the East-West conflict. This shift was marked by the return to ‘traditional’ policy (led by military logic) and resulted in generous US military aid being disbursed to ‘counter-revolutionary’ forces within the isthmus. As Black highlights, “just as the CIA-backed coups in Iran and Guatemala had embodied the power of the United States in the 1950s, the fall of the Shah and Somoza within five months of each other in 1979 symbolised, for US conservatives, the collapse of American prestige and national will” (1988: 135). Central America was to become, for many of those in the US who had been shaken by failure in Vietnam, the test case of US power and will. Accordingly, the 1980s would spell out disaster for the region, constituting the bloodiest, most violent and destructive era in Central America’s post-1820 history (Lafeber 1993: 362).

### 4.3 Central America in crisis

The inauguration of Ronald Reagan as US President in 1981 marked the formal return of Cold War discourse within US foreign policy, with the hard right arguably having little difficulty in “imposing its extremist line”\textsuperscript{110} (Niess 1990: 192). A specific and fundamental change, witnessed in the shift from the Carter to Reagan administration, was the positioning of ‘terrorism’ as the central concern of US foreign policy, replacing that of ‘human rights’. The new terrorist agenda would continue to emphasise the Soviet ‘link’, abandoning Carter’s human rights policy on grounds that it impeded the “realisation of US objectives in the Western hemisphere” (Niess 1990: 193). Reagan’s political philosophy re-invoked notions of ‘Manifest Destiny’ and ‘divine providence’, reminiscent of nineteenth century idealism\textsuperscript{111}. Moreover, Reagan interpreted his landslide victory into office as vindication of his tough

\textsuperscript{109} This included regimes in Nicaragua, Guatemala, El Salvador, Chile, Uruguay, Argentina and Brazil.

\textsuperscript{110} This is witnessed by the proliferation of right-wing think tanks within the US. These think tanks, which would prove extremely influential throughout the eighties, included organisations such as the Centre for Strategic and International Studies (CSIS), the Hoover Institute, the American Enterprise Institute (AEI) and the Heritage Foundation (Niess 1990: 192).

\textsuperscript{111} The following extract from President Reagan’s ‘Announcement for Presidency’ demonstrates this invocation of ‘Manifest Destiny’: “A troubled and afflicted mankind looks to us, pleading for us to keep our rendezvous with destiny; that we will uphold the principles of self-reliance, self-discipline, morality, and -- above all -- responsible liberty for every individual that we will become that shining city on a hill” (Reagan 1979: np).
campaign rhetoric and public support for reinstating US global primacy (Arnson 1993: 54, 55). To a degree, this was a fair interpretation of domestic sentiment at the time, with many Americans longing for simple truths at a time of complexities. Within this context, Central America became the test case of US resolve and took center stage in Reagan’s foreign policy agenda. As McGrew states, “Central America was elevated into a fundamental test of US power in the world” (1992: 61).

4.3.1 The Executive, Congress and the debate on human rights

As suggested previously, no analysis or discussion of US Central American foreign policy would be adequate without recognizing and examining the relationship between the Executive and Congress during this period of ‘crisis’. Although both the Reagan administration and Congress viewed the US as a positive force in the world, there was an ideological divide in terms of how ‘power’ should be exercised. For example, Reagan argued that Congress, controlled by the Democrats, was overstepping its role in foreign policy and was allowing the Soviet Union to gain a ‘beachhead’ on the American mainland, whilst Congress asserted that the administration was ignoring the lessons from Vietnam (Felton 1993: IX). A key point of debate and contestation was Reagan’s rejection and apparent disregard for human rights abuses, illustrated by the administration’s continued support for those Central American ‘allies’ committing them. In contrast to Reagan’s suggestion that pursuing the protection of human rights in the region was counterproductive to the US’ hegemonic project, Congress saw their very rejection as contrary to US interests.

The fundamental issue of human rights would come back to haunt President Reagan on many occasions, but one specific event would act as a galvanizing force for congressional and public opposition. In the 1980s, it came to light that the US supported National Guard in El Salvador had raped and killed four US nuns. This event became a powerful symbol, for many in the US, of the raw brutality in El Salvador and this reality was forced home by the death of fellow Americans. As a Senate Republican staffer reflecting on this event later discussed, “these were Americans, not nameless campesinos and urban dwellers. It was very hard not to be deeply affected by that, and a lot of Senators were...” (cited in Aronson 1993: 62). The murder of these nuns by supposed US allies acted as a catalyst for the domestic mobilization of public opinion, specifically within the church community, in opposition to such alliances. Nevertheless, Reagan not only continued to support the Salvadoran
government through the supply of human and monetary resources, but increased US assistance to it.

4.3.2 The Nicaraguan revolution

One could argue that until the mid-eighties, El Salvador was the primary concern of the Reagan administration in Central America. However, with the ‘election’ of US supported José Napoleón Duarte in 1984 in El Salvador, the US turned the focus of its attention to Nicaragua, which subsequently took centre stage in US foreign policy formation. Before looking more specifically at US–Nicaraguan relations during this period, however, it is useful, and indeed necessary, to re-cap on the events leading up to the Nicaraguan revolution. As mentioned previously, the corrupt Nicaraguan National Guard was the most heavily US-trained military establishment in the whole of Latin America and was employed in a campaign of terror by Somoza\textsuperscript{112} to quell public protest and mobilisation, during which time thousands of innocent people were murdered. It was during this time of social mobilisation and government oppression in the 1970s that the Frente Sandinista de Liberación Nacional (FSLN) (the Sandinista National Liberation Front\textsuperscript{113}), a rebel group of guerrillas and Marxist students inspired by the Cuban revolution and Sandino, expanded its links, gaining substantial support from university student groups (Prevost 1997: 150). FSLN membership (especially of young people) rocketed following 1977, as thousands were driven, in the wake of intensified National Guard efforts, to join the movement. Furthermore, the ‘axis of regional power’ enshrined within the Somoza dynasty, assimilated by the US as the chosen instrument of regional foreign policy, shifted over time from being the strongest link in the US chain of control, to the weakest (Cerdas 1986: 175). In response to this situation, the US and Catholic Church hierarchy supported the unsuccessful efforts\textsuperscript{114} of bourgeois elements within Nicaraguan society to negotiate an end to the Somoza regime (in what was arguably an attempt to subvert a revolution from ‘below’). In addition, the Carter administration announced its opposition to Somoza’s continued rule, removing Nicaraguan aid from the 1979 US budget and blocking arms deliveries from certain suppliers (ibid). Yet, at the same

\begin{footnotesize}
\textsuperscript{112} The Somoza dynasty ran from when Anastasio Somoza García, commander of the Nicaraguan National Guard, seized political power in 1936, until the revolution in 1979. In this time his two sons also ruled Nicaragua; Luis Somoza Debayle and Anastasio Somoza Debayle. Their power was maintained during this period by two pillars; the US and control of the National Guard.

\textsuperscript{113} For detailed information on the FSLN and its history see Prevost (1997).

\textsuperscript{114} These efforts were redoubled following the assassination of Pedro Joaquín Chamorro, editor of the opposition paper La Prensa in 1978 (Booth et al 2006: 75).
\end{footnotesize}
time as wanting the dictator gone, there was an effort by the US government to stop the Sandinistas from seizing power\textsuperscript{115}. Despite such efforts, the FSLN, which was divided for a time over tactical disagreements, reunited in 1979 and, furthermore, joined with other opposition movements to lead a coalition against a weakening Somoza. In July 1979, after looting the national treasury, Somoza fled from Nicaragua to Miami and two days later the Sandinista led coalition took power (Booth et al 2006: 76).

4.3.3 The FSLN in power

The FSLN inherited a country decimated by years of volatility and abuse, in which time about fifty thousand people had been killed and government had to contend with billions of dollars in property damage and international debt\textsuperscript{116}. In addition to these constraints, differences and conflicts arose within the anti-Somocista coalition about the FSLN’s revolutionary programme, culminating in the alliance’s subsequent collapse. Despite this situation, the FSLN was optimistic, initially at least, about the future, adopting various reforms and policies with the intention of aiding the historically ignored, whilst simultaneously laying down the “foundations for democratic government and rule of law” (Booth and Walker 1999: 38). However, as Prevost states, during their ten years in state power there would be a transformation of both the ‘character and ideology’ of the FSLN, with party rhetoric being considerably different by the middle of the 1980s from that of 1979\textsuperscript{117} (1997: 152). In order to understand the reasons for this shift, it is necessary to recognise the extremely influential role that the US played in Nicaragua during the 1980s.

4.3.4 The transition from Carter to Reagan and US-Nicaraguan relations

Although the Carter administration had previously stated its opposition to the Somoza regime, it was also, as mentioned above, against the Sandinistas taking control. Despite this oppositional standpoint, however, the new Nicaraguan government was initially offered a rather tentative friendship by Carter in the form of “diplomatic recognition, emergency relief aid, the release of suspended loans and in 1980 a new $75 million loan commitment” (Booth

\textsuperscript{112} The origins of the Sandinistas dates back to the infamous rebel Augusto Sandino, who successfully challenged US occupation at the start of the twentieth century, only to be assassinated by the Somoza controlled Nicaraguan National Guard in 1934.

\textsuperscript{116} In order to remain credit worthy in international credit circles, the revolutionary government was essentially obliged to pay off Somoza’s debts (Booth and Walker 2006: 77).

\textsuperscript{117} For further details on the nature of this transformation see Vanden and Prevost (1992).
et al 2006: 78). In the beginning, therefore, the FSLN had fairly good working relations with the US, but this period of relative calm was not to last as the Cold War ideological straightjacket came to define US foreign policy towards the region once more. With Reagan’s inauguration to office in 1981, there was a dramatic intensification of hostilities towards Nicaragua, as the new administration made the destabilisation of the Sandinista government a key concern of US regional foreign policy. The revolutionary government’s new socialist-style agenda became construed by the Reagan administration as part of a Soviet-based strategy implemented through Cuba and, as a result, the FSLN was raised to the position of the US’ political and ideological enemy (Martinez 1986: 156).

4.3.5 President Reagan and Nicaragua

Reagan devoted more speeches to Nicaragua than any other issue and this was an indication of the country’s prominence within US foreign policy. Indeed, Nicaragua was to become the “single most divisive and bitterly fought foreign policy issue since the war in Vietnam” (Felton 1993: IX). The US’ assault on Nicaragua throughout much of the 1980s was a multifaceted process, involving the use of a variety of tools to undermine the revolutionary government’s plans:

"Among other activities, it involved training, equipping, and directing a Nicaraguan exile counterrevolutionary (Contra) army to fight against its own government; using U.S. influence in the World Bank and the Inter-American Development Bank to cut off all normal lending to the upstart republic; and orchestrating a massive anti-Sandinista propaganda campaign typified by frequent distortion and outright fabrication" (Walker 2000: 75).

An interesting and powerful insight into the US’ propaganda machine is provided by looking at Nicaragua’s 1984 elections which, although judged as valid by the international community, were discounted by the US (DeRaymond 2005). As the following extract illustrates, the US actively sought to undermine the legitimacy of the electoral process:

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118 This representation of Nicaragua as an ideological and political enemy by the US once again demonstrates the subordinating nature of the Cold War geopolitical order.
“A highly paid CIA asset with connections to the Contras... was employed to show apparent interest in running a campaign without formally registering, and then withdraw with a great fanfare claiming that the conditions for a free election did not exist. Later, one of the six opposition candidates was persuaded by the US embassy to withdraw at the last moment – once again with great drama” (Walker 2000: 75).

As discussed later in this chapter, US interference in electoral processes, particularly in Nicaragua, was a recurring theme throughout the 1990s and was also evidenced in the most recent 2006 national elections. Reagan also orchestrated a campaign to shape the US public’s perception of Central America, using modern tools to great effect (Black 1988: 137), and conveniently leaving out from many statements on the isthmus, any mention of the mass civilian killings or murders of US citizens. Where reference was given to humanitarian issues, the Sandinista revolutionary government was identified as being culpable, with the US being the beacon of ‘hope’ and ‘freedom’ for the Nicaraguan people:

“The truth is there are atrocities going on in Nicaragua. But they are largely the work of the institutionalised cruelty of the Sandinista government – cruelty that is the natural expression of a communist government, a cruelty that flows naturally from the heart of totalitarianism. The truth is Somoza was bad, but so many of the people of Nicaragua know the Sandinistas are infinitely worse” (Reagan 1985 cited in Ruchwarger 1987: 3).

4.3.6 President Bush and Nicaragua

Towards the latter half of the 1980s, conditions in Nicaragua had reached a massive low, with a free falling economy, declining grassroots participatory democracy and failing social programmes. At the same time, the Reagan administration had become virtually isolated in its policies on Central America (Lafeber 1993: 39), especially in the wake of the Iran-Contra affair. The election of George H. W. Bush in 1989 was therefore an important

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119 The 2006 Nicaraguan elections constituted a defining moment in Nicaraguan history, as it saw the re-election of Daniel Ortega, the 1980s revolutionary leader.
120 In 1986 key members of the Reagan administration helped illegally sell arms to Iran to ensure the release of US hostages and used the subsequent profits to purchase weapons for the Contras. Despite attempts at a cover up, the scandal was arguably the biggest catastrophe of the Reagan administration (Arnson 1993: 1)
moment in US-Nicaraguan relations and marked a shift in hemispheric relations\textsuperscript{121}. President Bush’s political philosophy was rooted more in pragmatism than his predecessor, who was instead guided by a rigid set of ideological principles (Pearce 1998: 588). In this sense, Bush was fortunate to be taking office just as the Cold War was ending, as this dramatically shifted the global context for Central America policy discussion and allowed the US to step out of the self-perpetuated ideological straightjacket. No doubt this was a breath of fresh air for many politicians in the US, who must have been eager to remove Nicaragua from Washington’s political agenda, or more explicitly, “to drain the Central American poison from the US political system” (Arnson 1993: 279). Bush was also driven by the desire to mend relations with Congress following the volatilities of the 1980s, especially over Nicaragua.

Indicative of Bush’s ‘moderated’ approach was the signing of the Bipartisan Accords in the US, which ceased all aid to the Contras. At the same time, however, dramatic developments were being pursued within the isthmus itself, as the five Presidents of Central America met in El Salvador to sign the Peace Accords (Arnson 1993: 232). Following this historic event, the US became deeply involved in the 1990 multiparty Nicaraguan elections, despite the fact that Bush had pledged to “leave the ordering of Nicaraguan politics to Nicaraguans” (ibid: 234). As Booth et al discuss, US election strategy followed two tracks: The first one was to potentially denounce, in case of FSLN victory, the electoral process on grounds of fraud, and the second was to invest millions of dollars\textsuperscript{122} to effectively ensure an opposition win (2006: 85). With regard to the latter, the US pushed for a ‘unified opposition’\textsuperscript{123} to be led by the UNO and headed by the US approved Violeta Chamorro. Despite early polls to the contrary, the UNO won the elections comfortably in 1990, marking a paradigmatic moment in Nicaraguan history.

\textsuperscript{121} It should be mentioned that Bush was vice-President under the Reagan administration and, as a result, the degree to which his inauguration to office represented the commencement of something fundamentally new, in terms of the underlying ideas driving policy formation, is debateable.

\textsuperscript{122} In 1989 congress authorized $9 million in overt funding for the UNO (National Opposition Union), to be dispensed by the National Endowment for Democracy (NED) (Vanden 1999: 51)

\textsuperscript{123} Creating a unified ‘right’ appears to be a frequent aspect of US efforts to influence the electoral outcomes in Nicaragua, evidenced most recently in the actions of US ambassador to Nicaragua Paul Trivelli in the 2006 elections (see section 4.4.6).
4.4 Post-Cold War US-Nicaraguan relations

Close states that “accepting the loss of the 1990 elections may have been the most important thing the Sandinistas did in their years in power” (1999: 29). At first glance that may appear to be a slightly odd thing to say, but if we locate this apparent defeat within the context of the revolutionary democratizing project, we can see that it represents one of the FSLN’s greatest achievements. Undoubtedly, one of the major overall objectives of the revolution, indeed it could be argued its primary purpose, was to give power back to the general population through popular democratic participation. Consequently, the 1990 elections, which were recognised internationally, could be identified as a key moment in the consolidation of ‘democracy’ in Nicaragua (Luciak 1995: 183). However, this suggestion is not without contestation and this derives, to a large extent, from the ambiguity plaguing ‘democracy’ as a concept. If, for example, we consider Nicaragua during the 1980s, it is possible to identify two very different, if not contradictory, interpretations of the term. The formal reading of democracy tends to reduce the concept to the electoral process and one could argue that this understanding was symbolic of the US approach to Central America during the 1980s. Indeed, during this period the US proclaimed the birth of ‘democracy’ in Guatemala, El Salvador and Honduras, but condemned its absence in Sandinista Nicaragua. This was despite the fact that the elections in both Guatemala and El Salvador were held within the context of ‘state sponsored terror’, with citizen participation confined by widespread repression (Booth et al 2006: 171). Hence, although the implementation of elections in Nicaragua, and in much of the rest of the isthmus, was an important step in the process of democratisation, analysis based solely on regional elections greatly undervalues the real nature of democracy in Central America.

Close argues that “of all the political systems that have embraced constitutional government in the last quarter of the twentieth century, Sandinista Nicaragua had the best claim to be called democratic itself”124 (1999: 4). Not only did the 1980s mark the first time in which Nicaragua had seen the beginnings of genuine and legitimate oppositional politics.

124 There are many different interpretations of ‘democracy’. For the purpose of clarity, there are two key trends of thought on democracy that warrant attention here. The first approach tends to limit democracy to the electoral process and this, generally speaking, could be referred to as ‘representational democracy’. A second approach, which I will refer to as ‘participatory democracy’, is more concerned with the processes and mechanisms in place that allow for meaningful participation in ‘governance’. Although explored in some detail within this chapter, much greater consideration is given to understanding the concept of democracy in chapter 8.
but, moreover, the FSLN pushed for the conversion of the historically excluded into political actors, and through agrarian reform dramatically changed the rural balance of power (ibid: 31). This ‘popular participation’ is, if anything, a more genuine reflection of democracy’s literal meaning - ‘rule by the people’. To emphasise this point, it is useful to refer to a speech made by the revolutionary leader Daniel Ortega in 1980, at the start of the Sandinistas’ national literacy campaign:

“For the Sandinista Front, democracy is not defined in purely political terms, and is not reducible to popular participation in elections. It is something more, much more... It must be said once and for all: democracy neither begins nor ends with elections. It is a myth to try and reduce democracy to that kind of condition” (cited in Ruchwarger 1987: 3/4).

Bearing in mind the above discussion, it is clear that ‘democracy’ is a very malleable and flexible concept. Its meaning can be bent and shaped by those in power and constructed as ‘knowledge’. Recognising this is important when looking at ‘democracy’ in Nicaragua during the 1990s and beyond, and in understanding its relationship with neoliberalism.

During the 1980s when ‘democracy’ was applied by the US to conditions in Central America, it was done so within the context of the Cold War and was applied in a way that was conducive to US interests. Furthermore, a critical historical analysis would suggest, and rightly so in light of discussion so far, that the Cold War was not simply a bipolar global contest being played out through proxy wars in the South, but it actually acted as a very useful legitimising tool for the pursuit of US hegemony in the post World War II period (Stahler-Sholk 2000: 134). Within this context, the label of ‘democracy’ came to facilitate a hegemonic project and operated as an instrument of US foreign policy. Bearing in mind the US’ status in the world and its enormous influence over the Americas, it has more of an incentive and, broadly speaking, more power to shape and define the meaning of democracy than other countries. It is, therefore, not unexpected that towards the end of the Cold War the concept was once again remoulded to reflect the changing national interests and priorities of the US. The following sections look at this conceptual ‘transition’ in further detail, focussing
specifically on William Robinson’s work on ‘polyarchy’\textsuperscript{125}, which offers an interesting insight into the nature of ‘democracy’ and its application to the Central American region.

4.4.1 Democracy or polyarchy?

William Robinson adopted the concept of polyarchy in an attempt to understand why, after years of suppressing, often brutally, democracy in Latin America (as demonstrated previously in discussing US support for the Central American dictatorships) the US shifted its policy in the 1980s to promoting and supporting regional ‘democracy’. The rise in mass social movements for democratisation within the Americas, challenging the status quo of elite rule at both a local and global level, provoked fear within the US, with the 1979 Sandinista revolution in Nicaragua constituting one of several key ‘turning-points’ in the shift towards US ‘democracy promotion’ (Robinson 2007: 32). This historic moment not only symbolised, for many conservatives in the US, the collapse of American prestige and will, but according to Robinson it also demonstrated to policy-makers and strategists in the US that the old forms of control were no longer a viable option. I would argue, however, that this ‘realisation’ within the US actually preceded the historic events of 1979, as demonstrated in the unsuccessful prior efforts of the Carter administration to engineer a US-controlled revolution in Nicaragua (see Niess 1990). In this respect, although the decision by the US to follow a strategy of managing ‘political change’ in Nicaragua was undoubtedly taken too late (the revolution had gained too much momentum by that point), it was perhaps less reactionary than indicated by Robinson. Nevertheless, in the wake of the Nicaraguan revolution, policy-makers in the US established a new coherent package of ‘strategies, modalities and instruments’ for political intervention, under the banner of ‘promoting democracy’ (Robinson 2007: 32, 33). A key component of this strategic ‘turnabout’ was the use of intervention to bolster those forces within civil society allied to the US and identified with ‘global capitalism’, i.e. the elites of Latin and Central American society. Furthermore, this transition from supporting dictatorships to ‘promoting democracy’ in Central America can be seen, in Gramscian terms, as constituting a transition from ‘transnational coercive domination’ to ‘transnational consensual domination’ - or at least “consensus seeking forms of domination” (Robinson 2007: 33).

\textsuperscript{125} Please refer back to section 3.1.4 of chapter 3 for a more holistic interpretation of polyarchy and its relationship to the new hegemonic ideology of ‘transnational liberalism’.
Within this context, the 1990 Nicaraguan elections not only represented the apparent transition to ‘electoral democracy’ but they also signified the establishment of a polyarchic political system of rule, consolidated through this new US strategy of political intervention. It is, therefore, somewhat ironic that throughout much of Latin and Central America what is commonly referred to as ‘democratisation’ has in fact been accompanied by growing inequality, social polarisation and the proliferation of poverty, presenting a reality that is at odds with the very essence of ‘democracy’. To a large extent, this reality is a reflection of the insistence, of many US policy-makers and intellectuals, that polyarchy must go hand in hand with ‘neoliberal global capitalism’, establishing what is commonly referred to today as ‘free-market democracies’. However, as Robinson suggests, the gap between the world’s wealthy minority and the poor has increased exponentially under the last thirty years of capitalist globalisation, resulting in “unprecedented worldwide concentrations of wealth and power that have brought about a global socioeconomic dictatorship that is the antithesis of democracy” (2007: 34). Hence, it could be argued that polyarchy does in fact generate and recreate the “socioeconomic conditions that make genuine democracy impossible” (Robinson 2000: 47). This apparent contradiction is not without recognition or challenge, as witnessed by the “ongoing struggle between the neoliberal lean and ‘modern’ state organised to facilitate integration into global markets and an alternative vision of mass participatory democracy in which the state must respond to organised demands from below” (Stahler-Sholk 2000: 135). Moreover, it enforces the need to qualify what we mean when we talk about the ‘consolidation of democracy’ and reflect on just whom this ‘democracy’ is serving.

Despite the flaws endemic within the project of ‘polyarchy’ there is a danger, according to Coppedge for example, of historical amnesia, in which many “Latin Americans and Latin American scholars have forgotten how much worse it was to live, and how much harder it was to work for social justice, under regimes that came to power by military force, that disbanded political parties, trade unions and human rights groups, and that murdered, disappeared, imprisoned or exiled opposition leaders” (2007: 36). Coppedge, in drawing directly upon Dahls’ conceptualisation of polyarchy, takes a much more positive view on polyarchy, defining it as:

"...a set of institutions and procedures ensuring that effective political decision-makers are selected in free and fair elections, under conditions in which citizens have access to diverse sources of independent information, can express their political
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expressions freely and can organise and join parties and other organisations without fear of government retaliation” (2007: 36).

Far from constituting some sort of elitist project of manipulation, as Robinson would argue, Coppedge identifies ‘polyarchy’ as a ‘precious achievement’, and one worthy of emulation. The main reason for these divergent opinions rests in the fact that whereas Robinson critically analyses the connections between polyarchy and neoliberalism (a connection which, bearing in mind the complementary fashion in which they are expressed and promoted by the US, cannot be ignored), Coppedge makes little mention of this relationship (see Coppedge 2007: 36, 38) and, in doing so, limits polyarchy to a purely political phenomenon. As Robinson states, “the separation of the political and the socioeconomic is an illusion, since the concentration of economic resources leads to the concentration of political power” (2007:34). The following section, therefore, focuses specifically on the ‘consolidation’ of democracy in Nicaragua and its relationship to neoliberal discourse.

4.4.2 Democracy and neoliberalism in Nicaragua

Chapter 2 has already provided an overview of the concept of ‘neoliberalism’ and its evolution. What this section aims to do is locate neoliberalism within a specifically Nicaraguan context and relate it to the concept of ‘democracy’. Ironically, neoliberal ideology actually came to be infused within Nicaraguan society during the latter part of the 1980s, under the Sandinista government. If anything, rather than being a sign of acceptance for externally driven capitalist reform, it was an indication of desperation. A combination of internal and external pressures had by the end of 1980s placed the Sandinistas in an economic straightjacket. This situation forced the revolutionary government to impose harsh structural reforms on an already economically and socially impoverished society. The inauguration of the UNO government of Violeta Chamorro ushered in a deepening of commitment to the principles of neoliberal ideology, with the new administration embracing the associated structural reforms with enthusiasm (Booth and Walker 1999: 94). Furthermore, the Chamorro administration’s somewhat naïve faith in market forces injected a bias favouring large businesses, strengthening the positions of monopolies, oligopolies and the business elite close
to the government\textsuperscript{126} (Arana 1997: 84). One could argue, therefore, that the shift within Nicaragua to ‘embracing’ neoliberalism at the start of the 1990s, actually worked to undermine the hard fought gains made in political and social equality within Nicaragua during the 1980s, accentuating the very socio-economic conditions that contributed to the violence and unrest of the preceding decades (Booth and Walker 1999: 19).

Although the transition towards a market-orientated economy helped curb inflation and resulted in some modest economic growth, these limited successes were overshadowed by neoliberalism’s highly detrimental socio-economic side effects. As Robinson elucidates, neoliberalism threw “most Nicaraguans into a desperate social and economic situation and excluded and atomised the grassroots by driving people to extreme poverty and despair” (1997: 40). Unemployment, crime and homelessness became the human face of neoliberal discourse, with its destructive impact on the Central American isthmus being likened to that of a ‘tropical storm’ (Nithipan-Envio team 1992: 36). The exacerbation of inequality within this context is illustrative of polyarchy’s embeddedness within neoliberal discourse and vice versa, as it is through this complimentary relationship that such conditions are created and power becomes concentrated in fewer and fewer hands. With this connection in mind, the following section looks at the ‘tiers’ through which polyarchy may be operationalised by the US and establishes clear links to what could be considered the organisations at the forefront of neoliberal discourse and its promotion.

\textbf{4.4.3 Operationalising polyarchy and promoting neoliberalism}

Robinson states that there are several tiers through which polyarchy may be operationalised by the US. The first tier involves the highest levels of state apparatus (such as the White House, the State Department, the Pentagon, and the CIA) and, within this setting, ‘political intervention’ is one component in a broader package of policies towards a given country or region. With regard to Nicaragua, there are many different examples of how these various components have been involved in the promotion of ‘polyarchy’, from the CIA’s attempts to undermine the legitimacy of the 1984 Nicaraguan elections, to the recent efforts of US ambassador Paul Trivelli to influence the 2006 electoral outcome. The second tier involves USAID, in addition to other branches of the State Department, which dole out

\footnote{\textsuperscript{126} As discussed later in chapter 7 examining poverty reduction in Nicaragua, this bias had deep implications for the banking sector and the ability of farmers to access credit (see section 7.8.4).}
millions of dollars to 'ostensibly US organisations', as well as to the NED\textsuperscript{127} and its core groups (such as the International Republican Institute\textsuperscript{128} and the National Democratic Institute for International Affairs). The third tier includes those organisations within the 'intervened' countries themselves that receive funding, guidance and political sponsorship from US agencies. This group may encompass a range of different actors, such as local political parties, coalitions, business councils, women's groups and human rights groups which, according to Robinson become, through their incorporation into 'democracy promotion' programmes, "integral agents of the transnational agenda" (2007: 35). As a result, Robinson argues that the US is able, through such relations, to create 'agents of influence' who can create ideological conformity, 'promote a neoliberal outlook' and advocate for policies of integration into global capitalism (ibid)\textsuperscript{129}.

Although all three tiers for operationalising 'polyarchy' are applicable to the Nicaraguan context (with direct relevance to various historical events already mentioned), it is the second tier involving USAID and the NED that will be examined now. The reason for this is that exploring the role of entities such as USAID and the NED in Central America during the 1980s and 1990s, draws attention for the interwoven and mutually enforcing qualities of polyarchy and neoliberalism. During this period the US provided assistance, often through USAID, as a transitional mechanism for Nicaragua's insertion into international financial structures and, as Vilas notes, "played a central role in the decision of some Central American governments to implement Structural Adjustment Programs" (2000: 218). During the 1980s, the distribution and quantity of the assistance given to governments in the region was significantly influenced by the geopolitical considerations of the Cold War. The US also exerted significant pressure over the International Financial Institutions (IFIs), and was able to ensure Nicaragua's exclusion from multilateral assistance following 1982. A key factor behind the integration of neoliberalism within the region was the economic crisis experienced

\\textsuperscript{127} The NED is a US non-profit organisation that was created under the Reagan administration in 1983 and, although set up as a 'private' entity, receives all its funding from the US government. The NED, although forbidden by law to fund any political party, made a $4 million contribution to the FSLN-opposition campaign of Violeta Chamorro, who as already mentioned won the 1990 Nicaraguan elections.

\textsuperscript{128} It is interesting to note again here that the International Republican Institute's President, Lorne Craner, is on the MCC's governing board of directors.

\textsuperscript{129} Although I do agree that the US can, through certain relations, promote its own ideological and neoliberal agenda, it is important not to be too monolithic in scooping all such 'internal' actors into the same basket. Furthermore, there is a danger of over-stating US power to the point of actually underestimating and undervaluing the ability of individual groups and organisations, who may receive some US funding, to follow their own agenda, or indeed resist such impositions (please refer back to chapter 3 which discusses the plurality of 'power').
throughout the isthmus during the 1980s. Faced by economic stagnation and, in some
countries, also war, many of the governments in the region became increasingly dependent on
foreign assistance, especially from the IFIs. This dependency acted as valuable leverage for
these external forces to pressure aid-dependent countries into adopting SAPs\(^{130}\) (Kendrick
2006). Consequently, USAID, the World Bank and the Inter-American Development Bank
(IADB), were incisive actors in promoting neoliberalism within the isthmus.

It would, however, be a mistake to assume that this neoliberal agenda was simply
imposed from above, as USAID actually adopted a strategy of cultivating neoliberal ideas
from within the isthmus itself. One can easily draw parallels here between this ‘cultivation’
of neoliberal ideas within the isthmus and Robinson’s third tier for polyarchy’s
operationalisation, in which internal national and local actors constitute integral agents of a
‘transnational’ agenda. As Vilas discusses, USAID devoted “considerable effort and
resources to developing a new breed of Central American entrepreneur, politician and
intellectual to promote economic adjustment within the isthmus” (2000: 219). For example,
in El Salvador, where neoliberalism was implemented most religiously, USAID helped
launch the ‘Salvadoran Foundation for Development’ (FUSADES) which was to become a
committed sponsor of neoliberal reform (ibid). USAID was also a key player in the
establishment of neoliberalism in post-Sandinista Nicaragua, returning to the country
following the 1990 elections (after being absent for much of the 1980s) and setting out a
comprehensive programme of restructuring, which would act as a blueprint for the
construction of a neoliberal republic (Robinson 1997: 31). In fact, the US approved a two
year $541 million package to the country, to be administered through USAID and the NED,
but most of this money never actually entered the country as it was used instead to re-
establish Nicaragua’s credit standing, opening the “spigot for new lending from the World
Bank and IMF” (ibid). This trend continued following 1992 as the US began to phase out
bilateral aid and there was a shift to funding from the IFIs. US assistance, therefore, acted as
a transitional mechanism for Nicaragua’s insertion into the international financial structures.
Nicaragua’s transformation into polyarchy was well underway.

\(^{130}\) The creation of the Highly Indebted Poor Countries initiative (HIPC) in 1996, initiated by the IMF and
World Bank, represents a continuation of this trend, in which countries, such as Nicaragua, have been able to
access debt relief conditioned upon meeting strict economic management and performance targets. As
previously stated in chapter 3, the MCA adopts a similar approach to the HIPC, in that countries must meet a
range of criteria before being eligible for assistance under the programme.
4.4.4 Shifting priorities? The Clinton administration and regional policy

The inauguration of President Clinton to office in 1993 brought to an end ten years of Republican rule in the US and yet, at the same time, signified little in the way of fundamental change. As Brown states, “Clinton … generally deviated little from his predecessor’s twin preoccupations with economic liberalisation and formal limited democratisation” (2000: 551). This was reflected in USAID’s activities towards Nicaragua, where ‘encouraging broad-based economic growth’ and ‘building democracy’ formed the central tenets of their approach (USAID 1998 and 1999 Congressional Presentations). Furthermore, the Clinton administration made the pursuit and promotion of US economic interests a number one priority in policy towards the Latin American region as a whole (Youngers 1999: np), a reality illustrated in 1994 by the implementation of the North American Free Trade Agreement (NAFTA) and the hosting of the first Summit of the Americas on the Free Trade Area of the Americas (FTAA). Yet despite this focus on the ‘economic’, US economic aid to Latin American and the Caribbean actually continued to fall during the Clinton administration, dropping in 1998 to less that half the amount allocated to the region in 1988 (USAID Congressional Presentation FY 1998 cited in Youngers 1999: np). With regard to Nicaragua more specifically, the decline in bilateral assistance during the Clinton administration was even more pronounced. Indeed, by 1998 it had fallen to about one-sixth of what it had been in 1993. This should not, however, be construed as some sort of fundamental change in the attitudes of those within the Clinton administration towards their southern neighbours, but instead it was a reflection of the “continued decline in the priority attached to dealings with Latin America”, combined with concerns regarding the real benefits of free-trade (Brown 2000: 552).

Irrespective of the continued focus of the Clinton administration on economic liberalisation and the promotion of ‘formal democracy’, there were some important shifts in

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131 “NAFTA is an agreement between Canada, the US, and Mexico that took effect on January 1, 1994, designed to increase the scope for the free flow trade and investment among these three countries. It includes measures for the elimination of tariffs and non-tariff barriers to trade, as well as many more specific provisions concerning the conduct of trade and investment that reduce the scope for government intervention in managing trade” (CPE Globalisation Briefs website).

132 The FTAA goes far beyond NAFTA in terms of both scope and power, and aims to incorporate thirty-four of the western hemispheric countries in an agreement which would see the elimination of the barriers to trade.

133 In light of Latin America’s continued freefall into international obscurity, becoming what Moises Naim refers to as ‘the lost continent’ (2004), it is clear this trend of regional de-prioritisation is very much still evident today, especially following the events of 9/11 (see section 3.10 on US-Latin American relations post 9/11).
policy associated with the transition from the first Bush administration. Of particular relevance here, in following on from the previous section exploring polyarchy and neoliberalism, were the changes made to the way in which USAID conducted its work. At the start of the 1990s, USAID's activities in Nicaragua were highly politicised and specifically focussed on the implementation of harsh economic structural adjustments. In fact, Robinson states that the “development of a polyarchic political culture among the elite and the legitimisation of neoliberal social order among the population were crucial counterparts in eroding the revolution’s value system” (2004: 17). This situation is reflected in the following interview extract:

"...what they [USAID] were doing under Bush I was promoting structural adjustment...we got hold of the USAID documents for Central America... and they were like World Bank structural adjustment loans. They literally said, in the Nicaraguan one in particular, ‘in order to get this first... of $50 million, you have to lay off 10,000 public sector workers’. Now whether they were the exact amounts or whatever I can’t remember, but that is basically what it was. So they gave cash in exchange for laying off public sector workers, which was disastrous... They also gave assistance to organisations that were anti-Sandinista and they cut out some of the better organisations like UNAG the small farmers union... if you wanted to do good small rural development in Nicaragua in 1990, you couldn’t cut off UNAG, it didn’t make sense and so they were trying to... it was what we thought of as a very politicised aid programme” (research interview with Lisa Haugaard 2005).

USAID underwent something of a transformation with the inauguration of President Clinton in 1993, becoming far more open, objective and participatory in its activities. For example, organisations such as UNAG (the National Union of Farmers and Ranchers in Nicaragua) who were, as Brown states, “destabilised by USAID earlier on in the decade”, began to receive assistance from USAID for some of their programmes (2000: 552). There was also a positive shift in the relationship between USAID and US non-governmental

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134 For example, USAID allocated significant funds to replacing public school textbooks developed under the Sandinista government. In the new text books it was asserted, among other things, that US interventions were carried out to bring peace and stability (Robinson 2004: 18).

organisations (NGOs) operating in the region - a theme that was further discussed in the interview:

"...one of the things that was very positive was that the Clinton administration, from the top down, told the State Department and particularly USAID... I think they told both but it was USAID that really pushed it... that they needed to consult with civil society, that they needed to consult with US civil society and civil society in the countries involved... So we had some odd moments when people from the US State Department, who had never entered a small NGO like ours, had been told that they were supposed to go and talk to us... and we had some awkward moments where they actually sought us out, which is very rare, and then didn't even know what to say to us... It didn't work all that well in the State Department but it worked in USAID and there we had a tremendous amount of access that wasn't easy to begin with but it expanded and got better" (research interview with Lisa Haugaard 2005)\(^{136}\).

In conjunction with this more participatory approach, USAID shifted its emphasis away from 'economy-wide adjustment' and 'policy conditionality' (illustrative of the neoliberal SAPs), towards more project-based lending (Brown 2000: 552). The promotion of 'good governance' would come to be a key aspect of this new agenda, promoting the strengthening of state institutions and justice systems. Although this can and should be seen (in light of the way USAID operated under Reagan and Bush) as a positive step, we must be careful not to make too much of this 'transition' As stated in chapter 2 and reiterated in chapter 3, 'good governance' far from constituting something fundamentally new, is deeply embedded within neoliberal ideology and does not represent a fundamental departure from that discourse. It is also directly implicated in the promotion and strengthening of polyarchy, as discussed earlier.

\(^{136}\) With the inauguration of the new Bush administration this relationship appears to have changed once again; a reality conveyed to me in an interview with Programme Director Geoff Thale from the Washington Office on Latin America: "The Bush administration has not backed away from dialogue with NGOs... I just think the disagreements have been broader and therefore the dialogue has tended to be more formal and less substance... We talked a lot with Clinton Administration staff about Cuba... it is a waste to time to talk to people in this Bush Administration. There is no point. I mean they would have a meeting if I asked for it but there is no point... We don't talk much about Nicaragua because our disagreements are really fundamental and nothing is going to make them change... On the other hand, in Guatemala, whilst we haven't seen eye to eye, there has been a lot of genuine dialogue, not only with us but also with the human rights community more broadly... So it is more issue-by-issue" (research interview held in Washington D.C. on 18\(^{th}\) November 2005). Greater thought is given to understanding the changes associated with the current US administration later in this chapter.
An important event to mention in concluding this section on the Clinton presidency is ‘Hurricane Mitch’, which devastated much of Central America in November 1998, leaving thousands dead and millions homeless. Moreover, it impeded what modest economic growth Nicaragua had achieved in the aftermath of the turmoil present in the country for large parts of the 1970s and 1980s. In discussing this catastrophic event, there are several key issues that should be raised: Firstly, although the hurricane was one of the deadliest and most powerful to ever occur in the Atlantic basin (on record at least), its impact was made far worse by the short-sighted agricultural policies adopted in the region. Both the national governments and the IFIs had “failed to formulate and fund policies that support sustainable rural development”, with the destructive practices of ‘clear-cut logging’, ‘hillside farming’ and ‘over-cultivation’ “exacerbating the mudslides and flooding caused by the torrential rain” (Youngers 1999: np). Secondly, in the wake of this disaster the Clinton administration allocated almost US$1 billion in debt relief and long-term reconstruction to those countries most affected (such as Nicaragua and Honduras) and this aid package represented the “first significant infusion of economic assistance to the region” in over a decade (ibid). However, contrary to representing the commencement of something fundamentally new in Nicaragua, the US’ response to the disaster did, in fact, symbolise the continuation of the views and ideas that had dominated the formulation of policies towards Nicaragua in the years prior to Mitch, i.e. that Nicaragua was already successfully pursuing the path of ‘free-market democracy’. Within this context, Mitch simply constituted a blip in the “process of modernisation and progressive transformation that were occurring in the country” (Brown 2000: 564) and, contrary to the opinion of many individuals within Nicaragua and the region137, did not demonstrate to policy makers in the US the need for a change in direction. Nonetheless, Hurricane Mitch did act as a catalyst for the ‘organisation of civil society’ within the region, necessitating the development of plans to transform the region though the reconstruction process138 (Bradshaw et al 2002: np).

137 As Bradshaw et al state, there were “hopes that the destruction would create links between civil society, national and local governments and the international community to construct strategies for sustainable human development which focus on people, and in particular, the poor and marginalised sectors of society” (2002: np). 138 For example, the Civil Coordinator for Emergency and Reconstruction (CCER) emerged in the aftermath of Hurricane Mitch in Nicaragua; bringing together 21 networks, involving more than 350 national NGOs, social movements, sectoral networks, producer associations, unions, collectives and federations. The CCER was not only heavily involved in the post-Mitch reconstruction efforts, but it was also promoting a vision for transformation; not only of the material conditions under which the majority of the population had been living, but also of the fundamental context in which those conditions were being produced and reproduced (Bradshaw and Linneker 2003: 148).
4.4.5 Free trade and DR-CAFTA

As stated in the previous section, the promotion of economic interests became the core priority of the Clinton administration, as illustrated by the implementation of NAFTA and pursuit of the FTAA. With regard to Central America more specifically, the creation of the Dominican Republic-Central American Free Trade Agreement (DR-CAFTA), which was rolled out under the following Bush administration, was an important step in the promotion of ‘transnational liberalism’ and is symbolic of the region’s transition into polyarchy. DR-CAFTA is a trade agreement negotiated between the US, the five Central American countries: Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua and, as of 2004, also the Dominican Republic, which promises to codify and accelerate the process of trade liberalisation throughout the region (InterAction 2003: 3). Through its Trace Capacity Building (TCB) assistance, USAID has played an incisive role in the development and implementation of the agreement within the region. In Nicaragua, the amount of USAID funds targeted at TCB has increased massively, from a mere US$20,000 in 1999 to roughly US$14 million in 2004 (USAID website) and this situation demonstrates the influential role USAID has played in institutionalising transnational liberalism in the country. Undoubtedly, DR-CAFTA has significant strategic importance for the US and is recognised as being a key stepping-stone to the FTAA.

DR-CAFTA has been a highly controversial issue, creating divisions both within the countries involved and between them. The agreement has been praised by proponents as being an important step towards ‘freedom’, ‘democracy’ and economic reform in the countries of the isthmus. Indeed, President Bush states that by “transforming our hemisphere into a powerful free trade area, we will promote democratic governance and human rights and economic liberty for everyone”, and calls for the US to “complete the work of democracy and peace” that it ‘began’ two decades ago in Central America (Bush 2005a). In addition to this, the World Bank, a long time supporter and instigator of neoliberal reform, states that DR-CAFTA promises to boost economic growth and poverty reduction in the isthmus (see World Bank 2005). This positive view, however, is not shared by everyone. DR-CAFTA has, in fact, been criticised for its potential to do the exact opposite, with counter-arguments stating that DR-CAFTA is likely to increase inequality and exacerbate poverty in

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139 According to Routledge, ‘transnational liberalism’ has been “institutionalised through... international free trade agreements’, such as NAFTA (1998: 252).
the region (Weinberg 2005: 8). Mexico’s apparent meltdown a year after joining NAFTA in 1994, the agreement upon which DR-CAFTA is based, clearly emphasises that such concerns are not merely hearsay and the countries of the isthmus are in many ways even more vulnerable than Mexico was when it joined NAFTA (being poorer, having lower education levels and lacking vital infrastructure). Latin Americans are clearly not alone in their doubts over free trade, with an increasing number of individuals in the US voicing concerns and this was reflected at the political level. As Nairn discusses in response to the 2004 Summit on the Americas, “all of the Democratic candidates, the individuals aspiring to be candidates, are questioning and criticising free trade” (2004: np).

4.4.6 The US and electoral interference

US ambassadors not only intervened in the 2002 Nicaraguan election, but also in Bolivia the same year and in El Salvador in 2004 (Dominguez 2007: 27). US interference in Latin American elections has frequently been done in the name of ‘promoting democracy’, as witnessed in the case of Venezuela, where the US continues to employ “institutionalised public polyarchy-promotion programs”, utilising entities such as the NED to strengthen the oppositional anti-Chávez political movements, as well as more short-term diplomatic and often covert measures to influence the course of events in real time (Coppedge 2007: 38). Whilst the US’ involvement in the 2002 failed coup attempt to replace Chávez is still not entirely clear, the subsequent endorsement of this action by the US (action which would have replaced a democratically elected government with a militarily installed one), spoke volumes about the US’ real agenda. As Robinson clarifies, “the criterion for regime change through ‘democracy promotion’ is not whether democracy exists... but Washington’s broader strategic concern with suppressing states that challenge the global capitalist order” (2007: 34). The fact that all this happened within the broader context of a ‘left turn’ in Latin America is, in this respect, extremely telling.

140 Chavez has repeatedly accused the Bush administration, which has tried to distance itself from the coup, and the CIA, of orchestrating the coup against him. In “The Observer” it was stated that the failed coup in Venezuela was “closely tied to senior officials in the US government...” (Vulliamy 2002: np).
141 The ‘left turn’, or what is commonly referred to in the literature as the rise of ‘radical populism’, is discussed in section 4.4.8.
The US agenda for interfering in democratic process in Latin and Central America is nothing new, and although it is now taking place through more subtle forms of intervention, it is still, as demonstrated below in the case of Nicaragua, very much apparent:

"Washington's intervention in Nicaragua has been quite blatant and has included economic assistance for selected candidates and/or political parties, assisting in writing constitutions and drafting legislation, arranging for the publication of articles about local politicians and candidates in U.S-subsidised Nicaraguan media, pressuring local leaders and groups to mould their policies to reflect U.S. interests and threatening anti-U.S. political leaders, including pushing them from power" (Kendrick 2006: np).

In every Nicaraguan election since the heavily influenced 1984 election, the US has attempted to influence democratic processes in the country and has not been shy in its use of threats to shape the electoral outcomes. To an outsider, this somewhat unhealthy obsession with Nicaragua, a seemingly inconsequential country with a total landmass less than that of New York State, is confusing. There are, as discussed later in this chapter, several possible explanations for this situation, but more holistically, with regard to the themes already analysed, Nicaragua can be located within US foreign policy as part of a broader package for promoting and propagating 'free-market democracies' (constitutive of the coupling between polyarchy and neoliberalism). In terms of DR-CAFTA, therefore, Nicaragua's importance must be understood as part of the wider regional context through which the ideology of transnational liberalism, for which the US is a key sponsor, is being pursued. Looking at the most recent 2006 national elections in Nicaragua gives a further insight into some of the potential motivations behind US interference in the country.

The 2006 Nicaraguan elections were important for several reasons: Firstly, Daniel Ortega, the 1980s Sandinista and FSLN leader, was elected as President for the first time since the 1984 elections. His inauguration into office, therefore, represented an historic moment for the country, which would potentially redefine US-Nicaraguan relations. Secondly, the Nicaraguan elections occurred against the backdrop of a Latin American 'left turn', headed by Venezuelan leader Hugo Chávez and Cuban leader Fidel Castro. The rise of 'radical populism' has subsequently been identified by the US as constituting a national security threat and one that must be countered. Therefore, the election of the Cold War left-
wing leader Ortega in Nicaragua, who also happens to be close friends with both the Venezuelan and Cuban leaders, could be identified as part of this left turn and, in this respect, part of the growing threat to US security.

The 2006 Nicaraguan election, like that of 1996 and 2001, was marked by barely masked US threats and denunciations of the FSLN leader Daniel Ortega. One of the most vocal in voicing disapproval was US ambassador to Nicaragua Paul Trivelli, who was not only reported to have threatened to cut off the MCA if the FSLN won (Nicaragua Network 2006), but also to have sent letters to the Nicaraguan liberal leaders and presidential candidates offering both financial and technical assistance (Kendrick 2006). When questioned by the Nicaraguan journalist Carlos Chamorro about his ‘belligerent’ activities, Trivelli responded by saying: “I am not going to stop defending democracy – that is part of our policy and it will continue to be part of our policy” (ibid). Clearly, as already demonstrated, ‘democracy’ is a very malleable concept and, for reasons already established, one could potentially replace ‘defending democracy’ with ‘defending polyarchy’. Nevertheless, in a warning to the Bush administration, Trivelli was singled out and cautioned by the Organisation of the American States (OAS) for his interference within the Nicaraguan elections (Democracy Now 2006). However, Trivelli was not alone in his efforts, with former Assistant Secretary of State for Western Hemispheric Affairs Roger Noriega, and Otto Reich, who was the former senior official in the administrations of Ronald Reagan and George H. W. Bush, also speaking out.

4.4.7 A fragile democracy

Although the attempts by the US to influence the elections in Nicaragua have potentially been harmful to the process of democratisation in the country, this is not to say that the concern behind such interventions is unwarranted. A brief glance at the last ten years

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142 The OAS is made up of thirty-five member states from North and South America and has played an important role in organising missions to observe and monitor elections (OAS website).

143 In a further development, a leading Nicaraguan human rights activist – Vilma Nuñez – testified before the Inter-American Human Rights Commission in Washington D.C. about the US’ interference within the elections (see Democracy Now 2006).

144 For example, Noriega said that “the Nicaraguan people probably value their relationship with the United States, but also value their own wellbeing and I believe that they recognise that with the Sandinista president, the country would sink like a stone and reach depths such as that of Cuba; and that the economy would probably be affected” (Kendrick 2006). Otto Reich on the other hand stated that “A man accused of raping his stepdaughter is capable of raping his country” (Tayler 2006).
of Nicaragua’s political system does in fact present a fragile state of affairs (as demonstrated in the creation of the ‘pact’ between the corrupt ex-President Arnoldo Alemán and self-maintained FSLN leader Daniel Ortega in 1998). The ‘pact’ effectively ensured a two party political monopoly, intentionally depriving the Nicaraguan people of any kind of third party option (Bendaña 2002). In this way, Nicaragua was carved up between Alemán and Ortega, representing a tightening of space, which left little (if any) room for political alternatives. In essence, the nation’s political system came to be dominated by these two caudillos (political overlords), with the direct impact of undermining democratic process. As Close discusses, “it seems that diametrically opposed ideologies are not enough to keep parties from collaborating to cement their dominance over national politics” (2003: 3). Furthermore, Daniel Ortega’s recent election as Nicaraguan President was a direct result of this undemocratic pact, which pushed through a series of electoral reforms allowing for easier victory. Of particular importance in this respect, was a change in the required threshold level of votes required to win, without which Daniel Ortega could not have succeeded in the 2006 national elections. Under the ‘pact’ Ortega and Alemán have twisted and manhandled the Nicaraguan political system to ensure and preserve their self-interests (Nithipan-Envío team 2000a: 3). Whereas for Ortega this meant becoming Nicaraguan President, for Alemán it meant ensuring his freedom and absolution from all but one of the charges made against him for widespread corruption and embezzlement whilst in power. Although this less than ideal situation does not legitimise US intervention in the Nicaraguan elections, it does highlight that concerns regarding the democratic credentials of the ruling Nicaraguan parties are not unfounded.

4.4.8 The left turn in Latin America and the rise of radical populism

It is important in understanding US interest in the Nicaraguan elections to look at the broader context in which the elections took place. As already mentioned, the rise of radical

145 By this I am referring to the continued and successful efforts of Daniel Ortega to maintain his control over the FSLN and undermine any efforts from within the party itself to elect a different leader (as witnessed by Herty Lewites’ expulsion from the FSLN in 2005 after challenging for leadership). More generally, it should be noted that there has been something of a crisis of identity among the Sandinistas in recent years expressed most visibly in the fragmentation of the FSLN and the formation of a break away party in 1995 on Sandino’s 100th anniversary, called the Movimiento de Renovación Sandinista (the Sandinista Renovation Movement - MRS). Many of the FSLN’s most charismatic founders and leaders defected to the MRS, unhappy with the direction of the FSLN and the leadership of the party by Daniel Ortega. As Zibechi comments, there are now effectively two Sandinisms (2006: np). However, Ortega’s recent election as President demonstrates that his party continues to have substantial power in Nicaragua.
populism has played an important role in reshaping US-Latin American relations. Whilst, following the end of the Cold War, many academics rightly foretold the return of the left, they were partly wrong about the type of 'left' that would eventually emerge (Castaneda 2006: np). The rise of radical populism within the hemisphere (otherwise known as the 'pink tide') owes its growing success to its political appeal to impoverished and working-class Latin Americans, i.e. to individuals whose lives have failed to improve under 'democratisation' and the adoption of neoliberal policies (LeoGrande 2006: 1). The persistence of inequality and poverty in the region has fostered regional discontentment which, in turn, has triggered significant grassroots mobilisation and the formation of an ever strengthening anti-globalisation movement, highly critical of the World Bank and the IMF. This movement has gained significant political influence, constituting a powerful force in the election of centre-left presidents, such as Hugo Chávez in Venezuela and Evo Morales in Bolivia, who are highly critical of the free market orthodoxy (Grandin 2006: 209). The election of these individuals and growth in anti-US rhetoric has been met with some alarm in the US, where these regimes have been labelled as 'antidemocratic' and as an emerging threat to US national security146. To put this within the Central American context, President Bush met with all five Presidents from the isthmus in 2005 and identified 'leftist groups' – not poverty, violence or even corruption – as the chief danger facing Central America (ibid: 213). Clearly, for the majority of ordinary Latin Americans, the real threat to their lives is poverty and social exclusion. Moreover, although the democratic credentials of individuals such as Chávez can be called to question, he and every other left populist leader who has come to power in Latin America over the last decade did so through democratic elections (LeoGrande 2006: 10). One could, therefore, argue that tolerating such governments in Latin America is the price of 'democracy' (ibid). However, as history shows us, the US has never been shy in by-passing its democratic 'ethics' when national interests are threatened.

The attempted coup in Venezuela to overthrow Hugo Chávez in 2002 was a key moment in shaping US-Latin American relations. Whereas many of the countries in the region were concerned that the coup had 'forsaken democratic principles', Washington was slow to condemn the illegal seizure of power and even briefly endorsed it during the immediate aftermath (Riemer 2004: np). The situation was made worse when, upon hearing

146 In a testimony before the House Armed Services Committee on March 24th 2004, US Army General James, T. Hill identified 'radical populism' as an 'emerging threat': "Traditional threats are now complemented by an emerging threat best described as radical populism, in which the democratic process is undermined to decrease rather than protect individual rights" (Williams 2004: np).
of Chávez’s return to power, Condoleezza Rice gave the following ‘advice’: “We do hope that Chávez recognises that the whole world is watching and that he takes advantage of this opportunity to right his own ship, which has been moving, frankly, in the wrong direction for quite a long time” (cited in Bellos 2002: np). Not only did this act as provocation for an already outraged Chávez to pursue a strongly anti-US agenda, but it also propagated regional anti-US sentiment. Grandin argues that just as the “disastrous 1961 Bay of Pigs invasion increased Fidel Castro’s prestige and radicalised hemispheric politics, this 2002 failed coup attempt in Venezuela galvanised popular hostility toward the Bush administration and catapulted Chávez into the role of champion of the underdog, one of the most admired politicians in all of Latin America” (2006: 211). Consequently, the US’ response to the coup inadvertently helped to split the hemisphere into two distinct ideological camps and, furthermore, legitimised Chávez’s rule in the eyes of other Latin Americans. He is now seen by many as a kind of crusader for the Latin American poor, fighting against the spread of US imperialism and promoting equality, instead of the man who is, according to Castaneda, “driving his country into the ground” \(^{147}\) (2006: np).

4.4.9 Nicaragua, the US and the new ‘left’

Bearing in mind the discussion thus far, the 2006 election of Daniel Ortega in Nicaragua was clearly something the US would have liked to avoid. However, now that he is elected, to what extent does he really represent a threat to the US? Since Ortega took office in Nicaragua in early 2007, it has been clear that he has been trying to sit on both sides of the fence, remaining on amicable terms with the US, whilst extending relations with the new ‘left’. This juggling act is evidenced most readily by Ortega’s stated intention to remain in DR-CAFTA, whilst simultaneously joining the ‘Bolivarian Alternative for the Americas’ (ALBA), which was set up by the Venezuelan and Cuban governments in 2005 as an alternative to the FTAA promoted by the US (Nicaragua Network 2007a). Bearing in mind the fact that the US is Nicaragua’s largest trading partner, Ortega’s decision to remain in DR-CAFTA is not unexpected. And yet, whilst stating his commitment to the free-trade agreement, Ortega has been highly critical of the neoliberal policies imposed on Nicaragua over the last sixteen years, blaming them for greater indices of poverty, illiteracy and

\(^{147}\) Castaneda 2006 argues that since Chavez took office in 1999 poverty figures and human rights indices in Venezuela have deteriorated, with the leader more interested in ‘supporting’ other countries than helping his own country’s poor.
corruption (Nicaragua Network 2007b). It appears that such contradictions are running riot within the new government, as it remains ‘committed’ to its anti-neoliberal discourse, whilst still cooperating with the IMF’s policies, and confrontational with the US, whilst simultaneously seeking its ‘benevolence’ (Nitlápan-Envío team 2007a: np).

So, what can this confusing picture tell us about the future of US-Nicaraguan relations? At this point arguably very little. However, history dictates that the US has little tolerance for the ‘middle ground’ position when it comes to matters of national security and with radical populism increasingly being viewed as an ‘emerging threat’, Ortega’s ambiguous standpoint may not be sustainable in the long run. This is a particularly important point when we consider the increasingly politicised environment within which US policy is being formulated in the post 9/11 world. Greater consideration is given to this reality below, as we reflect upon the impact of the War on Terror on the US’ relations with the Latin American region.

4.4.10 The impact of the War on Terror on regional relations

On August 25th 2000 in Florida, George W. Bush made a speech on Latin America in which he promised, should he become President, to ‘look South’ as a ‘fundamental commitment’ of his Presidency (Bush 2000). Furthermore, he stated that “those who ignore Latin America do not actually understand America itself” (ibid). Unfortunately, following the events of 9/11 his pledge to pursue positive relations with Latin America failed to transpire. As Castaneda argues “the terrorist attacks in New York and Washington sounded the death knell for what could have become the new Bush administration’s more forward-looking, engaged and enlightened policy toward the rest of the hemisphere” (2003: np). The administration arguably lost interest in Latin America, as regional concerns became “displaced by other emergencies and distractions that Washington [had] as its priority” (Naim 2004: np). In the wake of this apparent neglect, Latin American support for the US’ policies further diminished and, as already discussed, this disquiet was expressed in the pink tide, which saw the resurgence of the popular left, spearheaded by Hugo Chávez. The ‘visionary’ approach to US-Latin American relations proposed by Bush in his pre-election speech has all but vanished and has been replaced, instead, by a situation where relations are increasingly being defined through the lens of a new ‘emerging threat’ that must be maintained.
Nicaragua stands out as an obvious target for, what the US sees as, Chávez’s ‘destabilising’ influence\textsuperscript{148}, and this is one of the possible motivations behind Washington’s efforts to influence the 2006 elections. As stated by Hakim, “administration officials are convinced that he [Chávez] is provoking instability in some of the most volatile states in the hemisphere, including Bolivia, Ecuador and Nicaragua” (2006: np). The events of 9/11 provided the impetus for the prevailing ‘terrorism’ discourse, which has framed many discussions on Latin America and resulted in the region being represented in a more negative manner. As alluded to previously in the chapter, not only have officials in charge of US foreign policy towards Latin America increasingly used terrorist discourse to secure resources, but governments from within the region itself have done much the same. As a result, not only is Latin America slipping into greater obscurity within US foreign policy, as the US continues to focus its attentions on problems in the Middle-East, but what little attention it does receive is being couched in increasingly negative terms.

**Conclusions**

This chapter looked at the evolution of US-Nicaraguan relations over the course of almost two hundred years, covering a range of interconnected issues and themes. An extremely important topic throughout this entire discussion has been the concept of ‘democracy’ and its application throughout the isthmus at different times. Democracy is a highly malleable concept and one that has taken on many different meanings and connotations throughout Nicaragua’s history, at times legitimising the worst acts against humanity whilst, at other moments, inspiring social revolution. In fact Robinson argues that concepts such as ‘democracy’ and ‘freedom’ are meaningless in and of themselves as they are always ideologically charged. As such, “whoever controls the definition controls the terms of the discourse and is able to set the framework in which people speak and even think”\textsuperscript{149} (Robinson 2007: 32). For example, Condoleezza Rice’s agenda of ‘transformational diplomacy’, developed in response to President Bush’s vision of promoting ‘democracy’

\textsuperscript{148} The 2006 US National Security Strategy described Venezuela as a “demagogue awash in oil money that is undermining democracy and seeking to destabilize the region” (2006: 15).

\textsuperscript{149} This reality it demonstrated in the following extract, which reinforces the ‘power-knowledge’ nexus in discourse referred to in the previous section: “I don’t believe there are different kinds of democracy... we [the US] know it when we see it” (Condoleezza Rice cited in Grandin 2007: 22).
throughout the world\textsuperscript{150}, has the potential to legitimise US intervention within foreign political affairs, under the auspices of carrying out ‘diplomacy’. As Holt discusses, “the State Department says... outpost officers will move ‘from reporting outcomes to shaping them’. That is the point at which the US moves from diplomacy to intervention” (2006: np). This new vision for US diplomacy seeks, according to Rice, to ‘change the world itself’ (Rice 2006), utilising the State Department to “restructure the internal institutions of nations” (Grandin 2007: 22), and employing US foreign diplomats to manipulate country politics. According to Dominguez, the Bush administration has actually “tainted democracy promotion efforts, making them appear little more than a fig leaf to hide its exercise of power” (2007: 29).

This chapter has also set the broader context for understanding contemporary US-Latin America relations, which Hakim suggests are at their lowest point since the end of the Cold War (2006: np). Without a doubt, Nicaragua’s MCA is occurring at an extremely interesting moment in US-Nicaraguan history and its future under Ortega is anything but certain. At the same time, Grandin adds an interesting perspective to the discussion so far, by situating Latin America as the ‘workshop of empire’ and staging ground for current US policy. Grandin locates Reagan’s Central American wars as a dress rehearsal for what is happening in the Middle-East today and also as the point of inception for a coalition of neoconservatives, Christian evangelicals, free marketers and nationalists, that would stand behind President Bush’s expansive policy (2006: 6). In addition to the region’s determinant role in the shaping of contemporary policy, is the growing frequency with which US conservatives, such as Dick Cheney, cite El Salvador as the ‘model’ for building ‘democracy’ in Afghanistan and Iraq. As stated by Engler, this signifies a warped interpretation by individuals within the US over their country’s role in El Salvador and suggests a “wilful blindness to even the most murderous consequences of the United States Cold War foreign policy” (2004: np).

Finally, this chapter set the historical context for the focus of the study, Nicaragua’s MCA. It is important to recognise that the MCA is not happening in some kind of historical

\textsuperscript{150} “Almost a year ago today in his second Inaugural Address, President Bush laid out a vision that now leads America into the world. ‘It is the policy of the United States,’ the President said, ‘to seek and support the growth of democratic movements and institutions in every nation and culture with the ultimate goal of ending tyranny in our world.’ To achieve this bold mission, America needs equally bold diplomacy, a diplomacy that not only reports about the world as it is, but seeks to change the world itself. I and others have called this mission “transformational diplomacy” (Rice 2006: np).
vacuum but is, instead, intimately caught up in events happening at a range of scales, from
the local to the global, both past and present. The discussion on polyarchy, both in this
chapter and in the previous one, has been extremely useful in establishing a precedent for the
MCA. Furthermore, it has taken on particular specificity within the Nicaraguan context,
within which the theme of ‘democracy’, and what it represents, has overtime been heavily
debated and actively contested, both from within Nicaragua and without. In concluding,
therefore, this thesis has, thus far, situated Nicaragua’s MCA within three fundamental and
interrelated areas of interest: Chapter 2 set the broader context of the MCA through analysing
the evolution of development discourse over time, from President Truman’s famous speech in
1949, to the transition to the Post-Washington Consensus in the 1990s. Chapter 3 explored
the MCA as part of the shifting strategies within US foreign policy, placing a specific
emphasis on the issue of development assistance. This chapter explored how Nicaragua’s
MCA can be understood within the context of the unique historical relationship between
Nicaragua, both as an individual country and as part of the regional whole, and the US.
Chapter 5: Research Methodology

This chapter looks at the research methods employed in carrying out this investigation into Millennium Challenge Account (MCA) and the issues associated with its implementation in Nicaragua. It begins by iterating the study’s core themes/objectives first identified in chapter 1 and then provides a summary of the research process, indicating what was done, when and why. Following this, the chapter focuses on the methods employed to collect information for the thesis, identifying their strengths and potential weaknesses. The process of reflexivity is then utilised to discuss the process of data production, the interpretation of data and the writing-up of the thesis, thus assessing positionality and the interplay of power during the research.

5.1 Research aims and objectives

The core aim of this study is to answer the following research question: *Does the MCA live up to its ‘transformational’ rhetoric or is it yet another case of ‘old wine in new bottles’?* Under this broad agenda there are several key themes that this research seeks to elucidate and explore, and these are listed below in the form of objectives for greater clarity:

- **Objective 1:** To understand the specific experience of Nicaragua in the MCA.
- **Objective 2:** To engage with, and contribute to, the core debates surrounding the MCA as a United States (US) development initiative.
- **Objective 3:** To locate the MCA within the context of dominant development discourse, looking specifically at the Washington Consensus (WC), Post-Washington Consensus (PWC), and neoliberalism.
- **Objective 4:** To utilise this study of the MCA as a platform for examining the relationship between development discourse and US democracy promotion.

In pursuing these objectives, primary research was predominantly conducted during the second year of study, which focussed on two very different locations. The first stage of research was conducted from September to November 2005 in Washington D.C. and involved a series of interviews with individuals from the US government, non-governmental organisations (NGOs) and think tanks, as well as the use of onsite secondary sources of
information. This preliminary phase was targeted at acquiring general information on the MCA and its position within US development assistance, as well as making some initial steps towards collecting background information on Nicaragua and its position within US foreign policy. Washington D.C. presented a particularly interesting and useful context in which to do this, as it is the headquarters for some of the most influential development agencies within the US, such as the United States Agency for International Development (USAID) and the Millennium Challenge Corporation (MCC), as well as home to a large number of influential international development actors. Table 5.1 below gives an overview of the thirteen interviews carried out in this preliminary phase of research in Washington D.C.

Table 5.1: Interviews conducted in Washington D.C. between September and November 2005

<table>
<thead>
<tr>
<th>Individual(s)</th>
<th>Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lisa Haugaard</td>
<td>Latin American Working Group (LAWG)</td>
</tr>
<tr>
<td>Elsa Chang</td>
<td>Center for International Policy (CIP)</td>
</tr>
<tr>
<td>Chuck Kaufman and Kathy Hoyt</td>
<td>Nicaragua Network</td>
</tr>
<tr>
<td>Sameer Dossani</td>
<td>50 Years is Enough</td>
</tr>
<tr>
<td>Gretchen Alther</td>
<td>Center for Development and Population Activities (CEDPA)</td>
</tr>
<tr>
<td>Betsy McCallon</td>
<td>White Ribbon Alliance</td>
</tr>
<tr>
<td>Stephanie Weinberg</td>
<td>Oxfam</td>
</tr>
<tr>
<td>Manuel Orozco</td>
<td>Inter-American Dialogue</td>
</tr>
<tr>
<td>Jim Vermillion, Kenny Miller and Amalia Sobalvarro</td>
<td>Millennium Challenge Corporation (MCC)</td>
</tr>
<tr>
<td>Christina del Castillo</td>
<td>United States Agency for International Development (USAID)</td>
</tr>
<tr>
<td>Geoff Thale</td>
<td>Washington Office on Latin America (WOLA)</td>
</tr>
<tr>
<td>Jeff Vogt</td>
<td>WOLA</td>
</tr>
<tr>
<td>Seth Nickinson</td>
<td>InterAction</td>
</tr>
</tbody>
</table>

The second and arguably most significant stage of investigation was carried out in Nicaragua between the months of February and August 2006. During this six month period, interviews were conducted with a diverse range of people from the city of Managua and the departments of León and Chinandega, which are located in the west of Nicaragua (see figure 5.1 below).

151 These are the interviewees' actual names and respondents gave permission to be recorded during the interviews for the purposes of this research. Information on their respective organisations was correct at the time of the interviews.
Table 5.2 below provides an overview of the interviews conducted during the six months in Nicaragua, categorised according to the locations in which they were undertaken. In total, seventeen interviews were conducted in Managua, ten in north León, five in the city of León, three in north Chinandega and five interviews in the city of Chinandega.
Table 5.2: Interviews carried out in Nicaragua between February and August 2006

<table>
<thead>
<tr>
<th>Individual(s)</th>
<th>Organisation</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sarah Smith-Pearce</td>
<td>Catholic Agency for International Development (CAFOD)</td>
<td>Managua</td>
</tr>
<tr>
<td>Steve Olive</td>
<td>United States Agency for International Development (USAID)</td>
<td>Managua</td>
</tr>
<tr>
<td>Cirilo Otero</td>
<td>Center of Initiatives for Environmental Policies (CIPA)</td>
<td>Managua</td>
</tr>
<tr>
<td>Nelda Sánchez</td>
<td>Promotion of Equity through Pro-Poor Growth (PEMCE)</td>
<td>Managua</td>
</tr>
<tr>
<td>Edgar Sotomayor</td>
<td>Project of Support for the Monitoring and Evaluation of Nicaragua’s Poverty Reduction Strategy Paper (PASE)</td>
<td>Managua</td>
</tr>
<tr>
<td>Irving Larios</td>
<td>Institute for Research and Social Action (INGES)</td>
<td>Managua</td>
</tr>
<tr>
<td>Ivan García</td>
<td>Civil Coordinator and National Council on Economic and Social Planning (CONPES)</td>
<td>Managua</td>
</tr>
<tr>
<td>Alejandro Alemán</td>
<td>Centro Humboldt</td>
<td>Managua</td>
</tr>
<tr>
<td>Mario Quintana</td>
<td>Civil Coordinator</td>
<td>Managua</td>
</tr>
<tr>
<td>Eva Rasmussen</td>
<td>Journalist</td>
<td>Managua</td>
</tr>
<tr>
<td>Violeta Granera</td>
<td>CONPES</td>
<td>Managua</td>
</tr>
<tr>
<td>Julio Montealegre</td>
<td>Millennium Challenge Account – Nicaragua (MCAN)</td>
<td>Managua</td>
</tr>
<tr>
<td>Denis Meléndez</td>
<td>Center for Health Information and Consulting Services (CISAS)</td>
<td>Managua</td>
</tr>
<tr>
<td>Michelle Winthrop and María Jarquin</td>
<td>Department for International Development (DFID)</td>
<td>Managua</td>
</tr>
<tr>
<td>Matt Bohn</td>
<td>Millennium Challenge Corporation – Nicaragua</td>
<td>Managua</td>
</tr>
<tr>
<td>Juan Sebastián Chamorro</td>
<td>MCAN</td>
<td>Managua</td>
</tr>
<tr>
<td>Nubia Luna</td>
<td>INGES and ex-Mayoress of El Sauce</td>
<td>North León</td>
</tr>
<tr>
<td>Reyna Castillo</td>
<td>Network of Actors for Local Development (RADEL)</td>
<td>North León</td>
</tr>
<tr>
<td>Evert Delgadillo</td>
<td>Mayor of El Sauce and Association of Municipalities from North León (AMULEÓN)</td>
<td>North León</td>
</tr>
<tr>
<td>Juan José Rayo</td>
<td>AMULEÓN</td>
<td>North León</td>
</tr>
<tr>
<td>Aura Estela Corrales</td>
<td>RADEL</td>
<td>North León</td>
</tr>
<tr>
<td>Esmérita Zamora</td>
<td>Local Government (Achuapa)</td>
<td>North León</td>
</tr>
<tr>
<td>Manuel Rostrán</td>
<td>Teacher and Co-operative President</td>
<td>North León</td>
</tr>
<tr>
<td>Juan Delgadillo and Nicolasa Laguna</td>
<td>Local Government (Jicaral)</td>
<td>North León</td>
</tr>
<tr>
<td>Justino Fonseca</td>
<td>Local Government (Malpaisillo)</td>
<td>North León</td>
</tr>
</tbody>
</table>

152 These are the interviewees’ actual names and respondents gave permission to be recorded during the interviews for the purposes of this research. Information on their respective organisations was correct at the time of the interviews.
In addition to these interviews, onsite secondary sources were also utilised, many of which provided important insights into the country’s MCA programme, as well as broader information regarding an array of key development issues (such as Nicaragua’s Poverty Reduction Strategy Paper - PRSP).

5.2 Qualitative research

‘Qualitative research’ was the primary method employed in collecting information for this study. More specifically, in light of the diverse and multiple practices located under the broad banner of qualitative research, this investigation utilised ‘semi-structured interviews’. In deciding upon this approach, I considered a range of factors such as the time I would be spending in the ‘field’, the finances available to me, the context in which the fieldwork was being undertaken, and most importantly what I was looking to get out of the process. Before looking in greater detail at the use of interviews and their application within this specific study, however, this chapter focuses on exploring and contextualising qualitative research.
5.2.1 Qualitative methods versus quantitative methods

Qualitative research is often defined through its position relative to quantitative research and vice versa. Consequently, the two approaches, both of which are employed throughout the human geography discipline, are frequently characterised as constituting oppositional and conflicting methodologies. Table 5.3 below identifies this ‘dualistic’ relationship.

Table 5.3: Dualisms between qualitative and quantitative methods

<table>
<thead>
<tr>
<th>Qualitative</th>
<th>Quantitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualitative data</td>
<td>Quantitative data</td>
</tr>
<tr>
<td>Natural settings</td>
<td>Experimental settings</td>
</tr>
<tr>
<td>Search for meaning</td>
<td>Identification of behaviour</td>
</tr>
<tr>
<td>Rejection of natural science</td>
<td>Adoption of natural science</td>
</tr>
<tr>
<td>Inductive approaches</td>
<td>Deductive approaches</td>
</tr>
<tr>
<td>Identification of cultural patterns</td>
<td>Pursuance of scientific laws</td>
</tr>
<tr>
<td>Idealist perspective</td>
<td>Realist perspective</td>
</tr>
</tbody>
</table>


However, accepting such an interpretation is inevitably problematic. Hammersley, for example, challenges the ‘widely held notion’ that there are two methodological paradigms in social research, the qualitative and quantitative, and instead argues that “diversity cannot be encapsulated within two (or, for that matter, three, four or more) paradigms” (1995: 39, 40). As such, there has been growing realisation of the need to depart from a perceived dichotomy between quantitative and qualitative research methodologies, in which it is argued that they can be better seen as being part of a continuum (see Madge et al 1997: 93). Whilst recognising the importance of doing this, it is nevertheless useful here to draw some comparisons between qualitative and quantitative methods, as doing so clarifies the defining attributes of the methodological approaches.

Whilst quantitative approaches to research tend to reflect a general belief that there is a pre-existing world which can be known and measured, a qualitative interpretation tends to see the world as something that is “dynamic and changing, always being constructed through the intersection of cultural, economic, social and political processes” (Dwyer and Limb 2001: 118.
6). As Smith elucidates, "the world is not real in a fixed, stable or predictable way; ...it is not entirely accessible; and ...it does not appear empirically the same to everyone, no matter how carefully we look. Rather, qualitative methods presume the world to be an assemblage of competing social constructions, representations and performances" (2001: 25). This assertion reflects the recognition of 'situated knowledge', in which neither the researcher, nor indeed the researched, can ever be fully detached from the construction and recycling of knowledge/power. Bearing this in mind, it is easy to recognise the significance of qualitative methodologies in the emergence of a variety of postmodern and poststructuralist geographies (see Kitchin and Tate 2000: 16, 17), with the so called 'cultural turn' in geography representing a key moment in the diffusion and adoption of the approach throughout many areas of the geography discipline (such as 'economic geography', 'population geography', 'health geography' and so on - see Dwyer and Limb 2001).

5.2.2 Qualitative methods

In terms of the actual methods employed, it has already been stated that qualitative research involves many different practices and this reflects the approach's use within geography in addressing a diverse range of issues and processes. However, for the purpose of clarity, the practices employed within qualitative research can be seen as falling into three broad categories: oral (e.g. interviewing), textual (e.g. documentary), and observational (Winchester 2005: 7). Out of these three, the most commonly employed approach is 'oral' and this can take a variety of forms (the selection of which should ultimately be defined by what a given researcher aims to know or do). In terms of this specific study, interviews were chosen as the most suitable method for pursuing the thesis' aims (set out previously) and the following section focuses on exploring the use of interviews within research.

5.3 Interview approaches

Of all the qualitative methods, interviews are the most commonly used (Kitchin and Tate 2000) and are identified as effective tools in the production of rich and varied data sets. As discussed by Valentine (2005), interviews are not utilised with the intention of producing

153 Situated knowledge "replaces the traditional conception of scientific practice as the pursuit of a disembodied, inviolable and neutral objectivity, with an alternative formulation that stresses embodied physicality, social construction, and cultural politics" (Johnston et al 2000: 742).
representative facts and figures, but instead they are used to give an in-depth insight into the lives, experiences and opinions of individuals. Eyles (1988) denotes interviews as a ‘conversation with a purpose’ - a social encounter, which involves a complex personal interaction between two or more individuals. The degree of depth required inevitably varies according to the specific requirements of the researcher, the intended purpose of the study and the need for comparability between data sets. Consequently, several different types of interview can be identified and these can be placed along a continuum, with ‘structured interviews’ at one end and ‘unstructured interviews’ at the other. In the middle of this continuum, one can locate the ‘semi-structured interview’: an interview which has “some degree of predetermined order but still ensures flexibility in the way issues are addressed by the informant” (Dunn 2005: 80). Semi-structured interviews were the dominant research method employed within this study and, as a result, the following section explores this type of interview in greater detail.

5.3.1 Semi-structured interviews

Semi-structured interviews employ a guided approach in which the content of the interview and the issues discussed are, to a degree, predetermined by the researcher. At the same time, however, it is an interactive process which allows for a level of flexibility. For example, with regard to the interviews I conducted during this study, there were always set themes and issues around which I would frame the discussion. However, I allowed for some divergence away from the set agenda, as this often resulted in the introduction of new themes and issues that were of direct or indirect interest. Therefore, as opposed to structured interviews which allow for very little departure from a strict set of questions, semi-structured interviews are much more responsive and organic, reacting to a specific exchange occurring at a given point of time. Through this process one can accumulate new ideas and thoughts, which may well come to define and shape the course of the research. As argued previously in discussing qualitative methods more broadly, semi-structured interviews are malleable, responding to situations and embracing alternative knowledge as part and parcel of a dynamic and constantly changing world. However, at the same time it does have an agenda and, in contrast to unstructured interviews, semi-structured interviews are content focussed.
5.3.2 The advantages of using interviews in research

Although there are key differences between the three interview approaches highlighted above, there are tendencies true to all of them and these distinguish interviews from other forms of data collection. In particular, the level of depth obtained through conducting interviews tends to be much higher than what might be achieved through the use of alternative techniques (such as questionnaires\(^{154}\)). In contrast to questionnaires, which are typically standardised and untailored to individual circumstance, interviews tend to be much more explanatory, taking a 'conversational' and 'fluid form', which varies according to the "interests, experiences, and views of the interviewees" (Valentine 2005: 111). As a result, interviews aim to capture the complexities of the individual's experiences and ideas. Interviews are, therefore, far more people-orientated than many other approaches. Nevertheless, 'positivists' have frequently criticised in-depth interviews for their apparent lack of 'objectivity' and 'detachment'. Conversely, an argument has been made, especially by those individuals adopting humanist or post-structuralist perspectives, that there is, in reality, 'no such thing as objectivity in social science research': "Rather they argue that all research work is explicitly or implicitly informed by the experiences, aims and interpretation of the researcher..." (Valentine 2005: 112). Far from representing a technique that is impeded and lessened by its direct and close engagement with the individual, in-depth interviews draw their strength and usefulness from this precise relationship. As explored below with regard to reflexivity, subjectivity is not only endemic to the research, but constitutes its very essence as a method for exploring subjective values and beliefs.

5.3.3 Utilising interviews

The reasons for using in-depth semi-structured interviews within this specific study have already been alluded to. It was decided from an early point in the research process that interviews would be the most appropriate approach for exploring a topic such as this, as they allow for a much more in-depth insight into the experience, feelings and/or opinions of certain individuals, rather than other approaches which may incorporate 'closed' questions.

\(^{154}\) It needs to be noted that these approaches do not have to be mutually exclusive. Often questionnaires and interviews are used in conjunction, forming a symbiotic relationship that may well strengthen the overall structure of an investigation.
More generally, Dunn states that there are four main reasons for using interviews:

1. To fill a gap in knowledge that other methods are unable to bridge
2. To investigate complex behaviours and motivations
3. To collect diversity of meaning, opinion and experiences
4. When a method is required that shows respect for and empowers those people who provide the data.

In terms of this specific research, each of the reasons identified by Dunn influenced the decision to adopt an interview-based approach. However, a key point of consideration in deciding to utilise interviews was the hugely diverse backgrounds and beliefs of the respondents, as this necessitated a style of research that would take into account the many complexities found therein. In this respect, it is important to note that every interview conducted during the study was done so ‘face to face’ and this allowed for a much more engaged dialogue and interaction than might have been achieved through, for example, a telephone interview. Furthermore, employing the semi-structured interview approach helped me to address the power differential in this research. Although explored in greater detail below, it is important to recognise here that research is, as Dowling comments, “interleaved with relations of power” (2005: 23) and these relations can, according to England (2004), take different forms, whether they be reciprocal, asymmetrical, or potentially exploitative. With this in mind, one could suggest that adopting a less structured approach to interviewing can be an empowering process, as it enables the respondent(s) to ask questions and examine the researcher about his/her project, its aims and their motivation. This, in turn, facilitates the important process of critical reflexivity, through which an individual may modify or adapt his/her research in response to their social engagement with participants.

5.4 The selection process

In contrast to questionnaires, the aim of recruiting respondents for interviews is not necessarily to choose a representative sample, but rather to select an illustrative one
Therefore, the decision of who to recruit is frequently motivated by theoretical considerations. For example, with regard to this particular thesis and the cultural, and social, context within which it was enacted in Nicaragua, I could perceive that gender was going to be a key factor in determining involvement in, and the perception of, the MCA, and this was indeed the case. In recognition of such factors, this research engaged with individuals with highly diverse and mixed backgrounds and demographics, from a variety of urban and rural settings. In fact, awareness about the urban/rural dimension in this research was necessitated as much by the need to capture the complexities of Nicaraguan society in looking at the MCA, as by the nature of the initiative itself. Although the MCA is, at first glance, a strategy for national development, Nicaragua’s MCA is in reality a regional initiative (although being headed at a central level from its capital Managua), involving the two departments of León and Chinandega, which are located to the northwest of the country.

It is important to remember that although gender is important in this study, it does not, in itself, define identity. ‘Men’ and ‘women’ are not ‘homogenous social groups’, as their identities, as one or the other, are intersected by other identities such as ‘age’, ‘class’, ‘ethnicity’, ‘race’ and so on (Valentine 2005). Moreover, these categories are, as Herod notes in discussing the issue of ‘race’, “socially constructed in different ways in different places and at different times” (1999: 320). Consequently, a person’s identity can change significantly according to the broader context in which they operate. As a result, what is means to be a ‘man’ or ‘woman’, ‘white’ or ‘black’, ‘young’ or ‘old’ (to name just a few) can vary from place to place and from one year to the next. This reality emphasises the importance of positionality and critical reflexivity within research. One must be constantly aware of, and respond to, the social and cultural environments in which research is being conducted.

5.4.1 Sampling approach

This thesis adopted a ‘purposive’ sampling approach, which is argued by Patton to consist of fifteen different forms. However, as Patton himself recognises, these fifteen modes of selection are not mutually exclusive, with each one fulfilling a different purpose within research. In this study, five of these were particularly prevalent in defining the sampling structure and these are defined in table 5.4 below.
Table 5.4: Purposive sampling approaches

1. **Snowball and chain sampling**: This is an approach for locating information-rich key informants or critical cases.
2. **Criterion sampling**: This approach is driven by the logic of reviewing and studying all cases that meet some predetermined criterion of importance.
3. **Confirming and disconfirming cases**: The researcher gathers data and watches for patterns to emerge. Over time this gives way to confirmatory fieldwork, which involves testing ideas, confirming the importance and meaning of patterns, and checking out the viability of emergent findings with new data and additional cases. This can involve looking for and sampling confirming and disconfirming cases.
4. **Opportunistic or emergent sampling**: Fieldwork often involves on-the-spot decisions about sampling to take advantage of new opportunities during actual data collection.
5. **Convenience sampling**: Doing what is fast and convenient.

Source: Patton (2002: 234-241)

'Snowballing' (a process in which one contact may be used to help the researcher recruit another, who may in turn do the same) was particularly useful in establishing contacts during the study. This was especially true when talking to elites and individuals within networking organisations, many of whom had knowledge of, and/or access to, other persons of interest. For example, in Nicaragua I interviewed an individual within Chinandega's Departmental Development Council (CODECHI), who then put me in contact with the Mayor of a nearby municipality who, during the actual interview, arranged an interview for me with an influential figure in central government. 'Criterion sampling' formed the backbone of the general sampling structure, in which only individuals who, for example, were involved in the MCA initiative or had knowledge of the MCA and/or a related topic of interest, were selected to take part in the study. This component really goes without saying, as selection must be based on relevance to the actual research. The third sampling approach mentioned in table 5.4 above (labelled as 'confirming and disconfirming cases'), constituted another important aspect of the study's sampling framework. Part and parcel of this investigation involved evaluating the viability of certain statements/ideas against other sources and exploring the extent to which these may have been commonly held or indicative of a certain pattern or trend. 'Opportunistic' or 'emergent' sampling is similar in this respect, in that it follows the same kind of organic process, i.e. the researcher is responsive to new findings and ideas. As with all research, the information collected during this study was

155 Greater consideration is given to interviewing elites in section 5.6.2 below.
composed of multiple and interrelated threads, with new knowledge and ideas leading the research in different directions and, in some cases, to different locations.

The final approach mentioned in table 5.4 is labelled ‘convenience sampling’. Depending on the nature of their project many researchers would cherish the opportunity to talk to the most ‘important’ and influential actors within their chosen field of study, but this is not always possible. Research is inevitably constrained by time, costs and issues of accessibility. Consequently, it is ultimately defined by the reality within which the researcher is operating. However, this should not be construed as suggesting that one should only seek to engage with those individuals who are the easiest or most ‘convenient’ to interview (indeed as I found during my research, it was often individuals that were the hardest to meet that had the most ‘valuable’ information), but that any decision should involve weighing up the benefits and drawbacks of the resulting action or inaction. Furthermore, as illustrated previously, interviewing an individual who may be considered ‘accessible’ or ‘convenient’ can, in certain cases, grant the researcher access to more prominent figures, facilitating the process previously described as ‘snowballing’.

In conclusion, the sampling framework adopted in this study was illustrative of the research method employed. As stated above, semi-structured interviews are essentially a hybrid of unstructured and structured interviews, and draw upon the strengths of both approaches to facilitate a predetermined and yet flexible engagement with the research respondents. In a similar fashion, the sampling process used in exploring the MCA was initially focussed on certain individuals and organisations seen, at that time, to be relevant to the topic under investigation. However, as new information and knowledge was accumulated during the study, new opportunities inevitably arose and alternative investigative paths were presented. Consequently, the methodological approach utilised and the sampling framework adopted within this particular study were mutually enforcing, acting in harmony to facilitate a rich and responsive research process.

5.5 Positionality and reflexivity

There has been a growing realisation in geography of the important role the ‘personal’ plays in research. As Madge et al comment, “it influences the questions we ask, the ways in
which we interpret answers to those questions, and what we do with our research results”
(1997: 88). One must therefore continually assess positionality and the power relations at
play through the process of reflexivity (Skelton 2009: np). Reflexivity rejects neopositivist
empiricism which specifies a strict dichotomy between object and subject, and seeks to bring
to the surface the explicit power relations present during the research process, thus revealing
“what knowledge is contingent upon, how the researcher is socially situated and how the
research agenda/process has been constituted” (Ramazanoglu and Holland 2001: 118). In this
respect, it operates as a strategy for ‘situating knowledges’, in which the “sort of knowledge
made depends on who the makers are” (Rose 1997: 306, 307). Thus, knowledge is deeply
bound up in the relations of power between the researcher and the researched.

As an approach, reflexivity has been most thoroughly analysed and discussed by
feminist geographers and whilst clearly advocating the importance of being reflexive in
conducting research, there is a general recognition of the difficulty of actually doing it (see
Rose 1997). Indeed, it could be argued that the use of reflexivity has often brought about its
own form of concealment, in which there is an assumption that the ‘reflexive researcher’ can
be “fully aware of their own self-conscious and simultaneously survey the entire landscape of
power” (Maxey 1999: 201, 202). Whilst recognising the validity of such concerns, the
process of reflexivity is crucial to the research process, as it enables the researcher to be more
open to any challenges to their theoretical position and the knowledge claims made, and
receptive to the potential consequences of their interactions with those being investigated
(England 1994: 82). As a result, the following sections engage with the issue of reflexivity in
exploring the research process, and for the sake of clarity the discussion is framed around the
three themes of ‘producing data’, ‘interpreting data’ and ‘writing-up’. In doing this, however,
recognition needs to be given to the fact that these crude divisions to the research process do
not necessarily exist in practice and, as Maxey states, one must question the validity of
accepting prescriptive and formulaic boundaries to research (1999: 203).

5.6 Data Production

The term ‘data production’ is used here instead of ‘data collection’ because the latter
tends to ignore the social process of production and instead suggests that there are pre-
existing ‘facts’ lying around that the researcher can collect. The information produced by the
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researcher is subject to complex social, cultural and political processes that shape its meaning and translation into 'knowledge'. In this respect, it is important to acknowledge that we are, whether we like it or not, human beings complete with feelings, failings and moods, and all of these things affect how we feel and understand the reality around us. As Stanley and Wise discuss, "our consciousness is always the medium through which the research occurs; there is no method or technique of doing research other than through the medium of the researcher" (1993: 157). Consequently, it can be argued that it is our identity positions, i.e. our age, religion, gender, ethnicity, cultural background and so forth, that ultimately determines what we discover from research and what we perceive as important, where we choose to research, and what 'knowledge' we decide is valid (Madge et al 1997: 101). Just as our identities are partial and situated, so too are the fields in which we operate, and these are interpreted in different ways by different people, coloured through lived experience. The texts I chose to read or didn’t, the relationships I built or lost, the ideas I listened to or ignored, all of these and more influenced my findings, and whilst recognising that there is no such thing as an all-seeing, all-knowing researcher, being reflexive is a means of giving greater openness to the research process and the ‘knowledge’ that is produced.

The use of semi-structured interviews as the primary method of producing data for this research was decided at an early stage in my PhD studies and the reasoning for this was discussed above. In reflecting upon the implications of adopting this methodological approach, it is important to recognise that in contrast to quantitative methods that generally offer the researcher limited access to the experiences of respondents, social relationships, and nuances of meaning, interviews offer an in-depth insight into the lives of individuals, thus opening the door to a complex engagement between researcher and researched. Thus, this study can be better understood as a dialogic process jointly shaped by myself as the researcher and the interview respondents (Madge et al 1997: 92). In establishing relationships with respondents in the US and Nicaragua, I often highlighted that fact that I was not aligned with any connected political or development organisations, and I believe that this improved my ability to engage with individuals from the political spectrum of society. For example, it is possible that by doing this I may have been seen as less of a ‘threat’ by interviewees and as a result they could have been more open to dialogue around potentially sensitive issues. Furthermore, in acknowledging my supplicant position in the interview process and making it clear to the respondents that I respected them as the experts from whom I wished to learn, I felt that I was able to disassociate myself, to varying degrees of success, from a potential
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relationship with respondents in which I would be seen as the one holding all the 'power'. As England discusses, this approach to fieldwork is "predicated upon the unequivocal acceptance that the knowledge of the person being researched... is greater than that of the researcher's" (1994: 82). In some cases, feigning ignorance about certain debates and issues during the interview process, whether at the international, national or local level, helped to enforce this relationship whilst granting a useful insight into individuals' opinions and feelings. The fact that I was a relatively young and inexperienced researcher is likely to have strengthened the validity of adopting such an approach, as individuals may have been willing to divulge more information during the interviews in order to 'help the process along'.

In terms of formulating the research questions, I had a fairly broad agenda for the preliminary fieldwork stage in Washington D.C., in which the intention was to acquire general information and opinions on the MCA, as well as on Nicaragua and its placement within US foreign policy. This influenced my approach of which organisations and individuals to include during this preliminary research phase, in which there was a tendency towards some of the larger NGOs such as Oxfam and InterAction that have a considerable global presence, as well as to relatively well-known think-tanks such as Washington Office on Latin America and the Latin American Working Group that have detailed knowledge of Latin America. This focus on the 'bigger picture' intentionally led to fairly wide-ranging discussions on the MCA, from which I was able to pull out and explore the key thesis themes of 'poverty reduction' and 'democracy promotion'. As discussed below, these early discussions were to inform later fieldwork in Nicaragua and frame much of the content of discussion.

The nature of my engagement with the respondents in Washington D.C. was affected by what I perceived to be a sort of 'outsider' status in the development community. I had a sense of constantly trying to gain access to a select group of individuals who appeared to have their own dynamic and established social groupings, and whilst through the research process I was able to gain a glimpse of this world, this would usually end once the interview was over. This is by no means to suggest that I was deliberately 'excluded' from this group or that those I met were not friendly or open to discussion, only that I felt unable establish a real presence in Washington D.C., and at times felt more like an academic tourist than an engaged researcher. This resulted in a somewhat sterile and 'un-messy' research experience, in which relationships were never entirely formed or broken. Nevertheless, the data produced from this
fieldwork was no less valid in my opinion, and fulfilled my expectations of what this preliminary research stage was supposed to deliver.

In exploring the MCA in Nicaragua, questions were framed around the two core and interrelated themes of poverty reduction and democracy promotion, and initial exploration of these issues drew upon the findings of the preliminary fieldwork in Washington D.C. In this respect, the research conducted in the US acted as a mechanism with which to ‘structure’ discussions in Nicaragua, in the early stages at least, although a degree of flexibility in terms of content was ensured through the adoption of semi-structured interviews. Under this general thematic umbrella, a number of sub-themes arose through discussions with respondents and these led to new avenues of enquiry. Decisions therefore had to be made during the fieldwork as to which avenues of enquiry I wanted to pursue and research further. This subsequently informed the later choices I would make regarding the selection and deselection of interviewees. Whilst these decisions were a conscious reflection of what I felt were the most important and relevant issues to understanding the MCA, I recognise that the choices I made were affected by my personal identity and my interaction with the interview respondents. Reflecting upon ideas around being an ‘insider/outsider’ in this research offers a means of thinking through this process further.

5.6.1 The ‘insider/outsider’ dichotomy in research

As Madge et al discuss, “power relations will take different forms in different places, at different times, and between different people” (1997: 103). Thinking about the researcher as an ‘insider’ or ‘outsider’ provides a mechanism for understanding how positionality can affect power in the research process. To do this, however, it is necessary to depart from framing this relationship as a simple dualism and recognise that a researcher can fall somewhere in between. In fact, Herod suggests that it is perhaps more fitting to talk about ‘degrees of outsiderness’, in which there is a ‘sliding scale of intimacy’ (1999: 325, 326). Far from representing two distinct and fixed groupings, one’s positionality can, in this respect, shift and potentially “translocate through categories and identities” (ibid: 321). To a large extent, this dynamism is endemic to human nature, with individuals often presenting themselves in different ways within different contexts. In terms of the actual research process, one may, whether consciously or subconsciously, gain advantages through the manipulation of identity and through this process transcend, to varying degrees, the supposed
insider/outsider divide. In terms of my own research, for example, I modified the way I dressed and presented myself according to my perception of what would be most appropriate for any given occasion, I sought use local languages where possible, and I was aware of need to follow appropriate cultural practices of greeting. In this way, one is able, in some respects, to bridge the gap between being an ‘outsider’ and ‘fitting-in’, although the extent to which this bridging occurs in reality is inevitably dependent upon a range of other factors such as one’s social, physical and/or cultural characteristics. Moreover, it is impossible to ignore the fact that how an individual may view him or herself will, in all likelihood, be different to how someone else sees them. This situation is indicative of the fluidity of ‘identity’, in which categories such as race, gender, class and age, are socially constructed, varying across time, space and place.

As Skelton discusses, “cross-cultural researchers often record the ways in which their insider/outsider status helped them gather ‘different’ kinds and levels of information” (2009: np). Whilst it is true that having an insider status may grant the researcher certain opportunities (such as access to certain forms of information and ‘knowledge’), being perceived as an outsider can, as suggested by the following extract, also have its rewards:

“Whereas being perceived as an ‘outsider’ has often been thought of as undesirable in the research process, I have felt that, in fact, my position precisely as an ‘outsider’ has sometimes positively helped in the research process because it has allowed me, then, to appear as a ‘neutral’ or ‘impartial’ observer of events” (Herod 1999: 322).

In terms of my own research, there were several moments when I sensed that my ‘position’ as an outsider (whether real or imaginary), enabled me to distance myself from issues and events that could have alienated me from those I was interviewing. For example, in Washington D.C. strong sentiment was expressed during the course of the interviews over the nature of US-Nicaraguan relations from both sides of the political spectrum. Within this context, I felt that my position as a British ‘outsider’ allowed me to retain a level of impartiality, through which I was able in some respects to become an observer of such discussions. Being able to do this became especially important in conducting the second phase of this research in Nicaragua, where I was undertaking interviews with individuals belonging to different political groupings. Bearing in mind the strong history of political volatility in the country, and the fact that I was carrying out this fieldwork in the run-up to the
highly contested 2006 elections, maintaining an image of neutrality, whether at the national, departmental or local level, was vital.

Whilst presenting oneself or being perceived as an ‘outsider’ can be beneficial in terms of enforcing an image of impartiality, it can also encourage a respondent to be more open and honest about certain issues. For example, as a visiting foreign academic I may have presented less of a ‘threat’ to respondents than if I had come from their own town, city, region or country. This could have resulted in a greater openness by respondents than may otherwise have been possible, thus aiding in the production of rich and varied data. In addition to this, a respondent may give far more detailed answers to questions in order to help fill a perceived cultural/knowledge gap between themselves and the ‘outsider’. In recognition of these potential benefits, it is not unforeseeable that a researcher might consciously accentuate their status as an ‘outsider’ in order to obtain these potential benefits. As discussed above, for example, I was happy to take a supplicant position during the interviews, as I felt that this would facilitate in the sharing of information. Furthermore, as England notes, “the appeal of supplication lies in its potential for dealing with asymmetrical and potentially exploitative power relations by shifting a lot of power over to the researched” (1994: 82). The following section develops this discussion on power further within the specific context of conducting research with elites and non-elites.

5.6.2 Interviewing ‘elites’ and ‘non-elites’

The theme of interviewing ‘elites’ and ‘non-elites’ in research was applicable to both the fieldwork in Washington D.C. and in Nicaragua, having important implications for the power dynamics involved and thus the data produced. As stated by Cormode and Hughes, the “characteristics of those studied, the power relations between them and the researcher, and the politics of the research process differ considerably between elite and non-elite research” (1999: 299). In light of this fact, attention is now given to examining the differences between conducting research with elites and non-elites during this particular study, beginning with the key issue of accessibility.

156 Whilst Herod refers to foreign elites as “foreign nationals who hold positions of power within organisations”, he also recognises that this is a problematic label, with notions of what constitutes ‘foreign’ being highly subjective (1999: 313). I would also suggest that perceptions of ‘elitism’ are also highly subjective, as they are largely dependent upon one’s own perceived ‘status’. 
In conducting the fieldwork for this study, I found that it was relatively straightforward to make initial contact with some individuals that could be considered as ‘elites’, due to their involvement within clearly identifiable structures. In Washington D.C., for example, many of those interviewed belonged to well-established organisations which had their own websites, through which contact details for individuals could be readily obtained. In contrast, accessing ‘non-elites’ did present a greater challenge at times, as these formal channels of accessibility were not always visible. Such complexities were inevitably enforced by the challenges associated with conducting research in the South, where infrastructure, particularly in rural areas, can be lacking. Within this context, making contact and establishing relationships with individuals and groups (particularly social networks) with local knowledge and access was a crucial part of the research process. This was especially true in Nicaragua, where I found that engaging respondents was perhaps more dependent on who you know and developing informal relationships than in Washington D.C.

At the start of my fieldwork in Nicaragua, I sought to identify organisations and individuals who I perceived would both offer a valuable insight into my research topic and also facilitate access to other respondents – especially those operating at the local level. This process, referred to previously in the chapter as ‘snowballing’, gave momentum to the research process and acted as a bridge between research at the national, regional and local level. In contrast to my experience in Washington D.C. where contacts were primarily made through ‘formal’ channels of communication, I found that in Nicaragua I depended far more on establishing informal contacts and relationships with individuals in the ‘field’. Whilst this felt like a very natural and fluid process, I was nevertheless aware of the potential dangers that relying too heavily on ‘contacts’ could have on the data produced. For example, respondents may well have directed me towards ‘friends’, political allies and/or those individuals and organisations seen as ‘important’, and this would have had an impact on the data this research produced. In order to try and mitigate against the possibility of this happening, I was constantly questioning and reflecting upon the snowballing process, and I sought to open up multiple avenues for selecting research respondents, thus spreading potential ‘risk’.

In addition to these issues of accessibility, one could also suggest that, due to their privileged position, elites may have greater resources at their disposal and, consequently, can often provide supplemental information and documents to support their ideas and statements.
This is not to say, however, that the knowledge provided by elites is any more valuable than that provided by non-elites, only that elites are perhaps better equipped to exercise their beliefs and opinions. During several of the interviews, for example, respondents produced supportive and informative material which was subsequently used in the production of the research findings. Whilst this process was incredibly useful, I was very much aware of the need to critically engage with ideas around ‘knowledge’ and ‘power’, in which the ability of individuals to be ‘heard’ is intimately bound up in a complex of social, cultural, political and economic relations. Questions such as ‘whose voice is being heard’ and ‘is this information representative’ provided a means of reflecting upon these epistemological issues, as well as upon my own position within the research. Indeed, such questions enforced an ethical and moral responsibility for ensuring that marginalised voices can be heard within the research. Thus, whilst secondary sources of information provided during the interviews were useful, the onus during the fieldwork was very much placed on producing data through engaged dialogue with respondents.

5.6.3 The use of secondary sources

Although interviews were the main approach adopted during this field work, secondary data was also collected and utilised and this was done in two main ways: through visiting libraries in Washington D.C. and in Managua, and through the accumulation of material obtained whilst conducting interviews. This data provided extremely useful background information on both the MCA and on related peripheral issues. In addition, it should be noted that much of the information collected has, due to the relative newness of the MCA, received little, if any, academic attention. For example, the detailed results of an important regional diagnostic on Nicaragua’s MCA carried out by another international donor organisation within the country was made available to me following an interview, despite the fact that the information collected was still under analysis at the time. Other forms of onsite secondary information also proved invaluable with local documents proving extremely useful and insightful on a range of issues. In León, for example, I was given a document prepared by the ‘Regional Council of the Women of the Occident’ during an interview, which made a strong case for the inclusion of women in the MCA programme and highlighted the important role of women in Nicaragua’s economy. During another encounter, I was provided with local development plans for the departments of León and Chinandega, and these greatly strengthened my understanding of the issues affecting the municipalities in the region.
Consequently, whilst semi-structured interviews did form the backbone of the fieldwork, the collection of secondary data was also important in informing the research process and findings of this study.

5.6.4 Conducting research in Nicaragua and the issue of positionality

Although issues relating to positionality were pertinent to the fieldwork undertaken in both Washington D.C. and Nicaragua, it was the latter location as the primary research site that is focused on here. As Scheyvens et al discuss, “field work in the Third World can give rise to a plethora of ethical dilemmas, many of which relate to power gradients between the researcher and the researched” (2003: 139). A ‘northern’ researcher operating within such a context must, therefore, spend a significant amount of time reflecting on issues of positionality:

“If you are embarking on research in the developing world it is particularly important to be aware of your privileged position in terms of wealth, education and so on, in relation to those you will be working with and to recognise that your research is embedded within the context of colonialism” (Valentine 2005: 114).

The research conducted in Nicaragua for this study was more intimate than that experienced in Washington D.C., and involved building relationships within the field of research. This had important implications in terms of positionality, and by acknowledging and integrating difference during the research process I was able to adopt approaches that I felt would be of greatest benefit to the research. For example, by working with an interpreter in Nicaragua, I believe that I was able to bridge some of the differences I perceived existing between myself and respondents, thus bringing a degree of ‘sameness’. On the other hand there were moments, as highlighted above, in which it was possible to play on ‘difference’ or even accentuate difference during interviews in order to elicit a more detailed and explanatory response from informants. Consequently, it is important to recognise that positionality is not always fixed, with aspects of our identity playing different roles, at different times and in different places.

In undertaking my fieldwork in Nicaragua, I was conscious of my ‘identity’ as a relatively young, white, educated man, from a wealthy northern country, carrying out
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interviews in a relatively impoverished and less developed post-colonial country. As discussed below, I was constantly reminded of my privileged position and recognised the potential power that being a white male in the country gave me over the research process. Before reflecting upon my experiences, however, it is important to acknowledge that, as Skelton comments in discussing her own research, "each interview was a negotiation, and complex facets of positionality and power (both mine and those of the person who might or might not be interviewed) came to play at different points" (2001: 93). Thus, whilst exploring aspects such as ‘race’ and ‘gender’ below, consideration is also given to the different role ‘identity’ may have played at different times. Furthermore, although the characteristics of ‘race’ and ‘gender’ are crudely separated from other aspects of identity (such as age, sexuality and nationality) to facilitate clarity within the following discussion, reference is also made to these other characteristics, which, far from constituting detached representations of who we are, are intimately bound up in the personalities that we embody.

During my time in Nicaragua, not a day went by without someone calling me a ‘Gringo’ or Chele (meaning white person) and as a result I came to recognise that being white in that country had significant meaning. Indeed, I would argue that my ‘whiteness’ came to dominate my identity in Nicaragua and this became even more pronounced as my research took me to remote rural areas in the country, where I was frequently the only white foreigner there. During my frequent visits to the country’s capital, Managua, I was frequently surprised by the huge billboards I saw advertising all kinds of products, properties, healthcare services and so on, on which almost every single person shown had light-coloured skin, despite the fact that only 17% of the country’s population is white. It was almost as if, in advertising these relatively luxurious products and lifestyles, being ‘white’ was something that people should aspire to. I therefore learnt at an early point in my fieldwork that being white would be an important factor during my time in Nicaragua and the following discussion reflects upon situations where I felt my whiteness had had an impact on the research process.

It is clear that my identity as a ‘white’ male foreigner placed me in a privileged position and this may have presented greater opportunities for engagement with certain actors from Nicaraguan society than otherwise possible. For example, it is feasible that this may have facilitated greater personal rapport with some of the more educated elites (who are also predominantly ‘white’ males), many of whom constitute ‘gatekeepers’, i.e. those individuals with the ‘power to grant or withhold access to people or situations for the purposes of
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research’ (Burgess 1984: 48). Along a similar vein, it is possible that the fact that a white foreigner had travelled to Nicaragua to listen to, among other things, the opinions and ideas of ‘ordinary’ individuals and groups in Nicaragua, may well have provided the motivation and impetus for greater engagement and openness in the research process. Herod expresses a similar sentiment in discussing his research in Eastern Europe: “I felt that interviewees would be more receptive to spending time with me if they felt that I had travelled such a long distance with the sole purpose of interviewing them... i.e., that they were somehow ‘special’ people from whom an interested ‘outsider’ wished to learn” (1999: 323). Recognition of this possibility enforces an ethical and moral responsibility for ensuring that these marginalised voices are indeed heard within the research and greater consideration is given to this issue during the following sections on ‘interpretation’ and ‘writing-up’.

Whilst recognising the advantages I may have received as a privileged researcher in Nicaragua, it is not improbable in some of the more impoverished rural settings that being perceived as a ‘white’ outsider may have enforced the cultural barriers between myself and respondents. Within this context, the use of a Nicaraguan interpreter could have had a positive or negative affect on the situation. For example, it enabled me to communicate and share my thoughts with clarity in Spanish with the individual respondents, which may have helped breakdown certain cultural barriers. On the other hand, the use of an interpreter may have reinforced a perception of white superiority, in which I, as the ‘boss’, was employing a darker skinned Nicaraguan. In this respect it is important to recognise that just as my positionality as a white male researcher from the United Kingdom would have affected the nature of my engagement with respondents, so too would have the interpreter’s presence. According to Skelton, the use of an interpreter ushers in an additional layer of cross-cultural relations, in which there are “at least three actors working across cultures and spaces: researcher, research participant, and interpreter/translator” (2009: np). This has implications for the power dynamics involved in the research process and results in what Smith terms ‘inbetween’ forms of understanding (Smith 1996: 165).136

In addition to reflecting upon the issue of race, it is also important to consider the implications of gender on the research process. Within Nicaragua, as in many countries in the South, the balance of power between men and women is highly unequal. Nicaraguan society

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tends to be dominated by men and this situation is illustrative of a culture of a 'machismo' present throughout many countries in Latin America, where the characteristics culturally associated with the 'masculine' tend to be valued above and beyond those associated with being 'feminine'. Not only would this have had implications for the power relations between myself and the researched, but it also had ethical implications in terms of ensuring that marginalised voices are heard. For example, one could hypothesise that, in light of women’s subordinated position within Nicaraguan society, certain groups of women may have been eager to take part in this study, as doing so would help make them heard within an environment that has traditionally been dominated by men. On the other hand, some of the women interviewed for this research used anti-male rhetoric during discussions and it was hard not to feel affected by this sense of hostility and almost culpable for the actions of my 'fellow' man. Whilst I recognised that the use of such rhetoric was a reaction to the way many women have been, and continue to be, treated as subordinate to men in Nicaraguan society, I could not ignore the potential impact of my own position as a privileged male researcher on this process. Had I in some way invoked these feelings? And if so, what impact would this have had on the data produced? Reflecting on such questions forced me to continually re-evaluate and analyse the impact of my presence in the field.

5.7 Interpreting Data

According to Ramazanoglu and Holland, “language has powerful effects in producing meanings, so interpretation is like translation in constructing rather than just conveying meaning” (2001: 118). The researcher must decide what information/ideas to incorporate or exclude in producing ‘knowledge’. In this respect, the process of interpretation must be understood as an exercise in power and, whilst recognising that I cannot fully present the voices of respondents, it is nonetheless important to reflect upon interpretation in this thesis. In particular, feminist geographers argue that “we should evaluate our research critically and attempt to interpret it in its full cultural, social, political, and economic context”, thus allowing “multiple interpretations that come through the research to be acknowledged and presented” (Madge et al 1997: 106). This can be difficult however, as the process of interpretation and writing-up often occurs back ‘home’ and the return to ‘normality’ can create a sense of detachment from the field. Once again, reflexivity presents a mechanism with which to try and bridge the gap.
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In determining how best to interpret the research data, I decided that a useful starting point would be to upload all of the interview transcripts from the fieldwork in Washington D.C. and Nicaragua into qualitative data analysis software. This proved extremely useful in identifying and coding the research themes and sub-themes, which were focussed around the central topics of poverty reduction and democracy promotion. Text from the interview transcripts was thematically coded to facilitate analysis and management of the research data, and through this approach I could readily access interview material relating to specific topics, whilst keeping respondents’ comments situated within the broader context of discussion. Part and parcel of this process therefore involved envisaging patterns, making sense of, and bringing order to, the vast wealth of data produced through my fieldwork. Whilst the framework of ideas behind this study and the questions asked during the interviews did provide a useful entry point with which to do this, decisions regarding the identification of themes were also shaped by what I had learnt through engagement with the respondents. As such, it could be argued that my research findings are a direct result of the interaction between interpretative capacity, the constraining framework of my beliefs, and the apparent newness of the data produced (Ramazanoglu and Holland 2001: 160). As Reay discusses in reflecting upon her own doctoral research, “there are many possible readings of interview transcripts [and] from where I am socially positioned certain aspects of the data are much more prominent that others” (1996: 70). In presenting the findings of this thesis, therefore, I cannot claim that the data ‘speaks for itself’, as these research findings are a product of personal interpretation and of the connections that I have decided to draw.

Whilst openly recognising that it is, as Mullings discusses, “the situatedness of my knowledge, and the knowledge that I derived from an extensive reading of the work of others, [that] shaped my interpretation and presentation of the research” (1999: 347), it is nonetheless important to reflect upon the specific process through which interview material was selected and de-selected in this study. As England comments, it is ultimately the researcher who decides which quotes and whose voice to include in the final text (1994: 86). Consequently, it is the author that has authority over the interpretation of data and the choice of quotations used to support their claims. In terms of my own research, there were conscious decisions involved in the selection and de-selection of interview quotes including their perceived relevance to the research topic, identified similarities and differences between transcript data, the clarity of the produced text, the desire to produce interesting and insightful research findings, and the need to incorporate the views of a cross-section of respondents. With regard
to the latter, I felt that it was professionally and ethically important to ensure that multiple voices would be heard through this research, albeit mediated through the process of interpretation. This approach resonates with the statement by Ramazanoglu and Holland that “making knowledge claims across differences means taking responsibility for interpreting the social existence of others (2001: 105, 106). The process of writing-up is therefore especially important, as it is through this process that a space for hearing the voices of the respondents should be created (Madge et al 1997: 107).

5.8 Writing-up

As Skelton highlights, “in our writing we need to examine how we write, what and who we represent and how [and] we must be constantly vigilant about stereotypes and assumptions that we as the writer may perpetuate and that our readers may interpret” (2001: 95). In terms of my own research, for example, I felt that it was incredibly important in discussing Nicaragua’s MCA and US-Nicaraguan relations more broadly, not to contribute to an image of the South as being powerless vis-à-vis the North. As discussed in the introduction to chapter 4 discussing the Central American region more broadly, people from the isthmus are not passive non-actors in a history imposed and defined from without, but are decisive agents of change. In writing about the MCA therefore, I wanted to bring to the surface and reveal the way in which actors and groups operating at a range of scales have been able to engage with and exercise power over the initiative and the processes involved. The use of certain ‘labels’ within the text was particularly important in this regard, as their use can construct misleading images and representations of the South. For example, following discussion with respondents in Nicaragua I was extremely wary about using the term ‘poor’ when referring to the country and its people, as this runs the danger of ignoring the process through which conditions of poverty have been created and can infer that somehow being ‘poor’ is the natural state of play. Instead, I frequently use the word ‘impoverished’ within the written text as a substitute for ‘poor’, as this gives acknowledgement to the fact that there are processes through which poverty is produced and maintained in the South. This is incredibly important from the view of empowerment, as it shifts the emphasis away from dealing solely with the conditions associated with poverty, to considering the actual processes and relationships of power through which such conditions
have been created. Thus rather than focussing only on the symptoms of impoverishment, one can begin to address its causes.

In writing-up this thesis, I was also conscious of the need to avoid some of the traps associated with a northern research talking about the South, in which there is a danger of misrepresenting the ‘other’. The use of language is particularly important in this regard, as certain words can have connotations beyond their defined meaning. For example, I initially used the word ‘native’ in the text when referring to the use of the interpreter in Nicaragua which bearing in mind its formal definition as a person who was born in a particular place seemed appropriate. However, upon re-reading the text and following discussions with my supervisors it was agreed that the word ‘native’ should be removed as it conjures up powerful images of the colonial era, in which the term ‘native’ was often used in a derogatory way when referring to individuals who lived in a country prior to European colonisation. Bearing in mind my own position as a British researcher in the South, I felt that it was important to refrain from using this term, not only because of its implications for representing the ‘other’, but also because of a personal desire to distance myself from being seen as an ‘academic tourist’ conducting parachute research. As Richardson (1994) highlights, through the process of writing researchers are creating a particular view of the topics they discuss and also of themselves.

According to Mansvelt and Berg, “the process of writing constructs what we know about our research but it also speaks powerfully about who we are and where we speak from” (2005: 256, 257). One way in which academics have sought to highlight the partial nature of their research has been to incorporate personal pronouns such as ‘I’, ‘my’, ‘our’ and so on. By doing this, it is argued that the researcher will not appear as an invisible, anonymous voice of authority, but as a ‘real, historical individual with concrete, specific desires and interests’ (Harding 1987: 9, cited in Madge et al 1997: 107). Whilst in writing-up this research I have incorporated pronouns in places that I felt were warranted, I considered it unnecessary to caveat every other sentence with the phrase ‘I think’ or ‘in my opinion’. For me, adopting such an approach would have compromised the integrity and flow of the written text, and offered little more than a tokenistic attempt to incorporate ‘self’. Instead, I have sought to openly recognise, acknowledge and make clear in this chapter the production of knowledge in this thesis, and emphasised the fact that the research findings are both partial and situated. As discussed above, knowledge is produced through the research process and
much of the 'knowledge' reported in this thesis is a result of the information shared by the research respondents.

**Conclusions**

This chapter has discussed in detail the research conducted for this thesis in both Washington D.C. and Nicaragua, and reflected upon a number of important methodological issues. Greatest attention has been paid to the research process in Nicaragua and there are two main reasons for this. Firstly, Washington D.C. represented the preliminary phase of the investigation, with Nicaragua being the primary site of analysis. This is not to say, that the information collected in Washington D.C. was unimportant, far from it, but that this preliminary stage was essentially about setting the broader context for understanding Nicaragua’s MCA. Secondly, Nicaragua represents an extremely complex and challenging environment in which to conduct research. Whilst there were problems and difficulties to be overcome, there were also many opportunities and this reality is reflected in the rich and varied data produced by the fieldwork, as presented in results chapters 8 and 9. Furthermore, this chapter utilised the process of reflexivity to thoroughly explore the processes of data production, data interpretation and writing-up, which operated as an incisive mechanism for assessing the role the 'personal' plays in research and the power relations at play. As revealed through the course of this chapter, the researcher is intimately bound up in the knowledge they produce and thus this thesis represents a particular and partial story of the MCA and US-Nicaraguan relations.
Chapter 6: Contextualising Nicaragua’s Millennium Challenge Account

This chapter outlines the development of Nicaragua’s Millennium Challenge Account (MCA) and its components, whilst simultaneously locating the fund within the broader context of United States (US) - Nicaraguan relations, emphasising shifts in US priorities towards Nicaragua and the Central American region as a whole. This discussion, therefore, sets the foundation for the following two results chapters, which focus on exploring the two interrelated issues of ‘poverty reduction’ and ‘democracy’. In doing this, these chapters engage with the core thesis objectives outlined in the previous chapter (see section 5.1). A summary of these findings and their contribution to addressing the underlying research question stated in chapter 5 is provided in the concluding chapter.

This chapter is divided into two main sections. The first section explores shifts in the quantity and composition of US development assistance, and other sources of funding, to Nicaragua. This discussion therefore represents an extension of chapter 4, which analysed the historical relationship between the US and Nicaragua. However, whilst chapter 4 was concerned with examining the multifaceted elements of this unique relationship across many decades, attention here is focussed on locating the MCA within the specific context of shifting US development priorities. In particular, consideration is given to examining the trends in US foreign assistance towards Nicaragua and, where applicable, the region as a whole, in the period leading up to the MCA’s creation and following its inception. The second part of this chapter is primarily concerned with identifying the defining characteristics of Nicaragua’s MCA and exploring how the programme has evolved. This detailed discussion is crucial in facilitating the more detailed analyses of its operations in chapters 7 and 8.

6.1 Upheaval within the US’ foreign assistance structures

Chapter 3 situated the creation of the Millennium Challenge Corporation (MCC) within the broader context of shifting trends in US foreign assistance, giving specific attention to the changing role of the United States Agency for International Development (USAID), which has for a long time been primarily responsible for administering US assistance abroad. However, there have been growing concerns that USAID is being
weakened with, for example, the creation of the MCC being seen as a symbol of growing discontentment over the agency’s inability to address the fundamental causes of poverty. The announcement of a sweeping reform plan by Condoleezza Rice in 2006 to streamline foreign assistance (which included aligning USAID with the State Department), has also been met with some alarm, especially with respect to the potential politicisation of USAID’s activities (see Engler 2006). In the wake of such criticism, the US government has frequently emphasised USAID’s importance as an autonomous development body, stating that it “remains an independent agency, and continues its role as the United States Government’s premier international development institution” (State Department 2006b). However, concerns have been voiced over the potential fragmentation of US foreign assistance policies and activities, both at home and abroad (see Herrling and Radelet 2003). There has, therefore, been careful scrutiny by the development community of any subsequent shifts in funding away from USAID with the ‘President’s Emergency Plan for AIDS Relief’ (PEPFAR), headed by the US State Department, and the MCA, headed by the MCC, identified as possible substitutes to USAID’s activities. As a result, it is not surprising that “how USAID would participate in the MCA initiative has been a continuing concern of Congress and various policy analysts” (Tarnoff 2008:19).

Although it is useful to initially reflect upon these important issues here, the purpose of this first section is to place these issues discussed in chapter 3 within a specifically Nicaraguan context. Hence, attention is now turned towards exploring the extent to which these changes to the structures shaping and defining US foreign development policy may have affected the volume and nature of assistance to Nicaragua during the period immediately prior to, and after, the creation of the MCA. However, it is important to recognise that these important shifts within the US have not happened in some sort of development vacuum, sealed off from other areas of US foreign policy. Without a doubt, the new security agenda following the events of 9/11 has had a subordinating impact on many different areas of US domestic and foreign policy. Therefore, it is essential to bear in mind, in talking about such issues, that there are interwoven complexities that influence the discourses of development and although not discussed in detail again during this particular chapter, these should not be forgotten or ignored¹⁵⁸.

¹⁵⁸ For example, in the coming months it will be interesting to see how the deepening global economic crisis and recent election of Barack Obama will affect US international development practice. The following extract from an interview with Obama sheds further light on both these issues: “I think it is important for us to increase
6.2 Understanding the shifts in the composition of development aid

This section develops and expands upon some of the general ideas presented previously in chapter 3 section 3.3, where the possibility of funds being diverted away from USAID as a result of the MCC's formation was first presented as a key concern surrounding the MCA. This theme is explored in greater detail now, with specific emphasis placed on Nicaragua's experience: a country in which the US was the largest bilateral donor for Official Development Assistance (ODA) between 2005 and 2006159. In analysing the shifts in both the volume and composition of foreign assistance to Nicaragua, this chapter helps to set the broader context for Nicaragua's MCA, which is essential if we are to truly understand the impact of the initiative on the country's development. Before doing this, however, it is important to clarify exactly what it is we are referring to when we talk about 'aid' and, furthermore, specify those aspects of foreign aid that are pertinent to the research at hand.

6.2.1 Defining development aid

Although there is a huge array of literature and news articles discussing 'development aid', there is not a universally accepted definition of what it is and this makes quantifying and qualifying aid flows especially problematic. As Brown et al comment, whilst some have opted to include the “full spectrum of aid to developing countries, including aid for humanitarian purposes”, others have taken a narrower interpretation of what it means (2006: 3). Government officials have a tendency of using the term 'development aid' in a very loose manner, which can create a distorted view of reality. For example, in 2005 President Bush stated that the US had “tripled overseas development aid to Africa” during his Presidency (2005b: np) and many within the development community took issue with this:

"The Bush Administration has significantly increased aid to Africa, but that increase falls far short of what the President has claimed. U.S. aid to Africa from FY 2000 (the last full budget year of the Clinton Administration) to FY2004 (the last completed

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159 According to statistics provided by the Organisation for Economic Co-operation and Development (OECD), the US was Nicaragua’s 3rd largest donor for ODA between 2005 and 2006 (after the International Development Association and Inter-American Development Bank - OECD website).
fiscal year of the Bush Administration) has not “tripled” or even doubled. Rather, in real dollars, it has increased 56% (or 67% in nominal dollar terms). The majority of that increase consists of emergency food aid, rather than assistance for sustainable development of the sort Africa needs to achieve lasting poverty reduction” (Rice 2005: 1).

It is, therefore, extremely important when discussing aid flows to be specific about just what the figures represent and what aspects of ‘aid’ are being referred to. Consequently, this chapter clearly states what facts and figures are being discussed in analysing shifting patterns of aid to Nicaragua, and Latin America more generally, as well as justifying their use within the specific context of this study.

6.2.2 Trends and shifts in US development assistance

In 2005 the US boasted by far the highest annual expenditure ever provided by a donor country, in terms of net ODA amount, a reality reflected in figure 6.1 below.

Figure 6.1: Net ODA in 2005

Source: OECD (2005)
That being said, however, there are some important points to bear in mind. Firstly, as a percentage of ‘Gross National Income’ (GNI) the US was, in reality, one of the smallest donor countries in terms of ODA (see figure 6.2).

Figure 6.2: Net ODA in 2005 as a percentage of GNI

In addition, although the US’ 2005 ODA annual expenditure of US$27.6 billion was the highest amount ever provided by a single donor country, this figure on its own is potentially misleading and requires further qualification. First and foremost, it should be recognised that (out of the US$27.6 billion) a massive US$10 billion was directed to Iraq, with both Afghanistan and Iraq receiving a massive 48% of total US ODA in 2004/2005 (OECD 2006: 26)\(^{160}\). At the same time, however, the percentage of official assistance to the Americas plummeted between 2001 and 2005, falling from 26% in 2001 to 7% in 2005 (ibid)\(^{161}\). In light of this situation, it is increasingly important to analyse the types of US development aid being channelled towards the region and how they relate to one another, and also to investigate exactly what impact these specific flows are having on the development of Latin American countries. Within this context, exploring and analysing the impact of the MCA in Nicaragua is especially important.

\(^{160}\) Once again, this reality demonstrates the dominance of the US security agenda post 9/11 within US foreign policy.

\(^{161}\) These statistics reinforce Moises Naim’s statement, highlighted in the introduction to chapter 4, that Latin America once thought to be the ‘backyard’ of the US is now more like Atlantis – the lost continent (2004: np).
It should also be noted that since 2001 the US has been channelling a smaller proportion of its ODA through multilateral agencies. This constituted only 17% of total US ODA in 2004 (compared to the Development Assistant Committee [DAC] - average of 28%) and this figure fell even further in 2005 to 8% (OECD 2006: 12). Once again, one could suggest that the reasons for this shift away from multilateral spending is, to a large degree, rooted in the War on Terror, in which bilateral aid has certain advantages over multilateral aid in pursuing key US security interests. For example, the US can use bilateral aid as a financial incentive to encourage sometimes reluctant regimes to cooperate (as witnessed with regard to Pakistan). Furthermore, it could be argued that, whereas multilateral aid can appear to be fairly anonymous and therefore ‘neutral’, direct bilateral aid can actually help improve the US’ image in countries where there may be mixed or negative views of the US and its actions. Moreover, in the age of growing US budgetary pressures, bilateral aid has the advantage of being easier to justify as directly serving “specific national interests” (Minch 2005). Whatever the precise reasons for this change, it is crucial, in the wake of this shift to greater bilateral assistance, that we take a closer look at the machinery through which US funds are now being channelled.

6.2.3 Trends and shifts in the management of US ODA

This section takes a closer look at the changes in the use of bilateral aid, focussing specifically on the institutions through which it is channelled. In particular, I am interested, in light of some key areas of concern regarding the relationship and coordination between the MCC and the USAID, in exploring the changing role of USAID in the delivery of US foreign aid. Although the official stance continues to be that USAID remains the primary body responsible for carrying out international development, one cannot ignore the fact that the

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162 The DAC acts as a forum for major bilateral donors and acts as the principal body through which the OECD study issues related to cooperation within international development. Its members include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States, and the European Commission (see the OECD website).

163 Following the events of 9/11, Pakistan’s place on the world stage shifted considerably as it became a key ally for the US in its fight against ‘terror’ and, more specifically, against the Taleban. However, in the wake of the highly contested, and controversial, national elections held in February 2008, Pakistan’s future role in the War on Terror is anything but clear. As such, one could question the sustainability of utilising direct US bilateral aid in this manner.

164 See the Director of Foreign Assistance (DFA) fact sheet available on the State Department website (http://www.state.gov/rl/releases/factsheets2006/67947.htm).
agency’s share of the ODA pie has fallen considerably over recent years. Table 6.1 below illustrates this reality.

Table 6.1: Management of ODA by institution (%)

<table>
<thead>
<tr>
<th>Institutions</th>
<th>1998</th>
<th>2002</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>USAID</td>
<td>64.3</td>
<td>50.2</td>
<td>38.8</td>
</tr>
<tr>
<td>Department of State</td>
<td>12.9</td>
<td>18.6</td>
<td>13.4</td>
</tr>
<tr>
<td>Department of Defence</td>
<td>3.5</td>
<td>5.6</td>
<td>21.7</td>
</tr>
<tr>
<td>Department of Treasury</td>
<td>12.6</td>
<td>10.7</td>
<td>4.3</td>
</tr>
<tr>
<td>Department of Agriculture</td>
<td>2.3</td>
<td>5.8</td>
<td>13.9</td>
</tr>
<tr>
<td>Department of Health and Human</td>
<td>..</td>
<td>..</td>
<td>3.7</td>
</tr>
<tr>
<td>Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>4.4</td>
<td>8.9</td>
<td>3.2</td>
</tr>
<tr>
<td>Peace Corps</td>
<td>..</td>
<td>..</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Source: OECD (2006)

As demonstrated by table 6.1, the proportion of ODA channelled through USAID has decreased significantly, from 64.3% of US ODA in 1998 to 38.8% in 2005. This decline coincided with a substantial and rapid increase in the volume of assistance administered by the Department of Defence, which grew to 21.7% of the US’ ODA in 2005. As one might expect, the War on Terror appears to have catalysed this shift, with a large proportion of foreign assistance being allocated to US security priorities. Indeed, not only was this reflected in USAID’s declining role in the management of ODA, but it was also evident in the geographical allocation of agency funds. More specifically, whilst the actual volume of assistance being managed USAID did increase from roughly US$9.8 billion in 2002 to about US$10.6 billion in 2005, this growth was largely due to the agency’s expanded role in Iraq and Afghanistan. In fact, if we exclude these two countries from both the 2002 and 2005 figures, it becomes apparent that USAID’s assistance to the rest of the world did actually fall by close to US$1.2 billion between these two dates. In the wake of such reductions, the importance of examining ‘global’ initiatives such as the MCA becomes even more apparent. Indeed, its creation raises important questions over the future role of USAID in development and, more generally, how US foreign aid may be administered in the future. The following sections, therefore, look at the relationship between USAID and the MCA in further detail.

165 These data is taken from USAID’s ‘Greenbook’ available via the USAID website and all figures are in constant 2006 $US.
Chapter 6: Contextualising Nicaragua’s Millennium Challenge Account

drawing upon other sources of data to provide a much more in-depth account of what has been happening. In doing this, a particular emphasis is placed on Nicaragua’s experience and how USAID’s assistance to the country has changed over recent years.

6.3 USAID and the MCC: Exploring the relationship in Nicaragua

In starting this analysis, it is interesting to note that whereas USAID is the primary US body charged with fighting poverty and promoting economic growth overseas (see Moss et al 2005: 4), the MCC’s stated mission is to “reduce poverty through the promotion of sustainable economic growth” (MCC website a). In a very real sense, therefore, they are pursuing the same broad objective, although clearly through very different approaches. In order to explore the relationship between these two development bodies, this chapter now focuses on those USAID programmes that can be seen as contributing most directly to the MCA’s fundamental objectives of ‘economic growth’ and ‘poverty reduction’. From now on, this chapter will refer to these USAID programmes as constituting ‘core development aid’ and this includes: Child Survival and Health (CSH), Development Assistance (DA) and the Economic Support Fund (ESF). As table 6.2 below demonstrates, there have been significant reductions in all of USAID’s programme areas between 2002 (when President Bush first announced his intention to dramatically increase US development assistance – primarily through the MCA167) and 2007.

Table 6.2: USAID-Nicaragua budget by account (in thousands of US$)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Survival and Health Programmes Fund (CSH)</td>
<td>8470</td>
<td>9830</td>
<td>7805</td>
<td>7703</td>
<td>7699</td>
<td>6661</td>
<td>-21%</td>
<td>-14.7%</td>
</tr>
<tr>
<td>Development Assistance (DA)</td>
<td>16602</td>
<td>23460</td>
<td>26856</td>
<td>26058</td>
<td>20843</td>
<td>12996</td>
<td>-22%</td>
<td>-52%</td>
</tr>
<tr>
<td>Economic Support Fund (ESF)</td>
<td>2800</td>
<td>0</td>
<td>0</td>
<td>4467</td>
<td>3366</td>
<td>3000</td>
<td>7%</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>27872</strong></td>
<td><strong>33290</strong></td>
<td><strong>34661</strong></td>
<td><strong>38228</strong></td>
<td><strong>31908</strong></td>
<td><strong>22657</strong></td>
<td><strong>-19%</strong></td>
<td><strong>-35%</strong></td>
</tr>
</tbody>
</table>

Source: Adapted using data available on the USAID website (www.usaid.gov)

166 It does not therefore include USAID’s PL 480 Title 2 (or public law 480) which constitutes ‘food aid’.
167 Please refer back to chapter 3 section 3.6 for further detail.
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The most significant decrease has been in DA account, especially between 2004 and 2007 when it fell by about 52%, which coincides with the signing of Nicaragua’s MCA compact in mid-2005 and it is this relationship that is focussed on here.

Interestingly, Nicaragua’s MCA is primarily focussed on sectors that have traditionally been funded through two out of the four programmes located within USAID’s DA account: the ‘Agriculture and the Environment’ programme and the ‘Economic Growth’ programme, and these are the areas that have seen the greatest reductions, as illustrated in table 6.3 below.

Table 6.3: USAID-Nicaragua budget by sector (in thousands of US$)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Education DA</td>
<td>5295</td>
<td>6754</td>
<td>5940</td>
<td>4734</td>
<td>-11%</td>
</tr>
<tr>
<td>Agriculture and Environment DA</td>
<td>9359</td>
<td>6654</td>
<td>5301</td>
<td>2530</td>
<td>-73%</td>
</tr>
<tr>
<td>Economic Growth DA</td>
<td>5809</td>
<td>7420</td>
<td>2454</td>
<td>1500</td>
<td>-74%</td>
</tr>
<tr>
<td>Democracy and Governance DA</td>
<td>6393</td>
<td>5230</td>
<td>7148</td>
<td>4232</td>
<td>-39%</td>
</tr>
<tr>
<td>Family Planning/ Reproductive health</td>
<td>ESF</td>
<td>0</td>
<td>467</td>
<td>3366</td>
<td>n/a</td>
</tr>
<tr>
<td>HIV/AIDS</td>
<td>CSH</td>
<td>3870</td>
<td>3534</td>
<td>3499</td>
<td>2661 -31%</td>
</tr>
<tr>
<td>Child Survival and Maternal Health</td>
<td>CSH</td>
<td>500</td>
<td>496</td>
<td>990</td>
<td>1000 100%</td>
</tr>
<tr>
<td>Other Infectious Diseases</td>
<td>CSH</td>
<td>3000</td>
<td>3242</td>
<td>3210</td>
<td>3000 0%</td>
</tr>
<tr>
<td>PL 480 Title II</td>
<td></td>
<td>7046</td>
<td>9710</td>
<td>11726</td>
<td>12500 77%</td>
</tr>
<tr>
<td>Total (including PL 480)</td>
<td>41707</td>
<td>47938</td>
<td>43634</td>
<td>35157</td>
<td>-16%</td>
</tr>
<tr>
<td>Total (core development aid)</td>
<td>34661</td>
<td>38228</td>
<td>31908</td>
<td>22657</td>
<td>-35%</td>
</tr>
</tbody>
</table>

Source: Adapted using data available on the USAID website

This relationship suggests that, in the case of Nicaragua, USAID funds are potentially being moved away from those areas where the MCA is focussed. In the compact agreement signed between the US and Nicaragua, it clearly sets out how the MCA will ‘coordinate’ its efforts with USAID’s rural office and identifies the objectives of the MCC and USAID’s agribusiness development activities as being similar. In light of this situation and the 73% drop in USAID’s ‘Agriculture and Environment’ account (not to mention the 74% decrease
in its ‘Economic Growth’ account) between 2004 and 2007, it is necessary to extend this analysis further by looking at the broader context within which these reductions have taken place.

6.4 The broader context

President Bush himself stated in 2002 in a speech promoting the US’ commitment to international development, that the new funds, channelled through the MCA, would go “above and beyond existing aid requests” (Bush 2002a). However, there are some clear questions surrounding the extent to which this has been the case. An interview held in October 2005 with the then MCC director for Latin America sheds further light on this issue:

“Well philosophically our argument has been that MCA funding should be a reward to a country, which means there should be no reduction in other US funding. Now the reality of that is hard to know. Congress has used language that has said reduce funding where there is MCA funding, which we think would be a very negative thing. And we are arguing against that. But the reality is... our friends up in Congress are sitting down trying to figure out how they are going to absorb cuts in this year’s budget for the US government, when there is a mandate to cut $50 billion out of the budget. And so that is going on right now and we don’t know how that is going to come out. I do know that the White House has told the committee that is working on this that their top priority for foreign assistance is the MCA. So that is the White House instruction to the committee” (research interview with Jim Vermillion168).

From this perspective, therefore, it is clear that the merits of having the MCC as additional funding, especially in light of the fact that the MCA operates on a ‘reward’ approach, are evidently recognised. At the same time, however, one cannot ignore the broader context within which the relationship between the MCC and USAID is being played out. As demonstrated above in discussing the allocation of US ODA, the War on Terror has had a subordinating impact on other areas of US foreign policy – not just in terms of the resources assigned to specific programmes but also in how these programmes are executed spatially (as witnessed by the increased marginalisation of Latin American issues). Moreover, as

168 Jim Vermillion, Managing Director for Latin America in the MCC - Interview held in Washington D.C. on 5th October 2005.
discussed in chapter 3, the MCC, which was established to administer the ‘innovative’ flagship development programme, has itself been subject to substantial budget cuts, receiving much less funding than requested, with the potential to undermine its effectiveness as a development entity.

At the same time as appreciating the impact of the War on Terror on US foreign assistance spending, one cannot ignore the fact that the creation of the MCC was, in part, symbolic of disenchantment within the US over the effectiveness of past efforts at combating poverty and promoting economic growth. In this context, the ‘innovations’ of the MCA were, to a large extent, established to answer the “longstanding criticisms within the development community of assistance effectiveness” – assistance which has for a long time been headed by USAID (Clark 2005: 32). This situation is reflected in the following interview extract:

"Since World War 2, the United States has spent probably about $250 billion in economic assistance and we have had six countries graduate from that assistance. This programme (the MCA) will be a success if in the next decade, for $10 billion, we come up with five new graduates as a result of this economic assistance. I mean those are my numbers and my views; I am a political appointee so I am giving you the political take on it” (research interview with Jim Vermillion).

As a result, the extent to which the shifts in the DA account of USAID in Nicaragua can be attributed directly to the impacts of the War on Terror on levels of development assistance or, more generally, to this discontentment over the ineffectiveness of past efforts, is difficult to gauge. Nevertheless, whilst the precise reasons for this situation are not entirely clear, it is evident that USAID has been experiencing budget reductions in Nicaragua and this reality readily acknowledged by staff operating within the country itself:

“...we have had budget reductions. That is true. But that has been across Latin America. You know it wasn’t like Nicaragua was necessarily singled out. And the reasons for that are varied and multiple, and this [the MCA] could be one of those reasons. But we are definitely not seeing anything that would suggest we are getting
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"this much less because the MCC is getting this much more" (research interview with Steve Olive).  

Although, I would agree with the above comment that one cannot, in light of the hugely complex policy environment within which the US international development aid is being conducted, state categorically that an increase in 'a' has led to a decrease in 'b', the available data suggests that there is a relationship between the two and this is not, as discussed below, restricted to Nicaragua alone.

**6.4.1 Establishing broader funding trends: MCA recipient countries**

In a study undertaken by Brown et al in 2006 it was discovered that whereas the funds allocated through the DA account of USAID to non-MCA countries had remained more or less the same between 2002 and 2006, MCA recipient countries had witnessed a marked decrease in this period (most visibly between 2004, one year before the first MCA compact was signed, and 2006, when their study was conducted). If we take this analysis forward to present day levels we can see this trend continuing, as illustrated in table 6.4 below, which shows the existing MCA compacts and the associated change in USAID DA between 2004 and 2007.

### Table 6.4: MCA funding and USAID's DA account

<table>
<thead>
<tr>
<th>Country</th>
<th>Date signed</th>
<th>Total Compact (US$ millions)</th>
<th>Number of years</th>
<th>Average compact money per year (US$ millions)</th>
<th>Percentage change in USAID DA 2004-2007</th>
<th>Compact focus by sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>27/03/2006</td>
<td>236</td>
<td>5</td>
<td>47.2</td>
<td>n/a</td>
<td>Rural road rehabilitation, irrigation/agricultural projects, technical assistance and credit support for agribusiness.</td>
</tr>
</tbody>
</table>

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169 Steve Olive, USAID-Nicaragua Office Head for Trade and Agriculture - Interview held in Managua on 11th April 2006.

170 The six largest recipients of US aid including; Iraq, Afghanistan, Israel, Egypt, Jordan and Pakistan, were not included in the figures because, according to the authors, they "represent outliers in terms of their massive aid levels" and, therefore, including them would have "skewed the data for average funding going to developing countries" (Brown et al 2006: 5).
### Chapter 6: Contextualising Nicaragua’s Millennium Challenge Account

<table>
<thead>
<tr>
<th>Country</th>
<th>Date</th>
<th>MDI</th>
<th>Stage</th>
<th>Improvement</th>
<th>Project Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benin</td>
<td>22/02/2006</td>
<td>307</td>
<td>5</td>
<td>61.4</td>
<td>-95% Land legalisation project, financial services, judicial improvements, market access involving port rehabilitation.</td>
</tr>
<tr>
<td>Cape Verde</td>
<td>04/07/2005</td>
<td>110</td>
<td>5</td>
<td>22</td>
<td>n/a Watershed management and agricultural support project, infrastructure project, private sector development project.</td>
</tr>
<tr>
<td>El Salvador</td>
<td>29/11/2006</td>
<td>461</td>
<td>5</td>
<td>92.2</td>
<td>-72% Human development project (education/training and community development), development assistance project, transportation project.</td>
</tr>
<tr>
<td>Georgia</td>
<td>12/09/2005</td>
<td>295</td>
<td>5</td>
<td>59</td>
<td>n/a Regional infrastructure rehabilitation, enterprise development project.</td>
</tr>
<tr>
<td>Ghana</td>
<td>01/08/2006</td>
<td>547</td>
<td>5</td>
<td>109.4</td>
<td>-17% Agriculture support, transportation infrastructure, rural development project.</td>
</tr>
<tr>
<td>Honduras</td>
<td>13/06/2005</td>
<td>215</td>
<td>5</td>
<td>43</td>
<td>-42% Rural development project, transportation project.</td>
</tr>
<tr>
<td>Lesotho</td>
<td>23/07/2007</td>
<td>363</td>
<td>5</td>
<td>72.6</td>
<td>n/a Water sector project, health sector project, private sector development project.</td>
</tr>
<tr>
<td>Madagascar</td>
<td>18/04/2005</td>
<td>110</td>
<td>4</td>
<td>27.5</td>
<td>-22% Land titling project, banking project, enterprise project.</td>
</tr>
<tr>
<td>Mali</td>
<td>13/11/2006</td>
<td>461</td>
<td>5</td>
<td>92.2</td>
<td>-33% Irrigation project, infrastructure project (airport), agricultural processing project, support project.</td>
</tr>
<tr>
<td>Mongolia</td>
<td>22/10/2007</td>
<td>285</td>
<td>5</td>
<td>57</td>
<td>n/a Rail project, property rights project, vocational education project, health project.</td>
</tr>
<tr>
<td>Morocco</td>
<td>31/07/2007</td>
<td>698</td>
<td>5</td>
<td>139.6</td>
<td>0% Agribusiness projects, tourism project, financial services project, enterprise support project.</td>
</tr>
</tbody>
</table>

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#### Chapter 6: Contextualising Nicaragua’s Millennium Challenge Account

<table>
<thead>
<tr>
<th>Country</th>
<th>Date</th>
<th>ID</th>
<th>MD</th>
<th>% Change</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td>13/07/2007</td>
<td>507</td>
<td>5</td>
<td>101.4</td>
<td>-45%</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>14/07/2005</td>
<td>175</td>
<td>5</td>
<td>35</td>
<td>-52%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>15/02/2008</td>
<td>698</td>
<td>5</td>
<td>139.6</td>
<td>+23%</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>02/03/2006</td>
<td>66</td>
<td>5</td>
<td>13.2</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Source: Adapted using data from the MCC and USAID (updated April 2008)

The sixteen MCAs shown in table 6.4 have primarily focussed upon private sector development (especially in agricultural areas). In eight out of the ten countries where USAID is both present and administers DA, there have been substantial decreases in the funds allocated through this account and this is consistent with the focus of the MCA. For example, if we look in more detail at Nicaragua’s experience, we can see that the country’s MCA, which is focussed on spurring economic growth through a large scale transport infrastructure project, a land legalisation project and an agribusiness project, has coincided with reductions of more than 70% in USAID’s ‘Agriculture and Environment’ and ‘Economic Growth’ programmes. A similar trend has occurred in Honduras, which has seen funds to these two USAID DA components fall by 70-75% between 2004 and 2007, or over US$8 million in real terms (USAID website). Much like Nicaragua’s MCA, Honduras’ programme is focussed on increasing agricultural productivity and promoting economic growth through a large scale transportation project. In El Salvador, the decline in USAID funding to these programmes has been even more pronounced, falling by about 71% in the ‘Agriculture and Environment’ component and a massive 88% in ‘Economic Growth’ component. One can, therefore, suggest that in these countries there is a correlation between USAID sector cuts and the focus of the MCA project components.

Although I am not going to explore the relationship between aspects of USAID funding and the MCA in each of the compact-countries here, it is clear from table 6.4 above
that similar trends to those highlighted in Nicaragua, Honduras and El Salvador, can be seen in many of the other countries. The reasons for these cuts in USAID funding in MCA-recipient countries could be many, ranging from budgetary constraints coinciding with the War on Terror, to the potential phasing out of certain USAID activities. Moreover, reductions in the ‘Agriculture and Environment’ and ‘Economic Growth’ components of USAID’s DA account (which correspond closely to the focus of the majority of the MCAs) have been most pronounced in the three Central American countries (Nicaragua, Honduras and El Salvador) where, since 2004, there have been reductions totalling well over US$35 million (in percentage terms this constitutes an average loss of about 75%). This is a much greater reduction than that witnessed in the African MCA-recipient countries, both as a percentage change and in terms of the actual money involved. This regional difference may well reflect Latin America’s general demotion within US foreign policy, especially following the events of 9/11. In fact, if we extend this regional analysis and look at Guatemala, a non-MCA recipient country, we can see that USAID’s DA to Guatemala fell by almost 40% between 2004 and 2007, with the greatest loss in the ‘Agriculture and Environment’ account. This suggests that decreases in US assistance to the Central American region through this account cannot be attributed solely to the MCA, but rather are also related to a number of other issues such as Latin American marginalisation in US foreign policy and USAID’s shrinking role in the delivery of ODA (as illustrated above in table 6.1).

Whatever the precise reasons for the situation outlined above, it is clear that whilst the MCA does represent a significant injection of money into these Central American countries, this has been accompanied by a critical reduction in USAID’s role, especially in the area of Development Assistance. This association is extremely important in Nicaragua, where the country’s MCA is not actually a national programme but a regional one, focussed in the north-west of the country. As a result, although the US$175 million injection of money through the MCA is considerable, the funds are orientated towards developing a specific region of Nicaragua, which essentially only includes two out of the seventeen departments within the country. So, whilst USAID has traditionally operated at a national level within Nicaragua, Nicaragua’s MCA is far more focussed. Therefore, reductions in USAID’s core

171 That being said, it is important to highlight that the countries of Central America are very often seen within a ‘regional’ context, i.e. as part of a group (indeed, DR-CAFTA is a testament to this fact). Consequently, one could hypothesise that, in light of the concentration of MCA programmes in Central America, the assistance granted to Guatemala, the only other Central American country to receive USAID funding through the DA account (the USAID mission in Costa Rica closed in 1996 after the country ‘graduated’ from most forms of US assistance), fell as a result of its shared regional identity, i.e. it was a regional budget cutback.
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funding, especially in the area of Development Assistance, will have broader ramifications in terms of US development efforts in the country as a whole.

6.5 The MCA process in Nicaragua

The first part of this chapter helped locate Nicaragua’s MCA within the context of shifting patterns in core US development assistance, with much attention given to the role of USAID. Attention now turns to looking in detail at Nicaragua’s MCA, beginning with a brief overview of the country’s programme. Following this introduction, the chapter explores the reasons behind the decision to focus the MCA in the northwest of the country in the departments of León and Chinandega. Then the chapter identifies the initiative’s central components, providing a factual overview of each one and touching upon some of the issues raised during the course of the research. It concludes with a discussion of the structures through which the MCA is being administered in Nicaragua and a brief analysis of the execution of MCA funds to date. Before beginning, however, it should be iterated here that this chapter is essentially about providing the foundation for the following two chapters, which build upon the discussion presented here and give a much more critical and analytical perspective on Nicaragua’s MCA. Therefore, this section should be seen as a sort of informative guide, providing background knowledge on the country’s programme and facilitating later in-depth discussion.

6.6 An overview: Nicaragua’s MCA

On July 14th 2005, then President Enrique Bolaños signed a five year MCA agreement with the MCC, amounting to US$175 million to be distributed over a five year period (although it wasn’t until the 26th of May 2006 that the compact actually came into force). Prior to the signing of the compact, a proposal was put forward by the Nicaraguan government to the MCC and this outlined a “strategy to achieve economic growth and poverty reduction by building the productive capacity of the departments of León and Chinandega...” (MCC 2005b: 1). This followed a process of ‘consultation’ in which Nicaragua identified what it saw as the greatest barriers to growth in the country. These barriers included: insecurity in property rights, a lack of infrastructure, high energy costs due to an excessive dependency on oil, low levels of value added to products, a high vulnerability...
to natural disasters and problems associated with the country's judicial system. The proposal put forward by the Nicaraguan government outlined these issues and argued that, with the exception of the last one, all of the problems identified could be mitigated against or solved through the sensible application of MCC funds\textsuperscript{172}. However, as seen in the final agreement signed between Nicaragua and the US, Nicaragua's MCA programme is focussed on addressing just three of these identified barriers to development and these themes constitute the initiative's core objectives:

- **Objective 1**: Increase investment through the strengthening of property rights through the 'Property Regularisation Project'.

- **Objective 2**: Reduce transportation costs between León-Chinandega and domestic, regional and global markets through the 'Transportation Project'.

- **Objective 3**: Increase the value-added of farms and businesses in León-Chinandega through the 'Rural Business Development Project'.

Source: MCC-Nicaragua Compact (2005)

Although, there was a wide consensus between the government and actors within the region over the inclusion of these three components, there was one issue that, although included in the initial proposal, was not incorporated in the final programme. This was an energy project, which according to Ernesto Medina was something that "León and Chinandega really wanted, but the government didn't" (research interview with Ernesto Medina\textsuperscript{173}). The reason behind the decision not to include this component was discussed in a later conversation with a leading figure in Nicaragua's MCA programme, who told me the following:

"They [those from the region] had pushed another project which was the electricity project - to invest in renewable energy project. But after due diligence with the MCC..."

\textsuperscript{172} For further information see Nicaragua's 2004 proposal to the Millennium Challenge Corporation (available at http://www.cuentadelmilenio.org.ni).

\textsuperscript{173} Ernesto Medina, Ex-Rector of the National Autonomous University of Nicaragua (UNAN) - Interview held in the city of León on 5\textsuperscript{th} July 2006.
it was decided that it was not feasible...but we had put it on based upon the insistence of the development councils” (research interview with Julio Montealegre174).

This response does raise some important questions over the decision-making process in the MCA and necessitates a deeper examination of the individuals and structures involved. Consequently, section 6.9 of this chapter briefly outlines how the initiative is being managed in Nicaragua. Before doing this, however, the chapter turns its attention to understanding the geography of Nicaragua’s MCA, discussing the reasons behind the decision to focus the funds in the occident175 of the country.

6.7 Nicaragua’s MCA: A regional focus

As already stated in this chapter, Nicaragua’s MCA is not a national programme, but is instead focussed in two departments to the northwest of the country. The reasoning behind this decision is reflected in the general logic of Nicaragua’s original proposal to the MCC, which was founded upon the following five principles:

1. Rapid implementation
2. Direct impact on the major problems that affect development in Nicaragua
3. Mutual participation of the public and private sectors
4. Start a tenable process with lasting effects on economic and commercial growth
5. Generate a fundamental change in the country


Furthermore, it is argued in the document that in order to successfully implement a programme based on these five principles, it must be applied to a specific geographical area. This will subsequently generate sustainable economic growth within a particular region, the benefits of which can, in theory, be replicated in other parts of Nicaragua. Moreover, the proposal draws upon examples from all over the world, such as the Guangdong province in

174 Julio Montealegre, Programme Co-ordinator for the MCA-Nicaragua/Civil Society Director for Chinandega in MCA-Nicaragua - Interview held in Managua on 30th March 2006.
175 From this point forth, ‘occident’ will be used to refer to the area in the northwest of Nicaragua where the MCA is being implemented.
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China and the southeast of Brazil, to strengthen its case for this selective geographical focus. The use of these examples as symbols of success is extremely interesting, and also worrying, bearing in mind Nicaragua’s position as one of the most unequal countries in the western hemisphere when it comes to the distribution of wealth (an issue already discussed in chapter 4). Indeed, concerns have surfaced in recent years over the growing disparities in economic growth and income levels in the Guangdong province, especially between the rural and urban areas where this divide is most visible\textsuperscript{176}. If anything, the situation in Brazil is even worse, with the country having one of the world’s most unequal distributions of income (Skidmore 2004). The very fact that Nicaragua’s MCA is attempting to imitate this sort of selective development model, however broadly, is a point of concern. Additionally, Nicaragua’s geography as a relatively small country, in comparison to the economic giants of Brazil and China, cannot be ignored, as it raises question marks over the degree to which this regional approach to development\textsuperscript{177} is replicable in a country such as Nicaragua.

Finally, one could argue that Nicaragua’s decision to draw upon the experiences of countries such as China and Brazil in developing its model of growth, is rooted in the MCC’s agenda for achieving ‘transformational’ results in recipient countries. This suggestion is illustrated by the following interview extract:

"...we saw that Nicaragua had great potential all over the country, but at the same time, we recognised that if you were to spread that money over the entire country the impact would be diluted and it wouldn’t demonstrate a transformative impact. So the decision was to focus it in a specific region... because there are examples of other countries such as the United States where you have Silicon Valley, and you have the provinces in China, where they focus on one region... So there were these examples of where focussing on a region has had a transformative impact" (research interview with Julio Montealegre in 2006).

\textsuperscript{176}“The governor of China’s richest province, Guangdong, has become increasingly alarmed about growing regional disparities in economic growth and the growing gap between income levels in urban and rural areas... In the work report he delivered on Monday to the opening session of the Guangdong People’s Congress, Governor Lu Ruihua listed uneven development and low rural incomes as among the major problems that Guangdong now faces” (China News Digest 2002).

\textsuperscript{177}It should be noted that this type of ‘regional’ thinking does have some validity; at least in theory. For example, ‘growth pole theory’, which first emerged in the 1960’s, represents an approach to development in which investments are focussed in a limited number of locations, in order to encourage economic activity and help address welfare issues. These growth pole strategies were, however, largely unsuccessful in practice (see Parr 1999 for further detail).
During an interview with the MCC in Washington D.C. it was clarified that the MCA is about the transformation of countries not states, and that the programme would have a nationwide impact. It is, therefore, expected by many involved in Nicaragua’s MCA that, as already alluded to above, the initiative’s benefits will not only be felt within the region where it is focussed, but throughout the country as a whole. Hence, the recipient area will, in theory, become an economic hub for the national economy. However, adopting an approach such as this is not without dangers, as discussed in the following chapter exploring the issue of poverty reduction within Nicaragua.

6.7.1 The departments of León and Chinandega

According to individuals I spoke with in Nicaragua, there was at a broad level a process of national consultation during which time the different territories across the country put forward proposals to the Nicaraguan government. Following a review of these proposals, the government identified the region of León and Chinandega as fulfilling the requirements for ‘rapid economic take-off’ and it was at this point that a new process of consultation began at the departmental level. Several reasons were suggested to me during the course of this investigation as to why this specific area of Nicaragua was chosen to take part in the MCA and these are discussed below.

6.7.2 Regional history and economic potential

History was a key factor in determining León and Chinandega’s selection for these MCA funds. Between 1958 and 1978 this area of Nicaragua experienced rapid economic growth and operated as a motor for the national economy, achieving much success in the production of cotton. However, a combination of factors following this boom period resulted in the collapse of the region’s economy and the region’s freefall into inactivity. The following interview extract sheds further light on the situation:

178 According to the proposal put forward by Nicaragua to the MCC, there are several attributes that a region must have in order to achieve the same sort of rapid economic take-off experienced in other places in the world. These include; a minimal level of transport and communication infrastructure, high levels of human capital with competitive salaries, fertile land and abundant natural resources, and the potential for growth (Nicaragua’s MCA Proposal 2004).
“There was a time when cotton production would make you rich, but because of this the region became a mono-cultivated area. We were only producing cotton because the price of it was good. However, the government of Nicaragua made some bad negotiations and also the international price of the cotton dropped. Added to this situation was a political problem. As such, these combined factors led to the emigration of capital and people… human and economic capital. The machines for producing cotton were sold... sold for 4 cents anywhere. They sent the tractors to Cuba... basically there was the destruction of the whole productive system in Nicaragua and this had a huge impact on León and Chinandega... especially in León because that is where the spinning machines were. We had the industry, and then there was nothing, and the spinning machines were set on fire and the rest sold. They disassembled all the crop dusters... we had a lot of agricultural machinery, which was of the same quality level as the best producers from the United States. At the same time we had the splitting of families, as well as everything else that caused the destruction of the country. We had a culture of working and getting paid... but this was changed to a culture of begging and not being paid” (research interview with Jilma Balladares179).

Despite the dramatic downturn of the region’s agricultural economy following the events described above, the area continues to be one of the most fertile in Nicaragua, with an abundance of human potential, capacity and agricultural experience. Consequently, a key goal of the MCA is to unlock the region’s capabilities and use the initiative’s funds to kick start its economy, so that the occident can once more take the lead in the country’s development. Furthermore, the government anticipates that the injection of money through the MCA programme will help the area engage with DR-CAFTA, granting the region greater accessibility to markets, especially in Honduras, which is also an MCA recipient country. In fact, as I was told in several interviews, the occident’s geographical proximity to Honduras was a contributing factor in the region’s selection:

179 Jilma Balladares, MCA-Nicaragua Civil Society Director in representation of FUNDAPADELE - Interview held in the city of León on 21st June 2006.
“Since the MCA already has funds in Honduras it was easier to do a connection between the south of Honduras with the north of Nicaragua. That is why they chose León and Chinandega at first” (research interview with Edgar Sotomayor).

6.7.3 Regional organisation and government relations

Beyond the economic and historical factors discussed above, there are some other key interrelated reasons for the region’s selection in this fund, which although not referred to explicitly in Nicaragua’s proposal to the MCC were, as many interviewees discussed, determining factors in the selection process. Firstly, each country must meet the requirements set by the MCC for citizen participation within the programme and, in this respect, the territory of León-Chinandega is said to be one of the “best organised in the country” (research interview with Irving Larios). Once again, the region’s strength is rooted in its history, in which there had been a significant process of mobilisation, through which the local communities organised to make demands on the local and central government. The signing of the Achuapa Agreements in 2002 between actors in north León and the central government was a testament to this fact in which, following a sustained process of advocacy, the region secured important investment aimed at “strengthening local production and overcoming social and political marginalisation” (Cupples et al 2007: 793). In fact, as I was told during the course of one interview, there is a direct relationship between these agreements and the MCA:

“I was part of the government when those accords [Achuapa Agreements] were signed - well when some of those accords were signed. And one of the responsibilities from the central government was to find resources to finance projects. And we now have the Millennium Challenge Account right there in that region so... I am not saying that the Millennium Challenge Account decided to focus on León and

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180 Edgar Sotomayor, National Co-ordinator for PASE in Nicaragua’s government - Interview held in Managua on 12th May 2006.
181 The legislation establishing the MCC requires that “in entering into a Compact, the United States shall seek to ensure that the government of an eligible country (1) takes into account the local-level perspectives of the rural and urban poor, including women, in the eligible country; and (2) consults with private and voluntary organizations, the business community, and other donors in the eligible country” (Millennium Challenge Act 2003: 6)
182 Irving Larios, Executive Director of the Institute for Research and Social Action (INGES) - Interview held in Managua on 25th April 2006.
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"Chinandega just as a result of those accords but it did make it so much easier”
(research interview with Juan Sebastián Chamorro183).

Since the signing of the Achuapa Agreements, the spaces for political engagement and participation in the territory have grown, as witnessed with the formation of the Association of Municipalities from north León (AMULEÓN) and the Network of Actors for Local Development (RADEL) in the department of León, and the Association of Municipalities from north Chinandega (AMUNORCHI)184. Furthermore, the Departmental Development Councils (DDCs) in León and Chinandega have been playing an increasingly important role in their capacity as an official space for consultation at a departmental level. At the end of 2004 the DDC in León (CONDELEÓN) and the DDC in Chinandega (CODECHI) were officially recognised and formalised through the passing of the ‘Citizen Participation Law’ by the central government. These entities are now playing an important role in Nicaragua’s MCA, where they function as an intermediary space for participation and consultation 185.

As I discovered during an interview in Nicaragua, the selection of León and Chinandega for the MCA was not only indicative of the area’s level of organisation, as discussed above, but it also reflected the central government’s relationship with that territory:

"... overall there is good communication [with León-Chinandega], which is not necessarily the case for all the regions... especially in the north where the relationship with the central government has not been as good as with this one... you want to have a look at what is happening in Matagalpa and Jinotega... the development councils of the region are taking an approach that is not necessarily the most mature one, like blocking roads and conducting violent protests and although the people in León and

183 Juan Sebastián Chamorro, Director of MCA-Nicaragua - Interview held in Managua on 30th July 2006.
184 AMULEÓN and AMUNORCHI are associations of Mayors from the municipalities in the north of León and Chinandega that are focussed on political advocacy and they work in close alliance. RADEL, on the other hand, is a network of actors for local development, comprising many different civil society organisations throughout the municipalities in north León.
185 These DDCs are incredibly important actors in Nicaragua’s MCA programme, having a direct input within the decision-making process and theoretically representing the interests of all the municipalities in the departments. As a result, a lot of research time was devoted in Nicaragua to examining these relatively new entities in León and Chinandega, and the findings for this part of the research are presented in greater detail in section 7.8.2 of chapter 7 and section 8.8 of chapter 8.
Chinandega are not friends with the government of course\textsuperscript{186}, they were taking a more mature approach to communicating with the government. And you know how it is right? If you have someone that you basically don't know start screaming at you, you already start to develop an attitude against them" (research interview with Juan Sebastián Chamorro).

In summary, therefore, there are a variety of possible reasons for why the specific departments of León and Chinandega were chosen to participate in the initiative (from the area’s economic potential, to the nature of its relationship with the central government). The chapter now develops this discussion by examining the MCA projects being implemented in this region.

6.8 The MCA components

This section offers a detailed overview of Nicaragua’s three MCA components: the ‘Property Regularisation Project’ (PRP), the ‘Transportation Project’ and the ‘Rural Business Development Project’ (RBDP). Once again, however, it should be clarified that a more critical in-depth analysis of these projects is given in the later chapters and the aim here is primarily to provide some general factual information about them.

6.8.1 The Property Regularisation Project (PRP)

This first programme is the smallest in Nicaragua’s MCA in terms of the funds allocated to it, of which there are US$26.5 million. Uncertainty over land ownership, combined with conflict, unclear delineation among family members and an inefficient registration process, has created conditions that are seen as non-conducive to stability and, therefore, investment. Consequently, this project is concerned with addressing the issue of land titling and ownership. Table 6.5 below provides an overview of the project’s main components and its expected results.

\textsuperscript{186} Here he is referring to the fact that, when I was conducting my research in Nicaragua in 2006, a large majority of the twenty-three municipalities in the region were headed by Sandinista National Liberation Front (FSLN), which was in opposition to the ruling Bolaños administration.
Table 6.5: The PRP and its expected outcomes

<table>
<thead>
<tr>
<th>Project components</th>
<th>Expected outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional Capacity Building: Provide technical support to government institutions to implement and sustain tenure regularization reforms in León.</td>
<td>70 percent of rural and 50 percent of urban properties in León will have more secure and registered titles.</td>
</tr>
<tr>
<td>Cadastral Mapping: Conduct area-wide cadastral mapping in León to obtain current property descriptions to be recorded in a geographic information system.</td>
<td>Costs in both time and money of conducting property-related transactions are projected to be reduced by 50 percent.</td>
</tr>
<tr>
<td>Land Tenure Regularization: Clarify land tenure, resolve disputes, and improve formal documentation of property rights.</td>
<td>A favourable investment climate and improved registry system will encourage investment and environmental protection.</td>
</tr>
<tr>
<td>Database Installation: Link municipal and national registry and cadastral databases.</td>
<td>Farmers who have their land titles regularized by the Project are expected to increase investment in land improvement by 32 percent over five years.</td>
</tr>
<tr>
<td>Protected Area Demarcation: Demarcate and legally validate the boundaries of four environmentally-sensitive protected areas, regularize land rights within the perimeter of each, and facilitate the adoption of land use management plans by occupants therein.</td>
<td>All four protected areas in León will be formally demarcated and occupant tenure will be regularized, allowing effective development and enforcement of Land-use management plans.</td>
</tr>
<tr>
<td>Analysis and Communications: Fund short-term technical assistance, policy analysis and outreach to promote participation in, use and sustainability of the improved property registration system.</td>
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Source: MCC-Nicaragua Compact (2005)

Uncertainty over land ownership has become a major problem throughout Nicaragua, where there may be three or four people possessing titles to the same piece of property and "others who don't even have a property title and might be the legitimate owners..." (research interview with Manuel Orozco\textsuperscript{187}). The reason for this situation appears to be two-fold. Firstly, once the Nicaraguan revolutionary party seized power in 1979 they adopted a policy of agrarian reform aimed at redistributing land previously owned by powerful families amongst the general population. It was not until the FSLN lost the 1990 elections, however, that the Sandinista government passed laws aimed at guaranteeing the future of its agrarian

\textsuperscript{187} Manuel Orozco, Senior Associate and Director of Remittances and Development at the Inter-American Dialogue - Interview held in Washington D.C. on 4\textsuperscript{th} October 2005.
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reforms\textsuperscript{188}. These highly controversial laws converted ‘all agrarian reform use titles’ into ‘full ownership titles’ and transferred properties and lots seized by the state to the families occupying them (Larson 1993). More critically, these so-called ‘piñata’ laws enabled the defeated Sandinista party to carve up a large number of public and private businesses, properties and lands, among government officials and supporters. This issue subsequently became the political battleground for the elected Chamorro administration and, furthermore, set the precedent for thousands of later land/property disputes and rival claims.

The second reason for the problems in ownership and titling is to do with the cultural model that people have become accustomed to in Nicaragua, where property and land has increasingly been passed down by word of mouth:

“There are many properties and pieces of land that have been inherited from grandfathers, but those lands are not legal... this is not to do with the Sandinista revolution, but due to the inheritance process. So a father gives this land to his son, who gives it to his sons and so on, and nothing is signed... nothing is legal... So the prior-generations had real titles but when they died their sons inherited the land by word of mouth. And that is how things have continued” (research interview with Juan Delgadillo\textsuperscript{189}).

Consequently, there are now many generations involved in a process of trying to legalise their titles over land and property, which is neither cheap nor easy\textsuperscript{190}. In terms of the MCA, the PRP is primarily concerned with solving problems resulting from this cultural tradition of inheritance. It is not intended to deal with the much more controversial political issue of land disputes resulting from the agrarian reform process of the 1980s:

“We are not supporting the adjudication of political cases of property. So probably 70% of the property up there [in León-Chinandega] will end up with good titles and 30% won’t be touched because of political problems. At some point later when there is the political will to solve that they can” (research interview with Jim Vennillion).

\textsuperscript{188} This is commonly referred to the ‘lame duck period’, which runs from when Chamorro won the Nicaraguan elections in February of 1990, to the 25\textsuperscript{th} of April, when she was actually inaugurated to office (Larson 1993).

\textsuperscript{189} Juan Delgadillo, Coordinator for Municipal Operations - Interview held in the town of Jicaral in north León on 14\textsuperscript{th} June 2006.

\textsuperscript{190} Section 7.9.3 looks specifically at the issue of land-ownership.
Despite this position, however, I did get the sense in conducting this research that, initially at least, people in the region were under the impression that the funds in this component would be used to solve these political issues, as illustrated in the following interview extract:

"Every time we have those big meetings with one hundred and twenty people they think those funds are going to be... The Sandinistas stole from my family a big property\textsuperscript{191}... about 1500 manzanas\textsuperscript{192}, and people think that the money from the account is to help those people legalise their property and it is not. And I have been involved in this from the beginning and I didn't know until maybe four months ago... that the funds are not to solve the type of problem in which people stole land from us" (research interview with Alberto Avilés\textsuperscript{193}).

Clearly, there are still very strong feelings and emotions over the issue of land redistributed as a result of the Sandinista agrarian reform strategy. What is more, it was evident in undertaking research in the region that many individuals were still under the impression that the funds of this component would be used to solve the sort of dispute outlined above. Once again, bearing in mind the fact that the vast majority of the municipalities in León and Chinandega are headed by the FSLN, there are clear political motivations for its inclusion within the programme. Nevertheless, the fact that there was misconception over this issue raises some important questions over the dissemination of information on the initiative, especially at the local level, and this is explored in greater detail in later chapters.

6.8.2 The Transportation Project

The Transportation Project was allocated the largest amount of money out of all three components, receiving roughly US$93 million. The roads in the northwest of Nicaragua, as in much of the rest of the country, are notoriously bad and this has serious social and economic repercussions. In terms of the MCA, however, it is the latter economic dimension that is the primary point of concern, as illustrated in the following interview extract:

\textsuperscript{191} By this, the respondent may be referring to the 'lame duck period' discussed above, in which much of the land and property seized by the revolutionary party was carved up among supporters and government officials.

\textsuperscript{192} A 'manzana' is a measurement of land equivalent to about 1.7 acres.

\textsuperscript{193} Alberto Avilés, businessman/Treasurer of CODECHI/ex-Minister of Governance for Chinandega - Interview held in the city of Chinandega on 27\textsuperscript{th} July 2006.
"They can't really farm tomatoes, which have a higher export value than beans do, because when you try to put your tomatoes on a truck to bring them down into Chinandega it turns into tomato juice, without the pasteurising and all that good stuff to make any value... There is a lot of cattle production in the area, which is one of the sectors that will do well under DR-CAFTA, but it is so hard for them to get their stuff out by truck that they pay El Salvadorans. El Salvadorans come in and they buy the cattle from the Nicaraguan farmers. They bring their trucks in but because the roads are so bad, the Nicaraguan farmers have to take the liability for anything that happens to those trucks. So that increases their costs, increases their overall risk and it is just troublesome" (research interview with Kenny Miller\textsuperscript{194}).

Within this context, high transportation costs are perceived to be a direct impediment to the economic growth of the region. Indeed, expanding and improving the effectiveness of trade both internally, and externally through the DR-CAFTA framework, is the dominant theme running throughout Nicaragua's MCA. Table 6.6 below outlines the project’s main components and expected results.

Table 6.6: The Transportation Project and its expected outcomes

<table>
<thead>
<tr>
<th>Project components</th>
<th>Expected outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>N-I Road (segment of Pacific Corridor):</strong> Improve a 58-kilometer segment of the Pacific Corridor between Nejapa and Izapa. <strong>Secondary Roads:</strong> Pave and upgrade key secondary routes to link rural producers to the primary road network. <strong>Technical Assistance:</strong> Provide technical assistance to the Ministry of Transportation and Infrastructure (MTI) and the Nicaraguan Road Maintenance Fund (Fondo de Mantenimiento Vial or FOMAV).</td>
<td>Road upgrades will reduce transportation costs between the region and domestic, regional and international markets for an estimated 3,300 current road users per day. Upgrading up to 100 kilometers of secondary roads is anticipated to reduce travel times and transport costs to markets and education and health services for rural communities. Improvements to the N-I road and the secondary roads are important for realizing the economic benefits outlined in the Rural Business Development Project as well as for stimulating new investments in Nicaragua as trade north from Managua to Honduras and El Salvador becomes more efficient and cost-effective.</td>
</tr>
</tbody>
</table>

Source: MCC-Nicaragua Compact (2005)

\textsuperscript{194} Kenny Miller, Program Officer in the MCC - Interview held in Washington D.C. on 5\textsuperscript{th} October 2005.
As the following passage from Nicaragua’s compact agreement clarifies, there is a direct relationship between the Transportation Project and the building of the Plan Puebla Panama (PPP), a controversial neoliberal project to create a Mesoamerican network of highways:

"The 3,150 kilometer Pacific Corridor links Mexico, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica and Panama. In Nicaragua, the Pacific Corridor connects the Honduran border at Guasaule to the Costa Rican border and major production and consumption centers in and around the cities of Managua, León and Chinandega. The World Bank, the Central American Bank for Economic Integration, and the Nordic Development Fund have financed the construction of a modern transportation route from the Honduran border to the town of Izapa approximately 58 kilometers from the capital of Managua. This remaining 58 kilometer stretch of road between Izapa and Nejapa (the “N-I Road”) on the outskirts of Managua is the final section needed to create an effective trade corridor linking producers and consumers in Managua to markets north in neighbouring Honduras and El Salvador and linking producers in León and Chinandega to Managua and markets south” (MCC: Nicaragua Compact 2005: 64).

This decision to build this important N-I road using MCA funds was not, as later chapters discuss, a popular decision for many of those in León and Chinandega, because its construction was a central government priority, not a regional one. The following interview extract demonstrates the discontentment over the road’s inclusion, as well as raising some interesting questions over the important issue of ‘ownership’ in the MCA:

"We were always against that road because the government took advantage of the MCA to accomplish what should have been done with other resources. There were some resources with other institutions for the construction of that road. We do not deny the importance that it has. It is vital to join the whole country. Instead, it uses money that was ours: León’s and Chinandega’s” (research interview with Irving Larios).

One way in which this initiative is said to differ from past US assistance is that there are reportedly no earmarks or legislation on how the money must be used. Consequently the
management of the Transportation Project is decided upon through an international process of competitive bidding. Additionally, the MCC stipulated that Nicaragua must have a plan for ensuring the sustainable upkeep of the roads once they are built, which it now does:

"Nicaragua used to be, prior to December of this last year, the only country in Central America that didn't have a road maintenance programme. The MCC said 'we are not going to invest in roads if you can't maintain them'. So what we had to do, in consultation with the local people and with their support, was lobby the national assembly to approve a law that guarantees road maintenance. So that is one of the biggest successes that certainly Nicaragua has had so far with MCC... without having actually disbursed any funding they've got the country to adopt a good policy - which is a road maintenance policy" (research interview with Julio Montealegre).

Another important condition placed upon the project by the MCC is that the roads to be built or improved in the region must meet a threshold level in terms of the 'economic rate of return' (ERR). The idea behind this approach is that the roads included in the programme must have a good economic viability in terms of linking markets and products together. As one respondent discussed, "at the end of the day they (the MCC) don't want their money to be used on roads that are going to nowhere" (research interview with Juan Sebastián Chamorro). However, for reasons discussed in chapter 7 looking at poverty reduction, this approach is potentially problematic.

6.8.3 The Rural Business Development Project (RBDP)

The RBDP was allocated around US$34 million. This part of the programme is essentially in place to provide 'support and assistance' to the agricultural sector within the region and improve efficiency and profitability (not just for producers but also for associated businesses). As a result, it is primarily focussed upon developing 'higher-profit' agriculture and agribusiness enterprises, which is indicative of the fact that the MCC is required, through its legislation, to have positive economic rates of return on its investments. In particular, the intention is to create value-adding processes, as indicated in the interview extract below:
"...we want to see more value added post harvest... and we would like to see that they don’t just take live cattle and ship them to El Salvador but that there is processing in the country... we’d like to see that if mangos are produced that they aren’t just shipped out whole to then get chopped and peeled and frozen somewhere else...”

(research interview with Jim Vermillion).

However, it should be noted that the actual focus of this project is not on supplying credit to farmers and business men/women to harvest and produce their crops, but instead it is about ‘intelligent marketing’. This involves collecting and sharing information about the market, facilitating the creation of commercial links between producers and consumers, recommending and promoting political reforms, research and development and promoting rural investment. Effectively it is about assisting individuals that already have a product or means to produce and providing them with information and opportunities to market their goods, whether internally or externally. Consequently, one could suggest that it works under the ‘recognition’ that there are already existing channels to get finance that producers can be steered towards. Table 6.7 below sets out the RBDP’s main components and its expected outcomes.

Table 6.7: The RBDP and its expected outcomes

<table>
<thead>
<tr>
<th>Project components</th>
<th>Expected outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Business Development Services: Expand higher-profit agriculture and agribusiness by providing business development services, disseminating market information, developing improved production techniques, and managing the two Project Activities described below. Technical and Financial Assistance: To help small and medium-sized farms and agribusiness transition to higher-profit activities, provide technical and financial assistance to these enterprises, including support that will directly offset certain costs of small farms Grants to Improve Water Supply for Farming and Forestry Production: Based on a watershed management action plan, provide grants to improve the water supply for irrigation and facilitate higher value.</td>
<td>Thousands of farmers will directly benefit from the Rural Business Development Project by receiving help with the transition into higher-value agriculture. An estimated 7,000 jobs will be created. The additional profits and wages of farms generated as a result of the Rural Business Development Project are projected to total $30 million annually, beginning six years after the project’s initiation. To ensure that the benefits from the project are long-term, the project will facilitate linkages among different actors involved in rural business, such as distributors and processors, and build local capacity to link producers to market opportunities.</td>
</tr>
</tbody>
</table>
Thousands of hectares of currently arid land will have improved water supply and be under sustainable farm or forest production

Source: MCC-Nicaragua Compact (2005)¹⁹⁵

6.8.4 Summary

The above discussion has provided background information on the three core components of Nicaragua’s MCA (the ‘Property Regularisation Project’, the ‘Transportation Project’ and the ‘Rural Business Development Project’), as well as indicating some of the areas in which a more critical analysis of these components is required. To a large extent, this will be the task of the next two chapters. For now, however, attention turns to exploring the management of Nicaragua’s MCA.

6.9 Managing the fund

In beginning this discussion it is important to clarify that none of the programme’s funds are channelled through the government of Nicaragua but are managed by an independent fiscal agent. According to MCC staff, this approach to managing MCA funds was proposed by the Nicaraguan government. The decision to do this, however, is likely to have been influenced by the MCC and possible concerns over the strength of existing financial systems within the country. In the highly politicised pre-electoral environment in which the compact agreement came into force, heightened concerns over the delivery and management of such funds were to be expected. Nevertheless, the use of these ‘accountable entities’ has prompted criticism amongst parts of the development community (see Herrling and Radelet 2006), reinvigorating debates over the contested issue of donors providing direct budget support. According to a comprehensive report produced in 2006 by the International Development Department (IDD)¹⁹⁶, budget support can, in situations where the government has the political will to reduce poverty, be an effective mechanism for delivering aid. Not

¹⁹⁵ According to the compact agreement, the RBDP is likely to involve the greatest level of coordination between the MCC and USAID.
¹⁹⁶ The report, entitled ‘An Evaluation of General Budget Support (1994-2004)’, was carried out by the International Development Department (IDD) at University of Birmingham on behalf of more than thirty donor organisations and partner countries. It was initiated and supported by the OECD’s Development Assistance Committee’s Evaluation Network.
only can it help strengthen the relationship between donor bodies and the governments in the South, but it can also improve the transparency and accountability of budgetary and accounting mechanisms. However, despite these potential advantages, some donor bodies, such as USAID, continue to circumvent government structures in a bid to reduce risk and maximise control. Whilst the MCC is more flexible than this with, for example, the Honduran Ministry of Finance (SEFIN) acting as the fiscal agent for the Honduran MCA (see Lucas 2007a), the majority of the countries involved rely on external bodies to manage programme funds. As a result, it has been suggested that for an initiative that prides itself on being ‘different’ the MCC is, in this respect, “decidedly un-innovative” (Herrling and Radelet 2006: 1). Reportedly, the MCC is yet to make public its rationale for supporting one approach over another, beyond reliance on the ‘ownership’ principle that is, and Lucas warns that, in the wake of the slow disbursement of MCA funds, the MCC may be tempted to “circumvent any government systems that slow its progress” (Lucas 2007b: 7).

In addition to using an external fiscal agent, the decision to establish an independent legal-entity, MCA-Nicaragua, to implement the programme within the country and be accountable for its success, can be identified as one way in which efforts were made to distance the initiative from the political sphere. This process does, according to Lucas, reflect the MCC’s “practice of establishing separate program implementation units outside of existing government structures” (2007c: 5). Whilst these independent entities can help ensure greater levels of accountability and protection, there are criticisms over their potential impacts, from ‘weakening government capacity’ by attracting officials with higher salaries, to adding further complexities to the government’s “burden of managing a lot of different

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197 With regard to Nicaragua more specifically, however, the report highlights a number of difficulties to delivering direct budget support to the Nicaraguan government, including macroeconomic uncertainties and institutional fragmentation within the central government (particularly between the Executive and legislative branches). Consequently, concerns over financing the programme through government ministries are not unfounded. This is especially true when reflecting upon the growing fragmentation within the Nicaraguan government highlighted during the fieldwork, which is analysed in chapter 8.

198 According to Michelle Winthrop, who is the Growth and Private Sector Advisor in DfID-Nicaragua, USAID will “never, ever, give budget support anywhere”. As she goes on to explain, “they have been very clear about that... unequivocal - astonishingly unequivocal. I don’t know why; I’d love to know why... I think it is an ideological issue; there is a legislative block on USAID giving budget support, no matter who it is to” (research interview conducted in Managua on 5th May 2006).

199 The practice of providing project finance through ‘accountable entities’ is nothing new in development. The World Bank and other multilateral banks have long adopted this approach through their use of ‘project implementation units’. Interestingly, however, there has been something of a shift in official rhetoric over recent years, away from using these independent units. For example, in the 2005 ‘Paris Declaration on Aid Effectiveness’ (of which the US, World Bank and International Monetary Fund were among the many signatories), the commitment was made by donors to significantly reduce, by two-thirds, the “stock of parallel project implementation units” (2005: 9).
donors” (ibid). Such concerns have propagated the view that their use should be minimised in development. For example, in the Paris Declaration of 2005 on aid effectiveness, it was stated that donors should, where possible, “use country systems and procedures to the maximum extent possible” and, where this is not feasible, ensure that “additional safeguards and measures” are taken to “strengthen rather than undermine country systems and procedures” (2005: 4). Moreover, it goes on to specify that donors should avoid creating “dedicated structures for day-to-day management and implementation of aid-financed projects and programmes” where possible (ibid: 5). Consequently, the frequent use of external entities within the MCA does appear to be somewhat at odds with the commitments laid out in the declaration. Bearing in mind the programme’s highly stringent country selection process, in which countries are essentially rewarded for their performance in, among other things, ‘government effectiveness’, and the MCC’s stated commitment to ‘country-ownership’, one could suggest that the MCC could do more so help strengthen institutions and improve capacity in practice.

6.9.1 MCA-Nicaragua: Structure and composition

In terms of actual structure and composition, MCA-Nicaragua consists of a board of directors, composed of individuals from the central government, local government and civil society, who oversee the implementation of the initiative, as well as a management team (or Technical Secretariat) that is responsible for the “daily management of the implementation of the program” (MCC-Nicaragua Compact 2005). With respect to the first of these, the board of directors is composed of seven voting members: two civil society directors, one from León and the other from Chinandega, one Mayor director from the region and four central government directors. The central government, therefore, holds the voting majority and, as will be discussed in chapter 8, this situation has been contentious. In addition to these voting members, there are seven ‘observers’ and these include the following individuals: The MCC representative in Nicaragua, three representatives from government ministries, two civil society observers from Chinandega and León, and one Mayor. Although these individuals may attend all the meetings of the board of directors, participate within discussions and receive any information or documentation available to the board, they cannot vote.

200 The process by which these individuals are selected, and where they come from, is discussed below.
201 One from the Ministry of Agriculture and Forestry (MAGFOR), one from the Ministry of Transportation and Infrastructure (MII), and one from the Ministry of the Environment and Natural Resources in Nicaragua (MARENA) (MCC-Nicaragua Compact 2005).
Despite not having a vote, the MCC representative does retain “approval rights at a number of key decision points during implementation, including key steps in procurements, budgets for project activities, major re-disbursements and key personnel decisions” (MCC 2005b: 4). The situation was clarified in an interview held with the MCC representative in Nicaragua:

“From a corporate governance stand point I am an observer and so I don’t have a vote. But in the compact there is a governance agreement and I have certain rights that I can exercise - like veto power for example”²⁰² (research interview with Matt Bohn²⁰³).

Consequently, it is clear that whilst the MCC is keen on promoting ‘country ownership’ in this fund, it has maintained oversight of the implementation process. In many ways, this is not unexpected as the MCC is accountable for these funds after all and will not use US taxpayers’ dollars without ensuring some measure of control over how they are used (especially in the increasingly hostile post-911 budget environment as referred to previously in chapter 3). At the same time, however, it is possible that in its bid to reduce risk, the MCC has potentially impeded the pace at which the MCA programme is being implemented in the recipient countries.

6.9.2 Appointing the MCA board of directors

The board of directors’ positions outlined above were appointed in different ways and it is useful now to spend a bit of time looking at these. The President of the board of directors and the government directors (including the observers), were appointed by mutual agreement between the Nicaraguan Executive, i.e. the President of Nicaragua, and the MCC. It is not surprising, therefore, that following the inauguration of Daniel Ortega as Nicaraguan

²⁰² In light of this extract, it is useful here to briefly refer back to the conceptual and theoretical work on power presented earlier in the thesis. More specifically, the situation presented above bears witness to the plurality of power discussed in chapter 3, in which the phenomenon can be exercised and expressed in different ways across both time and space. In terms of ‘veto’ rights, it is important to clarify that in many cases the actual ‘threat’ of veto can be just as powerful a form of control as its exercise in practice. Indeed, just knowing that an individual can prohibit or reject a decision or course of action, can heavily influence and shape the decision-making process and its subsequent outcomes.

²⁰³ Matt Bohn, MCC representative in Nicaragua - Interview held in Managua on 14th August 2006.
President in 2007 these individuals changed as new party officials were ushered in. With respect to the two Mayors that are present in MCA-Nicaragua, one was elected by the Mayors from the municipalities of León and the other by the Mayors from the municipalities of Chinandega. The two elected Mayors take it in turn to be voting members on the board, the order of which was decided upon by the board of directors’ President. As such, when one Mayor is serving as a voting member the other serves as an observer and they act in these capacities for two non-consecutive terms of fifteen months. In terms of the four civil society representatives, the two DDCs from the region – CONDELEÓN and CODECHI – were each given one seat, the appointment of which was decided upon by the councils’ board of directors. Each DDC also proposed representatives from two other civil society organisations operating in their departments. In a similar fashion to the process outlined above, the civil society representatives take it in turn to be voting members and the order of this was decided upon by the board of directors’ President. As a result, when two of the representatives are on the MCA-board operating in a voting role, the other two individuals act as observers and, once again, this changes every fifteen months.

6.10 Disbursement of MCA funds

This final section aims to provide a very brief overview of the pace at which Nicaraguan-MCA funds have been disbursed in practice. Figure 6.3 below shows the disbursement schedule of the MCA funds as of November 2007.

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204 Although this transition occurred after I had conducted my primary research in Nicaragua, it would be interesting to see what affect, if any, this change in staff may have had on the decision-making process within MCA-Nicaragua.

205 Whilst it is clear that the DDCs are playing a fundamental role in Nicaragua’s MCA, the actual democratic credentials of these entities are less known. During the course of research, several important issues were raised with respect to their representativeness and although not touched on in detail here, these themes are explored in greater depth in chapter 8.
Figure 6.3: Disbursement schedule for Nicaragua (in millions of US$)

[Image of a graph showing the disbursement schedule for Nicaragua]

As demonstrated by figure 6.3, the actual disbursement of programme funds for the first year, completed in May 2007, fell considerably short of the projected estimates, constituting only 31% of the amount forecast. Nicaragua has since completed its second year of implementation and according to the July-August 2008 status report from the MCC on Nicaragua, the total disbursement figure now stands at approximately US$22.5 million (MCC 2008b). This amount still falls well short of the amount projected in figure 6.3, which predicted a total disbursement of over US$60 million by the end of year 2.

A brief look at the other MCA countries shows that this disparity between predicted and real disbursement is not restricted to Nicaragua alone. For example, in Honduras only US$3.02 million of the predicted US$27.7 million was used in their first completed year (see MCC 2007i). A major reason for this situation in Honduras was that the MCA programme was premature in its entry into force, beginning before the programme’s ‘foundations’ had been put in place (see Lucas 2007a). According to 2008 July-August status report for Honduras, which has now completed its third year of MCA implementation, only US$21.5 million has been disbursed in total and this is well below the US$170 million disbursement projected to have taken place by completion of year three (MCC 2008c). As the following
extract reveals, this situation is due, in part, to the excessive oversight and risk management by the MCC in Washington D.C., which has been true across the board of MCA-recipient countries, including Nicaragua:

"...the MCC is pursuing meticulous oversight of country programs. Every step of procurement, hiring, program design, and even translation of standard operating documents must be approved by Washington. This has caused delays, undermined ownership among MCA country programs, and reduced the authority of country-based MCC officials. It has also led country-based MCC staff and MCA country officials to argue that the MCC is losing sight of the forest for the trees—focusing too much on small operational steps and not on big-picture program goals or a broader debate about the acceptable level of risk in its investments" (Lucas 2007c: 4).

More generally, however, one could argue that what is happening in these countries, with regard to funding disbursements and project process, is a by-product of the US' agenda for achieving ‘transformational’ development results over a relatively short period of time. Perhaps the MCC is trying to do too much in too little time, placing itself in a situation where there may be unrealistic timescales and goals. Whatever the precise reasons may be, it is clear that slow MCA disbursements and programme implementation are contributing to the cuts in the MCC’s budget (see Tarnoff 2008) and these reductions will undoubtedly have severe implications when it comes to inciting transformational change at the global level.

Conclusions

This purpose of this chapter has been two-fold. The first part of the chapter focussed on understanding Nicaragua’s MCA within the context of shifting patterns in US foreign assistance and particularly that channelled through USAID. Whilst it is clear that this five year programme of US$175 million represents a substantial injection of US assistance to the country, this has coincided with a significant reduction in USAID’s activities, not only in Nicaragua but across Central America. This reduction has been most visible in USAID’s Development Assistance, or more specifically within the ‘Economic Growth’ and the ‘Agriculture and Environment’ accounts of this programme. As discussed above, the

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The MCC’s ‘transformational’ approach to development is revisited in the following chapter, which looks at Nicaragua’s MCA in relation to achieving poverty reduction.
reduction of USAID's budget in these accounts coincides with the type of projects being implemented through the MCA. However, these decreases have been most pronounced in Central America, where three out of the five countries currently have MCA agreements with the US (Nicaragua, Honduras and El Salvador). In addition to these three, Guatemala, a non-MCA country, has also experienced significant reductions in these areas, which suggests that these associated cutbacks have taken place at a regional level. It also points to the ongoing marginalisation of the Latin American region as a whole within US foreign policy, which was discussed in detail in chapter 4.

The second part of this chapter provided some general factual background on the MCA process in Nicaragua. It began by outlining its regional focus and gave several reasons as to why the specific departments of León and Chinandega were selected for this initiative. It then explored the programme's three project components, including the PRP, the Transportation Project and the RBDP, and touched on some of the issues that were raised regarding these components during the course of the research. This discussion was followed by an examination of how the MCA is being managed in Nicaragua, with specific attention given to the board of directors responsible for making decisions on the MCA. The final part of the chapter examined the progress made in implementing the initiative in Nicaragua and drew upon the experience of the country's neighbour, Honduras, to further contextualise the discussion. All of this has been necessary in setting the foundation for the following two chapters, the first of which focuses on the important issue of poverty reduction and questions the extent to which the initiative is likely to reduce poverty in Nicaragua.

As alluded earlier, there is some coordination in Nicaragua between the MCC and USAID and, therefore, it would be wrong to assume, from the cutbacks to USAID's budget, that there is necessarily an antagonistic relationship between these two development entities. According to Matt Bohn, the MCC's official representative in the country, the MCC has a "very close working relationship with USAID". A similarly positive response was given by Steve Olive, who works in USAID's Nicaraguan office on trade and agribusiness: "We keep to our own areas and projects; however we share information a lot. And they have been very good about letting us know about what their plans are; how they are deciding that; when they have people come down from Washington to design the project they have always met with us. So their communication, from my viewpoint, is very good - excellent".

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Chapter 7: The Millennium Challenge Account and Poverty Reduction

This is the first of two chapters focussed on analysing the results of this thesis, which are framed around the two interrelated themes of ‘poverty reduction’ and ‘democracy’. For now, attention is turned towards the issue of poverty reduction which, as already mentioned, is the stated mission of the MCC. More specifically, this chapter questions the extent to which Nicaragua’s MCA will have a fundamental impact on poverty levels within the departments of León and Chinandega. To do this, it begins by locating this analysis of the MCA within the context of development discourse (as explored in chapter 2), identifying the initiative’s defining characteristics and providing an assessment on how these attributes may contribute to, or detract from, its ability to address poverty issues at a global level.

After setting out these broad themes and issues, attention is turned towards the particulars of Nicaragua’s experience in the MCA. This starts with a discussion on defining ‘poverty’, drawing directly upon material and perspectives from Nicaragua in which the construction of knowledge around the issue of ‘poverty’ has been contested. After this preamble, the chapter focuses on exploring the three core project components of Nicaragua’s MCA, identifying the key issues surrounding these different programmes and drawing tentative conclusions as to the impact the individual components may have on poverty levels in the region. This is followed by a more holistic discussion on the model of development being promoted through the MCA, which concentrates primarily upon examining the relationship between economic growth and poverty reduction. The chapter concludes by making connections to the following chapter which analyses the fundamental issue of ‘democracy’ in relation to the MCA and, in doing so, recognises the interconnectedness of these themes.

7.1 A reflection upon the MCA and development discourse

Chapter 2 represented the first step in contextualising the MCA within this thesis and it did so by looking at the introduction, decay and reformulation of development discourses over time, with particular emphasis placed on Latin America and its experience. The

208 “MCC’s mission is to reduce global poverty through the promotion of sustainable economic growth” (MCC website a).
intention here, however, is not to repeat or summarise that discussion, but to use it to construct a theoretical framework that will aid the following analysis on the MCA and poverty reduction. To do this, the chapter builds upon the analysis of neoliberalism and the Washington Consensus (WC) presented in chapter 2 (see sections 2.4 and 2.5), focusing specifically on the Post-Washington Consensus (PWC) which, as suggested below, was highly influential in shaping the MCA and its guiding principles.

### 7.1.1 Revisiting the Post-Washington Consensus

The appointment of James Wolfensohn as President of the World Bank in June 1995 marked the beginning of a reform process through which the International Financial Institution (IFI) would try to rebuild its damaged image and reputation following the failed neoliberal policy prescriptions of the 1980s and early 1990s. Wolfensohn was responsible for redefining the organisation's role, rebuilding legitimacy for its interventions abroad and renewing a general sense of purpose (Pender 2001). However, it was the selection of Joseph Stiglitz as 'Chief Economist' of the World Bank in 1997 that really catalysed this process. His appointment signified an apparent shift away from the much hated WC and the emergence of the PWC. Although chapter 2 has already discussed what this transition involved, it is useful here, in focusing on the important issue of 'poverty reduction', to reflect briefly upon the PWC's defining characteristics.

Generally speaking, the PWC represented a broadening of objectives whereby economic growth was no longer located as the sole goal of development:

"We seek increases in living standards – including improved health and education. Not just increases in measured GDP. We seek sustainable development, which includes preserving natural resources and maintaining a healthy environment. We seek equitable development, which ensures that all groups in society, not just those at the top, enjoy the fruits of development. And we seek democratic development, in which citizens participate in a variety of ways in making the decisions that affect their lives" (Stiglitz 1998a: 31).

This is not to say that economic growth was no longer essential, only that its importance was now qualified in terms of its contribution to these broader objectives. More fundamentally,
poverty reduction came to be located as an immediate objective of development assistance, rather than simply a consequence of economic growth. Additionally, the PWC bore witness to the realisation among development thinkers and practitioners that state institutions can, and must, play a role in development. As highlighted previously in chapter 2, WC-based policies rejected this role and promoted a minimal, non-interventionist state. The ‘new’ consensus discarded this ‘state-versus-market’ approach and promoted a much more collaborative development model. Furthermore, and not unrelated to the previous point, the PWC placed much greater emphasis on the idea of ‘country ownership’. As Stiglitz states, “if policies are to be sustainable then developing countries must take ownership of them” (ibid: 34). This has been synonymous with the drive towards what the World Bank sees as ‘sound policy environments’, in which the financial assistance countries receive is conditioned upon their adherence and commitment to this prescribed development model.

As alluded to above, ‘conditionality’ – the hallmark of the Structural Adjustment Programmes (SAPs) and neoliberal ideology – has remained, despite this apparent transition from the WC to the PWC. However, as Pender clarifies, this conditionality has been “renegotiated in line with the changing emphasis of the World Bank’s definition on development” (2001: 408), moving away from a narrow conceptualisation of development, towards a more holistic interpretation. As argued in chapter 2, the degree to which this re-conceptualisation of ‘development’, enshrined within the PWC discourse, truly represents a departure from neoliberal ideology is highly debateable. For example, as stated by Jayasuriya, this ‘transition’ towards the PWC should “not be seen as a reversal of the structural adjustment policies which characterised the Washington consensus. Rather, it can be argued that the PWC should be more properly viewed as an attempt to develop a political institutional framework to embed the structural adjustment policies of the Washington consensus” (2001: 1). Indeed, good governance, which is arguably the cornerstone of the PWC, has enabled international donor agencies to exert these new conditionalities on aid-recipient countries.

209 In contrast, the MCC’s mission is to reduce poverty through economic growth. This raises some question marks, as discussed later, over the extent to which the MCC constitutes a real departure from traditional development discourse.
7.2 The Poverty Reduction Strategy Papers

If, as stated earlier, the SAPs truly were the practical expression of the WC, then the Poverty Reduction Strategy Papers (PRSPs), initiated by the World Bank and International Monetary Fund (IMF) in 1999, were their equivalent for the PWC. These national programmes for poverty reduction were built upon five core principles\(^{210}\), which were synonymous with PWC thinking\(^{211}\). However, as revealed in chapter 2, the PRSPs have received much criticism for their continued association to neoliberal policy. Moreover, many concerns have been raised over participation in the PRSPs which, according to Calaguas and O’Connell, had “not lived up to the optimistic rhetoric” (2003: 3). A World Bank document produced in 2002 reviewed this issue and set out the main points that many of the major development agencies and non-governmental organisations (NGOs), external to the World Bank, had to make about the participative process in the PRSPs. The issues raised included concerns over the breadth and depth of participation, as well as suggestions that the ‘real poor’ had not been involved as much as they should have (World Bank 2002a).

Whilst it is evident that ‘country ownership’ and ‘participation’ were central to the PRSP model envisaged by the World Bank, the extent to which this rhetoric was reflected in practice is less clear. For example, Bertelsen and Jensen identify serious deficiencies in the participatory process for Honduras and Nicaragua, especially in terms of the macroeconomic part of the PRSPs, in which they argue that both the government and IFI representations contributed in excluding civil society from participating in this specific area (2002: 85). Furthermore, as Bradshaw and Linneker argue in discussing Nicaragua more specifically, the degree to which the traditional bias granted to economic growth in development policy has shifted is debateable: “Despite the best efforts of civil actors to influence the PRSP process, and growing evidence to the contrary, the official discourse in Nicaragua continues to view economic growth as the key to poverty reduction” (2003: 156). Bearing in mind the MCC’s mission of reducing global poverty through the promotion of economic growth, one could

\(^{210}\) According to the IMF, the core principles of the PRSP approach are that poverty reduction should; be ‘country-driven’, ‘results-oriented’, ‘comprehensive’ (in recognising the multidimensional nature of poverty), ‘partner-oriented’, and have a ‘long-term perspective’ (see http://www.imf.org/external/np/exr/facts/prsp.htm for further information).

\(^{211}\) Whilst one could suggest that the MCA draws upon four of these principles, one can debate the extent to which it is, in fact, ‘comprehensive’. As discussed later, the MCA adopts a somewhat narrow understanding of poverty, in which ‘progress’ towards poverty reduction is measured in terms of promoting economic growth. As history dictates, however, the relationship between levels of poverty and economic growth is far from simple (for example, see chapter 2 section 2.6.2 discussing the SAPs in the 1980s and 1990s).
suggest that Nicaragua’s MCA programme once again fails to break from this ‘official discourse’. The possible repercussions of this for poverty reduction are discussed in greater detail later in this chapter.

7.3 Drawing parallels: The MCA, the PWC and the PRSPs

The chapter has been focused thus far on outlining the evolution of dominant development discourse among the major IFIs. Some tentative links have been drawn, in places, to the MCA and it is this association that I would like to develop here. This section draws parallels between the MCA and the PWC, as a set of ideas and as policy in practice. As this chapter already illustrated, there is a clear gap between the rhetoric of the PWC and what is happening on the ground in parts of the South. This situation adds weight to the doubts already raised over the extent to which the PWC does represent a radical departure from the WC and its associated neoliberal thinking. However, before looking more specifically at the MCA and its relationship with the PWC, it is first necessary to explore how IFI policy prescriptions translate into bilateral donor priorities.

7.3.1 The World Bank: A knowledge bank?

As mentioned previously, the appointment of Stiglitz as the World Bank’s Chief Economist in 1997 heralded a key moment in the ‘reinvention’ of the institution. This chapter has already discussed what this meant in broad policy terms with regard to the ‘transition’ from the WC to the PWC. However, in order to understand the wider implications of this shift, it is necessary to look at another aspect of the World Bank’s reform process. In a lecture given in 1998, Stiglitz highlighted the World Bank’s intention to become more than just a ‘resource provider’: “The World Bank increasingly thinks... of itself as a knowledge bank, with one of its central tasks being to help countries to close the knowledge gap” (1998b: 28).

This message was reiterated and reinforced in the World Bank’s 1998/1999 World Development Report entitled ‘Knowledge for Development’, in which the argument was made for the World Bank, as well as other influential institutions, to take on the role of intellectual actors, responsible for closing the ‘knowledge gap’. Whilst there may be some merit to the arguments in favour of promoting this sort of ‘in-house’ research, the question of whether an enormous financial entity such as the World Bank, involved in the selective
disbursement of money, should be in the business of closing knowledge gaps is highly debated (see Standing 2000: 751). Moreover, it raises important question marks over how knowledge is defined, valued and selected, and by whom.

As discussed in chapter 3, understanding the power-knowledge nexus in discourse is extremely important. The situation outlined above is particularly pertinent in this regard. Whilst Stiglitz, in his capacity of Chief Economist at the World Bank, advocated a less narrow version of neoliberalism and the broadening of development objectives through the PWC framework, he did not question the idea that it was the World Bank’s job to promote a consensus of some kind on development policy (Toye and Toye 2005: 5). In this respect there is, as Standing suggests, a danger of knowledge hegemony (2000: 752). For a long time now, as witnessed with respect to the WC, research and views emanating from the Washington-based institutions have been disseminated and propagated in a way that has dominated policy within the global development arena. Today the World Bank Institute (WBI) acts as a conduit in facilitating this process, providing assistance to over two hundred partner institutions and think tanks around the world that subscribe to its values and ideologies. In this capacity, the WBI has increased the accessibility of societies in the South to its partner organisations, as well as to the World Bank (or ‘knowledge bank’ as referred to by the WBI), facilitating the formation of a transnational intellectual hub of knowledge, through which information and ideas are diffused and disseminated.

Interestingly, in a book written after his much publicised resignation at the end of 1999, Stiglitz voiced his opposition to the notion that the World Bank should promulgate any package of development policy doctrines, stating that the opposition to globalisation, visible in many parts of the world, is not against globalisation per se, but rather is about the particular set of doctrines imposed by the IFIs (2002: 221). As already noted above, Stiglitz

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212 The WBI, previously known as the Economic Development Institute, was created in 1955 and operates as the ‘learning arm’ of the Bank, providing policy advice and technical assistance at the global level (World Bank website e).

213 It is widely considered that Stiglitz was forced out of the World Bank following his outspoken criticisms over key IMF-US policies. In particular, US Department Treasury Secretary Lawrence Summers was speculated to have requested that Stiglitz be silenced (Uchitelle 1999). His criticisms, of the IMF in particular, became even more vocal following his resignation, as witnessed in a damning article he wrote on the IMF: “They’ll say the IMF is arrogant. They’ll say the IMF doesn’t really listen to the developing countries it is supposed to help. They’ll say the IMF is secretive and insulated from democratic accountability. They’ll say the IMF’s economic ‘remedies’ often make things worse - turning slowdowns into recessions and recessions into depressions. And they’ll have a point. I was Chief Economist at the World Bank from 1996 until last November, during the gravest global economic crisis in a half-century. I saw how the IMF, in tandem with the US Treasury Department, responded. And I was appalled” (Stiglitz 2000).
did not, whilst employed in the World Bank, question this issue openly. In fact, it appears he was only able to voice his opinions openly once free from the constraints placed on him as an employee of the IFI. As he stated following his departure from the Bank, “Rather than muzzle myself, or be muzzled, I decided to leave” (cited in Paterson 2001). Consequently, as Toye and Toye discuss, it appears that “even defiant bureaucrats, or ‘rebels within’, cannot escape from the Bank’s institutional imperative to preach a doctrine, and that the United States will act to reinforce this imperative when it thinks it is under threat” (2005: 5). Within this context, one must question the degree to which the IFIs were, and still are, serious about opening themselves up to new ideas, moving beyond the conventional approaches enshrined within the WC. Thus, whilst the construction of the World Bank as the ‘knowledge bank’ may well have reinforced the institution’s ‘legitimacy’ within the international development arena, the extent to which this represented a fundamental departure away from the traditional orthodoxy among policymakers in Washington D.C. is debateable. As the following section discusses, the PRSPs, which were promoted by the World Bank and IMF to replace the highly controversial and much contested SAPs, give some indication as to how this rhetoric of change has been reflected in practice.

7.4 Exploring the PRSPs and drawing connections to the MCA

The PRSPs have been discussed already within this chapter and therefore the primary focus here is to start making connections between these programmes and the MCA. Not surprisingly, bearing in mind the MCC’s geographical and ideological proximity to the World Bank, clear similarities can be drawn between the MCA and the PRSPs. In fact, it was suggested in a 2003 report to Congress on the MCA that the PRSPs might serve, where appropriate, as a guiding framework for MCA programme goals (see Nowels 2003). Consequently, it is important here to start considering where parallels can be drawn between the two programmes and, similarly, examine areas in which there may be divergence. This discussion begins by analysing the important issue of conditionality which, as stated earlier, was the hallmark of the WC.

214 According to Bebbington et al, the World Bank could be viewed as a ‘battlefield of knowledge’, where contests are waged within different arenas, including; between World Bank staff, externally with non-World Bank actors, and in ‘cross-border battles’ that engage large communities whose “membership transcend institutional boundaries” (2004: 38). This corresponds with what Sharp et al refer to as the ‘entanglements of power’, which is discussed in section 3.1.5 of chapter 3.
7.4.1 Conditionality repackaged

In chapter 3, there was a discussion on the MCA’s pre-emptive approach to delivering aid, whereby countries must meet a range of criteria before becoming eligible for MCA funds (see section 3.7.1). These indicators fall into three categories: ‘Economic Freedom’, ‘Ruling Justly’ and ‘Investing in People’, and this combination reflects, to a large degree, the shift in emphasis towards broadening development objectives associated with the apparent transition to the PWC. However, as witnessed with regard to the PRSPs in which the World Bank’s ‘Highly Indebted Poor Country Initiative’ (HIPC) operates as an incentive for country adherence to the programmes, the MCA funds act as an incentive for countries to pursue sound policy environments. This approach adopted by the MCC follows, as demonstrated in the following interview extract, the lead of the World Bank:

"David Dollar at the World Bank wrote a book a couple of years back called Assessing Aid and it looked at economic growth assistance in the world. It was an empirical study and the conclusion was that if you want to invest to bring about economic growth you really only get a return on that investment if the countries themselves are trying to put in place the policies and environment for economic growth. So if you invest in countries that have bad policy environments you get very little economic growth return" (research interview with Jim Vermillion).

Inclusion within the MCA is contingent upon a country’s performance at meeting a predefined set of criteria which are seen, according to the philosophy driving the initiative, as being conducive to ‘economic growth’. Misleadingly, some have referred to the transition towards greater ‘selectivity’ in the delivery of aid as representing the ‘abandonment’ of conditionality (see Chhotray and Hulme). However, this is far from the truth. If anything, the approach adopted by the MCA symbolises the next phase in conditionality strategy. This remoulding of conditionality, instigated by the World Bank, is indicative of the new ‘consensus’ in development in which the promotion of sound policy environments has gained significant ground within policy objectives. According to Chhotray and Hulme,

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215 That being said, in the first year selection process Mozambique and Georgia were selected despite not passing the indicator test.
216 Jim Vermillion, Managing Director for Latin America in the MCC - Interview held in Washington D.C. on 5th October 2005.
however, the MCA took the recommendation of the World Bank’s report on ‘Assessing Aid’ to give assistance selectively to its ‘logical extreme’\textsuperscript{217}.

7.4.2 Ownership, consultation and participation

According to the World Bank, one of the core principles underlying the PRSPs is that they are country-driven, involving “broad-based participation by civil society and the private sector in all operational steps” (World Bank website). As discussed in chapter 3, the MCA adopts a similar philosophy in its emphasis on ‘country-ownership’, in which recipient states are responsible for designing and implementing their own MCA programmes. Once again, this shift in rhetoric, evident in both the PRSPs and the MCA, is a product of the ‘new’ consensus on development. In the World Bank’s report on ‘Assessing Aid’, which as mentioned above was hugely influential in shaping the MCA’s approach to country selectivity, it states that a painful lesson from past experience is that “government and community ownership of projects is crucial” (Dollar and Pritchett 1998: 79). However, as alluded to earlier in discussing the PRSPs, the extent to which this change in rhetoric was reflected in practice has been the subject of much debate:

“PRSPs vary widely in quality, coverage and depth... Some are honest reflections of government strategies, with input from a range of civil society groups, while others are largely written by consultants or donors and involve much less government commitment” (Radelet 2003: 85)

Ambiguity surrounding these strategies has clear implications for the MCA, especially in terms of ‘consultation’ and ‘ownership’, with many of the MCA programmes appearing to build upon the country’s PRSPs. This relationship is highly visible in several of the MCA compact agreements, in which direct and indirect links are drawn between the two initiatives (for example see the compacts for Armenia, Benin, Honduras and Nicaragua\textsuperscript{218}, to name just a few). Although I fully recognise the need for consistency between the MCA proposals and

\textsuperscript{217} Furthermore, they argue that the recognition in the report that “aid can nurture reform in even the most distorted environments, but it requires patience and a focus on ideas not money”, is blatantly missing from the MCA (Chhotray and Hulme 2007: 11).

\textsuperscript{218} These documents can be accessed on the MCC website (www.mcc.gov). With regard to Nicaragua, the National Development Plan (NDP), which was established by the government to compliment the country’s PRSP, served as a foundation for the consultation effort to develop the MCC proposal.
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the PRSPs in recipient countries, one cannot ignore the dangers that such a relationship may entail. The following extract adds weight to this concern:

"The Honduran Government contends that the MCC proposal is based on the consultations underlying the Poverty-Reduction Strategy Paper... and that it, therefore, enjoys broad popular consensus. However, the PRSP process in Honduras was widely criticized by civil society groups; and, therefore, it should not so much serve as a model for effective citizens' participation but, rather, as a cautionary lesson of what can go wrong" (Walsh 2005: np).

The issues of consultation, participation and ownership are explored in much greater detail in the following chapter on 'democracy' and the MCA. For now, however, it is important to iterate that these themes were identified, within the framework of the PWC, as being crucial in pursuing the central goal of 'poverty reduction'. Yet despite this positive rhetoric, events on the ground continue to raise questions about their implementation in practice. The possible reasons for this situation are many, ranging from conceptual ambiguity over, for example, what 'participation' should mean in practice, to problems resulting from civil society-state relations219. In terms of the MCA, therefore, it is important to recognise that although it is being promoted as a 'new' initiative, it is not unrelated to the World Bank's PRSPs220. Consequently, in looking at Nicaragua's experience in the MCA during this chapter and the next, further consideration is given to the PRSPs as and when appropriate.

7.4.3 Situating the MCA within development discourse: Concluding comments

It is clear from the discussion thus far that the general philosophy enshrined within the MCA is founded upon the World Bank's re-conceptualisation of development policy in the latter part of the 1990s. The initiative's stringent selection process, its emphasis on country-ownership and its drive to propagate measurable results, are rooted in the influential 'Assessing Aid' report which, as stated previously, examined how aid may be used more

219 See the World Bank report on participation in the PRSPs for more information on the concerns raised over the issue of participation (2002a).
220 This relationship was further clarified during a conference in 2004, in which the then Chief Executive Officer for the MCC, Paul Applegarth, stated the following in response to a question on the relationship between the two programmes: "I am certainly no expert on the PRSPs, but I understand some are quite good and some are not... we'll really focus on and try to implement some of the good ideas that are represented in the PRSP process and carrying them forth" (Applegarth 2004).
effectively. This document encapsulated the World Bank’s new vision for ‘development’, through which the core tenets of the PWC were promoted as the solution to past failures in promoting neoliberal adjustments. The PRSPs, which gave practical expression to this new ‘consensus’ have had mixed successes, with concerns being voiced over the discrepancies between rhetoric and reality on the ground. For reasons already discussed, this may have repercussions for some of the MCA compacts that build upon these programmes. Moreover, this issue of praxis stresses the importance of analysing how the MCA’s defining principles equate to reality on the ground within the recipient countries.

Finally, in light of the doubts already presented in this thesis over the PWC’s departure from the WC, it is necessary to consider the actual extent to which the MCA does represent something fundamentally ‘new’. In order to do this, the following discussion considers the initiative’s focus on economic growth in achieving poverty reduction. Ironically, given its claims to novelty, the MCA appears to have more in common with the WC, in terms of its understanding of the relationship between economic growth and poverty reduction, than with the PWC. More specifically, whereas under the WC the task of ‘poverty reduction’ was generally left to the ‘trickle-down’ effect of economic growth (an association which greatly underestimated the complex realities faced by many countries in the South), the PWC identified “poverty reduction as an immediate objective of development assistance rather than as a consequence of the economic growth the assistance is designed to stimulate” (Hayami 2003: 57). As such, there was a shift in rhetoric from promoting a narrowly defined model of development based on the primacy of economic growth, to a more holistic approach, where issues such as education and healthcare were given greater emphasis. Whilst the MCC does purportedly, through its highly stringent selection criteria, induce progress in the three broad areas of ‘Ruling Justly’, ‘Investing in People’ and ‘Promoting Economic Freedom’, its core focus is much more constrained. As I was told in an interview with the MCC Managing Director for Latin America, Jim Vermillion, the MCA programme is “all about economic growth”. Consequently, although ‘reducing global poverty’ is stated as the MCA’s central objective, the funds are focussed primarily on promoting ‘economic growth’ in recipient countries. In light of past events, the relationship between economic growth and poverty reduction is highly contentious. Furthermore, the significant budgetary cuts made to the United States Agency for International Development (USAID), especially in Latin and Central America (as analysed in detail within chapter 6), prompt further questions about how US assistance is being orientated.
7.5 Exploring poverty reduction in Nicaragua’s MCA

The first part of this chapter located the MCA broadly within a theoretical framework of shifting development discourse, within which ‘poverty reduction’ has emerged as the number one priority in development policy rhetoric. Attention now turns toward looking explicitly at Nicaragua’s experience in the new initiative, examining the relationship between the MCA and poverty reduction. However, it is useful in starting this discussion to reflect briefly upon how knowledge around poverty issues has been constructed and contested in Nicaragua. For example, as I experienced during the course of my research in Nicaragua, there is an interesting discourse around the issue of identity. In particular, several of the individuals I spoke to vigorously contested the notion that their country is ‘poor’ and argued instead that it is ‘impoverished’:

"Now there is something I don’t accept - that Nicaragua is poor. Nicaragua is not a poor country, it is an impoverished country..." (research interview with Jilma Balladares).

Recognising the subtle difference between being ‘poor’ and being ‘impoverished’ is very important here. Whereas being ‘poor’ may simply refer to, for example, individuals without possessions or wealth, being ‘impoverished’ refers to the actual process through which such conditions are created, i.e. how these individuals were made poor and/or reduced to poverty. As a result, despite the fact that the terms ‘poor’ and ‘impoverished’ are frequently used interchangeably, there is a fundamental difference between them. As I witnessed in Nicaragua, this has substantial repercussions when it comes to issues of identity and representation (a theme explored in greater detail below). This is especially true when looking at Nicaraguan history in which, as previously discussed in chapter 4, power was/is monopolised by elite actors within society, leading to conditions of extreme inequality and social polarisation. Once again, Robinson’s conceptualisation of ‘polyarchy’ is particularly pertinent in this regard, as it refers to the process by which such relations were, despite being actively resisted and contested, maintained in many Latin American societies, including Nicaragua. What is more, the US was seen by many, especially during the Cold War period, to be complicit in strengthening and supporting these systems of control. Therefore, much

221 Jilma Balladares, MCA-Nicaragua Civil Society Director in representation of FUNDAPADELE - Interview held in the city of León on 21st June 2006.
consideration is given during this chapter and the next to examining the extent to which the MCA will help address these profound inequalities in Nicaragua.

7.5.1 Contesting ‘knowledge’: A regional case study

As suggested by the above discussion, how we understand ‘poverty’ is essential in shaping development discourse and, therefore, policy. To demonstrate the practical implications of this further, the chapter now draws upon a particular case study from Nicaragua where the prevailing discourse on poverty, established within the structure of the country’s PRSP, was contested, resisted and deconstructed at a regional level. As already stated, despite the positive rhetoric surrounding the World Bank’s PRSPs, these programmes were, in several cases, heavily criticised. Nicaragua was no exception in this regard. As I discovered during the course of my fieldwork in the country, an extremely interesting and unique process arose in response to Nicaragua’s PRSP. When the Nicaraguan government formulated its analysis of poverty as part of the PRSP process, this area of the country was surprisingly designated as having only ‘medium poverty’ and, therefore, was not included in the programme. However, as the following interview extract reveals, there was confusion among individuals from the region as to how this categorisation came about:

“Our municipalities were classified before the survey as a region of extreme poverty. Then Hurricane Mitch came\(^{22} \) ... it destroyed roads, it destroyed buildings for drinking water... it destroyed lots of other things. After there was the survey looking at the level of life and we, who were in extreme poverty before, were then classified as only living in medium poverty. So we were confused as to how we had stepped up two

\(^{22}\) “To Nicaragua, Mitch meant 41,420 houses affected, with displacements and relocations of up to 30% of the population in some places and thousands of families living almost out in the open for months. This of course also meant unemployment. In environmental terms it meant landslides, the gouging out of deep new gullies, the widening of water channels, a loss of forest cover and topsoil (760,712 acres of soil for agricultural and forestry use), the covering of previously fertile river lowlands with sand, contaminated water sources and destroyed wells. In productive terms, it meant the loss of 71% of the second-cycle bean crop and 51% of the corn crop, 2.6% of the country’s cattle, 6.9% of its horses, 7.5% of its pigs and 149,000 chickens. Worst of all, it meant the loss of thousands of human lives” (Rocha et al 1999: np).
levels... How after Mitch did we go up?" 223 (research interview with Juan José Rayo 224).

As Bradshaw and Linneker note, clear differences in opinion exist in terms of “how poverty is defined, its causes and manifestations, between actors operating within the dominant global paradigm and those seeking to change it” (2003: 7). In the wake of this seemingly unfair categorisation (combined with the subsequent exclusion of civil society movements in the region from the country’s national PRSP process), an extremely interesting process emerged within the municipalities of north León. In response to this situation, a parallel regional strategy for poverty reduction was drawn up by local actors and this became known as the PRSPcito (‘our little PRSP’). The following extract from an interview with an individual heading this process in north León, sheds further light on this issue:

“I told them generally about the ownership talk, about this PRSP... and people got mad, and said ‘they are talking about ownership and they are talking about poverty, and we are sitting out here and we didn’t even know that they are talking about it’. So after we had those two workshops we decided that we would try to make our own PRSP starting from scratch...” (research interview with Eva Rasmussen 225).

It is interesting to note that this regional process began by deconstructing an exclusionary definition of poverty, creating a new definition based on local perceptions and needs. From there, individuals in north León were able to identify what they saw as the causes of poverty in their lives, around which the PRSPcito was formulated. Furthermore, this event emphasises the sensitive issue of ‘knowledge’ production (mentioned earlier in relation to the World Bank promoting itself as a ‘knowledge bank’), which can both enable and potentially disable voices within development. As Cupples et al reflect, the national PRSP process revealed what Power (2003) refers to as the ‘spatiality of power and discourse in development’, which “determines who gets to have a voice in particular discursive spaces” (2007: 583).

223 In the MCA compact between Nicaragua and the US it is written that the region of León and Chinandega is believed to have “some of the most extreme poverty” in Nicaragua (MCC-Nicaragua Compact 2005: annex 1-2). How, therefore, did conditions of poverty in the region apparently improve in the immediate aftermath of hurricane Mitch in 1998 and then deteriorate back to extreme poverty in the run-up to the MCA?
224 Juan José Rayo, Executive Director of AMULEÓN - Interviewed in the town of El Sauce in north León on 5th June 2006.
225 Eva Rasmussen, Journalist - Interview held in Managua on 15th May 2006.
Although the actual impact of this regional strategy for poverty reduction on the country’s national PRSP was limited, it did draw significant media attention at a national level and culminated in the eventual signing of the Achuapa Agreements mentioned in the previous chapter (section 6.7.3). In light of this success, one could argue that deconstructing dominant discourse on ‘poverty’ can, in fact, be a means of empowerment, through which such exclusionary spaces may be challenged and contested. This adds substance to the argument that power, as discussed in chapter 3, is not solely an attribute of the dominant, but it is also present in the ability to resist, in which situations, groupings and actions are established to resist the impositions of dominating power (see Sharp et al 2000). Moreover, this episode once again illustrates the importance of looking beyond policy rhetoric to exploring events on the ground. In light of this, attention now turns towards looking explicitly at Nicaragua’s MCA and examining the extent to which the MCC’s core mission to reduce poverty may be fulfilled in practice

7.6 Nicaragua’s MCA: Tackling poverty?

The rest of this chapter is devoted to examining what impact Nicaragua’s MCA is likely to have on regional poverty. It is arguably too early (bearing in mind the slow pace at which compact implementation is taking place in Nicaragua and the fact that when writing this chapter the country was less than half way through its 5 year agreement) to be commenting on the actual impacts and results of the programme. Instead, this chapter examines Nicaragua’s three MCA-components and discusses how, on the basis of explorations of both interview material and secondary sources, each of these may contribute to the central goal of poverty reduction. Although this analysis is framed within a regional context, i.e. in the departments of León and Chinandega where the funds are being primarily invested, it is important to remember the MCC anticipates a nation-wide impact and, therefore, further consideration is given to the issue of scale in the overall thesis conclusion. For now, however, we focus on examining the largest MCA programme component, receiving well over half of the US$175 million compact total, which it the ‘Transportation Project’.
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7.7 The Transportation Project

As clarified already in this thesis, the MCA is for all sense and purposes an economic fund, in which economic growth is identified as the key to poverty reduction. The prioritisation of this infrastructural component within Nicaragua’s programme is, therefore, not unexpected. Indeed, it is a recurring theme throughout many of the MCA-countries. Accordingly, the desired outcomes of this component, such as reduced transportation costs, improved trade and new investment, fit very much within this broader model of economic development promoted through the MCA framework. In terms of the actual programme goals, ‘income gains’ from the construction and upgrading of roads will be used to measure the contribution of the project to the promotion of economic growth and, ‘therefore’, the reduction of poverty. The savings made by the beneficiaries of the project (i.e. road users, business employees and surrounding communities) due to the anticipated reduction in transportation costs and travel times will, according to the ‘Monitoring and Evaluation’ section of Nicaragua’s compact agreement, be disaggregated by gender, income level and age. This disaggregation is important in helping to determine changes in ‘relative’ poverty.

In light of Nicaragua’s history, in which ‘development’ has often been highly sporadic and unequal in its impact, it is extremely important to look beyond general figures on income levels, to examining the extent to which benefits resulting from a project such as this may be experienced throughout the cross-section of society. As a result, progress towards poverty reduction cannot simply be equated to regional increases in income levels, but must be situated within the context of combating widespread inequality. In this regard, the perspective taken within this thesis is that in order to achieve real and sustainable reductions in regional poverty, the MCA programme must be based on inclusivity and equitable development. It is not enough to assume, as the SAPs disastrously did, that the benefits of economic growth will simply ‘trickle down’ to the poor. The PWC, which located poverty reduction as the number one priority of development policy, was born, in part, through recognition of this fact. Therefore, much of the following analysis is devoted to exploring the degree to which Nicaragua’s MCA will, through its narrow agenda of promoting economic growth, propagate meaningful reductions in poverty at the regional level.
7.7.1 Examining road selection: The N1 road upgrade

This section is primarily concerned with exploring the selection of the 58km N1 road, which runs from Nejapa (located on the outskirts of Nicaragua’s capital Managua) to Izapa in the south of the department of León. Upgrading this one road utilises about US$32 million of the project funds and, therefore, represents a very large proportion of the MCA’s overall budget. As a result, it is important to reflect upon why this particular road was chosen and consider what impact its development is likely to have on poverty levels within the region. Moreover, as stated in the previous chapter (see section 6.8.2), the decision to use MCA funds to develop this particular stretch of road was initially met by protest within the region. In fact, during the course of several interviews it came to light that an exercise had been undertaken in the occident of the country in which the N1 road was actually voted to be lowest regional priority and a road to the north of Chinandega the highest. Why, therefore, were the central government and the MCC so determined to include it in the MCA? Out of all the roads to be built, this was the only one to be pre-selected within the compact agreement signed between the Nicaraguan government and the MCC. The potential motivations for this situation are explored in detail below.

7.7.2 The MCA and the Plan Puebla Panama: Implications for poverty reduction

As suggested in section 6.8.2 of the previous chapter, the Plan Puebla Panama (PPP) was one of the motives behind the road’s prioritisation in the fund. In fact, this huge infrastructural project was identified as a potential reason for why the region of León-Chinandega was selected to take part in the MCA in the first place, adding further weight to the importance assigned to the PPP by both the US and previous Nicaraguan government. Furthermore, if we turn our attention towards Honduras’ MCA compact we can see a similar theme, in which the CA-5 highway (an important section of the PPP) is to receive over US$96 million (MCC-Honduras Compact 2005). In El Salvador, close to US$140 million in MCA funds has been assigned to improving the ‘Northern Transnational Highway’ (MCC-El Salvador compact 2006) and this route is one of the Inter-American Development Bank’s (IADB) transportation mega-projects, contributing directly to the advancement of the PPP. Bearing in mind the economic model of development being promoted through the MCA, the prioritisation of these roads is not unexpected. However, it does, as discussed below, raise some important questions over the issue of poverty reduction.
Chapter 7: The Millennium Challenge Account and Poverty Reduction

The PPP, launched in 2001, is defined by the IADB as an ‘integration initiative’ that supports the three regional development goals of: ‘equitable economic growth, the sustainable management of natural resources and human/social development’ (see the IADB website). However, despite this positive rhetoric, the programme has been strongly criticised for promoting what is seen by many to be a highly contested neoliberal vision of development in the Mesoamerican area (O’Neill 2004). Pickard argues that the project, aimed at the region’s insertion into corporate globalisation, “downplays the structural problems of underdevelopment related to the concentration of economic and political power in the hands of the elite and the corresponding lack of opportunities for the majority” (2004: 2). More generally, this mega-project clearly represents what chapter 3 defined as the hegemonic ideology of this epoch, ‘transnational liberalism’, in which universal progress is seen to depend upon the “expansion and extension of capitalist markets across the globe” (Ó Tuathail and Dalby 1998: 19). Within this context, Robinson’s conceptualisation of ‘polyarchy’ is particularly useful, as it helps us to understand why, despite the abundance of rich natural resources, there continues to be such impoverishment within the affected countries. Accordingly, the MCA’s contribution to poverty reduction must be measured, in part, by its support of this controversial trade corridor and its subsequent commitment to the contested development model being promoted through the PPP.

In light of the above discussion, it is easy to see how the PPP will contribute to the advancement of a free trade area in the America’s and it is of direct relevance to the Dominican Republic-Central American Freed Trade Agreement (DR-CAFTA). It is not surprising, therefore, that as well as facilitating the creation of the PPP, Nicaragua’s MCA programme is helping to generate the conditions necessary for the country’s insertion into a regional free-trade area. The road component of the MCA is particularly important in this respect, as it is creating part of the infrastructure seen as necessary for this process to take place. However, as witnessed in debates around the PPP, DR-CAFTA has also, as discussed in chapter 4, been a highly divisive issue, reflecting polarised views on how its implementation will affect poverty and inequality in the Central American region. In terms of the impact of the N1 road’s construction on poverty levels in León and Chinandega, it is clear that the primary beneficiaries of the project will be the medium to large business organisations (especially those operating in an international context), that need the PPP

226 According to Pickard, the PPP covers eight countries and a total of 65 million people, about 50% of which are classified as being in extreme poverty (2004: 2).
completed in order to minimise the costs and time involved in transporting their goods and services. These transporters are not, as one respondent from north León commented, the poor and yet it has been “insisted that this road must be built because it is related to the Plan Puebla Panama” (research interview with Evert Delgadillo\textsuperscript{227}). One must, therefore, question the inclusivity of the MCA programme which, as argued earlier, is a prerequisite for sustainable poverty reduction in Nicaragua. Nevertheless, before making any judgments on such issues, it is essential to examine the second part of the Transportation Project, in which US$60 million is to be utilised for upgrading and constructing secondary roads.

7.7.3 Examining road selection: Secondary roads

Bearing in mind the discussion thus far, it should come as no surprise that the inclusion of secondary roads in the MCA programme was driven by ‘economic’ reasoning. As illustrated in Nicaragua’s MCA compact, the problems resulting from the poor conditions of these roads were couched in purely economic terms, with issues such as ‘damaged goods’ and ‘high operating costs’ being identified as direct impediments to trade at the regional, national and international level. The US$60 million investment is, therefore, part and parcel of the development model alluded to in the previous section. This economic mindset is furthermore illustrated in the conditionalities placed on the region in terms of secondary road selection, in which their inclusion is dependent upon several criteria, including meeting a minimal threshold for the ‘economic rate of return’ (ERR). The importance of the ERR in this process was apparently stressed upon the Nicaraguan government by the MCC, on the grounds that the US did not want to see tax payers’ money being used to construct roads going to ‘nowhere’. The following section explores this issue further and considers what impact it may have on poverty reduction in the region.

7.7.4 Addressing poverty? The ERR and the roads to ‘nowhere’

Although every municipality within the departments of León and Chinandega would inevitably like to see some of the US$60 million invested in improving transport infrastructure within their particular localities, the funds are restricted in terms of how much they can do. As one respondent discussed in an interview, “road selection is a very critical

\textsuperscript{227} Evert Delgadillo, Mayor of El Sauce and Association of Municipalities from North León (AMULEÓN) - Interview held in the town of El Sauce in north León on 7th June 2006.
and sensitive thing. Each Mayor wants a road in their municipality included but the reality is that funds are limited and we are not going to be able to do all the roads that are proposed” (research interview with Julio Montealegre228). As a result, a set of technical criteria is used by MCA-Nicaragua to select eligible roads within the region, ranging from inclusion within the medium-term investment plan of Nicaragua’s ‘Ministry of Transportation and Infrastructure’ (MTI) to, as mentioned above, meeting a threshold level in terms of the ERR (see MCA-Nicaragua compact 2005). Although all of these are important, it is the latter conditionality that is of greatest interest here. In fact, throughout the course of the research in Nicaragua, the use of the ERR in determining secondary road selection was a recurring point of concern in interviews, especially among individuals from the region itself. Consequently, this section now considers the logic driving this approach to regional development and draws upon the research material to consider what impact this focus may have on poverty reduction in León and Chinandega.

The ERR is conducive to the model of development being promoted through the MCA, which is aimed at ensuring the greatest ‘bang for buck’. Bearing in mind the problems that this project component is aiming to fix, such as high transportation costs and excessive travel times, the selection of secondary roads that offer the greatest opportunity for economic impact is not unexpected. However, it is the correlation between this economic impact and regional poverty reduction that requires further analysis. If, as the ERR dictates, MCA funds are only to be invested in roads that meet a minimum economic threshold (based predominantly on traffic volume), then it is logical that the most impoverished parts of the region will be excluded from this process, as they are likely to fall short of the required economic requirements. These areas, situated on the so called ‘roads to nowhere’, are arguably the places where people have the most need for assistance. One can, therefore, question the merits of using a predominantly economically-driven approach to road selection. An interview undertaken with the Mayor of El Sauce in the north of León, where poverty is particularly high, adds weight to this suggestion:

"...they say that the Millennium Challenge Account is to reduce poverty. It is to create access to trade in the peripheral communities so the producers can go sell their products. But the problem we have is that these sectors are poor. The 11 dry

228 Julio Montealegre, Programme Co-ordinator for the MCA-Nicaragua/Civil Society Director for Chinandega in MCA-Nicaragua - Interview held in Managua on 30th March 2006.
municipalities of León and Chinandega have conditions ranging from poor to extreme poor... They surprise you when they start using the rate of return, which determines how much traffic is likely to use the road in a certain time period... Then they tell you that the road doesn't fulfil the requirements and therefore will not be built because of this... This issue shouldn't be seen in terms of how many vehicles will be used, but that there are human beings whose lives depend on good communication networks. For example, Achuapa is 23km away and a bus takes an hour and a half to get there... the life of a person looking for a hospital could depend upon that road” (interview with Evert Delgadillo).

Additionally, several other interview respondents proposed replacing the ERR with a ‘social rate of return’ (SRR), on the grounds that resources should be channelled to areas where there is not already assistance, i.e. those places with the greatest need. However, despite these criticisms, it is unlikely that the economic logic behind secondary road selection will change:

“Philosophically our view is that you have to step back and identify how can you really get poverty reduction, because our belief is that without economic growth there is not going to be poverty reduction... So there may be some cases, and these are the tough decisions that have to be made, where focussing resources on one area may have greater aggregate impact for the entire region... it is something that is important for people to realise. It may be that you want to develop a road in one of the most remote poor poor areas but... that may not have the greatest amount of impact...” (research interview with Matt Bohn229).

Arguably, the prioritisation of secondary roads according to their economic credibility is indicative of the MCC’s agenda for strict selectivity in development, i.e. working with those areas or countries that have the greatest potential for economic growth. But what does this mean for those places that not included due to their ‘lack’ of potential? As one respondent discussed, “if we want to attack poverty, it needs to be remembered that the poorest cannot even get on a bus” (interview with Evert Delgadillo). In terms of León and Chinandega more specifically, how will these areas that constitute ‘nowhere’, and currently have few opportunities for growth, engage with the MCA-process if they are marginalised for not

229 Matt Bohn, MCC representative in Nicaragua - Interview held in Managua on 14th August 2006.
meeting the required economic thresholds? There is clearly a danger that these areas will, without sufficient investment, be sidelined from this development process, potentially resulting in the formation of poverty hotspots and the exacerbation of regional inequality. Bearing in mind parallel concerns over the potential impact of the PPP and DR-CAFTA, doubts over changes in relative poverty are not unwarranted.

7.7.5 Drawing conclusions: The Transportation Project and poverty reduction

It is clear in concluding this discussion that the transportation component is part and parcel of the MCA’s ideological vision for ‘transformational development’, in which economic growth through trade is promoted as the panacea for widespread global poverty. The Central American MCA programmes which, as discussed earlier, support the PPP and strengthen DR-CAFTA, are a testament to this reality. Whilst the Transportation Project will undoubtedly facilitate regional economic growth, assisting individuals and businesses to access new markets both internally and externally, it is less clear as to how this will translate into poverty reduction on the ground. As noted already, history dictates that it is not enough to assume that the benefits reaped from economic growth will simply trickle down to the poor and Latin America’s historical experience bears witness to this fact. It will, therefore, be interesting to see in the future how the anticipated income gains from this particular project component affect levels of relative poverty in the region. For now, however, it is important to remember that the Transportation Project is part of a package, in which there are three mutually enforcing components. Although each of these is examined individually here to facilitate clarity within the discussion, it is the combination of these programmes that will ultimately determine the impact of the overall project on economic growth and poverty reduction. As a result, whilst the next section does focus specifically on examining the potential contribution of the ‘Rural Business Development Project’ on poverty within the region, it is essential to bear these connections in mind.

7.8 The Rural Business Development Project (RBDP)

The RBDP is the second largest component of Nicaragua’s MCA programme and has been allocated US$33.7 million. This project is predominantly focussed upon the development of ‘higher-profit agriculture and agribusiness enterprise’ within the region, with
the stated intention of directly benefiting relatively poor households employed in agriculture or with small farms, as well as creating new and/or expanded market opportunities for agribusinesses and other micro/small/medium-sized enterprises (MCA-Nicaragua compact 2005). This is to be achieved, according to the compact agreement, through a three-pronged approach involving the provision of rural business development services, technical and financial assistance, and grants to improve water supply for farming and forestry. In terms of measuring programme success, income gains resulting from this component are once again to be used in determining progress at meeting the compact goal of poverty reduction through economic growth, with these figures similarly disaggregated by gender, income level and age. In terms of chapter structure, analysis of this particular component is concentrated on two key inter-related areas of interest. The first section explores programme inclusivity and the second considers the issue of accessibility to credit. Both these areas are crucial in qualifying the programme’s pro-poor credentials and their prioritisation in this analysis reflects what appeared to be the main points of concern for interview respondents over this particular component.

7.8.1 Examining programme inclusivity

As the previous discussion on road selection demonstrated, analysing inclusivity within Nicaragua’s MCA programme is paramount to understanding the potential impact of this initiative on relative poverty levels within the region. Historically, governments in Nicaragua have tended to prioritise ‘big producers’ within the country’s development, despite the fact that medium-small producers represent the large majority of the population. A key question must, therefore, be whether Nicaragua’s MCA will adhere to this legacy of promoting ‘big business’ or reflect the positive rhetoric of the compact agreement in which ‘poor households’ and ‘small farms’ are located as the direct beneficiaries of the RBDP. The following interview extract sheds further light on this issue:

"...the problem with the country is that the loans only benefit the large scale businessmen. That is the big problem, and it is philosophical problem. Our economic directors think that the big businessmen must be strengthened, so these people can generate more resources, and those resources will generate employment... and that is not true. I hope that the leaders of the United States understand this - that they realise..."
this is a problem, because if they have the same mentality then the results will be the same” (interview with Rigoberto Sampson\textsuperscript{230}).

Between September and December 2005, a Nicaraguan programme funded by the Department for International Development (DFID) called the ‘Promotion of Equity through Pro-Poor Growth’ (PEMCE), undertook a comprehensive regional diagnostic across the twenty-three municipalities of León and Chinandega. Through this process they identified different areas of production, such as shrimp, sesame seed and peanut production, and mapped their relative strengths, weaknesses, opportunities, threats and so on. During an interview with an individual involved in this study, a very interesting discussion arose over two key areas of production and their potential inclusion within the MCA’s RBDP:

“The logic behind the MCA is to create a lot of employment and although there is a really good market for peanuts, not many people are actually employed in producing this product. Sesame seed is also a good product but it involves more than seven thousand producers, including small businesses, whereas the peanut industry only involves about 200... However, the MCA is likely to go for the peanuts, because the market is increasing and they want assurances that the product will be viable and work. But sesame seed production will involve more areas, more people, and will ultimately improve the lives of more people” (research interview with Nelda Sánchez\textsuperscript{231}).

This sentiment was reflected during another interview with an individual from León, in which it was stated that under DR-CAFTA peanut production would have an advantage in exporting to the US, with the ‘big producers’ making large profits through an industry that is very mechanised and requires little in the way of manual labour. Fortunately it appears, from the information currently available, that project efforts are being focussed on areas of production that require large amounts of manual labour and, therefore, promote employment. For example, in the MCC’s status report on Nicaragua produced in October 2007, it was stated that roughly 980 bean, cassava and sesame producers had received technical assistance in ‘marketing their products’, with support in the way of ‘technical and market access’ also

\textsuperscript{230} Rigoberto Sampson, Dean of the National Autonomous University of Nicaragua (UNAN) and Civil Observer in MCA-Nicaragua - Interview held in the city of León on the 21\textsuperscript{st} June 2006.

\textsuperscript{231} Nelda Sánchez, consultant for DFID in Nicaragua - Interview held in Managua on the 3\textsuperscript{rd} April 2006.
granted to cattle producers. The emphasis placed on these specific areas, as opposed to the highly mechanised industries of shrimp and peanut production, is clearly positive. However, that being said, there are a number of potential threats that must be highlighted in considering the future prospects of this project component.

7.8.2 Representation and the Departmental Development Councils

As discussed in chapter 6, the Departmental Development Councils (DDCs), which play a very important role in Nicaragua’s MCA, are key actors within the region’s development process. However, being relatively new entities, they are not without problems. In terms of the specific topic under discussion here, concerns were raised during the course of the research over the representation of the private sector within these councils, which according to some has been limited to participation of the ‘local big businessmen’. Arguably, due to the location of these DDCs, which are based in the cities of León and Chinandega, many small-medium producers and farmers operating in rural areas, particularly in the remote northern municipalities of these departments, are unable to participate directly in these bodies. Instead, their participation is often limited to representation by the municipal Mayor which, as discussed in the next chapter (see section 8.9), may have its drawbacks. As a result of this situation, there is a potential for bias within these entities, in which favour may be given towards the interests of big businesses participating within the councils.

Additionally, one cannot overlook the critical issue of gender when examining programme inclusivity and the participation of the private sector in the programme. In a country that continues to be dominated by strong currents of ‘machismo’, women face unprecedented challenges to their inclusion within local, regional and national development processes. Although the DDCs are discussed in much greater detail in the next chapter, it is important to mention within the context presented here that, as one respondent stressed to me in discussing CODECHI, “women had to claim this space” (research interview with Maria Castillo232), suggesting that the DDCs were not immediately open to them. In terms of the MCA more specifically, there was a strong process of mobilisation and organisation among women in the departments of León and Chinandega, in which they created a proposal entitled ‘Propuesta de las mujeres del occidente: Para su inclusión y participación en el programa

232 María Castillo, Co-ordinator for the Movement for Women in Chinandega - Interview held in the city of Chinandega on 25th July 2006.
Cuenta Reto del Milenio’ (Proposal from the women of the occident: For their inclusion and participation in the Millennium Challenge Account)\textsuperscript{233}. In this document, a strong argument was made for the inclusion of women within the MCA programme, highlighting the important roles women play in the economy, both as producers and as service providers.

To date, these efforts appear to have been met by some success. For example, there is now a ‘gender specialist’ employed in MCA-Nicaragua, who has implemented a ‘gender strategy’ which, among other things, recognises the role of women as economic agents in the region’s development process\textsuperscript{234}. As the following extract explains, this gender perspective is extremely important:

"The historical invisibility of women and their exclusion from decision-making makes it indispensable that all plans, programmes and projects have a gender perspective. This perspective must aim to equalize the conditions in which they participate, and to eliminate the power inequities between men and women at all levels of society" (Civil Coordinator for Emergency and Reconstruction 1999: 56).

Nevertheless, despite these positive steps forward, one cannot ignore the cultural reality in which this initiative is being enacted. Nicaraguan society continues to be defined through the lens of machismo and this tradition is difficult to break. As was explained during an interview, “men fear us because they are used to having control over all the spaces of decision-making... it is not easy for women to be involved in those spaces” (research interview with María Castillo). Ultimately, the success of the RBDP in combating poverty will depend, to a large degree, on the sustained inclusion of women within the project, not only as economic agents, but also as integral actors within the MCA itself. However, as the next section demonstrates, access to credit is one factor that could potentially undermine the inclusion of both small businesses and women within this project component.

\textsuperscript{233} This document is available to download at www.cuentadelmilenio.org.ni.

\textsuperscript{234} According to Lucas, “the focus on gender equity in the projects has already yielded results - a concerted effort to identify female producers as beneficiaries, training of all MCAN [MCA-Nicaragua] staff on gender sensitivity, and equal participation by men and women in a recent producers' training trip to Honduras” (2007c: 8).
7.8.3 The RBDP and access to credit

The focus of the RBDP is not to provide credit to farmers and business men/women within the region, but it is targeted at the promotion of ‘intelligent marketing’, i.e. it is about how individuals within the region can market their goods, whether locally, nationally or internationally. This project therefore operates under the understanding that individuals should be steered towards existing means of finance. As a result, whilst the RBDP does include ‘facilitating’ access to credit and assisting farmers/producers in the search for additional finance, it does not do this itself. Despite this fact, however, there was according to one interview respondent a widespread belief that it would involve the distribution of credit:

“People think that they [MCA-Nicaragua] are going to give us funds to plant beans and to export them. And then they told us no. Instead we will have an office that is going to... if you have an idea that you want to plant beans they are going to tell you: ‘ok, this is the type of beans and this is the period when you are supposed to plant the beans and we are going to help you to market it’. But, you have to get the funds to buy the beans from somebody else. So, people out there have the wrong idea about what the Millennium Challenge Account is supposed to do” (research interview with Alberto Avilés235).

Misunderstandings such as these lead to ambiguity over exactly who it is that the RBDP is targeted at helping and also the efficiency and effectiveness with which information regarding the MCA is being made available to people in León and Chinandega. Furthermore, as explained below, access to credit in Nicaragua can be highly problematic and these difficulties are rooted in Nicaraguan history.

7.8.4 Accessing finance: Understanding the historical context

Following the Sandinista revolution 1979, the Sandinista National Liberation Front (FSLN) began adopting various reforms and policies aimed at assisting the historically ignored. One of the revolutionary government’s first acts once in power was to nationalise the country’s banking system, promoting the development of community banking and

235 Alberto Avilés, businessman/Treasurer of CODECHI/ex-Minister of Governance for Chinandega - Interview held in the city of Chinandega on 27th July 2006.
emphasising the availability of low-cost credit to the country’s poor majority. With the onset of the 1990s, however, things were to change dramatically, as a pro-US government was elected in Nicaragua and strict economic reforms were adopted by the ruling party, based upon the prescribed neoliberal SAPs of the IFIs. As one interviewee commented, this political transition coincided with the installation of private banks within the country, in which access to finance shifted in favour of the big producers (research interview with Nicolasa Laguna236). As discussed more generally in chapter 4, the policies adopted by the Chamorro administration tended to favour large businesses, strengthening the positions of monopolies, oligopolies and the business elite close to the government (Arana 1997: 84). Subsequently, although private banking in Nicaragua has grown considerably since the 1990s, small agricultural producers have benefited little from this expansion (see Rocha 1998) and the truth of this is still very much evident in León and Chinandega today:

"The other element is to do with the financing of the productive sector. There is not one cent to finance this sector... it is focussed on intelligent marketing. I agree with intelligent marketing and agribusiness, but only when the conditions are there. If I can’t produce products, then why the hell would I need intelligent marketing? The Mayor of Jinotega says this is about logic: ‘what came first, the chicken or the egg?’ First you need the pillars and then the roof" (research interview with Juan José Rayo).

In terms of the specific issue of gender, whilst it appears that the access of women in Nicaragua to microfinance has improved considerably in recent years, they continue to have far less access to the formal banking sector than men (Deugd 2002). This reflects the fact that, despite the enormous contribution of women to the national economy in Nicaragua, the perceived value of their work is “greatly discounted, not only by the dominant male population, but also by the formal financial sector in the country” (Skarlatos 2004: 9). In addition to this, one cannot discount, as the following interview illustrates, the impact of unequal land ownership on the ability of many women to access finance:

“One of the main barriers [to women’s involvement in development] is that the majority of the women don’t own the land. The land is always in the hands of men..."

236 Nicolasa Laguna, Vice-Mayoress of Jicaral - Interview held in the town of Jicaral in north León on 14th June 2006.
and those who work on the land are not the owners. When the bankers ask 'who is the boss of the house' and the person says it is a woman, they close the doors, and that is the male chauvinist culture, and this culture is still very visible. We are working on that!” (research interview with Maria Castillo).

The connections between land ownership and the ability of individuals to access credit are considered in greater detail below whilst examining the third component of the MCA programme in Nicaragua. For now, however, it is enough to recognise that the issue of accessibility is one potential impediment and barrier to women’s inclusion within the MCA’s agribusiness development model.

7.8.5 Political transition: The 2006 elections and access to credit

Since the inauguration of Daniel Ortega as Nicaraguan President at the beginning of 2007, there have been some important shifts favouring the small and medium producers within Nicaragua. Most significantly, on October the 14th 2007 the National Assembly voted in favour of creating a Development Bank (Banfopro), which is “expected to benefit over 240,000 small and medium producers who currently have no access to credit” (Nicaragua Network 2007c). The creation of the bank was one of Ortega’s principal electoral promises and a demand of the agricultural/productive sectors for more than a decade. Such demands grew in the wake of DR-CAFTA, which prompted fears that the trade agreement would undermine the competitiveness of Nicaragua’s small and medium agricultural producers and their access to credit. For example in an article written in 2005 examining the imminent ratification of DR-CAFTA in Nicaragua, calls were made for the creation of just such a bank:

“...we’re suggesting the creation of a development bank. If they're telling us to be more competitive and produce better quality products, then we need to install irrigation systems, for example, but to do that we need long-term investment credit, which the private banks don’t offer. So we’re calling on the government, which signed CAFTA and is telling us that we can and must take advantage of it, to support us so we can do just that. All countries with competitive agriculture have development banks” (Cáceres 2005: np).
It is inevitably far too early to make any real judgements as to what impact this new bank could have on León and Chinandega as a region, or whether it will specifically facilitate inclusion within the MCA’s RBDP\textsuperscript{237}. Furthermore, one cannot ignore, as discussed in chapter 4, the contradictions running riot within the Ortega camp. For example, in an article on the new administration it was stated that “the government is sticking to its anti-neoliberal discourse, right alongside compliance with the IMF’s neoliberal policies. It’s confronting the United States while seeking its benevolence.... it’s juggling both ALBA and CAFTA, the prelude to the FTAA” (Nitlapan-Envío team 2007a: np). Consequently, whilst the proposed creation of Banfopro could represent an important step in potentially facilitating the inclusion of small-medium producers in the country’s development, this is happening within an incredibly complex political and economic environment and, therefore, any prediction on impact here would be highly premature.

7.8.6 The RBDP and poverty reductions: Concluding thoughts

Analysis of the RBDP within this chapter was focussed around the fundamental issue of ‘inclusivity’. It began by exploring the involvement of small-medium producers and agribusinesses within the project, which is essential in light of tendency for previous Nicaraguan governments to favour big businesses in the country’s development. Despite initial concerns over this issue, the RBDP does appear, in these early stages at least, to be orientated towards assisting areas of production that are labour intensive and traditionally composed of many small-medium producers. This focus coincides with the ‘pro-poor’ rhetoric of the project component (as found within Nicaragua’s MCA-compact agreement). However, there are, as already discussed, a number of potential impediments and barriers to inclusion within the RBDP, which could create some difficulties for certain groups in León and Chinandega wishing to engage with the programme. These include potential bias within the region’s DDCs, which are argued by some to be dominated by local big businessmen, and inaccessibility to credit. As such, it is important to bear these factors in mind when considering the MCA’s ability to combat widespread poverty within the region.

\textsuperscript{237} Indeed, bearing in mind the difficulties faced by the previous national development bank (BANADES) in Nicaragua, which was dismantled and eventually closed in the 1990s, an air of caution is warranted (see Rocha 1998).
7.9 The Property Regularisation Project (PRP)

The PRP is the smallest component of Nicaragua’s MCA programme, receiving roughly US$26.5 million. However, whereas the Transportation Project and the RBDP include both the departments of Chinandega and León, the PRP is focused predominantly in León. The primary reason for this situation appears to be, according to interviewees and the compact agreement itself, that MCA-Nicaragua is coordinating its efforts with other entities such as the World Bank and Nordic Development Fund, who are already working with the government to improve property registration and update records in the departments of Chinandega, Estelí and Madriz. The MCA project funds are, therefore, being utilized to help integrate León within this process. All of these departments are clustered in the northwest of the country, reflecting the government’s agenda for developing this particular area.

In terms of the motivations behind the PRP, the primary objective is to improve the investment climate of León, where ‘insecure property rights’ and ‘high transaction costs’ in the land and property registration system, are seen as direct impediments to economic growth (MCA-Nicaragua compact 2005). This corresponds with the World Bank’s findings, in which they state that:

"Land tenure insecurity, exacerbated by population pressure, escalates conflict over land use, inhibits land transactions, and discourages investment in farming, industry, housing, and the physical infrastructure necessary to support economic growth"

(World Bank 2004: 397).

As seen with the other two project components, ‘income gains’ (defined as ‘annual increase in property value per manzana and the number of manzanas registered’) resulting from the PRP, will be used to measure success at meeting the overall programme goal of poverty reduction (MCA-Nicaragua compact 2005). The project is composed of a range of activities (outlined in table 6.5 in chapter 6), aimed at facilitating land registration and titling within the region. Bearing in mind the stated intention for the MCA to have a nationwide impact in Nicaragua, the understanding appears to be that, in time, this process, aimed at formalising property rights, will be expanded to the rest of the country.
7.9.1 The PRP and poverty reduction

It was clear whilst undertaking research in the region that the inclusion of this particular component in Nicaragua’s MCA programme was very much a territorial demand. As one interviewee stated, “Land legalisation is an obvious thing. The problem is there. We know it and the government does too... It was necessary to incorporate this component to deal with the problem” (research interview with Juan Delgadillo238). Section 6.8.1 of chapter 6 has already alluded to the sort land ownership problems that exist in Nicaragua and identified the incomplete agrarian reforms in the 1980s, as well as country’s traditional cultural model, as key reasons for the current situation. This chapter is primarily concerned with exploring how the PRP intends to deal with this issue and, more importantly, considers what impact the project is likely to have in terms of combating poverty in the region. To do this, the following discussion focuses on uncovering the likely beneficiaries of the project, with attention once again concentrated on examining the inclusion of small-medium producers and businesses. Some consideration is also given to how access to financial services may change as a result of greater security in land and property ownership. There are many households in Nicaragua that do not possess legal titles to their homes and land, and this not only creates enormous barriers in terms of accessing credit (COHRE 2003: 85), but it also exacerbates inequities in the distribution of land239.

7.9.2 The PRP: Who benefits?

According to Nicaragua’s compact agreement, although the PRP will potentially benefit anyone with a ‘property interest’ over land in León, it should be of particular benefit to the poor, who have historically had “limited ability to resolve land tenure irregularities” (MCA-Nicaragua compact 2005). Arguably, the majority of León’s poor constitute small-medium producers and, therefore, one would expect project funds to be targeted at assisting this particular demographic. However, as the following interview extract exemplifies, concerns were raised during the course of the research over just who the programme’s recipients would be:

238 Juan Delgadillo, Coordinator for Municipal Operations - Interview held in the town of Jicaral in north León on 14th June 2006.
239 According to a report produced by the World Bank in 2002, “The spectre of land re-concentration and the reversion to the previous, less-equitable land distribution, will remain strong until land claims affecting insecure small farmers or indigenous communities can be legally validated and enforced” (2002b: 6).
Chapter 7: The Millennium Challenge Account and Poverty Reduction

“Our concern is that the legalisation of property is not directed at those who really need it. For example, if the rich people are also benefited, this is something that they could do on their own. However, I am interested in the legalisation or the organising of property for the medium and small producers, who can barely do it themselves. If that happens there will be better harmony. So what concerns us is the how” (research interview with Juan José Rayo).

Although it is too early to make any meaningful judgements on the extent to which this has or will be the case, the fact that the PRP is not directed at dealing with the controversial political issue of land disputes resulting from the events of the 1980s and early 1990s, may restrict its engagement with the poor. Indeed, as stated in chapter 6, about 30% of the property in León will not be touched by the MCA funds due to ‘political problems’240. Nevertheless, one could perceive, in light of the Sandinistas’ controversial agrarian reform programme of the 1980s, that many of those currently living in these disputed areas are impoverished. Therefore, the exclusion of these families and individuals from the PRP will inevitably restrict the impact of the project on relative poverty levels. Despite such limitations, however, the scope of the project is still substantial, with 70% of rural properties and 50% of urban properties anticipated to have more secure and registered titles as a result of the programme.

7.9.3 Women and the PRP

In addition to the complex political dimension highlighted above, one cannot ignore the issue of gender when looking at the PRP and its potential impact. As already stated, despite significant gains made by women in the country, Nicaraguan society continues to be dominated by men. Consequently, it is incredibly important that safeguards are in place to ensure that the land/property titling process does not actually exacerbate such inequalities. However, as the following extract illustrates, this is no easy task in Nicaragua:

240 The so-called ‘piñata’, referred to by some as the greatest scandal ever to stain Sandinismo (see Zamora 1996), is particularly important in this regard. As stated in chapter 6, it refers to the highly controversial process by which the outgoing Sandinista government distributed confiscated and expropriated urban and rural properties, including; homes, agricultural plots and businesses, to supporters (including many small farmers) and government officials (see Larson 1993). In fact, in an infamous act commonly referred to as Daniel Ortega’s ‘personal Piñata’, the Central Bank of Nicaragua paid $24 million to Ortega and his close associates during the FSLN’s final weeks in office (Christian 1991). Arguably, many of the political problems today with land ownership, titling and distribution were exacerbated by the ‘Piñata’ process; a reality made worse by the recent election of Ortega who, as one might expect, is a hugely polarising figure.
"From 1993 Nicaragua instituted joint titling of land to wife and husband. Sensitivity training was directed at high-level officials and at technicians involved in the land legalization process. Meetings were held with regional leaders and the local population. Radio and television spots and brochures written in clear language and in graphic format were developed to support training efforts. Despite sensitivity training, the titling programme ran into difficulties in its attempts to legalize women’s rights to land. In 1997, an evaluation found that most titles issued were granted to individuals (64 percent), and that joint titling to family members (for example, father and son, two brothers) represented 25 percent of total titling. Joint titling for couples only reached 7.8 percent of the total number of titles issued” (World Bank 2004: 399).

It is expected that roughly 40% of the project beneficiaries will be women who either jointly or independently have land rights. In addition, it states that MCC funding will be used to support the final development and implementation of a ‘draft gender strategy’ by PRODEP241, aimed at improving awareness around women’s rights in the regularisation process (MCA-Nicaragua compact 2005). Ensuring the inclusion of women in this project will be incredibly important in determining the success of this particular component, as well as having broader ramifications for the MCA-programme as a whole. For example, it is widely expected that improving property/land security will increase the availability of credit for individuals in León, which could potentially enable a greater number of women to obtain loans from formal credit markets. As discussed with regard to the previous component, the accessibility of women to finance from the formal sector is problematic in Nicaragua and this is one way in which the situation could be improved. That being said, there are other factors that may limit the impact of this project on credit availability.

7.9.4 An issue of limited credit availability

According to the Foundation for Sustainable Development (FSD), there were only six banks operating in Nicaragua at the end of 2002, compared to a Central American regional

241"PRODEP, constituted by decree as a technical secretariat of the Ministry of Finance and Public Credit, was developed, and is supported, by the World Bank. PRODEP is responsible for, among other things, implementing donor programs to modernize Nicaragua’s land registry and cadastral systems and to regularize land rights” (MCA-Nicaragua compact 2005).
average of one-hundred and seven per country, and this has important ramifications when it comes to financial lending:

"The total assets of these Nicaraguan banks (in millions of US dollars) were $2,009 compared to a Central American average of $30,133. Having 15 times less banking resources than its Central American counter-parts means that the Nicaragua struggles to provide enough lending opportunities for its citizens" (FSD website).

Whilst this situation remains, the impact of projects such as this on the accessibility of small-medium producers to credit will be limited. Besides, it is likely that in a highly competitive market banks will tend to favour large industries and agribusiness over their smaller counterparts, where the risk of investment may be higher. In a cyclical fashion this has, according to the World Bank, important consequences when it comes to the formalisation of property rights: “When... markets (such as credit) are characterised by distortions that disadvantage small farmers, formalised individual property rights can lead to land transfers that cause greater inequity” (2004: 398). The danger of this happening was emphasised whilst talking to several respondents in Nicaragua, in which it was argued that, without sufficient access to finance, small farmers and businesses would have to sell their land to investors looking to take advantage of the new roads and improved accessibility to the regional ports. In summary, therefore, one cannot ignore the fact that starvation of credit has been one of the factors underlying a process of land re-concentration across Nicaragua since the mid-1990s and whilst improving the security of land ownership and titling for small-medium farmers/producers should help improve this situation, access to financial assistance will not be determined by this factor alone.

7.9.5 The PRP: Concluding thoughts

Analysis of this final component focussed primarily on examining the potential beneficiaries of the PRP. Overall, it is clear that the vast majority of those individuals interviewed were in favour of this project component and believed that it would be of benefit to their lives. However, several interview respondents raised concerns that the programme would not be directed at those who really need it, i.e. those families and individuals who cannot afford to pay for the process themselves. The exclusion of roughly 30% of the properties in León from the PRP due to the political nature of the disputes, adds weight to
these concerns. At the same time, however, one can appreciate, in light of Nicaragua’s history, the great difficulties and dangers that would be accompany any attempt to solve this issue with funds derived from the US government\textsuperscript{242}. In addition, this section looked at the inclusion of women within the project and it is clear from the information found within the compact agreement and the interviews conducted that some steps have been taken to facilitate women’s involvement in the fund. The final issue examined was to do with the relationship between property regularisation and access to credit. This discussion identified limitations in Nicaragua’s banking sector as a likely constraint to the potential benefits resulting from the project in terms of the accessibility of small-medium producers to finance and this could have a knock-on effect when it comes to reducing poverty in the region.

7.10 Nicaragua’s MCA programme: Will it combat regional poverty?

The above analysis of Nicaragua’s MCA involved examining each of the components individually and weighing up their potential for promoting regional poverty reduction, based upon the assumption that this can best be done through inclusivity and equitability. Whilst there are positive elements to each the three programmes, concerns have been raised over a number of issues that could limit the initiative’s impact. More broadly, this chapter has critically analysed the narrowly defined model of development being promoted through the programme. Although the MCA is frequently represented by the US as representing a new and fresh approach to development, it ultimately fails to depart from the long standing belief that economic growth alone can lead to sustained poverty reduction. Consequently, in drawing this discussion together, the chapter considers the fundamental question of whether a project devoted purely to creating ‘economic growth’ can, in fact, successfully address and combat the complexities of impoverishment in Nicaragua.

\textsuperscript{242} In the aftermath of the ‘Pitata’ process, claims were also made by US citizens, via the US government, over land and property rights in Nicaragua (see The Carter Center 1995: 9). Interestingly, however, “only 31\% of the properties being claimed in Nicaragua by U.S. citizens were actually owned by U.S. citizens at the time of expropriation; the remainder were owned by Nicaraguans who subsequently became naturalized citizens” (see Kaufmann and Zimmerman 1997). It is reported that, in a list of US citizens with property claims drawn up by ‘Republican staff of the US Senate’, there were at least twenty-one ‘high-ranking officers of the Somoza National Guard’ (see COHIRE 2003: 41). Consequently, the use of MCA funds to deal with political property disputes such as these would have been highly controversial.
7.10.1 Economic growth: The key to poverty reduction?

In a paper written by the CCER in response to the devastating impact of Hurricane Mitch in 1998, it was argued that the ‘transformation’ and ‘reconstruction’ of Nicaragua had to be based upon ‘sustainable human development’, entailing the “transformation of unequal power relations at all levels, indispensable for overcoming the social and economic vulnerability of the population, the sustainable management of natural resources and a high degree of citizen participation in the decisions that affect their lives” (1999: 54). Although presented in direct response to Hurricane Mitch, this push for a more holistic and equitable approach to the country’s development preceded the catastrophic event and was rooted in a longstanding discontentment over the exclusionary and polarising neoliberal economic model of development adopted by the country’s ruling parties following the 1980s. Within this context, Hurricane Mitch came to represent an opportunity for transforming not only the ‘material conditions’ under which large parts of the population were living, but also the framework through which such conditions were produced and reproduced (Bradshaw and Linneker 2003: 2). However, as the emphasis of national policy shifted in 1999 from the ‘reconstruction’ of Nicaragua to focussing on ‘poverty reduction’ via the implementation of the PRSP, it became clear that, despite such ambitions, official policy outlook in Nicaragua remained committed to following the lead of the IFIs.

Although in the 1990s the World Bank shifted its rhetoric in favour of promoting a more ‘consensual’ model of development (based on concepts such as ‘country-ownership’ as previously discussed), it continued to provide ‘guidance’ to low-income countries in drawing up their PRSPs. Although not imposed by the World Bank as prescriptive policy, its ‘Poverty Reduction Strategy Sourcebook’ produced in 2002 clearly emphasised the centrality given by the IFIs to economic growth in combating poverty:

“Economic growth... remains the single most important factor influencing poverty, and macroeconomic stability is essential for high and sustainable rates of growth” (2002c: 4).

“In countries that are preparing a PRSP, economic growth is more important than redistribution for improving well-being and reducing poverty” (2002c: 95).
Not surprisingly, therefore, in creating its PRSP the Nicaraguan government adopted a somewhat narrow economic conceptualisation of poverty and this interpretation was heavily contested at the regional level, as illustrated earlier with regard to the PRSP cited in León, and at a national level by the CCER.

In 2001 the CCER produced the results of its own poverty consultation process entitled ‘La Nicaragua que Queremos’ (‘The Nicaragua that we want’), in which they provided a much broader conceptualisation of poverty, based on a range of economic, political, social and ideological criteria. They identified a wide variety of issues as being responsible for impoverishment in Nicaragua, including: the distribution of economic and political power, the prioritisation of exports over the development of the internal market, an over-dependency on external resources, the exploitation of natural resources, the SAPs of the IFIs, inequality (relating to issues of gender, age, ethnicity, race and class), the constant violation of human rights, high levels of corruption, poor levels of education, and the absence of effective mechanisms for citizen participation. Consequently, in contrast to simply viewing poverty as an outcome of insufficient economic growth in Nicaragua, it located a combination of diverse factors as being responsible for the high levels of impoverishment within the country. This, in turn, would necessitate a comprehensive and multidimensional strategy for poverty reduction, aimed at improving the economic, social and political context required for sustainable development to take place.

7.10.2 The MCA: Making new ground?

In light of the two very different visions of poverty reduction set out above, it is useful now to consider where the country’s MCA programme may fit within this dual vision of development. As discussed in chapter 3 (section 3.7.1), the MCC adopts an incentivised approach to development, where financial rewards are provided to certain countries in return for pursuing ‘sound policies’. Eligible countries must in most cases score above the median on more than half of the seventeen indicators, as well as pass the corruption test, in order to be considered by the MCC board of directors. As stated previously, these indicators fall within the three broad categories of ‘Ruling Justly’, ‘Investing in People’ and ‘Encouraging Economic Freedom’. One could, therefore, broadly argue that the MCC does, through its incentive strategy, promote economic, social and political ‘progress’, creating what some consider as the sound policy environments needed in order to ensure that foreign aid is most
effective at combating poverty\textsuperscript{243}. This approach clearly falls within the realm of the PWC framework, of which the pursuit of 'good governance' is a fundamental tenet. However, if we look beyond this pre-emptive development strategy and examine the nature of the MCA programmes themselves, we can see that the initiative is unashamedly 'economic' in its orientation.

Within the context set out above, the primacy traditionally given to economic growth by the IFIs and international donors based in the US is far from being a thing of the past, despite rhetoric to the contrary. What is more, one could argue that these 'sound policy environments' have largely been defined through the lens of the neoliberal economic policy model (Santiso 2001: 14), adding weight to Jayasuriya’s suggestion that the PWC should more properly be viewed as an attempt to re-embed the structural adjustment policies of the WC (2001: 1). As illustrated in this chapter, Nicaragua’s MCA has clear connections to DR-CAFTA and the PPP, which are seen by many as epitomising neoliberal ideology. Therefore, whilst on the surface the MCA appears to represent a ‘fresh’ approach to combating poverty, underneath it fails to depart from a discourse that prioritises economic growth and free-trade above and beyond anything else. In analysing Nicaragua’s MCA, we must therefore consider the extent to which a purely economic programme such as this can really provide the solution to widespread impoverishment not only in the region of León-Chinandega but throughout the country as a whole.

\textbf{7.10.3 Poverty: More than just economics?}

As suggested above, the way in which we conceptualise poverty very much defines our interpretation of how it can best be combated. In terms of this particular research, therefore, responses to the question of whether the MCA programme will reduce poverty in the region were inevitably varied. However, generally speaking the answers given to this question by interview respondents fell into two broad categories and these are explored here. With regard to the first of these, several of those interviewed believed the initiative would have a positive impact, but only as long as it adheres to its ‘pro-poor’ rhetoric:

\textsuperscript{243} As indicated already in this thesis, there are numerous debates around the issue of promoting sound policy environments (for example see Santiso 2001).
"If the fund is applied in the way that reaches the poor it will be of benefit. However, there is uncertainty as to whether these funds will directly address poverty and improve production, or whether this is something only 'discussed' at a consultative level. There is a lot of doubt in the population. The people are afraid that these funds will not reach the poor, but will remain at a consultative level. So if the investment is about people I think there will be a level of impact where the poverty will be reduced. But, if it does not happen in this way we will remain in the same situation as always... with few resources" (interview with Nubia Luna).

The presence of doubt over the programme’s pro-poor agenda came to be expressed through a play on words, in which individuals in Nicaragua, and especially in León and Chinandega, referred to the fund as the ‘Cuento del milenio’ – meaning ‘fairytale’. As one interviewee discussed, “when the gringos first came with the MCA, the Nicas were calling it the ‘fairytale of the millennium’ because it was very clear that the principal interest is DR-CAFTA or free trade” (interview with Pablo Zuñiga).

As mentioned previously, there are deep reservations over the free-trade agreement in Central America and its potential negative impact on small-medium producers in the region. The following interview extract highlights the essence of these concerns in Nicaragua:

“We have a musical theatrical group in this zone and they have a performance called ‘The untied tiger against the tied donkey’. In this play you see the big North American producers with their subsidies, and the means of production, using all their resources against the skinny Nicaraguan producer” (research interview with Trinidad García).

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244 Nubia Luna, INGES and ex-Mayoress of El Sauce - Interview held in the town of El Sauce in north León on 10th June 2006.

245 In contrast, other respondents gave different reasons for why the MCA was being referred to as a ‘fairytale’; one of which included people not believing that the programme will reduce poverty (research interview with Santos Méndez, Civil Observer in MCA-Nicaragua, held in the city of Chinandega on 24th July 2006). In section 8.6 of the following chapter, another respondent suggests that this title results from the MCA being seen as a political tool in the run-up to the 2006 national elections.

246 Pablo Zuñiga, Assistant President of the Association of Municipalities from north Chinandega (AMUNORCHI) - Interview held in Somotillo on 18th of July 2006.

247 Trinidad García, Executive Director of the Association of Municipalities from north Chinandega (AMUNORCHI) - Interview held in Somotillo on 18th of July 2006.
Therefore, in order for the region’s population to participate effectively within the framework of DR-CAFTA and reap the benefits produced, it is essential that the country’s MCA programme target those individuals/businesses that are most vulnerable to the negative effects of free-trade. The analysis provided previously in this chapter, examining each of the project components in Nicaragua, gave an indication as to the extent of programme inclusivity and, whilst there were some positive elements, concerns were raised over the initiative’s orientation. In summary, therefore, the MCA will, according to this first perspective, successfully combat poverty, but only so long as it is truly committed to helping the region’s poor.

The second category of response is closely aligned to the CCER’s multidimensional interpretation of poverty outlined earlier. In the context of the MCA’s narrow economic focus, many interviewees failed to see how a programme focussed predominantly on road infrastructure could answer the social, political and ideological aspects of impoverishment:

“To reduce poverty there must be less child mortality and for that we have to improve the sanitation and hygiene of the cities and communities. We also have to improve the environment. So that means that we have to protect water resources to have good quality water. Reducing poverty means that families will have a rise in their income, so that means that the extreme poverty is being measured by the impact on families who may have $2 a day. If we could generate greater job opportunities for the poor, if we could increase the gross internal product of the municipalities, if we could keep the children in the school we would be meeting the objectives of the MCA. If the funds were directed to solve these problems I would say yes: I would say that the funds are targeted at the reduction poverty. But then I start to think, just the road component is taking $92 million from the total $175 million. So that means that one component is using a third or almost fifty percent of the funds... So I mean one of the objectives is to reduce the poverty, but the reality is that we are not really targeting the ‘reduction of poverty’” (research interview with Justino Fonseca248).

“I don’t think that with $175 million, and with a large proportion of this being focussed on infrastructure and property, the MCA will solve the poverty problem. I

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248 Justino Fonseca, Director of Social Work in Malpaisillo City Hall - Interview held in the town of Malpaisillo in the department of León on 13th June 2006.
think there are other important sectors to fight if we are to deal with poverty, you need to improve education and access to health and this is not part of the MCA. So the MCA has focussed more on infrastructure and productive sectors, which are really important, but not enough for the eradication of poverty here in the region” (research interview with Ernesto Medina249).

Whilst the document produced by the CCER in 2001 entitled ‘The Nicaragua that we want’ does propose improving ‘infrastructure’, ‘legalising land titles’ and promoting ‘rural agribusiness’ as part of its ‘economic’ strategy for the development and reduction of poverty in Nicaragua, these components only represent a very small fraction of a proposal aimed at combating not only the economic, but also the social and political dimensions of poverty. Consequently, although the MCA will probably leave strong regional infrastructure, and this will be very important in shaping León and Chinandega’s future development, it is difficult to see how the programme will, on its own, address the conditions through which poverty is produced and reproduced in Nicaragua. As one interviewee highlighted, “to get rid of poverty we need more than that because Nicaragua is not only León and Chinandega” (research interview with Maria Castillo).

Conclusions

This chapter began by locating the MCA within development discourse, placing particular emphasis on unpicking the relationship between the MCA and the World Bank’s PRSPs. As discussed above, the MCA’s driving philosophy is, to a large extent, founded upon the IFI’s re-conceptualisation of ‘development’ towards the end of the 1990’s (illustrated clearly in the ‘Assessing Aid’ report alluded to previously). This ‘transition’, which was represented by the emergence of a ‘new’ consensus, corresponded with the apparent repositioning of ‘poverty’ as the central goal of development assistance, in which it was no longer identified as a simple consequence of economic growth (an assumption underlying the unsuccessful SAPs). Despite this rhetorical shift, however, the PRSPs, which gave practical expression to the PWC, failed in many cases to depart from a trend prioritising economic growth in development policy. Unsurprisingly, therefore, the MCC, through its core objective of reducing poverty through economic growth, clearly adheres to a doctrine in

249 Ernesto Medina, Ex-Rector of the National Autonomous University of Nicaragua (UNAN) - Interview held in the city of León on 5th July 2006.
development that, despite statements to the contrary, is still very much evident in the policies and actions of official donors.

After contextualising development discourse and practice, attention was turned to examining how poverty is conceptualised. A specific case study from Nicaragua was used to demonstrate how ‘knowledge’ on poverty can be resisted and contested in a way that empowers local citizens to challenge exclusionary practice. This was followed by a close examination of each of Nicaragua’s MCA project components, beginning with the Transportation Project. In doing this, particular emphasis was placed on the associated issues of ‘inclusivity’ and ‘equitability’, which are argued in this thesis to be essential in ensuring sustainable poverty reduction. Although there are clearly positive elements in each of the three projects, there are a variety of factors that could possibly limit the effectiveness of the programme at combating poverty within the departments of León and Chinandega. To a large degree, one could argue that many of these problems are related to the economic model of development being promoted in this initiative, which prioritises areas of economic ‘potential’. This has implications beyond the region as a whole when we consider the MCC’s expectation of achieving nation-wide impact through Nicaragua’s MCA.

Finally, this chapter examined the relationship between economic growth and poverty reduction, and revisited the way in which poverty is defined and by whom. During the research process, some respondents raised doubts over the extent to which a project such as this can answer the complex multidimensional characteristics of ‘poverty’. In light of these comments, it is important to recognise the connections that exist between Nicaragua’s MCA, DR-CAFTA and the PPP. As discussed above, the MCA will clearly contribute to Nicaragua’s insertion into a regional free-trade area and also directly assist in the construction the highly controversial PPP, thereby facilitating the institutionalisation of ‘transnational liberalism’ within the isthmus. Indeed, a similar process appears to be occurring in the other two Central American countries, Honduras and El Salvador, selected to take part in the MCA (see section 7.7.2). As a result, it is clear that the model of economic development being pursued by the initiative is conducive to that of the highly contested mega-projects indicated above and this raises fundamental questions over the credentials of the MCA in terms of combating poverty. The following chapter develops this analysis further by looking at Nicaragua’s MCA in relation to the issue of ‘democracy’ and draws upon Robinson’s conceptualisation of ‘polyarchy’ which, as stated in chapter 3, is part and parcel
of the hegemonic project being promoted across the Americas. Furthermore, it examines the spaces and places of participation in Nicaragua’s MCA, revisiting the important issue of ‘country ownership’, the emergence of which was synonymous with the shift towards the PWC250.

250 It is important to restate here that, although analysed in two different chapters, the themes of ‘poverty reduction’ and ‘democracy’ are not unrelated and, therefore, frequent links will be made back to this chapter when and where appropriate.
Chapter 8: The Millennium Challenge Account and Democracy

Chapter 7 examined the relationship between the Millennium Challenge Account (MCA) and poverty reduction in Nicaragua, locating the project within the broader context of recent transitions in official development discourse. The following discussion should be seen as an extension of this analysis, in which attention is now turned to the specific issue of ‘democracy’, a contested concept that has significantly influenced the United States’ (US’) foreign policy towards Central America since the 1980s. In undertaking this task, the chapter is divided into two main sections. The first sets the theoretical and historical framework for the discussion, revisiting democracy’s multifaceted qualities, as well as its elevation to a centre-piece in contemporary development policy and practice. The MCA is situated within this context, with a particular focus placed on examining the connections between Robinson’s conceptualisation of ‘polyarchy’ (as examined in chapters 3 and 4) and the initiative’s agenda for promoting ‘sound policy environments’. This is then followed by a close examination of the relationship between the MCA and democracy, in which there seems to have been, until recently, a sense of reluctance on the part of the Millennium Challenge Corporation (MCC) towards drawing direct connections between the two.

The second part of the chapter shifts the focus of analysis towards the specifics of Nicaragua’s MCA, beginning with a retrospective look at the highly politicised environment in which the programme was defined and implemented in the run-up to the 2006 national elections. This is very important, bearing in mind the historical significance of such elections in defining the nature of the country’s relationship with the US and it has direct implications for ‘operationalising polyarchy’. Attention is then turned towards understanding the established system for citizen participation in Nicaragua, through which engagement in the MCA has been facilitated. In doing this, specific attention is given to understanding the role of the Departmental Development Councils (DDCs) in the MCA. The chapter concludes by examining the recent efforts of the new administration to ‘reform’ the country’s system for participation and considers what Daniel Ortega’s project for implementing ‘direct democracy’ in Nicaragua may tell us about both the country’s future and the future of the MCA.
8.1 Revisiting ‘democracy’

In beginning this discussion, it is useful to briefly revisit the analysis of ‘democracy’ presented in chapter 4, which looked at how the concept was promoted, defined, repackaged and contested, both from within Nicaragua and from without. More specifically, chapter 4 tracked Nicaragua’s democratic transition from the infamous Somoza dynasty, which represented roughly forty-three years of dictatorial rule and oppression, to the eventual consolidation of ‘electoral democracy’ in the early 1990s. Significant attention was placed on exploring the role of the US during these different epochs, with the 1980s identified as representing a key turning point in US foreign policy towards not only Nicaragua, but Latin America as a whole. In an effort to understand why, after years of bolstering undemocratic and oppressive regimes within the region, the US shifted its position to actively promoting ‘democracy’, Robinson applies the concept of ‘polyarchy’. He draws upon a neo-Gramscian perspective to locate the turnabout in foreign policy within the context of a shift in the way that dominating power is exercised by the US. With regard to Nicaragua more specifically, he identifies the 1979 Sandinista revolution as a key moment in this metamorphosis, pre-empting the transition to a new package of ‘strategies, modalities and instruments’ for political intervention, propagated under the broad banner of ‘democracy promotion’ (Robinson 2007: 32, 33).

To some, the holding of formal and internationally recognised elections in 1990 represented a key moment in the consolidation of ‘democracy’ in Nicaragua. For others however, it symbolised the establishment of a system of rule that was at odds with the very essence of democracy. Indeed, as mentioned previously, it was rather ironic that throughout much of Latin and Central America the process that is commonly referred to as ‘democratisation’ has been accompanied by growing inequality. In Nicaragua, the elections saw the inauguration of a government that was not only heavily supported by the US, but also strongly committed to the principles of neoliberal discourse. Consequently, Robinson suggests that the US’ agenda for promoting democracy has been used to legitimise those states adopting such reforms, endorsing a model of development that is perceived by many to

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251 The conceptual ambiguity regarding ‘democracy’ has already discussed in detail in chapter 4 and this discussion builds upon the understanding of the concept established there. That being said, however, we do return to some of these more fundamental debates surrounding how we define democracy later in this chapter, whilst looking more directly at the MCA.
be disempowering and unsustainable. As stated in chapter 4, this situation is illustrative of the fact that polyarchy and neoliberal discourse are mutually inclusive and, arguably, it is through this complimentary relationship that power has become concentrated in fewer and fewer hands. The following section develops this analysis further by locating democracy within the context of the Post Washington Consensus (PWC) which, as illustrated in chapter 7, represented the ideological staging ground for the MCA.

8.2 The PWC: A theoretical framework for democracy?

It has been argued within this thesis that the promotion of ‘democracy’ by the US in Nicaragua, and in Latin America more generally, towards the end of the Cold War, went hand in hand with the propagation of neoliberal discourse and vice versa. This intertwining of democracy and neoliberalism led to the active proliferation of ‘free-market democracies’, through which democracy and neoliberalism have come to represent two sides of the same coin. This conceptual amalgamation is a product of what was argued in chapter 3 to be the hegemonic ideology of this epoch, ‘transnational liberalism’, in which the “expansion and extension of capitalist markets across the globe” is seen as the key to universal progress (Ó Tuathail and Dalby 1998: 19). Although, as previously stated, one can debate the extent to which the US remains a ‘hegemon’ itself, it is clear that it remains a very important actor and sponsor of this capitalist project. In terms of the PWC, there is growing evidence contesting the notion that neoliberal ideology was somehow discarded or replaced alongside the unsuccessful SAPs. Indeed, whilst the way in which neoliberalism is expressed in practice has clearly changed, as witnessed by the repackaging of the phenomenon’s defining feature conditionality, its fundamental tenets still appear to be at the heart of the development policies promoted by the IFIs. The emergence of ‘good governance’ within official policy rhetoric which, as discussed in chapter 2, paved the way for a new package of conditionalities aimed at institutional and political reform, is a defining feature of the ‘new’ consensus on development and is discussed in greater detail below.

As Demmers et al comment, the discourse of good governance emerged at a time when the promotion of ‘democracy’ had moved to the forefront of the “dominant international development agenda” (2004: 7). This transition to promoting ‘democracy’ was triggered by the dramatic shift in US foreign policy during the mid-1980s. As referred to
previously, the form of ‘democracy’ promoted by the US and the IFIs has tended to be somewhat restricted, based on a conceptualisation of democracy that reduces the phenomenon to the political arena - separate from the social and economic. As a result of this conceptual detachment, aid targeted at ‘democracy’ building has often failed to recognise or address the concept’s social or economic dimensions, ignoring the underlying issue of power and the ‘intricacies of politics’ (Santiso 2001b: 14). Consequently, it overlooks the realities faced by many countries in the South, where the manipulation and monopolisation of power by governing elites has been a frequent source of oppression and deprivation. Moreover, whilst crudely separating the economic/social from the political sphere in the promotion of ‘democracy’, proponents of this approach have not hesitated in connecting the two areas by claiming an “affinity between democracy and free market capitalism” (Robinson 1996: 54). As Foley comments, “there is an implicit and often explicit theoretical linkage between capitalism and democracy, which implies that democracy must be accompanied by capitalism” (2007: 12). It is this understanding of democracy that has come to be defined as ‘polyarchy’: a process through which a “small group actually rules, and mass participation in decision making is confined to choosing leaders in elections that are carefully managed by competing elites” (Robinson 2000: 43).

8.2.1 Good governance: The hallmark of the ‘new’ consensus

It should come as no surprise, bearing in mind the above context in which the good governance agenda arose, that the IFIs have typically confined themselves to the economic aspects of the concept. Consequently, as Santiso comments, “the approaches used to strengthen good governance in developing countries remain strikingly similar to those used to promote economic reform”, with conditionalities placed on recipients in terms of accessing aid being “extended from the economic realm to the political arena” (2001a: 3). Although, as stated in chapter 2, ‘good governance’ and ‘democracy’ are not the same thing, with the first referring to the way in which power is exercised and the second relating to the legitimacy of government, they are clearly related, with neither one being sustainable without the other (ibid: 2). Yet despite the obvious connections between the two, both in conceptual and practical terms, official policymakers continue to focus their attention on areas such as the ‘efficiency of public administration’ and ‘rule of law’, as opposed to questioning fundamental issues such as the legitimacy of government and/or the equitability of the economic system. As a result, organisations like the World Bank fail address the underlying issues of power and
democracy in development\textsuperscript{252}, thereby ignoring the structural problems of ‘underdevelopment’ faced by many countries in the South.

\textbf{8.2.2 Politics matter: Redefining the role of the state}

The transition to promoting good governance as a central component of donor policy was symbolic of the recognition among policymakers that politics do matter in development. This is clearly visible within the general framework of the PWC, where ‘reforming the state’ and ‘strengthening public institutions’ are distinctive goals of the consensus. In contrast to ‘first generation’ economic reforms (such as those administered through the SAPs), which were focussed on, for example, stabilising and liberalising the economy, ‘second generation’ reforms are targeted at embedding the neoliberal agenda through the political sphere. This transition involved a dramatic shift in terms of donor priorities, away from promulgating state contraction, as witnessed with the Washington Consensus (WC), to adopting policies aimed at getting the state ‘onboard’. Arguably, this coincided with what Gill refers to as the ‘politics of new constitutionalism’, which involves “the need to attenuate or incorporate and co-opt democratic forces and potential opposition to globalisation” (2000: 6). Robinson’s work on ‘operationalising polyarchy’ represents a useful framework with which to understand this process, as it explores the different tiers through which the US has pursued its transnational agenda. With this in mind, whilst the governance agenda does appear to depart from the neoliberal economic model enshrined within the WC, it clearly does not abandon neoliberal ideology altogether. As Santiso mentions in discussing the IFIs, “almost all the statements about the policy priorities of the post-Washington consensus include a strong preface clarifying that sound macroeconomic fundamentals are indispensable” (2001a: 16). As explored below in looking at the issue of selectivity (a defining characteristic of the MCA), achieving these ‘sound policy environments’ is not only the objective of aid, but it is now also a frequent precondition for countries wishing to access it.

\textsuperscript{252}It is important to reflect upon how we would want the World Bank to tackle such issues, as any attempt by the World Bank to directly address the ‘legitimacy’ of governments is likely to be met by substantial opposition, especially in the South. Indeed, who is to say that the World Bank’s definition of what may constitute legitimate government is actually the right one? Consequently, whilst it is clear that more needs to be done to address the underlying causes of impoverishment in the South, there is no quick fix or easy solution to the problems of ‘underdevelopment’.

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8.3 Locating the MCA

Whereas the previous chapter located the MCA within the framework of the PWC by focussing on the specific issue of poverty reduction, the aim here is to concentrate on the ‘democratic’ aspects of the new consensus and draw connections to the initiative. In order to do this, the following analysis is divided into two main parts. First the chapter revisits the issue of promoting ‘sound policy environments’, reflecting upon the use of greater selectivity as a mechanism for encouraging conformity among countries in the South. The chapter looks at the debates surrounding the promotion of democracy in the MCA and examines shifts in official rhetoric. Second, we reconsider the central issue of ‘country-ownership’, integrating ideas already raised within this chapter to help deconstruct and critique what is a defining characteristic of the MCA. For both of these discussions, the analysis is framed around the theme of promoting ‘democracy’, integrating the ideas of ‘polyarchy’ and ‘new constitutionalism’ to help ground the analysis.

8.3.1 The MCA: Pursuing ‘sound policy environments’

As argued previously in this thesis, the ‘sound policy environments’ promoted by IFIs and international donors have largely been defined through the lens of the neoliberal economic policy model. It is not surprising, therefore, that the influential ‘Assessing Aid’ report produced by the World Bank in 1998, upon which the MCA was largely founded, advocated for a more selective allocation of aid to the South. This recommendation was based on the belief that aid is more effective when it is invested in environments with sound policies and effective institutions:

“Aid effectiveness largely depends on the institutions and policies of recipient countries. Where economic management is sound, aid leads to higher private investment, more rapid growth, lower infant mortality, and a faster decline in poverty. Where economic management is poor, aid has little effect on development” (Dollar and Pritchett 1998: 28).

The MCC is driven by the logic expressed in the above extract and uses a variety of indicators to define and shape who is included in the fund. These have already been examined
in detail in chapter 3 (see section 3.5), however, it is useful now to revisit the three broad categories of ‘Ruling Justly’, ‘Investing in People’ and ‘Promoting Economic Freedom’ in our analysis on the MCA and democracy. In fact, one could argue that it is through this selective framework that the connection between ‘democracy’ and ‘development’ has been elevated (see Windsor 2002). Before looking explicitly at this relationship, it is important to highlight that, initially at least, there was a degree of reluctance among those in the MCC to link the MCA directly to democracy promotion. A key reason for this is rooted in the initiative’s theoretical and philosophical proximity to the World Bank.

8.3.2 Staying clear of the ‘D’ word

As discussed in chapter 2, the World Bank advocates a doctrine of political neutrality, embracing the “functionalist logic that technical and economic questions can be separated from politics” (Boås cited in Santiso 2001a: 6). For reasons already provided in this chapter, the crude separation of these areas is a contentious issue. Nevertheless, given that the MCA was essentially developed in the Treasury Department of the US, it should come as no surprise that “it reflects the World Bank’s reluctance to use the ‘D’ word, even whilst incorporating indicators that move further into political conditionality for development assistance” (Clark 2005: 32). Despite not referring directly to ‘democracy’ whilst discussing the MCA, there were frequent occasions in which indirect connections were drawn to its promotion. For example, President Bush stated that the programme would link new aid to “clear standards of economic, political, and social reform” making sure that “governments make the right choices for their people” (Bush 2004). On another occasion, the previous CEO of the MCC, Paul Applegarth, talked about ‘developing institutions’ and building the capacity of developing countries to ‘govern wisely’, and yet made no mention of democracy (see Applegarth 2004). This situation is indicative of the situation previously set out in this thesis, in which ‘good governance’ has enabled entities, such as these, to pursue an agenda of political reform, whilst simultaneously maintaining their apparent apolitical position. Indeed, it was frequently emphasised whilst undertaking interviews with individuals heading the MCA in the US that the initiative is about ‘policy’ not ‘politics’. Arguably, this separation is illustrative of a perspective in which ‘politics’ do not matter, so long as governments in the South are adopting the ‘right’ policies. Within this context, one could suggest that the value of formal ‘democracy’ is, in this respect, essentially limited to reproducing governments that are willing to pursue the sound policy environments prescribed by the IFIs and bilateral
donors. This process is clearly demonstrative of ‘polyarchy’ and the MCA can be located as one possible way in which it is being operationalised by the US.

8.3.3 Democracy: A condition of MCA eligibility?

It is interesting to note that, in the midst of this apparent reluctance to draw an explicit connection between the MCA and democracy, there were calls from within the development community for the MCC to include ‘democracy’ as a condition for eligibility. In a testimony before the Senate Foreign Relations Committee, MCA-expert Steve Radelet raised this issue, asking whether the MCA should be “aimed at all low-income countries that are committed to use aid effectively to fight poverty and stimulate growth, or limited to democracies with that commitment” (2003b: 5). In the same year, Thomas Palley wrote a paper recommending that the Bush administration elevate ‘democracy’ as a criterion for MCA eligibility, citing the fact that US foreign policy towards the South has “long emphasised the twin goals of economic development and democracy” (2003: 3). This embedded relationship has already been referred to in discussing the promotion of ‘free-market democracies’ and yet, despite these calls for democracy’s inclusion, the original system for eligibility and selectivity has remained relatively unchanged. There are several possible reasons for this situation, one of which, as already alluded to, is rooted in the proximity of the Treasury Department to the World Bank. In addition to this, it could be argued that for many the inclusion of a ‘democracy’ criterion was not only largely irrelevant, but also potentially counterproductive. With regard to the first of these, the ultimate goal of formal democracy is, according to the perspective outlined in the preceding paragraph, to reproduce and legitimise governments committed to the neoliberal orthodoxy. Accordingly, by utilising the stringent criteria originally established within the framework of the MCA, the MCC bypasses the highly contentious issue of ‘democratic’ process and moves straight to the desired end product, i.e. the production of the sound policy environments.

In terms of being counter-productive, the introduction of ‘democracy’ as a condition for engagement within the MCA would have potentially limited country inclusion. According to Radelet, for example, the introduction of a ‘democracy hurdle’ would have reduced the number of MCA-qualifying countries during the first three years from 19 to 14 (2003b: 5). This is especially significant bearing in mind the fact that the MCA is all about working with the South’s ‘best performers’. In chapter 3, a table was provided showing all thirty-nine
countries involved in the initiative, ranging from those being eligible for the MCA and/or the associated ‘Threshold Programme’, to those countries with agreements already signed. According to a list produced by the Freedom House in 2007, nine of these countries fail to qualify as ‘Electoral Democracies’, four of which have MCA programmes. Table 8.1 below clarifies this situation further.

Table 8.1: MCA/threshold-engaged non-electoral democracies

<table>
<thead>
<tr>
<th>Country</th>
<th>Programme phase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>MCA compact</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>MCA compact and Threshold Agreement</td>
</tr>
<tr>
<td>Jordan</td>
<td>MCA eligible and Threshold Agreement</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>Threshold eligible</td>
</tr>
<tr>
<td>Morocco</td>
<td>MCA compact</td>
</tr>
<tr>
<td>Rwanda</td>
<td>Threshold Agreement</td>
</tr>
<tr>
<td>Tanzania</td>
<td>MCA compact and Threshold Agreement</td>
</tr>
<tr>
<td>Uganda</td>
<td>Threshold Agreement</td>
</tr>
<tr>
<td>Yemen</td>
<td>Threshold*</td>
</tr>
</tbody>
</table>

* Yemen’s Threshold Programme assistance was suspended in 2005 following slippages in policy performance and then reinstated in 2007 after undertaking a series of ‘impressive reforms’. However in October 2007 the awarding of the assistance to Yemen was postponed and a review undertaken to “determine the country’s future status with the MCC” (MCC 2007 j).

Source: Compiled using MCC and Freedom House data

Consequently, one could argue that, based on these findings, roughly one quarter of all the MCA/threshold eligible countries do not, in fact, qualify as electoral democracies. This adds weight to the suggestion that ‘democracy’, within the framework of this initiative, is only valued so far as it produces governments willing to adopt the policies seen as necessary for aid to be ‘effective’.

8.3.4 The MCA: More than just economics

One cannot, as stressed several times within this thesis, ignore the fact that, despite rhetoric to the contrary, political considerations may also play a part in the MCC’s selection process. Indeed, Herrling suggests that, for some MCA observers, the selection of
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Mauritania for a ‘Threshold Programme’ was actually about supporting an “ally in the global war on terror” (2007a: np). According to Jourde, the ruling elites in African countries such as Mauritania have “framed their policies according to the basic principles of the War on Terror discourse”, improving their status in the eyes of their western partners (receiving substantial military and financial aid), whilst simultaneously weakening the “domestic and international pro-democracy movements” (2005: np). The MCC’s selection of Jordan as both a threshold and MCA-eligible country was also seen by many to be rooted in the country’s position as an important US political ally. What is more, its inclusion was criticised on a variety of grounds, ranging from Jordan’s position as one of the largest recipients of US Overseas Development Assistance (ODA), to the fact that the country does not qualify as a ‘democracy’ (see Herrling et al 2006). In September 2008, the MCC decided to top-up Georgia’s existing US$295 million compact by an additional US$100 million, in what was undoubtedly a politically motivated response to the conflict involving Russia. As Herrling comments, “the MCC was established to champion and support development motivations not political ones” and it is “a slippery slope toward making the MCC the ATM of State Department when it needs money fast for political purposes” (2008b: np). In light of these decisions, I would argue that whilst democracy is, so far as the promotion of sound policy environments is concerned, valued for its ability to reproduce governments committed to towing the official development line, it is additionally valued, within this highly politicised 9/11 world, for its ability to produce and strengthen governments and states that support the War on Terror. This reinforces the fact that although polyarchy promotion is important, it is always only “one component of overall foreign policy” (Robinson 2007).

8.4 The MCA and democracy: Changing rhetoric?

Despite the aforementioned reluctance to draw connections between the MCA and democracy promotion, an event held at Freedom House in early 2007 on ‘democracy and development’, saw the MCC CEO John Danilovich do just that. In his speech, Danilovich stated that “the synergy between democracy and development produces results that are

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253 Mauritania has since been deemed ineligible for assistance through the threshold programme in the 2009 selection process, following the overthrow of Mauritania’s first democratically-elected president in a coup (African Press International 2008).

254 However, as witnessed in the 2006 elections in Palestine, when Hamas came to power (despite open US-support for Fatah) and in the recent elections held in Pakistan, ‘democracy’ can at times work against US policy and interests.
mutually enforcing” (2007: np), adding weight to the previous statement made by Palley that US foreign policy towards the South has long emphasised the ‘twin goals’ of economic development and democracy. However, whereas Palley calls for the inclusion of a democracy criterion as a condition of MCA eligibility, Danilovich’s approach is less direct, identifying three potential areas in which the development programme could, in its current form, be seen to be promoting ‘democracy’. These are looked at in greater detail now.

8.4.1 Improving policy performance and motivating policy reforms

Danilovich states that the MCA promotes democracy and development by linking aid to policy performance and by acting as a strong catalyst for policy reforms within the recipient countries. Although identified in his speech as two separate issues, the basic argument underlying both is the same, i.e. that by promoting ‘good performance’ in the three broad areas of ‘Ruling Justly’, ‘Investing in People’ and ‘Economic Freedom’, the MCC is encouraging countries to adopt the policies and reforms seen as necessary for achieving “democratic and prosperous societies” (ibid). Within the specific context of the MCA, this process has come to be known as the ‘MCC effect’, referring to the way in which the programme acts as an incentive system for delivering policy reform. With regard to the ‘Investing in People’ criterion, for example, whilst the general principle behind its inclusion for eligibility may be worthy of praise, the raison d’être of the category can be found, according to Foley, in the “crudely economistic and reductionist assumptions derived from human capital theory” (2007: 4). Rather than exposing and revealing the fundamental causes underlying poverty, many of which are political in nature, the MCA can be seen as a mechanism for maintaining the capitalist production process. Consequently, although the use of indicators measuring, for example, *Girl’s Primary Education Completion Rate*, may be very laudable, their inclusion continues to be based upon underlying neoliberal assumptions. This resonates with the suggestion made by Demmers et al that “political, human and social rights are hardly valued beyond their instrumental role in economic and socio-economic development”, representing an approach to democracy that “fits well into the functional neoliberal theory of politics” (2004: 8).
8.4.2 Promoting democracy through country ownership?

The second way in which the MCA may contribute towards the twin goals of development and democracy is, according to the MCC CEO, through its emphasis on ‘country ownership’. It is stated that the MCC process “encourages broad consultation and jumpstarts critical thinking about the policies necessary for development and democracy to take root”, whilst also building “local capacity to make democracy and development sustainable” (Danilovich 2007b: np). In examining the validity of this statement, it is useful to begin by reiterating that the MCA is, as discussed in chapter 3, all about working with those countries that have already demonstrated the willingness and commitment to pursue the ‘right’ policies. Although recipient countries are responsible for drawing up their own MCA plans, this is being done within a pre-established framework that allows for little deviance away from the prescribed neoliberal economic model. Consequently, countries that veer too far away from the sound policy environments promoted through the initiative may find themselves cut off from further funding (as seen in the case of Yemen and its Threshold Programme). Therefore, whilst the concept of ‘country-ownership’ infers that the recipient countries involved retain ultimate control over their individual MCA programmes, the reality is that this ‘ownership’ is limited to approval by the US and there are mechanisms in place to ensure this relationship is maintained. As a result, overall power remains, despite suggestions to the contrary, in the hands of the US-policy makers and MCC programme administrators. This, in turn, has important ramifications for how we interpret the MCA’s democratic credentials, especially in light of the concept’s basic definition as meaning ‘power of the people’.

For reasons established earlier, there are also grounds for questioning the issue of consultation and participation within the MCA. For example, in chapter 7 fears over

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255 The World Bank’s ‘Assessing Aid’ report, which as already mentioned was hugely influential in shaping the MCA’s approach to country selectivity, identified country ownership as being crucial for achieving successful projects.

256 Indeed, this is one potential reason why, despite all this talk on ‘country ownership’, there are such striking similarities between the different MCA programmes in terms of content (see chapter 3 section 3.7.2).

257 It is interesting to note that currently (January 2008) nine out of the sixteen countries which the MCC has approved or signed compacts with do not now pass the indicator test. Although Nicaragua is not included in this group, the two other Central American recipient countries, Honduras and El Salvador, are. This raises additional questions over the implications of this situation and, also, over whether the ‘MCC-effect’ is as successful as suggested.

258 For example, the MCC retains certain rights over the MCA decision-making process in recipient countries, including the right to ‘veto’.
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Honduras’ MCA consultation process, based primarily upon the programme’s proximity to the Poverty Reduction Strategy Papers (PRSPs), were highlighted. If we add to this equation the highly politicised pre-electoral environments\(^{259}\) in which some of the MCA programmes were, and are being, constructed and implemented, then one begins to appreciate that the situation is far from simple. The relationship between the MCA and democracy is, therefore, not clear cut, warranting greater analysis at the country level. Subsequently, the issue of consultation is explored in much greater detail whilst looking at Nicaragua’s unique experience in the initiative, in which we also examine the spaces and places of participation through which this process has occurred. This is especially important in light of Danilovich’s comment that the MCC helps make ‘democracy and development’ sustainable by building ‘local capacity’. Before doing this, however, attention is turned to examining the political backdrop upon which Nicaragua’s MCA programme was implemented, with suggestions presented as to how politics may, or may not, have influenced the initiative.

8.5 Do politics matter? The case of Nicaragua and the MCA

In contrast to the first part of this chapter which focussed on locating the MCA initiative within a broader theoretical and historical understanding of ‘democracy’, the following section narrows this analysis down by concentrating specifically on Nicaragua’s experience in the programme. The bulk of this discussion centres on exploring the way in which individuals from the country were able to engage with the MCA, with a particular emphasis placed on the participative structures through which inclusion was potentially enabled. This focus on ‘participation’ is especially important due to the historical context through which discourses around ‘democracy’ have emerged in Nicaragua.

Chapter 4 argued that in the immediate period following the 1979 Sandinista revolution there was a dramatic shift towards the promotion of ‘popular participation’ within the country. Not only did this transition symbolise the opening up of political space but, more importantly, it represented the introduction of a form of democracy that went far beyond the concept’s formal understanding. This was reflected in a speech made by revolutionary leader Daniel Ortega in 1980, in which he stated that “democracy neither begins nor ends with elections”, with it being a myth to try and reduce the phenomenon to that kind of condition.

\(^{259}\) In Honduras, for example, Presidential elections were held just two months after the MCA compact’s ‘entry into force’.
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(cited in Ruchwarger 1987: 3, 4). As suggested in chapter 4, this interpretation of the concept represented a more genuine reflection of democracy’s true meaning and this suggestion is supported by the statement by Close that, “of all the political systems that have embraced constitutional government in the last quarter of the twentieth century, Sandinista Nicaragua had the best claim to be called democratic itself” (1999: 4). With this in mind, the focus on participation in Nicaragua’s MCA programme is not only warranted but essential, rooted in the country’s unique history and relationship with the US.

8.6 The 2006 elections: Politicising the MCA?

Before exploring the central issue of participation further, the chapter sets the political context to the MCA in Nicaragua, by reflecting upon the highly politicised conditions within which the programme was composed and implemented in the run-up to the 2006 Presidential elections. Particular consideration is given to the role of the US during the pre-electoral period, which is important due to the US’ historical affinity for political intervention, especially in Nicaragua. Chapter 4 already highlighted some ways in which the US attempted to influence the 2006 Nicaraguan elections and actually identified one instance where the US Ambassador to Nicaragua reportedly threatened to cut-off assistance through the MCA if the Sandinista National Liberation Front (FSLN) won the elections. Ironically, such efforts were qualified in the name of ‘defending democracy’, which demonstrates the malleability of ‘democracy’ as a concept. In the wake of such actions, and through a historical distrust of the US, it is clear that some individuals from Nicaragua were concerned that the MCA would be used as political leverage to influence the outcome of the elections. The following interview extract illustrates this point:

"The truth is that the majority of the population believes that this is a way to buy votes for the liberals... Most of them don’t believe in the MCA, and think it is the ‘Cuento del milenio’260, and they have been saying this because for them it is a lie... something political to encourage people to vote for the bourgeoisie. That is the opinion which is being passed around and it is difficult to convince people otherwise” (research interview with Petrona Sandoval261).

260 As stated in the previous chapter, this expression is used to refer to the MCA as a ‘fairytale’.
261 Petrona Sandoval, Founder and Co-ordinator of the Association of Women with Disabilities - Interview conducted in the city of León in north Chinandega on 27th June 2006.
According to another source, however, there was a lot of 'unnecessary hot air' over this issue and, to a large extent, this opinion was proven true when, following the election of FSLN candidate Daniel Ortega, the MCA programme continued to be implemented. Consequently, despite concerns raised over the potential politicisation of the initiative in the pre-electoral period, it is now clear that the MCC's stated commitment to policy and not politics is, in this instance, proven true. This is not to say, however, that there was not a sense of foreboding over Daniel Ortega's possible re-election, as the following interview extract reveals:

"We are concerned... if you look at the past performance of some candidates who are still on the scene today, you can sort of make assumptions about... if they were to operate how they did in the past that would clearly have a negative impact" (research interview with Matt Bohn)\(^{262}\).

Regardless of such concerns, many of which are entrenched in the historical animosity between Daniel Ortega and US administration officials, Nicaragua has performed relatively well under the new President. For example, Nicaragua failed just four out of the seventeen scorecard indicators in 2008, thereby performing much better than its Central American MCA counterparts\(^{263}\). To a large degree, this 'success' is indicative of Daniel Ortega's leadership in which, despite an apparent commitment to anti-neoliberal discourse, he continues to cooperate with the International Monetary Fund (IMF) and commit to the controversial Dominican Republic-Central American Free Trade Agreement (DR-CAFTA). As stated in chapter 4, such contradictions appear to be running riot within the new government. That being said, whatever the personal sentiment may be over this 'moderated' approach, it is clear that politics have not, on this specific occasion, derailed the MCA. This is not to say, however, that there will not be some problems down the line. Indeed, this was seen most recently in the reported efforts of the new administration to politicise the country's spaces of participation by creating the highly contested 'Councils of Citizen Power' (CPCs). This could have deep implications for democratic participation across the country, with potential ramifications for the way in which citizens engage with the MCA. This issue is discussed below, but for now we turn our attention to understanding the established spaces

\(^{262}\) Matt Bohn, MCC representative in Nicaragua - Interview held in Managua on 14th August 2006.

\(^{263}\) As stated earlier, both Honduras and El Salvador are currently failing the indicator test (see the MCC website, www.mcc.gov).
and places of consultation through which participation in the initiative has largely been achieved to date.

8.7 **El Sistema: A framework for participation**

In beginning this discussion, it is useful to start by providing a very brief outline of the system of participation that exists in Nicaragua (not including any recent changes that may have been made by Daniel Ortega). The ‘National System for Participation and Agreement’, referred to as ‘El Sistema’, represents a framework for planning and citizen participation that includes institutions of the central and municipal government, civil society actors, and producer organisations. It was created in 2003 by the government of Nicaragua, with the intention of facilitating greater levels of citizen participation in the creation and evaluation of public policies. This organisational system incorporates entities operating at a range of scales, from the very local to the municipal, departmental and national. Figure 8.1 below shows a simplified version of this participative structure.

Figure 8.1: El Sistema and the spaces of participation

![Diagram of El Sistema](http://www.pase.gob.ni/estructura.htm)

Source: Adapted from http://www.pase.gob.ni/estructura.htm
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At the very local level there are ‘Community Committees’ (otherwise known as Village Development Committees) and these are located throughout each municipality. If we take El Sauce, for example, which is situated in the north of León, there are reportedly sixteen Community Committees representing the sixteen villages of the municipality. Each committee is made up of seven board members including a Coordinator and President, one of which must be a woman and the other a man. These individuals then represent their villages at the municipal level by participating in the ‘Municipal Development Committees’ (MDCs).

The MDCs constitute the next level within this participative framework. These entities supposedly integrate all actors within the municipality, including government institutions and ministers, civil society groups, businessmen and women, teachers, syndicates and so on, with their specific composition varying, as the following interview extract reveals, according to the reality of each territory:

“The private sector is represented by the farmers, the producers, and not by the big businessmen. So the situation is different from the big cities where you would find a chamber of commerce and the big businessmen. As this region is very rural, the private sector is primarily composed of farmers and small producers...” (research interview with Juan José Rayo264).

The committees themselves are organised into different ‘tables of consultation’, which should reflect the diversity of the council’s members. For example, there may be a table on production, another on the environment, another for women, and so on, depending upon the interests of those groups, organisations and individuals involved. Each of these ‘tables’ then has a representative who is on the directive board, which is headed by Mayor of the municipality. The ‘Citizen Participation Law’ (Law 475), which was passed by the Nicaraguan government in October 2003, played a key role in institutionalising citizen involvement within these structures and, furthermore, represented a determined effort by the state to improve social accountability at all levels of El Sistema. This is the same law that many believe is being violated under the controversial implementation of the CPCs, discussed later.

264 Juan José Rayo, Executive Director of AMULEÓN - Interviewed in the town of El Sauce in north León on 5th June 2006.
The next level of Nicaragua’s participative framework is headed by the ‘Departmental Development Councils’ (DDCs), which have already been discussed in some detail within the thesis. These entities, which were formalised through the passing of Law 475 mentioned above, act as essential intermediary spaces between the municipalities and the central government. As one interview respondent commented, it is impossible for the central government to negotiate with roughly one hundred and fifty-two different municipalities, and vice versa (research interview with Irving Larios\textsuperscript{265}). The DDCs facilitate citizen participation at the departmental level, where the development priorities for territorial development are defined and investment plans consulted upon. In terms of composition, the departmental councils are much like the municipal committees before them, involving a range of different actors from civil society, the business sector, local/central government (including the Mayors of each municipality) and so on, whose right to participate within these structures was supposedly ensured through the passing of Law 475. However, their actual representativeness reportedly varies from one case to the next, reflecting the fact that, as several interview respondents commented, significant differences exist between these entities from one region to the next, with some being stronger than others:

"I think that the majority of these councils are getting stronger, with the exception of I would say Granada and Masaya... these are probably the weakest. The strongest ones are in León, Chontales, Boaco and Rivas. There are variabilities, but ... most of them are doing a good job. So the only thing is to do a better job in Granada and Masaya, where the councils are very new... the other ones have more experience and more years of being organised"\textsuperscript{266} (research interview with Edgar Sotomayor\textsuperscript{267}).

Although the precise reasons for this situation are not entirely clear, it appears from the research conducted in Nicaragua, that funding is a crucial issue in determining council effectiveness. Finally, in terms of structure, the DDCs are composed of a General Assembly', where all of the council’s members can be found, and a directive board, which is elected by the assembly. However, the presidency of any given DDC is always held by a Mayor from

\textsuperscript{265} Irving Larios, Executive Director of INGES - Interview held in Managua on 25\textsuperscript{th} April 2006.

\textsuperscript{266} These comments reflect the findings of an analysis conducted between 2003 and 2005 in Nicaragua on ten of the country’s DDCs, in which it was stated that, whilst sector representation and the balance of actors is relatively good, variations were noted between the different territories in terms of the quality and amount of participation involved (Moncada and Wallace 2005: 38).

\textsuperscript{267} Edgar Sotomayor, National Co-ordinator for PASE in Nicaragua’s government - Interview held in Managua on 12\textsuperscript{th} May 2006.
the region in which it is based and this was ensured through national decree. As the chapter later reveals, this has been problematic in some cases.

The ‘National Council on Economic and Social Planning’ (CONPES) is identified by many as being a bridge between civil society and local government on the one hand, and central government on the other. It was created by presidential decree in 1999, with the entity’s formation being driven by civil society in Nicaragua and this process was accelerated in the wake of Hurricane Mitch. Although there have been calls since then for CONPES to be understood as civil society’s ‘real representative’ at the national level, its primary role has been, in theory at least, to act as an advisory body to Nicaragua’s various Presidents on social and economic programmes and policies. In practice, however, this has not always been the case:

“CONPES is an advisory element for the President, but normally the President of the Republic doesn’t consult with them, and many of the opinions of CONPES concerning the budget and internal debt are not taken into consideration” (research interview with Mario Quintana).

This situation has been complicated further by the historically volatile relationship between CONPES and Nicaragua’s National Assembly. Simply put, the National Assembly was, at the time of this research, composed primarily of the FSLN and PLC and these parties were politically opposed to the ruling Bolaños administration. CONPES, through its capacity as an advisory body to the former President, was subsequently identified as an instrument of the Executive and this undermined the organisation’s perceived legitimacy and apolitical image. This had severe implications for CONPES, as witnessed when, according to the former Executive Secretary of CONPES, the organisation’s budget was almost taken away by the National Assembly (research interview with Violeta Granera). Although comments raised during the course of research did suggest that efforts were being made to rectify this situation, the perceived politicisation of this space within El Sistema does raise additional doubts over the framework’s other participative structures.

268 It is important to note that, since 2005, representatives from each of the country’s DDCs participate within CONPES.
269 Mario Quintana, Director of the Civil Co-ordinator (previously named CCER) - Interview conducted in Managua on 20th April 2006.
270 Violeta Granera, Executive Secretary of CONPES - Interview conducted in Managua on 15th May 2006.
8.8 The MCA and the DDCs

Although it would be interesting to explore each one of the entities discussed above in greater detail, the focus here is placed on analysing the DDCs. These entities constitute the most active ‘democratic’ spaces of participation within Nicaragua’s MCA programme. As stated previously in the thesis, the initiative is focussed on the region to the northwest of the country, where the two departments of León and Chinandega are situated. Consequently, there are two DDCs involved in the initiative, referred to as CONDELEÓN in León and CODECHI in Chinandega. These intermediary spaces have been engaged in the MCA from the beginning, having a direct input into the decision-making process of MCA-Nicaragua through their presence on the board of directors. Due to their incisive role, it is essential to look closer at the DDCs and investigate their democratic credentials as a space for citizen participation in the region. In order to do this, we begin by reflecting upon the process of ‘decentralisation’ and consider what this has meant for the country’s councils.

8.8.1 Pursuing decentralisation

As demonstrated in chapter 4, Nicaragua has a long history of centralised power, in which local government has traditionally been a weak player within the country’s development. Whilst the revolutionary Sandinista party of the 1980s did make some limited progress towards rectifying this situation following many years of dictatorial rule, the government retained a centralised command structure in the wake of growing US hostilities towards the country. According to Oquist and Delgado, this actually worsened after the conflict ended, with the Chamorro administration reportedly opting for a greater centralisation of power, rather than any form of decentralisation (1996: np). Although there were signs, initially at least, that things would change with the election of Arnoldo Alemán in 1997, the new administration clearly failed to live up to its pro-democratic rhetoric. Indeed, towards the end of his highly controversial presidency, it was argued by some that Alemán...
had actually implemented a three-year plan to ‘financially strangle municipal government’, as the government had effectively cut-off central government transfers to the municipalities (Nitlapan-Envio team 2000b: np). In contrast, Enrique Bolaños’ success in the 2001 national elections ushered in a government that appeared to be far more committed to decentralising power than its predecessor, with ‘decentralisation’ becoming an integral part of both the government’s National Development Plan (NDP) and its poverty reduction strategy.

Despite the Bolaños administration’s stated commitment to decentralisation, real progress towards this end has remained somewhat ‘theoretical’, with reportedly little being achieved in practice (research interview with María Jarquín274). The reason for this situation appears to have been rooted within central government itself, with key individuals reportedly resisting attempts to divert decision-making powers to Nicaragua’s various territories. The following interview extract sheds further light on this situation:

“For some institutions of the government it is difficult. They feel they are losing power, because their decisions are being taken in the territory...so at the central level they are losing power... and they don’t like this much” (research interview with Edgar Sotomayor).

This has important ramifications for the operation of the DDCs, especially in terms of funding, as revealed now in looking at CONDELEÓN and CODECHI.

8.8.2 CONDELEÓN, CODECHI and the issue of funding

Although one could consider the passing of Law 475 as an important step towards empowerment at the municipal and departmental level, there are, as this discussion reveals, reasons for questioning the practical implications of such decentralisation. With regard to the DDCs, for example, this is illustrated most clearly in a severe lack of funding and resources, which is potentially undermining the councils’ ability to work effectively. This was seen most vividly in the case of Chinandega, where under-funding appears to be particularly severe:

274 María Jarquín, Governance Advisor in DFID Nicaragua - Interview held in Managua on 5th May 2006.
"...at the beginning INIFOM\textsuperscript{275} had an office here in Chinandega... and CODECHI was in INIFOM. Then they closed the office in Chinandega... and so CODECHI had to find a new place to go. We were going to transfer the office to the Interior Ministry but were told that they were going to open up passport services and so that space was no longer available... So CODECHI is now in MAGFOR\textsuperscript{276}, but we don’t have an office. At the moment the three or four people that work here haven’t been paid for June... we don’t have the money to pay them” (research interview with Alberto Avilés\textsuperscript{277}).

According to one respondent, many agencies and individuals believe that the government is responsible for funding the DDCs, as they were essentially created by presidential decree (research interview with Pablo Medina\textsuperscript{278}). However, in reality this is clearly not happening and, what is more, I got the strong impression from those individuals I spoke with from central government that it had no intention of doing so either. One could, therefore, argue that this situation represents a tradition in Nicaragua of promoting decentralisation, whilst simultaneously failing to supply the necessary resources with which to make this process a reality. Fortunately, however, some donor organisations, such as the Department for International Development (DFID), the United Nations Development Programme (UNDP), the German Technical Corporation (GTC) and the European Commission, do offer some support to the DDCs and the participative structure of which they are part\textsuperscript{279}:

“We are supporting the creation and functioning of intermediate figures [the DDCs] to improve communication and the flow of information between the central government and the municipalities... it aims to strengthen the capacity and the voice of civil society in policy making and give an opportunity to not only the big NGOs or associations of NGOs that you find in Nicaragua, but also to the small associations of citizens... with the aim of supporting democratic governance” (research interview with Maria Jarquin).

\textsuperscript{275} INIFOM stands for the ‘Nicaraguan Institute of Municipal Management’.
\textsuperscript{276} MAGFOR stands for the ‘Ministry of Agriculture and Forestry’.
\textsuperscript{277} Alberto Avilés, businessman/Treasurer of CODECHI/ex-Minister of Governance for Chinandega - Interview held in the city of Chinandega on 27\textsuperscript{th} July 2006.
\textsuperscript{278} Pablo Medina, Lawyer and Director of the Association for Survival and Local Development (ASODEL) - Interview held in the city of Chinandega on 25\textsuperscript{th} July 2006.
\textsuperscript{279} See Moncada and Wallace (2005) for a detailed analysis of El Sistema and the role of donors organisations in supporting the structures found therein.
Whilst this assistance has been crucial in maintaining the councils in León and Chinandega, their dependence on foreign assistance is clearly not enough to ensure their continued and effective operation within the future. Bearing in mind the fact that Nicaragua’s MCA programme is being implemented over a five year period, and that the councils of CONDELEÓN and CODECHI are playing a fundamental role within this process, this could potentially present problems down the line in terms of participation in the initiative. Consequently, there is clearly a need to strengthen these entities in order to guarantee continued and meaningful involvement within the fund, which is essential if the MCA is to adhere to its ‘country ownership’ approach. As one respondent commented, “our programme is going to be more effective if the development councils themselves are more effective” (research interview with Julio Montealegre\textsuperscript{280}).

8.8.3 The DDCs: Do politics matter?

In exploring the government’s reluctance to give financial support to the departmental councils, one of the main reasons provided was that doing so would somehow compromise the independence of these entities. As the former director for PASE (which is a government support programme for El Sistema) commented in response to a question on funding the DDCs, “I always opposed the idea of giving direct support to the development councils from a conflict of interest point of view. I think it is very healthy to keep the independence of the development council as much as possible. But if I start putting them on the pay-roll where is this independence going to be?” (research interview with Juan Sebastián Chamorro\textsuperscript{281}). Bearing in mind the experience of CONPES where, despite its apolitical stance, it became adversely associated with the Bolaños administration, perhaps these concerns are warranted. In fact, as discussed in a moment, several of the respondents interviewed actually felt that the departmental councils had already been politicised, to various degrees, and this was voiced as a clear point of concern. At the same time, one must question the degree to which the dependence of the DDCs on external donors is healthy and, furthermore, whether it is sustainable in the long-term.

\textsuperscript{280} Julio Montealegre, Programme Co-ordinator for the MCA-Nicaragua/Civil Society Director for Chinandega in MCA-Nicaragua - Interview held in Managua on 30th March 2006.

\textsuperscript{281} Juan Sebastián Chamorro, Director of MCA-Nicaragua - Interview held in Managua on 30th July 2006.
Although the majority of those I spoke to from the region told me that they did not believe that the DDCs had been politicised, some individuals did raise doubts about their political neutrality. In particular, concerns were voiced over the influence of the Mayors within the councils, in which it was suggested that “political parties try to manipulate the process to further their own interests” (research interview with Ernesto Medina\(^{282}\)). The vast majority of the Mayors from the departments of León and Chinandega belong to the FSLN and, as the following interview extract reveals, their overwhelming presence within the council has, according to some individuals, politicised the space:

“I feel that the council is being kidnapped and that stops it from working as it should. I wasn’t invited to the last meeting because I have expressed my view that I don’t like the way they have been handling things in public. It is being politicised. Here the ten Mayors of León are Sandinista and they are dominating the space. They even fired the technical secretary of the council just because the Mayors didn’t like her and they said that they didn’t like working with her... The truth is that most of us are not comfortable, but we have to be there to represent the people” (research interview with Petrona Sandoval).

In the wake of such discontent, there have been calls from some sectors of civil society to change the rule that states that the President of the DDC must be a Mayor. Instead, it is argued that this position should be open to people from civil society as well. Alternatively, however, Mayors are, as another respondent suggested, seen to have the greatest representation as they have been elected (research interview with Rigoberto Sampson\(^{283}\)). Consequently, there are split views on this issue and such divisions are indicative of the politicised environment in which the MCA is being implemented.

8.8.4 Exploring representativeness

In light of the above discussion, it is important here to revisit the central theme of representation within the DDCs, which is essential to our understanding of ‘democracy’ in Nicaragua’s MCA programme. Chapter 7 already looked at some aspects of this issue in

\(^{282}\) Ernesto Medina, Ex-Rector of the National Autonomous University of Nicaragua (UNAN) - Interview held in the city of León on 5\(^{th}\) July 2006.

\(^{283}\) Rigoberto Sampson, Dean of the National Autonomous University of Nicaragua (UNAN) and Civil Observer in MCA-Nicaragua - Interview held in the city of León on the 21\(^{st}\) June 2006.
examine the Rural Business Development Programme (RBDP) component, where specific attention was given to the participation of small-businesses and women within the departmental councils. With regard to the first of these, the point was made that private sector representation has tended to be dominated by the local ‘big businessman’ and this has the potential to inject a degree of bias into the councils (thereby favouring the interests of such groups). However, as the following discussion reveals, the reason for this situation appears to be less to do with any kind of restrictive membership rules (indeed participation within the DDCs is theoretically ensured through law 475), and more to do with the locations of the councils themselves.

8.8.5 The importance of location

CONDELEÓN and CODECHI are situated in the cities of León and Chinandega respectively and these constitute the two most developed urban areas within the departments. It is not, therefore, surprising that council membership tends to be dominated by groups and individuals from the municipalities closest to DDCs, where accessibility to this space is greatest. In contrast, organisations and groups from the municipalities towards the more remote northern parts of the departments face many more difficulties in accessing these councils, with participation limited by insufficient infrastructure, high transport costs and greater levels of poverty (the very problems that the MCA is trying to fix). This has lead to concerns that some areas are being under-represented at the departmental level, with one respondent arguing that “CONDELEÓN has represented León as a municipality and not León as a department” (research interview with Nubia Luna284), and another calling for ‘greater municipal participation’ (research interview with Justino Fonseca285). Although each municipality is technically represented on the DDC by their municipal Mayor, this does not compensate for direct participation by civil society and the private sector. Furthermore, the inability of the region’s most impoverished to participate effectively within the bodies primarily responsible for ensuring civil societies inclusion in the MCA, adds weight to the concerns presented in the previous chapter which questioned the initiative’s pro-poor credentials.

284 Nubia Luna, INGES and ex-Mayoress of El Sauce - Interview held in the town of El Sauce in north León on 10 th June 2006.
285 Justino Fonseca, Director of Social Work in Malpaisillo City Hall - Interview held in the town of Malpaisillo in the department of León on 13 th June 2006.
8.9 AMULEÓN, AMUNORCHI and the role of the Mayors

As indicated above, the Mayors play a very significant role within the DDCs, especially in representing civil society in the northern municipalities. As a result, it is important to take a closer look at the mechanisms through which they participate on the councils and highlight any potential areas in which concerns were raised over their involvement in the DDCs. In beginning this process we start by looking at two similar organisations: AMUNORCHI, which is the ‘Association of Municipalities from north Chinandega’, and AMULEÓN, which is the ‘Association of Municipalities from north León’.

As discussed previously in chapter 6 (section 6.7.3) there has, since the signing of the historic Achuapa Agreements in 2002, been an opening up of political space within the region, as witnessed by the creation of these inter-municipal alliances. This process began with the creation of AMULEÓN, but was swiftly followed in Chinandega with the formation of AMUNORCHI (which, like its León counterpart, is led and headed by the region’s Mayors). Since then, a strong relationship has, as the following interviewee discusses, developed between the two organisations and this has acted as a key mechanism for pursuing and promoting shared interests:

“A strong alliance exists between AMULEÓN and AMUNORCHI. AMULEÓN helped us to organise and work as an association. Now that we have grown as an association we continue to be brothers, because... we are connected by the same qualities, difficulties, weaknesses and needs. Therefore, when we speak about AMULEÓN and AMUNORCHI we speak about a block of municipalities that work together, that always work together” (research interview with Trinidad García).

Similarly, another respondent talked about AMULEÓN and AMUNORCHI as being ‘brothers in this project of development’, having the ‘same identities, the same land, the same visions, and the same dreams’, and that this unique relationship has “translated into the greatest advocacy process the region has ever had” (research interview with Agresio).

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286 As witnessed with the formulation of a strategic plan for the ‘dry zones’, which involved the five municipalities of north León and the six from Chinandega.
287 Trinidad García, Executive Director of the Association of Municipalities from north Chinandega (AMUNORCHI) - Interview held in Somotillo in north Chinandega on 18th of July 2006.
288 The use of ‘brothers’ here is particularly interesting in light of the fact that these alliances are essentially run by men; a reality that has not, as discussed later, gone un-noticed by the women in the region.
Osejo\textsuperscript{289}). It is, therefore, no surprise to hear, in light of the region's growing organisational capacity, that these entities have taken the lead in representing the interests of the northern municipalities in both the departmental councils and the MCA. This is witnessed by the fact that the Mayor of Somotillo, Agresio Osejo, is President of AMUNORCHI, Vice-President of CODECHI and on the directive board of MCA-Nicaragua. Consequently, whilst local groups from the northern parts of León and Chinandega are clearly limited, for reasons already suggested, in their ability to engage directly with the DDCs, the municipalities from these areas have compensated for this, to a degree, by creating these inter-municipal alliances.

8.9.1 Identifying the dangers

Whilst I am in no doubt that both AMULEÓN and AMUNORCHI have been positive forces within the region's development, one should not ignore the potential dangers that accompany the elevated roles of the Mayors within this process. Indeed, as stated earlier, concerns were voiced during the course of research over the potential politicisation of the departmental councils, which were seen as being vulnerable to political manipulation by the Mayors. Within this context, one could argue that these influential inter-municipal alliances could, theoretically, add to the likelihood of this happening. In addition to this issue, one could question the extent to which the over-dependence of people within the northern municipalities on the Mayors is healthy. For example, it is highly likely that local knowledge of the MCA will be limited to whatever information the Mayor is able and willing to divulge at a given time, and as the following interview extract reveals, not everyone is happy with what this has meant in practice:

"I know that the association of municipalities are more involved in this, but there is a weakness concerning the lack of information shared with people... We need this to happen and that is why we are insisting that the local government, civil society and AMULEÓN, sit down with the local actors and civil society, so they can let us know about the situation with the MCA... because we only had one presentation about it" (research interview with Manuel Rostrán\textsuperscript{290}).

\textsuperscript{289} Agresio Osejo, Mayor of Somotillo and President of AMUNORCHI - Interview held in Managua on 21\textsuperscript{st} July 2006.

\textsuperscript{290} Manuel Rostrán, Teacher and Co-operative President - Interview held in Santa Rosa del Peñón in north León on 13\textsuperscript{th} June 2006.
This lack of information is obviously incredibly important in terms of affecting how individuals, especially in the poorer northern municipalities, are able to engage and participate in the programme. For many local actors in these areas, their only real involvement with the initiative appears to be indirectly through their elected Mayor, in which the MDCs, discussed earlier, act as important spaces for municipal consultation and dialogue. However, what happens if the Mayor is not fulfilling their obligations as an essential conduit of information or indeed as a local ambassador within the DDCs? Ultimately, if dialogue is not happening at the municipal level, it is hard to see how local demands and interests are being represented at the departmental level and this presents difficulties in gauging what participation in the MCA has actually meant in practice\textsuperscript{291}.

Although concerns over the availability and dissemination of information regarding the MCA at the local level are warranted, it is important to note that the Mayors are only one part of this process. Clearly, they can only divulge as much information to their constituencies as they are given themselves and this, as the following interview extract reveals, is not always deemed enough:

\textit{"We already have some facts, but we should have more defined concepts regarding the execution of the funds. There are so many clouds and the information is falling like drops, little by little, and that is scary. It doesn't create confidence and we have said that"} (research interview with Agresio Osejo).

Therefore, whilst information may not have been made as available at the local level as some may have liked, this is not necessarily indicative of any kind of short comings by a given Mayor. Instead, the problem may be located higher up the information chain. According to Julio Montealegre, however, who at the time of being interviewed was Programme Coordinator for the MCA in Nicaragua, expectations for information on the initiative have been unreasonably high, with individuals requesting information that just was not there:

\textit{"One piece of the feedback we often get is that they want more information. Sometimes they feel that they don't have enough information, but it is hard for them to..."}

\textsuperscript{291} This situation sheds additional light on the issue of 'country-ownership', which is a defining principle of the MCA and a mechanism through which, according to MCC CEO Danilovich, 'democracy' is being promoted by the initiative.
actually judge how much information there is. Sometimes there just isn’t any information and they have unreasonable expectations that they should have more information when there just isn’t... but I think it is constructive. In general we have had very limited resources. We would love to be able to just have somebody giving them information the whole time, but our team is very small, so we do what we can with what we have” (research interview with Julio Montecalegre).

In summary, therefore, whilst it is clear that information at the local level on the MCA may not have been as high as some may have liked, the precise reason for this situation is less obvious. Inevitably, conditions vary spatially between the different municipalities, with some MDCs working better than others and some Mayors being more open to local dialogue than their neighbouring counterparts. Whatever the precise reasons may be, it is apparent from this research that the Mayors, especially those from the municipalities to the remote north of the departments, are essential and influential actors within the DDCs and the MCA. They represent crucial conduits of communication, through which local groups and organisations can learn about developments in the MCA and engage, albeit indirectly, with the programme. However, with the Nicaraguan municipal elections being held in November this year, it will be more important than ever to monitor the effectiveness with which such lines of communication are being maintained, especially to the municipalities in the north of the departments.

8.10 Revisiting the issue of gender

Although the issue of gender was looked at in chapter 7 examining poverty reduction and the MCA, it is also directly relevant to the discussion of ‘democracy’ presented here. Indeed, MCC CEO Danilovich himself recently stated that “helping women realise their political and economic rights is central to any discussion of democracy and development” (2007: np). Consequently, the chapter now focuses on examining the experience of women in the DDCs and draws connections to what this has meant for their ability to engage with the MCA. Before doing this, however, it is interesting to note, in reflection of the above discussion on the inter-municipal alliances, that the DDCs are not the only spaces where women are looking to achieve equal status. For example, one respondent commented on the fact that AMUNORCHI is only linked to the Mayors, who are men, stating that this “is
another fight where we want to achieve a balanced space for women” (research interview with Maria Castillo²⁹²). The same respondent also suggested that many women do not know about the MCA because they are unable to participate in the municipal committee meetings due to other commitments, such as purchasing food, preparing meals and working the land. Therefore, whilst the passing of Law 475 may have, in theory at least, given women greater opportunities to be involved in the country’s development, their ability to engage in these participative structures, whether at the local, departmental or national level, continues to be shaped by the cultural reality in which they operate. It is therefore essential in discussing the DDCs here, not to forget the broader historical and cultural context in which Nicaragua’s programme is being implemented.

8.10.1 Women and the DDCs

As alluded to in chapter 7, the DDCs were not, as one respondent commented, initially ‘open’ to women from the region:

“In the first election for CODECHI’s board of directors, women’s representation was not stated... producers, youth groups, civil society but not women. So the women started to claim this space. We are more than 50% of the population and therefore we must be represented. To accomplish this we had to hold many meetings with organisations of men and women to obtain enough votes to be represented” (research interview with María Castillo).

There was, therefore, a process of organisation and mobilisation in both León and Chinandega, as women demanded greater representation in the DDCs. This is important in light of some of the potential weaknesses within the structures themselves. More specifically, the councils tend to be, as one respondent commented, ‘dominated by their own board of directors’, an opinion held by other individuals within the region:

“The directive board... in theory, and I stress in theory, represents the entire spectrum of the general assembly. But I don’t think they are doing what they are supposed to do. For the directive board to function well it needs faster channels of communication

²⁹² María Castillo, Co-ordinator for the Movement for Women in Chinandega - Interview held in the city of Chinandega on 25th July 2006.
with the different organisations. The directive board is only representing those sectors that are part of the directive board... not everybody in the assembly is represented” (research interview with Ernesto Medina).

Whilst these perceived weaknesses are somewhat worrying, it is important to bear in mind that these entities are relatively new and despite these teething problems are still widely perceived by those in the region to be important, and relatively balanced, spaces for strengthening democracy. For example, in terms of gender, it was argued that having a woman on the board of directors would give greater voice to women’s groups, ensuring that they are “taken into account and respected” (research interview with Petrona Sandoval).

8.10.2 Women and the MCA

As noted above, chapter 6 has already looked at the involvement of women in Nicaragua’s MCA within the specific context of analysing the initiative’s project components. This was particularly useful in exploring the key issue of ‘poverty reduction’. However, whilst this section expands and draws upon that discussion, the focus here is to examine the actual process through which women’s inclusion in the initiative came about. In order to do this, we draw upon a number of key events through which women have been able to participate in the MCA.

At the start of the MCA process there was, as discussed in section 6.6 of chapter 6, a process of consultation within the region of León and Chinandega, in which the departments began to establish their regional priorities and elaborate potential projects. Although several different target areas were identified through regional dialogue, such as roads, irrigation and technology, there was reportedly little or no mention of gender:

“It was great to hear about our partners from CONDELEÓN and CODECHI speaking about work, development projects and how to get rid of poverty. But where were women producers in the MCA? There are women producers who own land and women who have organised greatly, but they had not been included” (research interview with María Castillo).
In the wake of this omission, women from the region took advantage of a meeting held in León to voice their concerns to a visiting Congresswoman from the US. In response to a question on whether there was something in the MCA for women, the following was said:

"We told her there was nothing... they don't speak about gender in the MCA, they come with a sexist language... and we want to be part of the MCA... Women are the pillars of development, especially in a country like ours... where women are responsible for the home and where women are the motor of development" (research interview with Petrona Sandoval).

It was not long after this happened that the individuals heading the MCA in Nicaragua returned to the region and requested a meeting with the women's groups, and they were asked to create a proposal for the MCA on the theme of gender. It was in this moment that the women from the region, including producers, businesswomen and women from many different backgrounds, gathered to create the 'Proposal from the women of the occident: For their inclusion and participation in the Millennium Challenge Account', referred to previously in chapter 7 section 7.8.2. Whilst this was undoubtedly a positive step in securing the inclusion of women within the MCA, it appears that those heading the programme in the country were not, as one respondent commented, interested in doing this until the US Congresswoman came and heard the women's concerns. This situation is illustrative of the difficulties still faced by many Nicaraguan women living in a country that continues to be dominated by machismo. Arguably, the signing ceremony for Nicaragua’s MCA held in Washington D.C. in 2005 was also, as the following extract reveals, indicative of this reality:

"When the agreement was being signed in Washington D.C. they said that each development council choose somebody to go there and in that election I was chosen to participate in the signing of the agreement. So I was to go to Washington D.C. When the government sent information about who was going to go I found out that there was a problem with my passport and so they sent a deputy from the National Assembly instead of me. As a result, the women mobilised to protest. There was actually a moment when the women were saying 'we are going to buy your ticket and you will go to the event', but I said no because at that time I wasn't an official guest of the government and so I wouldn't have been able to enter the event. Everyday we
women realise that we have a constant fight, because we are not seen as a priority”
(research interview with Petrona Sandoval).

Despite such setbacks, significant progress has been made in promoting a gender perspective in the MCA, as witnessed by the fact that a gender specialist has now been employed in MCA-Nicaragua. What is more, a council of women was formed at the regional level to monitor and ensure the continuation of women’s involvement in the initiative and create proposals for projects looking at the impact of women. This has involved running workshops to help female producers identify their major crops and to encourage greater organisation. At the time of conducting this research, I was told that they were preparing a basket of projects in the region, from which MCA-Nicaragua could choose the best one. According to María Castillo this means that “women can actively and effectively participate in the programme and ensure that they receive the benefits”. Moreover, she states that “in this way the women will be able to provide economic development for this country and also help reduce the levels of poverty, which we have had for many years”. In this respect, one can argue that, for many women within the region, the MCA signifies a mechanism of empowerment, through which they can engage in the country’s development and begin to take equal status on the development stage. It is within this context that we can now turn our attention to considering how the processes and spaces of participation within the specific region of León and Chinandega may have changed as a result of the MCA.

8.11 The MCA: Strengthening voice and accountability in León and Chinandega?

The discussion, thus far, has primarily been concerned with examining inclusivity within Nicaragua’s MCA programme, placing particular emphasis on understanding the spaces and places of participation through which regional engagement with the initiative has been facilitated to date. It has not, however, explicitly questioned the impact of the programme itself on these crucial structures and, as discussed now, this ignores one of the MCA’s greatest strengths. More specifically, I believe that this initiative has, through its utilisation of the DDCs in particular, acted as a focal point for regional coordination and cooperation, bringing together the many different groups and individuals operating in León and Chinandega, under the shared goal of combating regional poverty. Of course, this has
not, as illustrated above, been a perfect process, but it has nonetheless been positive, building upon the substantial progress already made across the region in recent years towards mobilising and empowering civil society. This has helped to strengthen the DDCs and raised their profile as effective and 'democratic' actors in the departments’ development. Whether or not this translates into the additional funding they need is yet to be seen, however, it is not inconceivable that this could happen.

In addition to this, I would argue that the MCA has helped to improve and strengthen the relationship of the region with central government, acting as an important platform for dialogue around the issues of poverty, investment and regional development. Although this programme is being implemented at a departmental level in Nicaragua, it was, as discussed in chapter 6, negotiated at a national level between the government of Nicaragua and the MCC and, therefore, represents a process that transcends geographical and ideological boundaries. In this respect, the MCA builds upon the progress made in 2002 when the Bolaños administration signed the historic Achiapá Agreements with north León, which put in place the foundations for a constructive and progressive relationship between the region and central government. However, the election of Daniel Ortega in 2006 may put these relations in jeopardy and could potentially undermine the hard fought progress that has been made in the region. For example, there has been significant opposition in the region to the decision of the new Ortega administration to create the ‘Councils of Citizen Power’. As discussed below, these ‘new’ councils could potentially politicise the spaces in which participation and public dialogue occurs, and it may undermine those structures already in place, such as the MDCs. This would have a detrimental impact on the way in which individuals and groups within the region engage with the MCA. It is within this context that we now focus our attention on understanding these recent developments in Nicaragua and consider the extent to which politics can, in reality, be left at the door.

293 By this I am referring to both the PRSP cited in chapter 7 section 7.5.1 and the Achiapá Agreements discussed above, both of which facilitated, and bore witness to, the region’s growing organisational capacity.
294 For example, it is possible that the incisive role CONDELEÓN and CODECHI play in the MCA could attract greater levels of financial support from donors such as DFID and the UNDP.
295 By this I am referring to the fact that, at the time of being created, the departments of León and Chinandega were a stronghold for the central government’s political rival, the FSLN.
8.12 Changing spaces of participation: Ortega and the Councils of Citizen Power

The discussion thus far has been structured around the framework of citizen participation that existed whilst undertaking this research in Nicaragua. However, as suggested earlier in this chapter there have, since the election of Daniel Ortega, been significant developments in the spaces through which participation occurs, witnessed most notably in the decision to create the Councils of Citizen Power (CPCs), which are similar to Venezuela’s Community Councils (see Baltodano 2007). This could, down the line, have repercussions for the MCA and the way in which people from the region engage with the initiative. More fundamentally, however, there are fears that these new spaces may undermine the country’s democratic potential. The following section begins exploring this issue by looking at the hugely volatile process through which the CPCs came into force.

8.12.1 The CPCs: A volatile beginning

The path to creating the CPCs has been a particularly turbulent one, with disputes between opposition and proponents having been visibly played out in Nicaragua’s political arena. More specifically, there has been a tug-of-war between the different structures of government, with the FSLN controlled executive and judicial branches on the one side, and the legislative branch on the other. Arguably, this situation is indicative of how incredibly divisive an issue the CPCs have been, not only at the level of central government, but throughout the country as a whole. Table 8.2 below, which shows some of the key events in this ongoing power struggle, is illustrative of the political volatilities surrounding these controversial entities.

Table 8.2: Creating the CPCs - A timeline of events

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 2007</td>
<td>CPCs created by national decree.</td>
</tr>
<tr>
<td>November 19th 2007</td>
<td>National Assembly passes Law 630, which declares that the CPCs cannot be ‘instruments of political control’, i.e. a structural part of the state.</td>
</tr>
<tr>
<td>November 20th 2007</td>
<td>The Managua Appeals Court orders the President of the National Assembly, FSLN René Núñez, not to publish the law until the</td>
</tr>
</tbody>
</table>
### Chapter 8: The Millennium Challenge Account and Democracy

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 26\textsuperscript{th} 2007</td>
<td>Supreme Court rules on two challenges from the Council of Directors of the CPCs. The Managua Appeals Court, composed primarily of Sandinista judges, ruled in favour of the CPCs, re-establishing their legality by ruling against the National Assembly.</td>
</tr>
<tr>
<td>November 30\textsuperscript{th} 2007</td>
<td>President Ortega officially installs the CPCs within the reorganised National Council of Social and Economic Planning (CONPES), of which his wife, Rosario Murillo, is Executive Director.</td>
</tr>
<tr>
<td>December 5\textsuperscript{th} 2007</td>
<td>National Assembly leadership decides to publish a law banning the CPCs, after opposition parties threaten to remove Assembly President Rene Nuñez from his position. At 9 pm on the same day, six Sandinista justices declare the CPCs to be legal and law 630, which banned them, &quot;unconstitutional&quot;.</td>
</tr>
<tr>
<td>December 7\textsuperscript{th} 2007</td>
<td>Four opposition benches in the National Assembly announce the creation of a ‘Block against the Dictatorship’, in response to the decision to reinstate the legality of the CPCs.</td>
</tr>
<tr>
<td>December 8\textsuperscript{th} 2007</td>
<td>Daniel Ortega makes a speech in which he referred to the ‘Block against the Dictatorship’ as ‘Senators of Empire’, who are ‘beating the war drum’.</td>
</tr>
</tbody>
</table>

*Continuing hostilities...* Ongoing power struggles, including reported threats by those in opposition to the CPCs to make profound changes to the Executive’s 2008 budget proposal.

Source: This timeline was compiled primarily from information produced by the Nicaragua Network (www.nicanet.org)

As table 8.2 illustrates, the decision to create the CPCs has been highly contested by the opposition parties in Nicaragua and both sides appear to have drawn upon historically rooted animosities to voice their anger\textsuperscript{296}. Whilst, according to President Daniel Ortega, the objective of the CPCs is to allow Nicaraguans to "actively and directly participate in the decisions concerning the integral development of Nicaragua" (cited in Nicaragua Network 2007d), others have suggested that this represents the return of the Sandinista Defence Councils (CDCs) of the 1980s – known then as the ‘eyes and ears of the revolution’ (Noticias Aliadas

\textsuperscript{296} As discussed, the four CPC opposition benches in the National Assembly created a ‘Block against the Dictatorship’, which draws clear connections to the brutal Somoza dynasty. On the other hand, Ortega has referred to these individuals as the ‘Senators of Empire’, establishing a clear link to the historic role of the US in the country.
This has lead to concerns that the creation of the CPCs is an attempt to politicise the spaces of participation, within which members of the FSLN will have unfair influence and control. The following section takes a closer look at why there has been so much controversy over these structures.

8.12.2 The CPCs: Politicising space?

As indicated above, a central point of concern regarding the creation of the CPCs is that they will be dominated by members of the ruling FSLN party. Although Ortega has tried to assure Nicaraguans that the CPCs will not be controlled by members of his party, it is impossible to ignore the clear potential for politicisation that these structures have. First and foremost, the CPCs are controlled by the so-called 'Communications and Citizenship Council', who's only known member is reported to be Rosario Murillo – Daniel Ortega's wife. The CPCs themselves are then reported to be headed and chaired by FSLN political secretaries and leaders, functioning within the party offices and organised by FSLN structures (Nitlapan-Envío team 2007b). In addition to this, the CPCs were brought into CONPES which, as mentioned previously, represents a bridge between civil society and local government on the one hand, and central government on the other. However, changes made by President Ortega following his election have eroded the political neutrality of this space. This is seen most visibly with the appointment, once again, of Rosario Murillo as the Executive Director of CONPES, accompanied with the naming of sixteen individuals linked to the Sandinista unions to head the council (Muñoz 2007). According to Sergio Ramírez, who was Daniel Ortega’s Vice President between 1984 and 1990, “what is occurring before the eyes of the entire country is the transfer of power structures set up before Daniel Ortega’s rise to power into his and his wife’s personal hands…” (cited Nitlapan-Envío team 2007c). In the wake of these changes, it appears that there has been an effort by the ruling FSLN party to exert political control over the country’s spaces of participation, not only at the local level as seen with the creation of the CPCs, but also at the national level with the injection of partisan interests into CONPES. The following section examines what this may mean for the existing spaces of participation located in El Sistema and most noticeably the MDCs and the DDCs.
8.12.3 Restructuring El Sistema: The MDCs and the DDCs

The passing of Law 475 by the Bolaños administration was seen as a positive step by many civil society organisations throughout Nicaragua and since then a significant amount of time and effort has gone in to developing and maintaining the municipal and departmental spaces of participation. This situation was evident whilst talking to individuals from the region, especially in Chinandega, where good will and commitment has been paramount to the success of the DDCs\(^{297}\). However, in the wake of the kind of dramatic changes outlined above, there appears to be, as the following extract suggests, growing concerns over the future of these spaces, at both the local and departmental level:

“Ever since Ortega took office these organisations [civil organisations] have been questioning government officials about the role of the councils [of Citizen Power] and the future of both what has already been constructed under protection of law, particularly the 2003 law itself: whether it will be reformed or even possibly repealed. They have urged the strengthening of what already exists instead of organising parallel structures. People, who have learned to participate in the existing legal spaces around the country, working with neighbours of all ideologies, have been asking similar questions. Everybody wants to know, but the response has been either silence or an ambiguous message that explains nothing” (Nitián-Envio team 2007b: np).

It is widely recognised in Nicaragua that established spaces do already exist, whether at the municipal or departmental level, where citizens can participate and engage directly with authorities. Indeed, from the research conducted in this study, the MDCs and DDCs have greatly facilitated this process by enabling individuals and organisations to make demands and present project ideas to their peers and elected officials. Of course, this process is not one hundred percent effective throughout the country and there are problems, but they are, nonetheless, developing and evolving in a positive way. As Muñoz states:

“We’ve begun to chip away at the ice that paralyzed us during the 1990s, when social organisations that worked with people mistrusted municipal government. We’ve done

\(^{297}\) This makes reference to the lack of funding discussed above, where employees in CODECHI had not, at the time of being interviewed, been paid for the previous month’s work.
it through rapprochement, dialogue and participatory methodology to the point that many municipal governments now understand the importance of civic participation” (2007: np).

Whilst Law 475, which some perceive is being violated through the implementation of the CPCs, does not prevent the creation of other spaces of participation, there is clearly a danger that creating these new entities will undermine and potentially replace those councils and committees that are already functioning legally. Moreover, it has been commented that in León and Chinandega the advocates of the CPCs are already calling citizens to join, “telling them that the Municipal Development Committees are going to disappear” (ibid). The affect of this could be divisive, with public dialogue fractured along party lines and regional organisational capacity potentially weakened. This could, as suggested above, have a detrimental impact on the way in which the region’s population can participate and enter into dialogue on the MCA.

Reports suggest there is a lot of opposition in León and Chinandega to replacing other existing forms of organisation with the CPCs. This situation is particularly interesting as León and Chinandega are viewed by many to be Sandinista strongholds, with the majority the region’s Mayors belonging to the FSLN. Arguably, for a region that has advanced massively over the last ten years or so in terms of organisational capacity, the introduction of these CPCs are, perhaps, largely irrelevant and, worse still, counterproductive. Instead, a strong argument could be, and is being, made for strengthening those entities that are already functioning in the region, as opposed to setting up parallel structures that would inevitably weaken them. In this respect, Nicaragua’s MCA could, in fact, act as a powerful incentive for ensuring that citizen participation and representation in the region does not deteriorate in León and Chinandega. As one respondent commented more generally in discussing the upcoming 2006 national elections in Nicaragua, “the political parties are conscious that the funds are important for the region and... everything will be done to maintain... the programme” (research interview with Ernesto Medina). In this respect, one could suggest that the MCA may operate as an effective tool for resisting the attempts of the new administration

298 For example, Mayor Agresio Osejo who, as mentioned earlier, plays an active role in the region’s development, is reported to be fighting these new structures.

299 As one interviewee commented, “the MCA has been developed in a region where twenty-two of the twenty-three municipalities have Sandinista mayors. All the municipalities of the two departments of León and Chinandega are Sandinista, but one... We are Sandinistas... everybody is Sandinista” (research interview with Rigoberto Sampson).
to impose its political will on the region and maintaining the relative 'neutrality' of the existing participative structures.

8.12.4 Instigating ‘participative democracy’

Daniel Ortega’s unwavering commitment to creating the CPCs is arguably part of a larger project for implementing and establishing what has come to be referred as his ‘direct democracy’. As discussed in chapter 4, one can identify two very distinct forms of democracy in Nicaragua: ‘representative’ or ‘electoral’ democracy, and ‘participatory’ democracy (otherwise known as ‘direct democracy’). The predominant focus in the second part of this chapter has been on the latter of these, with attention given towards understanding and analysing the existing spaces of participation through which individuals have been able to engage with the MCA. However, since conducting this research there has, as demonstrated above, been a change to the apparatus and mechanisms through which participatory democracy is being exercised in the country. Ironically, whilst these changes are being made in the name of ‘direct democracy’, the CPCs themselves seem to contradict the core principals of the concept. For example ‘autonomy’, which is undoubtedly a key theme when “trying to give the concept of direct democracy some content” (Nitlapan-Envio team 2007c), is clearly absent from these ‘new’ councils. Consequently, the chapter now explores what form of ‘direct democracy’ Daniel Ortega and his wife Rosario Murillo are promoting through the CPCs and, furthermore, reflects upon what this means for Nicaragua’s future.

8.12.5 Democracy derailed?

It is clear from the information already presented on this issue that the ‘Ortega-Murillo’ project is, despite claims to the contrary, a far cry from what one might expect from a genuine movement for participatory democracy. Indeed, it is suggested that whereas an “authentic project of direct democracy should have evaluated and buttressed what already existed”, the approach taken by Ortega and Murillo has been to essentially disregard and ignore the “preceding structures” and “accumulated experiences of earlier years” (Nitlapan-
Envío team 2007c: np). This situation is readily apparent in the reported attempts of FSLN members in León and Chinandega to replace the established MDCs with the CPCs. In addition to this, there have been suggestions that other forms of social organisations are also being sidelined by the CPCs, most noticeably the women’s groups around the country (ibid). This is particularly worrying in light of the substantial difficulties already faced by many women in Nicaragua in securing their rights and engaging with the country’s development. With regard to the specific example of León and Chinandega, there is clearly a danger that some of the progress already made by women in accessing and participating within the region’s decision-making processes will be undermined by the creation of these new structures. This, in turn, could have repercussions for women’s engagement in the MCA.

Despite warranted concerns over the reorganisation of participative spaces throughout Nicaragua, any attempts by civil society to question the new administration over the reasoning behind such actions have largely been met by silence. This has prompted concerns that Ortega’s project for ‘direct democracy’ is, in effect, helping to establish an authoritarian and potentially paternalistic state:

“The state appears to be weakening all entities of representation and intermediation that could show any sign of rebellion. More concretely, by eliminating the mechanisms for uniting autonomous civic demands, the two people running the state have signalled since they came to power that it is they who will establish the rules of the game within which their “direct” model of democracy will operate. This isn’t direct democracy; it’s a vacuous imitation, presumably designed to hide the top-down, centralist and authoritarian government project” (Nitolán-Envío team 2007c: np).

In this sense, one can perceive that a key goal of the political strategy adopted by Ortega and Murillo is self-preservation. No doubt this effort to build up a strong social base of support will be important in shaping the outcome of the municipal elections held later this year in Nicaragua. In this respect, the CPCs are, despite hollow promises to the contrary, in place to help consolidate ‘Orteguismo’ (or Danielismo) and establish ‘Murillismo’. This is not the first time that Daniel Ortega has taken steps to ensure his place as a ‘caudillo’ (political overlord), as witnessed by the creation of the counter-democratic ‘pact’ between himself and
corrupt ex-President Alemán in 1998, which forced the country into a two party political monopoly.

Conclusions

This chapter began by setting the broader theoretical and historical context for this discussion on the MCA and democracy, revisiting the concept's emergence and evolution as a centre-piece in US foreign policy. We revisited the phenomenon referred to as 'polyarchy', through which it is argued that the US has been able to legitimise states adopting neoliberal reforms, thereby promoting 'free-market democracies'. This analysis was then located in the framework of the PWC which, as already clarified, acted as a staging ground for the MCA. Following a detailed discussion in which the chapter reflected upon the restricted approach to 'democracy' adopted by the IFIs, the focus turned towards examining the specifics of the MCA. This involved looking at a variety of relevant issues, such as the promotion of 'sound policy environments' through selectivity and the programme's affinity for encouraging 'country-ownership'. We also examined some of the debates surrounding democracy promotion in the MCA and considered why, despite the fact that US foreign policy has long emphasised the twin goals of economic development and democracy, the MCC has been somewhat reluctant to draw direct links between the two. This was followed by a close examination of a speech made by MCC CEO Danilovich in early 2007 at Freedom House, where he broke with tradition and identified specific areas in which the MCA potentially contributes to democracy in recipient countries.

The second half the chapter turned its attention to analysing the specific experience of Nicaragua in the initiative, beginning with a reflection upon the highly politicised environments in which the MCA was created and implemented during the run-up to the 2006 elections. Following this introduction, a brief overview was given on the framework for participation that existed in Nicaragua during the time of the research, with a particular emphasis placed on the role of the DDCs as the most active structures in the MCA. In undertaking this task, a range of different themes and issues were explored, beginning with a very brief historical account of the way in which decentralisation has taken place in the country. Whilst the DDCs are indicative of some of the progress made towards decentralisation, their lack of funding is arguably illustrative of a reality in which much of the
supposed commitment to decentralisation has often failed to translate into meaningful results on the ground. At the same time, however, there is, according to some individuals, a real danger that directing government funds towards these entities would potentially lead to their politicisation. Such concerns resonate with the statement made earlier that ‘autonomy’ is central to any project of genuine participatory democracy. Within this context, the issue of ‘representation’ is particularly poignant and significant attention was given to exploring this theme during the chapter. Indeed, a key part of this involved revisiting the issue of gender, examining the actual process through which women’s inclusion in the initiative came about. Although this has not been a particularly easy process, it is important not to forget the cultural and historical reality in which the programme is being implemented in Nicaragua. Furthermore, it is also essential to recognise that whilst the DDCs are not perfect and arguably need to be strengthened, they are widely recognised by those in the region to be important spaces for cultivating democracy. Perhaps this is why there is, despite the fact that the area is a Sandinista stronghold, so much resistance in the region to imposing the CPCs.

Before examining the CPCs, attention was given to understanding what impact the MCA may have had on the existing spaces of participation in León and Chinandega. Despite not providing funds to the development councils themselves, it is clear that the initiative has helped strengthen and reinforce these structures by promoting greater dialogue, inter-municipal cooperation and participation among the region’s residents. This process has, for some groups, acted as a mechanism of empowerment, through which they have been able to gain greater voice and representation at the departmental level. Although, this has not been a perfect process, it undoubtedly marks an important step forward, helping to promote greater equality and inclusivity in a culture that continues to disadvantage certain groups.

The final part of the chapter examined the changes being made to the structures of participation in Nicaragua since Daniel Ortega’s election in 2006. As illustrated above, the decision to create the CPCs has been highly controversial and heavily contested, both in the political arena and by civil society. Under Rosario Murillo’s control, these new entities could politicise the spaces through which individuals can voice demands and engage in decision-making processes, whilst also weakening existing structures of participation. Within this context, the MCA could act as a vital weapon for defending ‘democracy’ in the region, providing a rally point for those opposed to the CPCs and what they represent. At the same time as imposing these new entities, CONPES has also been restructured, with Murillo now
acting at the entity’s Executive Director. Bearing in mind the connections between the different elements of El Sistema, these changes could clearly have a knock-on effect when it comes to the operation of the DDCs and their ability to retain their relative political neutrality. Moreover, there are signs that other forms of civil organisation, such as women’s groups, are also being adversely affected by these developments. This could have ramifications when it comes to participation in the MCA, which is largely dependent upon the existing structures of citizen representation. Although it is too early to draw any substantive conclusions regarding the possible impact of Ortega-Murillo’s project for ‘direct democracy’ on the MCA, one could suggest that the country’s prospects for genuine participatory democracy are being derailed by this process. As such, we must ask whether it is in fact possible to promote sustainable economic and/or social development through a programme such as the MCA, without first addressing the underlying issues of power through which unequal and disempowering relationships are maintained and strengthened. Such questions are especially important in looking at a country such as Nicaragua, where politics infuse every aspect of life and power is often exploited by the country’s elites for personal gain and preservation.
Chapter 9: Thesis Conclusion

The purpose of this final chapter is to draw together the main ideas and findings of the thesis, and examine the contribution of this work to our understanding of the Millennium Challenge Account (MCA) and also to a number of key interrelated themes that were explored during this thesis. In terms of structure, this discussion is divided into two main sections. The first provides a brief overview of each of the chapters and identifies their core contribution to the thesis as a whole. The second examines the study's major findings and this involves critical engagement with our core aim, which is: To examine the extent to which the MCA lives up to its 'transformational' rhetoric or whether it is simply another case of 'old wine in new bottles'. Within this section, we revisit a number of key themes identified through this investigation and consider areas where further research could be conducted.

Before beginning, however, it is useful to reflect upon what I consider to be the most important contributions of this thesis to the ideas/debates surrounding the MCA and development discourse more broadly. First and foremost, it should be stated that, to my knowledge, this thesis represents the first detailed examination of the MCA in Nicaragua and one of very few independent evaluations of MCA programmes in individual countries. Thus it provides a unique and in-depth insight into the mechanics and workings of the MCA within a single recipient country, thereby helping to fill the gap between policy and practice. Moreover, this study has contextualised the initiative within a thorough treatment of the historical relationship between the United States (US) and Nicaragua, which has itself been re-interpreted through engagement with the discourses around polyarchy, democracy, neoliberalism and development doctrine. As part of this, the thesis has also contributed to the broader dialogue and debates surrounding the Washington Consensus (WC) and Post-Washington Consensus (PWC), and questioned their role as conceptual frameworks for the construction of dominant development policy. This process has helped to inform our understanding of the MCA and identify its conceptual underpinnings. What is more, by locating this study within the Central American region, this thesis has been able to draw connections and linkages between the MCA and other projects/programmes affecting the isthmus, such as the Dominican Republic – Central American Free Trade Agreement (DR-CAFTA) and the Plan Puebla Panama (PPP). This association has further illuminated the
ideological motivations and origins of the MCA, through which we can better comprehend its position within US foreign policy and its role in development practice more broadly\textsuperscript{301}.

\section*{9.1 Chapter overview}

This thesis began by examining the evolution of development discourse over the last sixty or so years and took a famous speech given by President Truman in 1949 as the starting point for this. The importance of Truman's speech was rooted in the fact that it was the first time in which 'underdevelopment' had been used to categorise those areas in the world seen by many in the North to be economically backward. The application of this term fundamentally altered the meaning of 'development' itself, creating a new sense of 'self' and 'other', whereby half the world's population was essentially "transmogrified into an inverted mirror of others' reality" (Esteva 1993: 7). Within this context, progress in the South came to be defined through the lens of receiving 'guidance' and 'assistance' from the 'developed' North and this set the pretext for the so called 'development era'. Since this speech, a number of different development theories have emerged, some of which build upon Truman's conceptualisation of development, such as 'Modernisation Theory', and others, such as 'Dependency Theory', that critique it. Consequently, chapter 2 was primarily concerned with tracing the contours of development discourse over this period, providing the theoretical backdrop to the thesis and its focus, the MCA.

Chapter 2 played an essential role in setting the context to the ideas and ideologies driving the MCA, and in helping to ascertain whether or not the initiative does, in fact, represent something fundamentally 'new'. Hence, the detailed examination of neoliberalism, the WC and the PWC carried out in this chapter was of particular importance as, for reasons developed throughout the thesis, they represent a set of ideas that have been particularly persuasive in shaping the direction of the MCA and its guiding principles. More specifically, whilst chapter 2 identified the PWC as the general staging ground for the initiative's defining characteristics, it also contested the notion that the PWC was a new 'consensus' on development. Instead, it argued that 'conditionality', the hallmark of the WC, is still very much evident in the actions of official donors and has simply been "renegotiated in line with the changing emphasis of the World Bank's definition of development" (Pender 2001: 408).

\textsuperscript{301}These key contributions will be touched on throughout the conclusion and particularly in the sections drawing out the main themes and findings of the research.
It is not surprising, therefore, that despite the MCA’s clear connection to the ideas enshrined within the PWC, the initiative also seems to have much in common with the WC and this relationship was explored in much greater detail in chapter 7.

In order to truly understand the MCA and the reasons behind its creation, one cannot rely on analyses of development discourse alone. One must look at, among other things, the broader geopolitical context within which the initiative was conceived and put into practice. In recognition of this fact, chapter 3 began by locating the MCA within a framework of ‘power’, through which US policy and practice could be better understood and contextualised. It put particular emphasis on examining the relationship between power and space, utilising the work of critical geopolitical writers to deconstruct and critique the visions/representations of global space portrayed by individuals such as Fukuyama and Huntington. Part and parcel of this process involved contesting orthodox accounts of power, where the phenomenon is limited to the act of ‘dominating’ others, thereby ignoring the fact that power is also present in the ability of groups and individuals to ‘resist’. In this respect, chapter 3 identified the concept of ‘hegemony’ as being particularly important, as hegemony is argued to represent “an active site upon which the contestation between forces of resistance and domination are enacted” (Routledge 1996: 511).

Although traditionally associated with the so-called ‘Great Powers’, such as Great Britain in the mid-nineteenth century and the US from 1945 to the 1970s, one can strongly contest the suggestion that there is a single state hegemon today. Instead, chapter 3 argued that it is perhaps more fitting to talk about ‘transnational liberalism’ as the ‘hegemonic ideology’ of this epoch - of which the US is an important sponsor, but not necessarily a hegemon itself. In qualifying this suggestion, the chapter drew upon William Robinson’s conceptualisation of ‘polyarchy’ to understand how the US’ agenda for ‘democracy promotion’ has been used as a mechanism for legitimising those states adopting neoliberal reforms, particularly in Latin America. The ‘good governance’ agenda of the PWC which, as mentioned in chapter 2, has paved the path for yet more aid conditionalities, is inextricably linked to this broader project of promoting and maintaining transnational liberalism, and this has explicit implications for how we interpret and understand the MCA. Frequent links were, therefore, made to this discussion throughout the thesis, in which it acts as an incisive and effective framework for analysing the initiative, especially in Nicaragua where DR-CAFTA and the PPP are helping to institutionalise transnational liberalism within the region.
The rest of chapter 3 was primarily concerned with providing detailed information on the MCA and its core components. Before doing this, however, the initiative was located as part of the broader US agenda for transforming the economic development paths of the South through the selective use of development assistance. This process, commonly referred to as ‘transformational development’, represents a far more selective approach to delivering aid, where the distribution and volume of assistance channelled to the South is essentially determined by the willingness of countries to adopt those reforms and ‘sound policies’ prescribed by governments and institutions in the North. Towards this end, the MCA has been established as the core US programme for transforming countries in the South and it is not, therefore, surprising that the MCA adopts a very selective approach to delivering aid. In fact, the mechanism adopted by the Millennium Challenge Corporation (MCC), which administers the fund, is clearly linked to the PWC and the associated good governance agenda discussed in chapter 2. In line with this approach, countries wishing to participate in this fund must pass a number of hurdles before being deemed eligible for assistance. Consequently, the initiative adopts an incentivised approach to delivering aid, in which ‘good behaviour’ may be rewarded by financial assistance. For reasons given in chapter 3, however, inclusion in the programme is not determined by these eligibility hurdles alone, as the MCC may, and often does, take other factors into account when selecting participant countries.

Chapter 4 was written with the intention of bringing greater geographical and historical context to the study, by evaluating the somewhat volatile and turbulent history of US-Nicaraguan relations. It began by examining the major themes driving US intervention in Nicaragua, drawing upon a number of different historical events to help ground the analysis. After establishing the rationale for US intervention in Central America, and in Nicaragua more specifically, attention was turned to exploring some of the defining moments in what I termed ‘pre-crisis’ US-Nicaraguan relations. Of particular interest, was the support granted by the US to the Somoza dictatorship in Nicaragua and, more generally, to authoritarian regimes across the Latin American continent as a whole. If anything, US support for despotism deepened with the emergence of the Cold War, as US relations with the region came to be defined through the lens of containing the communist ‘threat’. As a result, policy towards Central America became increasingly paradoxical, with the US being “engaged in alliances with undemocratic regimes” in the fight against “communist totalitarianism” (McGrew 1992: 66). Within this context, the dramatic shift in US policy during the 1980s away from actively suppressing ‘democracy’ in Central America to actively promoting
‘democracy’ was particularly interesting. Democracy promotion became a powerful legitimising force for political intervention within the isthmus, through which change could be better managed and a polyarchic system of rule established. In examining this further, chapter 4 looked at the mechanisms through which polyarchy was operationalised within Nicaragua and identified the United States Agency for International Development (USAID) as a key actor in this process.

Contrary to what one might expect, neoliberalism was first introduced to Nicaragua by the revolutionary Sandinista government in the latter parts of the 1980s. However, as argued in chapter 4, this was perhaps more indicative of the crippling and costly impact of the US sponsored civil war in Nicaragua, than any kind of fundamental acceptance of the neoliberal reforms being imposed on the country by powerful external forces. With the 1990 election of Violeta Chamorro, whose campaign had received substantial financial support from the US, there was a further deepening of commitment to the core principles of neoliberal ideology. The subsequent Structural Adjustment Programmes (SAPs) and neoliberal policies adopted by the new administration had a devastating impact on large swathes of Nicaragua’s population, in areas already ravaged by the crippling effects of civil war and economic stagnation. Indeed, it was argued at the time that neoliberal adjustment had “hit the Central American isthmus with the force of a tropical storm” (Nithipan-Envío team 1992: np) undermining the hard fought gains towards greater equality made in Nicaragua during the 1980s. As stated in chapter 4, this process of ‘democratisation’ and neoliberalisation was clearly linked to the broader US strategy of consolidating polyarchy in the region.

The US’ agenda for consolidating polyarchy and institutionalising transnational liberalism in the isthmus continued, and even strengthened, under the Clinton administration, which deviated little from its predecessor’s “twin preoccupations with economic liberalisation and formal limited democratisation” (Brown 2000: 551). This was reflected by the actions of USAID, as ‘encouraging broad-based economic growth’ and ‘building democracy’ became located as two of the agency’s core objectives in Nicaragua. At the same time, however, the way in which USAID went about pursuing these objectives changed dramatically under the Clinton administration, with the agency adopting a less politicised approach to its activities in Nicaragua. For example, in contrast to the early 1990s when USAID’s activities were primarily focussed upon the implementation of strict neoliberal
reforms and undermining the Sandinista government’s political legacy, the mid-late 1990s represented a much more moderated approach to development in Nicaragua. Whilst this transition could be identified as being indicative of the Clinton administration’s less heavy-handed approach to US-Latin American relations, it could also be understood within the context of the growing controversy surrounding the SAPs and their failure to produce the results they promised. As argued in chapter 4, the ‘transformation’ of USAID over the 1990s was, therefore, largely synonymous with the emergence of the PWC and, in this respect, the agency’s growing focus on good governance in Nicaragua is not surprising. However, one cannot ignore the fact that, despite a change in rhetoric, the fundamental neoliberal assumptions underlying the WC remain intact and this raises question-marks over the true extent of USAID’s transformation.

Of particular interest in chapter 4’s discussion of US-Nicaraguan relations was the US’ agenda for creating a ‘Free Trade Area’ in the Americas. Significant progress was made towards this goal during the Clinton administration, under which the North American Free Trade Agreement (NAFTA) was formulated and the first Free Trade Summit held on the Free Trade Area of the Americas (FTAA). However, in terms of Central America, it was the implementation of DR-CAFTA under the Bush administration that represented one of the most important developments in post-Cold War US-Central American relations. Whilst proponents have touted DR-CAFTA as being conducive to economic growth, poverty reduction and, of course, democracy promotion in the region, opponents have raised concerns that it will do the exact opposite, generating higher levels of poverty and exacerbating inequalities. Within this context USAID has, through Trade Capacity Building (TCB) assistance, played an incisive role in preparing the region for DR-CAFTA and is directly implicated in the region’s insertion into polyarchy and the institutionalisation of transnational liberalism across the isthmus.

Chapter 5 focussed on the research process and methodology applied during the fieldwork. The study adopted a qualitative approach, which involved a combination of semi-structured interviews and the discourse and content analysis of key documents (both in English and Spanish). The interviews were an especially important part of the research process, as they enabled an in-depth understanding and insight into individuals’ connections and engagements with the MCA, and provided a mechanism with which to gauge respondents’ opinions on the initiative, as well as on interrelated themes (such as DR-
CAFTA, US-Nicaraguan relations and the Nicaraguan national elections). The utilisation of interviews therefore facilitated the accumulation of rich and varied data, through which the rhetoric and discourses surrounding the MCA could be challenged, contested and debated at a variety of levels. Of particular importance in chapter 5 was reflecting upon the key issue of positionality, which had direct implications for the research conducted and the ‘knowledge’ produced in this thesis. In particular, the process of reflexivity was used to thoroughly examine the production of data, the interpretation of data and the writing-up of the thesis, with specific focus was placed on examining the interplay of power during the fieldwork.

The primary purpose of chapter 6 was to bring focus to the discussions thus far and set the foundations of analysis within the following two results chapters. In order to do this, chapter 6 was divided into two distinct sections. The first of these built upon the analysis of US-Nicaraguan relations presented in chapter 4 by concentrating upon shifts in the quantity, composition and distribution of US development assistance to Nicaragua. This began by examining and unpicking statistics on development aid, through which the intricacies of US foreign assistance could be better understood. With regard to Latin America more broadly, it is clear that its share of Overseas Development Assistance (ODA) has decreased dramatically since 2001 and this could be a reflection of the region’s growing obscurity within US foreign policy, first discussed in chapter 4. The proportion of US ODA being administered through multilateral agencies has also fallen significantly over recent years and this is likely to be indicative of the country’s broader agenda for fighting the War on Terror. In light of this fact, the chapter analysed the shifts in ODA management among US bilateral agencies between 1998 and 2005 and, in doing so, focussed on qualifying and quantifying USAID’s diminishing role within development. Once again, specific attention was given to understanding Nicaragua’s experience and the changes to the agency’s activities in the country.

Interestingly, there has been quite a dramatic fall in USAID’s Development Assistance (DA) account, especially in those programmes directed at economic growth and agriculture, and this coincides closely with the focus of Nicaragua’s MCA. This could suggest that the MCA has detracted from USAID’s operations in Nicaragua, thus contradicting President Bush’s promise that the fund would go ‘above and beyond existing aid requests’ and potentially conflicting with the MCC’s reward-system approach. Moreover, further examination revealed that Nicaragua is not alone in this regard. Indeed, a similar trend
has been witnessed across many of the other compact-countries. Interestingly, this has been most noticeable in the Central American region, where there have been significant cuts to the agency’s DA programmes in Nicaragua, Honduras and El Salvador. The first part of chapter 6 explored the possible reasons for this situation and identified the MCA as one of the potential factors behind this trend. However, it also highlighted the fact that one cannot ignore the broader context within which the initiative is being implemented, as a combination of factors could be responsible for this situation.

The second section of the chapter was essentially focused upon examining and providing factual background information on Nicaragua’s MCA. This began with an overview of the country’s programme, touching upon its core objectives and components, and providing a brief explanation of the process through which it came about. This was followed by an in-depth look at the initiative’s regional focus and an examination of the logic behind adopting this highly selective geographical approach to the country’s development. As discussed in chapter 6, Nicaragua adopted a model for economic growth in which resources and investment are targeted at developing specific geographical zones. In justifying this approach, the country drew upon the experiences of much larger countries, such as China, Brazil and, as one respondent noted, even the US. Bearing in mind the MCC’s broad agenda for achieving ‘transformational development’ in recipient countries, the motivations behind replicating this sort of model are clear. At the same time, however, one should not underestimate the dangers that accompany such an approach and, as discussed in chapter 6, one can question whether this strategy is, in reality, sustainable in the long-term or indeed replicable in a country such as Nicaragua, where the economy is incredibly fragile and there are already substantial inequalities across the population.

After discussing some of the key reasons for León and Chinandega’s selection in the MCA, which included: the departments’ economic potential, their strategic position in DR-CAFTA and the PPP, and their relationship with the central government, chapter 6 focused on examining the programme’s three main components and their expected outcomes. Each of these individual, yet interrelated, projects were discussed and the foundations were laid for the detailed analysis that was to follow in the ensuing chapters. After providing this general overview, the discussion shifted to exploring the actual structures and mechanisms through which the initiative is being managed in Nicaragua. Of particular interest in this respect was the decision to use an independent fiscal agent in managing Nicaragua’s programme funds.
and the creation of a separate legal entity to implement and manage the MCA. Whilst operating outside of existing financial structures and systems can have its potential advantages, especially in circumstances where there may be doubts over their accountability and transparency, there is a real danger of weakening, or even undermining, government capacity. As discussed in chapter 6, the MCC’s practice of creating separate implementing units in many, but not all, of the recipient countries, does appear to be inconsistent with its stringent approach to selectivity and, furthermore, its ‘ownership’ principle. Moreover, it seems to go against the general consensus established in the signing of the Paris Declaration in 2005, when it was agreed that donors would use country systems and procedures to the maximum extent possible.

Chapter 7\(^2\) was primarily concerned with exploring the relationship between the MCA and poverty reduction. In order to do this, the chapter started by locating the examination of the MCA within the broader context of development discourse. This process began by revisiting the PWC which was highly influential in shaping the MCA and its defining characteristics. Chapter 7 was particularly concerned with unpicking the central issue of ‘poverty’ and exploring how it has been conceived, conceptualised and presented through the framework of the PWC. The World Bank’s Poverty Reduction Strategy Papers (PRSPs), which gave practical expression to the development ‘consensus’, presented a useful entry point with which to do this. Although the World Bank has long been in the business of preaching development doctrine, it is the institution’s apparent ‘transformation’ into intellectual actor and self-professed ‘knowledge bank’ over the last ten years or so, that has provided the greatest indication of how the organisation conceives itself and also how bilateral donors increasingly look to the World Bank for ‘guidance’. Of course, one should not forget that many of the northern governments who are host to these donor bodies are also key financial and ideological sponsors of the International Financial Institutions (IFIs) and, therefore, the fact that the World Bank does take the lead in laying down the ‘rules of the game’ is not surprising.

The conceptual linkages between the MCA and the PRSPs described in chapter 7 are, for reasons suggested above, to be expected. It is not, therefore, unforeseeable that the MCA

\(^2\) As one would expect, the main findings of the research for this study were first presented and explored in the results chapters and, therefore, whilst the following discussions of chapter 7 and 8 outline their basic content and line of thought, the core findings of this thesis are presented in section 9.2.
may, in certain cases, share some of the PRSPs’ perceived weaknesses. In order to explore this relationship further, the chapter looked at a specific case study in Nicaragua, where the definition of ‘poverty’ encompassed within the World Bank’s PRSPs was contested and resisted at the local level in north León. Whilst the discourse of resistance and subsequent empowerment that emerged from this process was encouraging, this example highlighted some of the difficulties still faced by much of the South’s ‘poor’ in engaging with development programmes which are, ironically, specifically targeted at reducing poverty. In terms of the MCA more specifically, this case study highlighted the importance of examining the extent to which the assistance delivered through this ‘pro-poor’ initiative is, in practice, targeted at those who really need it. With this in mind, a core focus of chapter 7 was to analyse the MCA’s adherence to its pro-poor rhetoric in Nicaragua, from which conclusions could be drawn about whether the initiative really does offer the possibility of ‘transformational’ development within the country.

In order to understand the relationship between Nicaragua’s MCA and poverty reduction, chapter 7 analysed each of the three projects, beginning with the largest component - the Transportation Project, which was discussed in detail in section 7.7. Of particular interest was the inclusion of the N1 road which, despite not appearing to be a priority for many of those in León and Chinandega, utilises a large proportion of the programme’s budget. When questioned about this, many respondents identified the controversial PPP and DR-CAFTA, discussed earlier, as the driving motivations behind this road’s inclusion in Nicaragua’s MCA. A brief look at Honduras’ and El Salvador’s MCA programmes revealed a similar situation, in which prioritisation has clearly been given to key sections of the controversial trade corridor network. In light of this focus on trade routes, it is not particularly surprising that the selection of secondary roads in Nicaragua appears to have been driven by a similarly economic logic, with their inclusion in the MCA being dependent upon their economic potential. As discussed later, this economic bias will undoubtedly have ramifications for poverty reduction in Nicaragua.

The key issue of inclusivity was identified as being particularly important in exploring the Rural Business Development Project (RBDP). As discussed in section 7.8.1, previous Nicaraguan governments have tended to favour big businesses in the country’s development and this bias was accelerated through the country’s transition into polyarchy. As part of this research, therefore, I wanted to identify what type of producers/farmers would be able to
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engage with this particular component and gauge the degree to which the MCA actually departs from this tradition of favouring big business. In addition to this, chapter 7 considered a number of other factors that could limit individuals' engagement with the RBDP. This included analysing the 'democratic' spaces through which participation within the MCA has largely been achieved in Nicaragua, i.e. the Departmental Development Councils (DDCs). Whilst it is clear that the DDCs have come a long way since gaining formal recognition with the passing of Law 475, it became evident during the research that their representativeness can and should be questioned. Indeed, several interview respondents criticised these spaces for being dominated by the 'local big businessman', heavily influenced by the local municipalities, and biased towards men. Although some steps have been taken to overcome these short-comings, these limitations do raise doubts over the actual level of inclusiveness in the MCA. What is more, if we add to this situation the controversial issue of accessibility to credit in Nicaragua (discussed in section 7.8.3) which, since the adoption of strict neoliberal reforms in the 1990s, has largely favoured the country's big producers, concerns over the RBDP's 'pro-poor' credentials are not unwarranted.

The third and smallest MCA component explored in chapter 7 was the Property Regularisation Project (PRP). As discussed, the US$26.5 million designated for this particular project is aimed at improving the investment climate in the region, by combating the problems associated with insecure property rights and high transaction costs. Research revealed that the inclusion of this particular component in Nicaragua’s MCA was very much a territorial demand, driven by local needs. Consequently, it was extremely important in examining this project to explore exactly who the PRP is likely to benefit and how. In analysing the PRP, chapter 7 also revisited the key issue of gender, which was essential in determining the equitability of the programme. It is estimated that women could constitute roughly 40% of the beneficiaries for this component and, bearing in mind the culture of machismo in Nicaragua (see section 7.8.2), this could represent an important step forward for women’s rights in the region. In terms of the specific issue of credit, for example, this could provide women with the equity necessary for accessing financial support from the private sector, thereby increasing their independence and unlocking their economic potential. Unfortunately, however, the existing sources of credit in Nicaragua are incredibly limited.

303 Further consideration is given to the key issue of credit later.
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(see section 7.8.4) and this may constrain the potential impact of the PRP on accessibility to credit.

Chapter 8 moved the detailed analysis of the MCA on from its relationship with poverty reduction to explicitly questioning the initiative’s relationship with ‘democracy’. In order to do this, the chapter revisited the PWC which, as already mentioned, represents a set of ideas that have been highly influential in shaping the MCA’s defining characteristics. Of particular importance in this regard is the ‘good governance’ agenda, which has enabled donors to exert further conditionalities aimed at re-embedding neoliberalism through the political sphere. Consequently, the first part of chapter 8 placed significant stress on unpicking the relationship between the defining aspects of the MCA, such as selectivity, and the core principles of the PWC. This was followed by a discussion on how the relationship between the MCA and democracy is conceptualised by the MCC’s CEO, who states that the initiative is helping to create the conditions for more ‘democratic’ and prosperous societies by linking aid to policy performance (see section 8.4.1). This process of linking aid to countries’ policy performance, commonly referred to as the ‘MCC-Effect’, consists of a reward-structure approach, whereby substantial financial incentives are offered to countries in exchange for undertaking the economic/political reforms deemed necessary for free-market democracies to take place. As stated earlier in the thesis, this apparently inseparable marriage between neoliberalism and democracy has been subject to considerable debate, especially in the South where the negative effects of neoliberalism have been felt most acutely.

The second part of chapter 8 shifted away from a broad discussion of the MCA and democracy, to look specifically at the processes of participation through which individuals, especially in the departments of León and Chinandega, engaged with and had an input in Nicaragua’s MCA programme. This was particularly important in examining the extent to which the initiative in Nicaragua lives up to its ownership principle and, along the same lines, adheres to its democratic credentials. Particular emphasis was placed in this part of the chapter on examining the DDCs in the region, as it is through these spaces that participation in the MCA has largely been achieved. This research provided a useful insight into these entities and unveiled a number of areas where the DDCs are perhaps not performing as well as they could. This process led me to question the representativeness of these entities, as well as the key issue of ‘democracy’. Of particular interest in this respect, was the role of the municipal Mayors, who play an extremely important role in giving voice to their constituents.
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and in operating as conduits of information for the MCA. Their capacity to do so is strengthened significantly in the north of León and Chinandega by the inter-municipal mayoral alliances, AMULEÓN and AMUNORCHI, which help to amplify the demands of the northern municipalities and operate to ensure that these more peripheral areas are taken into account in the initiative. However, as discussed in chapter 8, one should not discount the potential dangers that accompany the elevated role of the Mayors in this process (see section 8.9).

In evaluating the democratic credentials of a development programme such as this, it was essential to explore the key issue of gender. Although this was examined when analysing poverty reduction in chapter 7, the emphasis in chapter 8 shifted to looking specifically at the involvement of women in Nicaragua’s MCA. It is interesting to note that whilst on the one hand I was half expecting, due to the strong currents of machismo that continue to run through Nicaraguan society, there to be barriers to women’s inclusion in the fund, on the other I felt that a modern initiative such as this - that prides itself on innovation, ownership and transformational impact, would break from this tradition. Initially, however, it seems that this was not the case, with women apparently having to compete with a sexist language and fight for their inclusion within the MCA. These kinds of problems are not, unfortunately, one off occurrences in Nicaragua. Indeed, women appear to have faced similar problems in gaining fair representation in the region’s DDCs, having to claim a space that was not, despite its supposed openness, initially available to them. Fortunately, significant progress has, as discussed in chapter 8, been made in both the MCA and DDCs since those initial problems and women are now playing an increasingly active role in the region’s development. Nevertheless, these barriers are not, by any stretch of the imagination, a thing of the past and, therefore, sustaining long-term inclusivity throughout the duration of the initiative and beyond is essential if the MCA is to reach its full potential.

Chapter 8 concluded by reflecting upon President Ortega’s decision to create the Councils of Citizen Power (CPCs), which have the potential to undermine and politicise the spaces of participation across Nicaragua. These highly controversial structures, which appear to be aimed at replacing the Municipal Development Committees (MDCs), are indicative of Daniel Ortega’s growing efforts to bring these spaces under his and Rosario Murillo’s control. Ironically, whilst this is being done in the name of ‘direct’ or ‘participatory’ democracy, it appears to be derailing genuine democracy in the country by replacing it with a
‘vacuous imitation’ that is designed to consolidate Orteguismo and Murillismo (Nitlápant–Envío team 2007c). In terms of the MCA, this process could undermine the ability of certain individuals at the local level to engage with the initiative, as organisational capacity may become diminished and participation potentially fractured along party lines. Moreover, there are indications that some women’s groups are also being weakened by the CPCs and, bearing in mind the progress already made by women in accessing and participating in the existing spaces of participation, this could represent a substantial blow to such efforts. Fortunately there does, in León and Chinandega at least, appear to be substantial resistance to these ‘new’ structures and this is especially interesting due to the fact that the area is considered by many to be a Sandinista stronghold. As discussed in chapter 8, in a region where organisational capacity and dialogue has progressed significantly in recent years, the imposition of these new and potentially polarising structures are not only unnecessary but counterproductive.

9.2 The MCA: Old wine in new bottles? Major themes and findings

The first part of this conclusion revisited the thesis chapters and outlined their content and contribution to the study as a whole. This process has been useful in drawing together many of the diverse and complex ideas that were developed and drawn upon during this investigation of the MCA. In following on from that discussion, this section pulls out what I consider to be the major themes and outcomes of the thesis. In doing this, the chapter elucidates how this study has contributed to our understanding of the MCA. The ensuing analysis is divided into four core themes, the first of which considers the specific experience of Nicaragua in the MCA. This is then followed by a more general discussion of how the research conducted for this thesis adds to, and engages with, the debates surrounding the MCA. In leading on from this, we look at what this study has to say about the PWC, WC and the current state of neoliberalism, and development theorising more generally. The final theme then builds upon this re-examination of development doctrine by looking explicitly at what this research tells us about the relationship between democracy promotion and development discourse. However, whilst these four themes are discussed separately for the sake of clarity, they are not unrelated, and each engages with similar themes and ideas.
9.2.1 The mechanics of the MCA in Nicaragua

By looking at Nicaragua's experience in the MCA, this research has provided a unique and in-depth insight into how a relatively new and un-researched development initiative has been implemented in practice. The broader implications of these findings on, for example, how we interpret the MCA or development policy more broadly, are discussed in detail later. For now, however, this section concentrates on discussing how the initiative may impact on Nicaragua's development, especially in terms of poverty reduction.

In beginning this discussion, we cannot ignore the implications of the programme's limited geographical focus in which, despite the MCC's expectations of achieving a nation-wide impact (see chapter 6 section 6.7), the initiative is concentrated in only two of Nicaragua's seventeen departments/autonomous zones. The core reasons for adopting this approach appear to be rooted in both a tradition within Nicaragua of favouring particular geographic zones and the MCC's agenda for prioritising development efforts in areas that have the greatest potential for achieving 'transformational' results. In terms of the latter, not only is this evident in the MCA's highly stringent approach to country selectivity, but also, with regard to Nicaragua more specifically, in the MCA's regionalised approach to development. Indeed, the driving logic behind the decision to focus programme funds specifically in León and Chinandega is, as discussed in chapter 6, the region's potential for economic growth and its strategic importance in relation to DR-CAFTA and the PPP. In the long-term, therefore, it is envisioned that the MCA will help to transform this section of the country into an economic motor for the national economy, through which a nation-wide impact will be realised. For reasons already given in this thesis, however, I have doubts over whether this kind of geographically concentrated approach to the country's development is sustainable in the long-run or suitable in a country such as Nicaragua, where widespread socio-economic inequalities already exist. Moreover, it is hard to imagine how this programme, which is clearly limited in both scope and scale, will ever translate into the kind of nation-wide impact that is expected. Instead, it is perhaps more realistic here to talk about departmental impact. With this in mind, attention now turns to considering the MCA's potential impact within the occident.

304 For example, the World Bank's 'Poverty and Social Impact Analysis' (PSIA), which was included as part of the International Monetary Fund's Nicaraguan Country Report, revealed that the geographical distribution of government expenditure through the Public Investment Program (PIP) was markedly biased in favour of 'better-off' municipalities in the country (IMF 2005: 177).
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The MCC’s single-minded economic approach to development, which is expanded upon more broadly later, is very much evident in the content and mechanics of Nicaragua’s MCA. Indeed, each of the project components has clearly been developed with an economic agenda in mind and this will inevitably have ramifications when it comes to the programme’s ability to address the complexities of impoverishment in León and Chinandega. In terms of the Transportation Project, for example, it is possible that some of those areas that have the highest levels of poverty and, therefore, have the greatest need of development assistance, will not directly benefit from this component, because the roads where they live will fail to meet the required economic thresholds (see chapter 7 section 7.7.4). Similarly, whilst the RBDP component is focussed on marketing products, it does not supply the financial support that is greatly needed by many within León and Chinandega to actually produce these goods in the first place. Instead, it works under the ‘recognition’ that there are existing means of finance that people can be steered towards, underestimating the problems of inaccessibility to credit in Nicaragua. Furthermore, there is a real danger that, in the absence of sufficient financial support, the formalisation of property rights, which is being facilitated through the PRP, could actually lead to land transfers that cause greater inequalities. Such concerns are especially poignant in light of DR-CAFTA, through which the level of market competition in Nicaragua is set to increase dramatically. Due to the region’s important strategic position as a transit route within the PPP, the populations of León and Chinandega are perhaps more vulnerable than others within the country.

For me, these fundamental issues raise serious question-marks over the initiative’s pro-poor credentials and its ability to induce the kind of ‘transformational’ changes needed to address the social, cultural, political, environmental and economic dimensions of impoverishment in Nicaragua. Whilst Nicaragua’s MCA may accelerate economic development in the occident of the country and, in doing so, hasten the area’s transition into the free-trade area, its failure to address the underlying causes of underdevelopment will inevitably limit its ability to encourage and facilitate the kind of changes needed for real and fundamental progress to take place. Moreover, the programme’s unwavering agenda for only working with those areas that are considered to have economic potential runs the risk of alienating the most vulnerable sectors of the population. This situation could exacerbate existing inequalities within the region and potentially culminate in the formation of poverty hotspots.
Bearing such concerns in mind, examining inclusivity in Nicaragua’s MCA was another key point of concern within this study. As alluded to above, this research was interested in the mechanisms and processes through which individuals and groups in León and Chinandega have been able to engage with the programme. In this respect, understanding the function of the DDCs in the MCA was particularly important, as these spaces have played a lead role in facilitating participation in the initiative. Whilst I do believe that these councils are a positive and progressive force within the region, this thesis has questioned the extent of their representativeness. As noted earlier, for example, several respondents raised concerns over the inclusion of women in the DDCs, stating that they had to work hard to claim these spaces. Other respondents felt that the region’s Mayors had too much influence in the councils and that the councils could, therefore, be manipulated by political parties to further their own interests. Furthermore, the participation of the more remote municipalities in these departmental councils is clearly constrained by the time, cost, distance and difficulties involved in travelling to and from the DDCs. Consequently, there does appear to be a potential bias towards the wealthier and better developed municipalities, through their close proximity to these ‘democratic’ entities. All of these issues will, in turn, influence the ability of different groups and sectors in León and Chinandega to engage with the MCA. Therefore, steps should be taken, where possible, to reinforce and support these key structures, so that their representativeness and role within the departments can be improved. Indeed, this is now more important than ever, as Daniel Ortega’s controversial project for ‘direct democracy’ continues to put political pressure on entities such as these.

In summary, this study has provided a unique insight into how the MCA operates in practice and has engaged with the issues and debates affecting Nicaragua’s development. It has put to the test the programme’s core aim of reducing poverty through economic growth and considered how this approach may translate into real change, specifically in León and Chinandega. This thesis has located the MCA’s agenda for achieving ‘transformational development’ within the context of reality on the ground in Nicaragua and found that a lot more would need to be done, at a much larger scale, to produce the kind of results it infers. What is more, by questioning the initiative’s raison d’être within Nicaragua and the model of development being promulgated through it, this study has created a platform for critically engaging with debates on dominant development discourse and policy. However, before

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305 Section 9.2.3 explores this issue in greater detail.
engaging with those specific issues, the chapter looks at what this study contributes to our understanding of MCA more broadly and its ‘innovative’ approach to international development.

9.2.2 The MCA: Debates and issues

Over the course of this thesis, we have engaged with many of the key debates and issues surrounding the MCA and its creation. Of particular interest was the decision to house the initiative in a new entity called the Millennium Challenge Corporation, which is entirely separate from the body traditionally responsible for delivering the US’ international development programmes, USAID. As discussed in section 3.3 of chapter 3 and expanded upon later in section 6.1 of chapter 6, this decision was seen by some as a sign of distrust and/or discontentment by the Bush administration over the agency’s role in the delivery of US foreign assistance. Additionally, concerns were voiced that its creation would further weaken USAID’s activities and add to the fragmentation of the country’s foreign aid system. Due to the agency’s hugely influential role in the delivery of development assistance and its presence within Nicaragua, the first half of chapter 6 was devoted to examining the nature of the relationship between the MCC and USAID, especially in terms of funding distribution. The analysis conducted on this issue gave weight to the concerns highlighted above and suggested that there does appear to be a correlation between reductions in USAID’s budget in Nicaragua, and within many other compact-countries, and the MCC’s activities there. It is clear that I am not alone in these findings. A report by the Congressional Research Service stated that “some critics continue to express concern that MCA funding is not always additive, as had been the pledge, but will substitute for portions of previous USAID bilateral development aid programs” (Tarnoff 2008: 19). Consequently, one could question whether the initiative does, in fact, adhere to President Bush’s promise of going ‘above and beyond existing aid requests’. Whilst this study was not able, due to its scope and general time/cost constraints, to give any definitive answers on this key issue, it has nevertheless pointed the way and made a case for further research on the subject.

It would be particularly interesting to investigate how the relationship between these two entities changes under Barack Obama, who is likely to want to put his own stamp on US foreign assistance. Indeed, there are already suggestions that a new international development agency could emerge under the Obama administration (see Lunney 2008).
Whilst there may be doubts over whether or not the MCC has detracted from USAID's operations within the compact-countries themselves, it is clear that President Bush's pledge to deliver an extra US$5 billion a year through the new initiative has failed to transpire. In fact, the yearly amount allocated to the initiative since its creation in 2004 has never even come close to this figure, prompting fears that it will not be able to offer the kind of transformational development originally envisioned. Chapter 3 has already highlighted what this severe under-funding could mean in general terms in discussing the MCC's future prospects and its ability to generate the transformational changes originally envisioned in the recipient countries. In addition to this, the fieldwork and research conducted in Nicaragua has highlighted just how much assistance would actually be needed to create the kind of fundamental nation-wide impact inferred by the MCC. In reality, whilst the US$175 million awarded to Nicaragua is significant, this figure falls well short of what is required to address the complexities of underdevelopment in the country and, in this respect, one could argue that the bar has been set too high. Although, some of the most recent compacts signed with, for example Tanzania and Morocco, are much larger than Nicaragua's, I still have doubts over whether this will, when faced with the complexities and conditions on the ground, be enough to deliver the kind transformational results aspired to. In this regard, one could suggest that perhaps the MCC is trying to do too much with too little resources. Once again, there is an opportunity for further research on this issue and it would be extremely interesting to see the experience of recipient countries elsewhere.

In response to the funding shortages highlighted above, it is evident that the MCC has opted to work with fewer countries, maximising the level of funds distributed to individual MCA recipients. Therefore, rather than diluting the assistance available by dividing it among a larger number of recipients, there has been a drive towards even greater selectivity and, as discussed in section 3.6.1 of chapter 3, this is in line with the initiative's agenda for delivering 'transformational' development in the South. Whilst the logic behind the MCC's highly selective style of development is clear (see chapter 7 section 7.4.1 which discusses the influential role of the World Bank and its agenda for improving aid effectiveness), some have argued that the MCA takes the recommendation that donors be more selective to an extreme (see Chhotray and Hulme 2007). Indeed, one could suggest that the initiative's use of scorecards to grade countries' performances and help determine eligibility is indicative of a situation where the drive to maximise aid effectiveness and deliver 'transformational' results has perhaps gone a step too far. As discussed in section 9.2.1, Nicaragua's experience in the
MCA illustrates the potential dangers that can accompany embracing a ‘bang for buck’ philosophy in development, in which the drive to maximise ‘results’ can actually come at the expense of marginalising those most in need. What is more, there is ample evidence contesting the notion that greater selectivity does necessarily improve the effectiveness of aid at combating poverty (for example see Berg 2002 and Santiso 2001) and this presents doubts over the initiative’s ability to deliver on its promises. Consequently, further research on this relationship within the specific context of the framework of development adopted in the MCA would not only contribute to the wider development literature on aid effectiveness, but also help to inform our understanding of the initiative and its potential impact at the ‘global’ level.

In concluding this section, it is important to reflect upon how the research conducted for this thesis contributes to our understanding of ‘country-ownership’ and its expression through the MCA. In beginning this discussion it is useful to reiterate the point first made in chapter 3 section 3.7.2 that whilst it is the individual recipient countries that are responsible for developing, implementing and monitoring their MCA programmes, this is ultimately being done within a pre-established framework of development that has been defined through the lens of operationalising transnational liberalism in the South. It is not, therefore, surprising to discover that there have been clear similarities between recipient countries in terms of programme orientation, in which the overall focus has, as witnessed in Nicaragua’s case, tended to be on agriculture and transport infrastructure. This uniformity has clearly surprised some observers who had, bearing in mind the diversity of conditions in each of the countries, anticipated greater variation between the MCAs. According to Tarnoff, “some believe that social sectors, including those in health and education, should be receiving greater attention in compact design” (2008: 19). The absence of these social projects in the recipient countries is, as argued throughout this thesis, illustrative of the primacy that continues to be placed on economic growth in official development discourse and this will undoubtedly have repercussions when it comes to the MCA’s ability to address the intricacies and complexities of impoverishment in Nicaragua (see chapter 7 section 7.10.3). There are indications, however, of greater diversity in some of the more recent compacts that have been signed. For example, Namibia’s compact has a substantial Education Project and the MCA programmes in Lesotho, Mozambique and Tanzania incorporate water and sanitation components (see the MCC website). In terms of further research, therefore, it would be interesting to investigate the reasons behind this apparent shift towards more diverse MCAs.
and explore the extent to which it really does represent a fundamental departure from the kind of econocentric programmes being implemented in other compact-countries such as Nicaragua.

Finally, this research has contributed to our understanding and interpretation of the MCC’s ownership principle by emphasising the importance of looking beyond simple rhetoric to examining specific processes and practices within the compact-countries themselves. For example, this thesis has highlighted the influential and significant role of the DDCs in facilitating engagement with Nicaragua’s MCA, and it is these ‘democratic’ structures that really give substance to the concept of ‘ownership’. Consequently, understanding the strengths and weaknesses of entities such as these, as well as their role in the development process, is essential in qualifying exactly how ownership is expressed in practice. In this respect, I would argue that a key contribution of this research has been to illustrate the importance of engaging with processes occurring within the recipient countries, whether it be at the national, regional, or local level, and reflecting upon how these relate to the MCA’s core principles. Only then can we begin to gauge the extent to which the initiative does live up to its positive rhetoric.

9.2.3 The PWC, WC and neoliberalism

A key aspect of this thesis has been questioning if the econocentric model of development being promoted through the MCA does, in fact, represent something fundamentally ‘new’ and ‘transformational’, or whether it is simply yet another case of ‘old wine in new bottles’. Whilst I would hesitate to label the initiative’s defining ‘innovations’ as mere gimmicks, one cannot escape the feeling that underneath all of this glitz and glamour the core logic and assumptions driving the MCA are far from original. In fact, this thesis has argued they are derived from the ideas and concepts enshrined within the IFIs and, most noticeably, the World Bank (or self-proclaimed ‘knowledge bank’). Although for some the World Bank’s apparent ‘transformation’ and re-conceptualisation of itself at the end of the 1990s, in line with the emerging PWC, was indicative of a shift towards a more consensual and moderated approach to development, the underlying assumptions driving its activities in the South remain quintessentially neoliberal in origin. In terms of the MCA, this is witnessed most visibly in the fund’s narrowly conceived approach to poverty reduction, in which ‘economic growth’ is promoted as the panacea to the South’s complex problems.
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This economic model of development is highly visible in the focus and orientation of Nicaragua’s MCA which, despite embracing pro-poor rhetoric, is unlikely to address the complexities of the country’s underdevelopment. Respondents from the region were clearly not oblivious to the initiative’s conceptual limitations, with many having doubts over whether a programme devoted purely to combating the economic dimensions of poverty can, in the end, offer a real solution to their problems and, more broadly, Nicaragua’s problems. Instead, this research has demonstrated that the initiative can be better understood as part of a broader US strategy aimed at institutionalising transnational liberalism in Nicaragua and across the Central American region as a whole. The MCA’s ideological proximity to DR-CAFTA and the PPP is a testament to this fact. Indeed, in all three of the compact-countries within the isthmus, MCA funds are set to bolster these neoliberal mega-projects, thereby facilitating the region’s transformation into a free-trade area. This relationship has led me to conclude that this ‘different model for development’ (Danilovich 2008) is yet another instrument of US foreign policy, through which polyarchy is being operationalised in Nicaragua. Consequently, a key contribution of this research has been to illustrate how this reportedly ‘new’ and ‘transformational’ development initiative ultimately fails to depart from the neoliberal assumptions enshrined within the WC and PWC. That being said, however, there are indications that greater diversity has crept into some of the more recent MCA-compacts and, as discussed above, this apparent shift warrants further research and analysis.

9.2.4 Development and democracy

This final section reflects upon how this research has contributed to our understanding of the relationship between development and democracy; a theme which was considered in detail within chapter 8. In particular, this thesis was interested in examining the seemingly inseparable marriage between ‘democracy’ and free-trade, which has led some to believe that one cannot be achieved without the other. This association has acted as a powerful legitimising tool in the reproduction of governments in the South that adhere and conform to neoliberal logic and are, therefore, willing to take direction from the North. Within this context, the emergence of the ‘good governance’ agenda during the 1990s, symbolic of the shift to the PWC, provided an effective means of re-embedding neoliberalism in the South following the failure of the IFI’s SAPs. Moreover, it set the precedence for the imposition of further conditionalities in the delivery of foreign aid, aimed at producing ‘sound policy environments’ through a mixture of political and economic reforms. To a large extent I
believe that the MCA, with its stringent rules on selectivity and reward-structure approach, was created with the explicit intention of accelerating and streamlining this process in the South. As a result, contrary to representing something fundamentally new and original, this research has shown that the MCA can be better understood as an attempt to improve the efficiency and speed at which policy prescriptions from the North, and most noticeably from the IFIs, translate into reform and change in the South. Thus, Nicaragua’s MCA can be located as an additional mechanism for institutionalising transnational liberalism and consolidating a polyarchic system of rule in Nicaragua and across the Central American region as a whole.

In addition to contributing more broadly to the discussions and debates around development and democracy, this thesis has illustrated the importance of understanding and recognising the potential implications of political processes on the MCA. With regard to Nicaragua more specifically, consideration was given during this research to the highly politicised environment in which Nicaragua’s MCA was being implemented in the run-up to, and aftermath of, the strongly contested 2006 national elections. Whilst it is clear from this research that the initiative passed relatively unscathed from the electoral volatilities (see chapter 8 section 8.6), it would be very interesting to look at the experience of other compact-countries and explore the extent to which their programmes have remained guarded from political interests and influence. This is especially important in light of the fact that the MCA was created, in part, to ensure that development aid is kept separate from political interests (see chapter 3 section 3.3). Furthermore, one cannot, as illustrated throughout this research, ignore processes and events occurring at a more local level within recipient countries, as these can have significant repercussions for the way in which individuals engage with the MCA. As such, a large part of this research was focussed upon analysing the mechanisms and ‘democratic’ spaces through which participation in Nicaragua’s programme has been facilitated and enabled. As chapter 8 demonstrates, understanding the strengths and weaknesses of entities such as the DDCs, is essential in gauging the degree to which the MCA adheres to its ownership principle and builds the local capacity that, according to Danilovich, makes democracy and development sustainable (2007: np). Consequently, a key contribution of this thesis has been to show the importance of exploring and engaging with local processes in the recipient countries, as only then can we begin to bridge the gap between development policy and practice. In terms of further research, therefore, it would be
extremely interesting to compare and contrast Nicaragua’s participative processes and structures with those of other compact-countries.

9.3 Possibilities for future research

This final chapter has engaged with the main findings of this thesis and identified its core contributions to debates around the MCA and development discourse more broadly. Through this process, a number of possible avenues for further research have been suggested and these are drawn together in this final section.

First and foremost, this thesis has highlighted the need for greater research into the relationship between the MCC and USAID, especially within countries that receive development assistance from both entities. As discussed in chapter 3, housing the MCA in a newly created entity was largely driven by the desire to avoid some of the perceived weaknesses/pitfalls of the traditional US aid system. At the same time, however, the decision to do so was interpreted by some to represent a vote of no confidence in USAID and this is argued to have weakened the agency by undermining its authority, whilst also contributing to the fragmentation of the US’ foreign aid programmes (see Radelet 2008: 7). It would, therefore, be extremely interesting to explore the nature of this relationship further, both in broad terms with regard to the general role and position of these entities within the US foreign aid system, and in more specific terms by analysing how they operate and coordinate activities at the country level. Not only would this add to our understanding of the MCA and its relative impact in recipient countries, but it would also give us a better idea of how far US foreign assistance has come over the years and, more importantly, where it may be heading in the future.\footnote{It is important to restate here that this relationship will inevitably shift under the new Obama administration, which as already mentioned, is already talking about a new development organisation.}

Secondly, whilst this research focussed on examining the experience of a specific country in the MCA, it would be incredibly useful to look at the experience of other countries in the initiative and examine the extent to which some of the issues discussed in this study are indicative of situations elsewhere. For example, it would be interesting to compare and contrast the experience of Nicaragua with Honduras and El Salvador. Due to the regional applicability of some of the key themes analysed in this thesis, most noticeably DR-CAFTA

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and the PPP, and the fact that these countries are likely to be experiencing similar impediments to economic growth, one would expect there to be similarities between the MCA programmes. Indeed, this has already been illustrated by the shared focus of the countries' transportation projects, in which key sections of the controversial trade corridor network have been prioritised. At the same time, however, one should not forget that although these countries do share a common political heritage, each of them has their own distinct histories and, therefore, it would be a mistake to assume complete uniformity. Ultimately, the complex political, economic, social, cultural and environmental conditions within which the MCA was constructed and implemented have been specific to each of the countries involved. As such, I believe an important avenue for future research would be to examine the extent to which there are shared commonalities between the MCAs in the isthmus and also identify where there may be differences.

In addition to focusing on the Central American region, research could also be broadened further to incorporate the full range of compact-countries, thereby providing a more 'global' interrogation of the initiative's transformational potential. In doing this, a number of different themes could be explored, including the recent trend towards more diverse MCA programmes. More specifically, it would be interesting to gauge the level and extent of the apparent growth in diversity and examine what this means in practice for the countries involved, especially in terms of poverty reduction. Another possible avenue of research could involve looking at the experience of other recipient countries during politically volatile and sensitive periods, and exploring how these politicised environments may have affected their MCAs. As witnessed in Nicaragua, guarding the MCA against political interests and influence is not always easy and it is therefore essential to try and understand the potential impact of political processes on the initiative within the countries involved. Finally, in order to deepen analysis of the MCA and take the research forward it would, as stated in section 9.2.4 above, be interesting to examine the mechanisms and structures through which participation in, and engagement with, the MCA has been achieved in other compact-countries. Understanding such variations would not only inform our understanding of the MCA and its ownership principle, but also provide a more complete global picture of the experience of different stakeholders in the initiative.
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