

MEMORANDUM TO THE DCI COMMITTEE

Annual action programme 2018 in favour of Nicaragua to be financed from the general budget of the Union

1. Identification

Budget heading	21.02.01.00 – Cooperation with Latin America
Total cost	EUR 25,000,000 of EU contribution This action is co-financed in joint co-financing by: World Food Programme: indicative joint co-financing of EUR 5,300,000
Basic act	Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 , and in particular Article 110

2. Country background

Since mid-April 2018, Nicaragua has been experiencing a protracted socio-political and economic crisis. Based on a survey of the private sector, reductions of activity to the order of 60% (commerce) and 80% (meat and dairy, tourism) are reported. 215,000 people have lost their jobs and 131,000 families are expected to fall into poverty. Using an input-output matrix, value added losses will reach USD 630 million and economic growth for 2018 is expected to be zero. The Nicaraguan Central Bank estimated that by June 2018, the tourist sector had suffered a reduction of activities equivalent to 46% with respect to 2017. Other key affected sectors were: construction (-36%), trade (-27%), livestock production (-26%), manufacturing (-17%) and mining (-11%). This suggests a profound impact on food access and production, since there will be a limited demand linked to low purchasing power and the shrinking of demand (i.a. tourism). The crisis will also have an impact on inflation, investment, exchange rates, net reserves and employment. Cash flow restrictions are also to be expected (trade and finance).

The crisis thus brought to an end a decade during which Nicaragua had outperformed other Central American countries in terms of Gross Domestic Product (GDP) growth, with a yearly average of around 5%. It also exposed some structural issues, such as high inequalities, that increase the country's vulnerability to shocks, be they economic, social or climate-related. Indeed, in terms of per capita income growth, Nicaragua has been ranking far behind similar middle-income countries. Already before the crisis, the World Bank estimated that Nicaragua would take 79 years growing at current rates to reach the average GDP per capita of other Latin American Countries.

Nicaragua is particularly vulnerable to the effects of climate change due to its location and socio-economic condition. Given that the national economy is largely based on the exploitation of natural resources and exports of agricultural commodities, environmental degradation or climate variability have a significant impact. Nicaragua has abundant water resources but their quantity and quality are threatened by unregulated exploitation, inefficient use and distribution, and the effects of climate change which increase the pressure on many aquifers. The provision of basic services like water and sanitation continues to pose an important challenge, even though the country has increased the share of the population with improved drinking water from 73% in 1990 to 87% in 2015.

3. Summary of the action programme

1) Background:

The current socio-political crisis in Nicaragua has significantly affected the domestic economy. The reduction in private and public investment, as well as the reduction in consumption imply a significant loss of jobs and increase of informality, with a corresponding decline in wages due to a crowding-out effect. At the same time, inflation will likely increase. Should the current situation persist, the negative economic effects could have a multiplier effect in the mid-term, significantly reducing GDP in 2018 and 2019.

Given the possibility of scarcity of food and other basic goods, this situation may generate food insecurity among the most vulnerable groups. Food prices have been irregularly increasing in the targeted areas of the programme from 10% to 50% for some basic food staples and the basic commodity basket. The 2018-2019 agricultural cycles might suffer a 50% decrease in basic grains, due to lack of credit, limited access to inputs markets, and higher interest rates. In response to these emerging threats, the present action seeks to implement anti-cyclical measures focused on value chains related to the School Meals Programme and food production in peri-urban areas.

The heavy droughts which Nicaragua suffered in the recent years have had an impact on the availability of drinking water in many regions. A first analysis of watershed conservation in the context of the National Plan for Water Resources in 2017 confirms the tendency towards overexploitation of aquifers nationwide, intensified by the effects of climate change. One of the most important is the Las Sierras aquifer, the main source of drinking water for Managua.

This action aims at a sustainable use of the Las Sierras aquifer by improving the efficiency of drinking water services in Managua, by reducing the high volume (55%) of water that is produced but not charged for ("non-revenue water"). It focusses on Altamira, which is the area of Managua with the greatest billing and consumption of drinking water countrywide.

2) Cooperation related policy of beneficiary country

Nicaragua's National Human Development Plan 2018–2021 aims at fostering rural development and improving access to drinking water and sanitation.

Food security and nutrition policies include programmes providing small domestic animals, generating grains fortified with vitamins and minerals, stimulating urban food production, facilitating small consumption credits. The School Meals Programme combines objectives of food security, nutrition of children and incentives for school assistance.

Climate change adaptation is a priority for the Government of Nicaragua. In line with the commitment it made in signing the UNFCCC in October 2017, Nicaragua published its

National Policy for Climate Change Adaptation in January 2018 and in August its Nationally Determined Contributions (NDC).

3) Coherence with the programming documents:

This action programme supports the achievement of several Sustainable Development Goals: achieve food security and improved nutrition and promote sustainable agriculture (SDG 2), ensure inclusive and equitable quality education and promote lifelong learning opportunities for all (SDG 4), achieve gender equality and empower all women and girls (SDG 5), ensure access to water and sanitation for all (SDG 6), ensure sustainable consumption and production patterns (SDG 12) and take urgent action to combat climate change and its impacts (SDG 13).

This action programme is coherent with the EU Country Strategy Paper 2014-2020 for Nicaragua which has as its priority sectors 1 "supporting the productive sector" and 3 "adaptation to climate change". It promotes the basic right of access to drinking water and will improve women's participation and empowerment. It will also contribute to the EU-CELAC Action Plan related to climate change adaptation.

4) Identified actions

1. Boosting Rural and Rurban Economy in Times of Crisis and Beyond:

The **general objective** of the action is in line with the Country Strategy Paper 2014-2020 (CSP) for Nicaragua: Mitigate the impacts of the 2018 crisis on food production and consumption in targeted areas of the country.

The **specific objective** of the action is: Promote sustainable and resilient agri-food systems in rural and rurban areas in targeted areas of Nicaragua.

2. Sustainable and inclusive water supply in Managua – Altamira:

The **general objective** of the action is in line with the CSP 2014-2020 for Nicaragua: Improve access to drinking water for men and women in the urban sector in light of the threats of climate change in Nicaragua.

The **specific objective** of the action is: Improve the efficiency of the provision of drinking water supply for the population of Altamira in Managua.

5) Expected results:

1. Boosting Rural and Rurban Economy in Times of Crisis and Beyond

R.1. Prioritized value chains are strengthened, mainly grain production, with focus on the economic empowerment of women in targeted rural areas. Cooperatives and producers will be supported in order to increase their productivity. This component includes technical assistance and incentives to improve organisation, commercialisation, food production and transformation by applying good manufacturing and farming practices.

R.2. Market access is increased for the smallholder farmers related to the School Meals programme. This component combines food purchases from cooperatives and food distribution to schools. The aim of this component is to maintain or even increase the proportion of food locally produced and purchased for the school meals programme.

R.3. The economic and climate resilience of rural families is enhanced in targeted areas (Matagalpa, Estelí, Jinotega, Madriz, and Nueva Segovia). This component will promote production in peri-urban areas, mainly in small plots, with an initial 6,000 rural families.

2. Sustainable and inclusive water supply in Managua – Altamira:

The action includes three outputs:

R.1. The drinking water distribution network is improved in the Altamira sector of Managua.

R.2. The commercial and operational management of the water supply of the new Altamira Delegation in Managua is improved (financed by the Inter-American Development Bank (IDB)).

R.3. The social and environmental management of the National Water Company ENACAL is strengthened while promoting gender equity.

The action will improve the water network and increase the levels of efficiency in the operational management of the system, so that the investments made in infrastructure last over time. It will update and optimise the distribution network in order to guarantee that the improvements in service management have a greater impact and are viable. At management level, the action improves the organisational structure of the new ENACAL Delegation of Altamira through capacity-building. With regards to social, environmental, climate change and gender considerations, actions aiming at promoting a culture of responsible consumption of water, raising awareness about environmental sustainability, and changes in gender stereotypes will be supported. In the end, through this action, ENACAL will provide an improved drinking water service to the population of Altamira. This action will be implemented under indirect management by the Spanish Cooperation Agency for International Development (AECID), which is administering EU funding in the Integrated Sector Programme for Human Water and Sanitation (PISASH).

Cross-cutting issues:

Good governance will be promoted in different levels. First, the food production and transformation process will strengthen cooperatives and their capabilities to offer services to their members. Second, the participation of women in decision-making bodies will be promoted. Third, the programme will support school committees in which parents and professors work together in order to guarantee the provision of meals. Finally, governance between private stakeholders (smallholders, rural families, and parents) and public institutions in a context of crisis will be supported.

Environmental Sustainability: The programme will promote cleaner production and natural resource efficiency with organizations along prioritized value chains. This includes good farming practices, good manufacture practices and the establishment of infrastructure for food transformation. The practices will permit to improve soil fertility and increase agrobiodiversity. Special attention will be paid to technologies for the efficient management of water and waste (liquid and solid), sustainable local materials and renewable energy.

Climate change and droughts: The programme will increase the resilience of the most vulnerable and especially communities of the “Dry Corridor” area to face the upcoming dry seasons. Resilience of producers will be achieved by the promotion of climate resilient practices and better access to productive resources and markets along the value chain. Resilience of men, women, children and youths will be increased by a better access to better

food and drinking water supply. The programme will improve the efficient use of water by suppliers and users.

Human rights: In the case of the support for school meals, the targeted areas are characterized by being among some of the poorest, vulnerable to economic and food insecurity, having low levels of educational attainment, and a high concentration of indigenous populations. This action will generate positive externalities for economic and social rights such as education, health/nutrition, and childhood wellbeing. The programme contributes to guaranteeing the right to access to safe drinking water and the right to "a decent life for all" by helping to meet basic needs, such as the right to health and housing, and the right to a healthy environment.

Gender: The programme will implement a strategy for the economic empowerment of women which guarantees that gender is mainstreamed in all actions and services. Equitable participation of women and fostering the participation of women as key actors will be a priority on institutional and beneficiary level.

6) Past EU assistance and lessons learnt.

World Food Programme (WFP) has experience in providing farmer's organizations and smallholders with equipment, new technologies and training has improved their post-harvest management, increased their storage capacity and reduced post-harvest losses. Therefore, the quality of products has significantly improved, placing the organisations in a better position to compete in local markets and thus, obtain higher sales and income.

Over the past decade, the EU/LAIF has contributed approximately EUR 50 million to the Integrated Sector Programme for Human Water and Sanitation (PISASH). In order to improve the sustainability of infrastructure measures, it is foreseen to emphasise the climate change aspects in the water supply sector and capacity building for ENACAL. This action will strengthen a comprehensive, decentralized management model that establishes the basis for greater efficiency and performance of the company, and therefore a better service.

7) Complementary actions/donor coordination.

This action programme is strongly aligned with the EU's PROACT project, implemented at the regional level in Central America (Nicaragua, Honduras, El Salvador, and Guatemala) during 2016-2018. PROACT has set the foundation for more resilient livelihoods in communities affected by El Niño, supporting activities such as smallholder farmer support, Food Assistance for Assets, school meals as a mechanism to guarantee access to food, access to schools and reducing the drop-off rates, and strengthening national disaster risk management.

The meal school programme works as a basket of funds. In the period 2013-2018, there were key contributions from Canada, Swiss, Australia, Brazil, Saudi Arabia, Japan and private donors.

A close coordination with IDB is foreseen for the improvement of drinking water supply in Altamira as part of their forthcoming "Project for the Improvement and Sustainable Management of Drinking Water and Sanitation Services in Urban and Peri-urban Areas of Nicaragua". Since 2012 PISASH is in implementation with a budget of more than EUR 290 million with financial contributions from AECID, European Investment Bank (EIB), Central American Bank for Economic Integration (CABEI), and the Government of Nicaragua.

4. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start and in line with the Joint Visibility Guidelines for EU-UN-WFP Actions in the Field.

5. Cost and financing

1. Boosting Rural and Rurban Economy in Times of Crisis and Beyond	EUR 15,000,000
2. Sustainable and inclusive water supply in Managua – Altamira	EUR 10,000,000
Total EU contribution to the measure	EUR 25,000,000

WFP is committed to an indicative joint co-financing amount of EUR 5,300,000 that will be confirmed in a Delegation Agreement.

The committee is invited to give its opinion on the attached annual action programme 2018 in favour of Nicaragua.



EN
ANNEX 1

of the Commission Implementing Decision of the financing of the annual action programme
2018 in favour of Nicaragua to be financed from the general budget of the Union

Action Document for "Boosting Rural and Rurban Economy in Times of Crisis and Beyond"

1. Title/basic act/ CRIS number	Boosting Rural and Rurban Economy in Times of Crisis and Beyond (BOOST) CRIS number: 2018/039195 Financed under Development Cooperation Instrument	
2. Zone benefiting from the action/location	Nicaragua The action shall be carried out at the following locations: Departments of Jinotega, Matagalpa, Madriz, Estelí, Nueva Segovia and the Autonomous Region at Northern Caribbean (RACN)	
3. Programming document	Multiannual Indicative Programme 2014-2020 Country Strategic Paper for Nicaragua	
4. Sector of concentration/ thematic area	Sector 1. Support the productive sector with particular focus on rural areas	DEV. Aid: YES ¹
5. Amounts concerned	Total estimated cost: EUR 20,300,000 Total amount of EU budget contribution EUR 15,000,000 Total amount of World Food Programme (WFP) budget contribution EUR 5,300,000 This action might be co-financed by potential grant beneficiaries for an amount which would be specified in the grant contracts implemented under indirect management	
6. Aid modality(ies) and implementation modality(ies)	Project Modality Indirect Management with the World Food Programme (WFP)	

¹ Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

7 a) DAC code(s)	31161 – Food Production: 45 % 31191 – Agricultural services: 25 % 52010 – Food aid/Food security programmes: 30 %			
b) Main Delivery Channel	World Food Programme -41140			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	X	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	X	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	n/a			
10. Sustainable Development Goals (SDGs)	Achieve food security and promote sustainable agriculture (SDG 2) Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all (SDG 4) Achieving gender equality and empowering women and girls (SDG 5) Ensure sustainable consumption and production patterns (SDG 12). Take urgent action to combat climate change and its impacts (SDG 13).			
SUMMARY This action aims to mitigate the impacts of the looming crisis on food production and consumption in targeted areas of Nicaragua. This will be achieved by providing incentives to sustain value chains related to the School Meals Programme in the context of a protracted socio-political crisis, thereby contributing to reducing poverty and fostering the economic empowerment of women. This action is relevant for the Agenda 2030 and the European Consensus and supports the achievement of the Sustainable Development Goals (SDGs): achieve food security and improved nutrition and promote sustainable agriculture (SDG 2), ensure inclusive and equitable quality education and promote lifelong learning opportunities for all (SDG 4), achieve gender equality and empower all women and girls (SDG 5), ensure sustainable consumption and production patterns (SDG 12), and take urgent action to combat climate change and its impacts (SDG 13). Poverty reduction and the elimination of hunger are priorities of the Nicaraguan National Development Plan.				

Specifically, the action will promote sustainable and resilient agri-food systems in rural and peri-urban ("rurban") areas, addressing the effects of the 2018 socio-political and economic crisis in targeted areas of Nicaragua and preventing the expected impacts of the El Niño phenomenon in late 2018. This action will include three expected results/outputs: prioritized value chains are strengthened, mainly grain production, with a focus on the economic empowerment of women in targeted rural areas (R1); market access is increased for the smallholder farmers related to the School Meals programme; and (R2) the economic and climate resilience of rurban families is enhanced in targeted areas (R3).

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Since mid-April 2018, Nicaragua has been experiencing a protracted socio-political crisis. What started as an attempt by the administration to reform the social security and pension system, subsequently triggered widespread protests and resulted in calls for democratization and changes to the executive, national police, electoral and justice systems. After the government and National Police responded violently to the protests, civil unrest spread countrywide and since then has been having a devastating effect on Nicaraguan society and the national economy. As of mid-August 2018, the key issues of the crisis, such as democratization of the country and justice for victims, remain unresolved, and there is no clear mechanism for reaching an agreement between the parties to the conflict; an attempt at a National Dialogue, mediated by the Catholic Church, has largely stalled. Efforts by international bodies, such as the Organization of American States (OAS) and the United Nations (UN), to find a path that ensures stability as well as justice, human rights protection, and respect for the rule of law, have also made little significant progress so far.

Based on a survey of the private sector, the Nicaraguan think tank FUNIDES reported reductions in activity levels to the order of 60% (commerce) and 80% (meat and dairy, tourism) in June 2018. 215,000 people have lost their jobs and 131,000 families are expected to fall into poverty. Using an input-output matrix, FUNIDES has estimated that value added losses will reach USD 630 million and that economic growth for 2018 will be zero. The Nicaraguan Central Bank estimates that by June 2018, the tourist sector suffered a reduction in activities equivalent to 46% with respect to 2017. Other affected sectors were: construction (-36%), trade (-27%), livestock production (-26%), manufacturing (-17%) and mines (11%). This suggests a profound impact on food access and production, since there will be limited demand linked to low purchasing power and the disappearance of dynamic sources of demand (e.g. tourism). The crisis will also have an impact on inflation, investment, exchange rates, net reserves and employment. Cash flow restrictions are also expected (trade and finance).

The crisis thus brought to an end a decade during which Nicaragua had outperformed other Central American countries in terms of Gross Domestic Product (GDP) growth, with a yearly average of around 5%. It also exposed some structural issues, such as high inequalities, that increase the country's vulnerability to shocks, be they economic, social or climate-related. Indeed, in terms of per capita income, Nicaragua has been falling far behind similar middle-income countries. Already before the crisis, the World Bank estimated that Nicaragua would take 15 years to get to the GDP per capita level of Honduras, 25 years to that of Guatemala, and 37 years to that of El Salvador. Moreover, it would take 79 years growing at current rates to reach the average GDP per capita of Latin-American countries. It has also exposed the

fragility of development results in Nicaragua, such as the economic and financial weaknesses of the country, disparities in access to basic services among the rural population, and infrastructure and quality gaps related to education, road networks, electricity and water storage.²

According to the Food and Agriculture Organisation (FAO), Nicaragua remains one of two Latin American countries classified as low-income and with food deficits (access to nutritious food being one of the main food insecurity drivers)³. This is related to socio-economic factors, including poverty and unemployment, as well as agricultural inefficiencies and climate vulnerability. As a food importer, Nicaragua is vulnerable to volatile market prices, predominantly affecting low-income households. Natural disasters, extreme weather events, and climate change and variability pose significant threats to food security. Nicaragua is the fourth most affected country worldwide by natural events, according to the Global Climate Risk Index 2017, and the 14th country in terms of highest risk.

Regarding climate change and environmental context, a severe drought is currently affecting Central America's Dry Corridor, which stretches from southern Mexico to Panama, threatening the food security of millions of Central American people. The most impacted countries are El Salvador, Guatemala, Honduras, and Nicaragua. Dry parts of Nicaragua have experienced prolonged periods without rain since late June 20 until mid-August 2018. Furthermore, the LVI Climate Forum in Central America predicts below normal rainfall for the affected region from August to October 2018, further compounding the situation (IFRC). Following recent meteorological updates⁴, there is a 60% probability that the El Niño phenomenon would occur in late 2018, which could put the second and third season production in the region at risk. Neighbour countries (El Salvador, Guatemala and Honduras) have reported losses of 282 000 hectares in maize and bean crops, resulting in an estimated 2.2 million people at risk of food insecurity.

There is a pressing need to address the effects of the crisis on women and people living in vulnerable situations, affected by unemployment, insecurity, violence, and the reduction of social services. This action addresses the effects of the crisis on the vulnerable population in terms of food production and access. Small family farming in Nicaragua is supplying over 60% of beans, 50% of maize, 40% of pork and 30% of domestic production of meat and milk, roots and tubers, vegetables and cacao. The potential of the programme to support local economy is important, especially considering that agricultural family farming, usually occurring in marginal conditions, can help in preserving soils, water and agrobiodiversity, when good and climate resilient agricultural practices are performed. It will generate measurable results for access to education and nutrition for children and youth located in target areas, including indigenous communities.

1.1.1 Public Policy Assessment and EU Policy Framework

Poverty reduction has been a key goal of public policy in Nicaragua. By 2014, the living standard measure survey reported the lowest rate in 16 years. Extreme poverty decreased from 17.3 % down to 8.3 %, and general poverty decreased from 47.9 % down to 29.6 %. The

² SDC 2017, World Bank

³ <http://www1.wfp.org/countries/nicaragua>

⁴ [FAO/WFP 2018/08/24](#) and [GIEWS 2018/08/28](#)

World Bank in its systematic country diagnosis stated that most of these gains were fragile: “Even as many individuals escaped poverty over the last ten years, around one in six non-poor Nicaraguans were at risk of falling back into poverty”.⁵

According to the World Bank, macroeconomic policies, labour incomes (especially from rural labour markets), remittances and family size (fewer people dependent on the family income) were key factors for poverty reduction between 2005 and 2014. These fragile gains might have been swept away with the 2018 crisis: the immediate negative impact on the national economy generated significant reductions in August 2018 in the national budget, in particular for the health and education sectors, and total employment was affected in key sectors such as tourism, trade, construction, and agriculture. This situation will shift the tendency of poverty reduction, and in the short-term the poverty rate might increase in a range of 5 to 11 percentile points. This action will focus women and people living in vulnerable situation to poverty and extreme poverty, with actions to increase their resilience to economic shocks.

Eradicating poverty is at the heart of the EU cooperation policy, including ending hunger, ensuring food security and nutrition, and enhancing the resilience of women and people living in vulnerable situations, particularly in countries facing recurrent crises. The European Consensus on Development states that “the EU and its Member States must respond to current global challenges and opportunities in the light of the 2030 Agenda”.⁶ This policy also recognizes agriculture as a key driver for poverty reduction and sustainable development.

This action is also aligned with the Country Strategic Paper 2014-2020 for Nicaragua. Two key priorities for the EU and Members States in the country are SDG 1 “End poverty in all its forms everywhere”, and SDG 2 "End hunger, achieve food security and improved nutrition and promote sustainable agriculture". In terms of the EU's Multiannual Indicative Programme for Nicaragua, this action is part of priority 1, supporting the productive sector, since it prioritizes strengthening value chains and productivity as key elements for poverty reduction in rural and sub-urban areas and building shock responsive safety nets. The EU is adjusting its response to the current socioeconomic context in Nicaragua, focusing on food security and nutrition, in complementarity to ongoing bilateral or sub-regional operations supporting competitiveness and international trade integration.

Poverty reduction is the key goal of Nicaragua’s National Development Plan. Several food security programmes are targeting women and people living in vulnerable situations. In rural areas the National Food Production Programme is providing small domestic animals to families in order to integrate animal proteins to their diet. The Fortified Seeds Programme aims to generate grains fortified with vitamins and minerals; the Healthy Gardens Programme stimulates urban food production; the Zero Usury Programme facilitates small credits (less than USD 100) for consumption, and the School Meals Programme combines objectives of food security, nutrition of children and incentives for school assistance.

The School Meals Programme was initially a FAO-WFP pilot programme. As of 2007, it became a national programme called Integral School Nutrition Programme (PINE) aiming to improve the quality of children’s nutrition as well as school attendance from pre-school to

⁵ SDC 2017 Nicaragua World Bank, page 4

⁶ COM (2016) 740 final

secondary school, with special emphasis on rural areas. The Ministry of Education implements the PINE with the active participation of the education community, parents and professors.

1.1.2 Stakeholder analysis

The recent social unrest generated a conflict between the private sector, civil society and national government that will require renewed efforts to rebuild trust among public and private institutions. The country's economic dynamics, employment and households' food purchasing capacities have been affected since key sectors such as tourism, transport and commerce have had to reduce their activities and investments. In the short run, new incentives for the private sector will be needed to stimulate investment, in particular in food production. The present action aims to mitigate the impacts of the crisis on food production and consumption in targeted areas of Nicaragua.

In the past years, several international development bodies have been participating in the funding and the implementation of the national poverty reduction and food security programmes in Nicaragua. Before 2007, technical cooperation agencies (such as FAO, IICA, and CATIE⁷) were implementing the activities of these programmes. However, after 2007, their role was re-oriented to providing technical assistance to public institutions which are currently implementing directly the programmes. World Food Programme (WFP) remains one of few international agencies implementing directly activities and delivering services to the targeted population.

The World Food Programme (WFP) will be the implementing partner for this action and will coordinate the implementation of activities with three types of stakeholders: public institutions, productive organizations, and civil society organisations (parents' associations at schools).

On the public side, a stakeholder of this programme is the Ministry of Education which is responsible for the integral school nutrition programme (PINE), aiming to improve the quality of education and nutrition with rights approach amongst public and subsidized pre, primary and secondary rural schools in the country. WFP will also coordinate with the national institute for Agricultural Technology (INTA) which has been providing technical assistance and training to farmers within the national food production/security programmes with a strong focus on technology transfers, promoting climate change adaptation practices and nutrition-sensitive production prioritizing the productive role and empowerment of women. Regarding national rural family agriculture component, WFP will take into account experience of and coordinate action with the Ministry of Family Economy (MEFCCA) which is implementing the national healthy garden programme.

In Nicaragua, over 3,000 farmers' organizations have extensive and long-standing experience in project implementation at different levels, including: household, community, municipality, departmental, and national levels. These farmers' organizations are legally constituted bodies, and they play key roles along the value chain such as productive and post-harvest activities, collection, transformation, quality control, commercialization, and other functions. Thus, due

⁷ Food and Agriculture Organization of United Nations (FAO), Inter American Institute for Agriculture of OAS (IICA), Tropical Agronomic Center for Research and Higher Education (CATIE)

to their experience, community ties, access to resources and capacity to provide services to the farmers, these organizations are well-placed to support the implementation of this project.

The School Meals Programme directly benefits pre-school, primary, and secondary school children. School Feeding Committees (SFC), integrated by parents and educators, are important actors responsible for kitchen tasks, including the proper storage and handling of food.

Overall, this action will take into consideration the gender-analysis of agricultural value chains, by working with three groups of final beneficiaries in a gender-responsive way in order to promote food production, diet diversification, nutrition, and reducing school drop-off. WFP will implement its "Women's economic empowerment strategy", identifying specific products and indicators for achieving this aim.

1.1.3 Priority areas for support/problem analysis

The current socio-political crisis in Nicaragua has significantly affected the domestic economy. The reduction in private and public investment, as well as the reduction in tourism, services, and trade, imply a significant loss of jobs and increase of informality, with a corresponding decline in wages due to the crowding-out effect. The loss of jobs (currently around 85,000) will continue to increase to at least 150,000 jobs within the next year. At the same time, prices are expected to increase, thereby diminishing the purchasing power of vulnerable groups. The inflation forecasted prior to the crisis was between 5% and 6%, and will likely increase to 10%. Should the current situation (which includes violent repression, limited economic activities and political tensions) persist, the negative economic effects outlined above could have a multiplier effect in the mid-term, significantly reducing Nicaragua's GDP by the end of 2018.

Given the possibility of scarcity of food and other basic goods, this situation may generate food insecurity among Women and people living in vulnerable situations. Food prices have been irregularly increasing in the targeted areas of the programme from 10% to 50% for some basic food staples and the basic commodity basket. The Nicaraguan agricultural producers' association has also announced that the 2018-2019 growth cycles will likely suffer up to a 50% decrease in the production of basic grains during the first harvest, due to lack of credit, and limited access to inputs markets. In addition to this risk, the recent constraints in access to fiscal exemptions for the agricultural inputs could affect the second part of the agricultural cycle, crucial for food staples as beans, which form an indispensable part of the Nicaraguan diet. Furthermore, increases in the price of agricultural inputs, together with a rise in interest rates and limited or lack of access to credit will slow agricultural activities even further. In response to these emerging threats, the present action seeks to implement anti-cyclical measures focused on value chains related to the School Meals Programme and food production in rural areas.

In the social sphere, gains in the macro-stability and economic growth of the past ten years might be lost. According to the official data, poverty in Nicaragua was considerably reduced from 42% in 2009 to 29% in 2014. However, today, vulnerable groups of people close to the poverty line are likely to fall back into poverty again due to the economic shocks. The general poverty rate might increase back from 29% to levels between 35% and 40%.

These economic repercussions have caused an atypical increase in migration flows, especially towards Costa Rica, where local authorities have reported an accumulated number of 14,000 requests of asylum from which around 3,000 are new requests from May and June due to the political crisis. During the crisis, migration flows reached levels of about 500 Nicaraguans per week.

2 RISKS AND ASSUMPTIONS

Risks	Risk level	Mitigating measures
Macroeconomic instability due to low investment, jobs reduction, and negative growth rates.	High	The action will include mechanisms for price adjustments for food purchasing and contract agriculture in order to incentive smallholders to be part of the programme. The price adjustments will favour smallholders as a priority.
Potential effects of OAS resolutions and uncertain prospects for trade with the US would increase Nicaragua's economic isolation.	Medium	The action is focused on internal markets. In the case of international isolation, local food production and commercial circuits would take on an increasingly important role for food security.
Change in National Authorities	Medium	WFP will ensure smooth implementation and hand-over of activities during/after a possible transition period. The action addresses food security, a key element for economic recovery after crisis.
Insecurity and public budget reductions impede school attendance of children	Medium	WFP uses a mechanism for the distribution of take-home rations, in which parents will receive and bring home the food.
Access to the targeted areas is reduced due to civil unrest, beneficiaries are unable to participate in the activities	Medium	Contingency plan will be developed to adjust implementation in order to ensure continuity of activities.
Natural hazards (drought in second sow season, volcanoes or hurricane effects)	Medium	Identify alternative routes and develop a contingency plan for food and non-food items and implementation of key activities. Develop a contingency plan to allow smallholder farmers to recover their agricultural productive assets, inputs and seeds.
Delays in project implementation due to possible increase of violence and social unrest.	Medium	As WFP has a large presence in the targeted territory and continued experience working with the local cooperatives and schools. Contingency plan will be developed to adjust implementation in order to ensure continuity of activities during protracted unrest.

Misuse of funds or misappropriation of outputs by (local/national) authorities for political purposes	Low	The programme activities will be fully implemented and monitored by the WFP staff. No transfer of funds and no visibility events are foreseen to/with the local/national authorities. However, WFP will have to maintain its coordination with public institutions in order to ensure access to schools and sustainability of action.
Migration	Medium	Job opportunities in the cooperatives and stable income for families generated by the programme would prevent the need of people affected by the crisis to leave the country for economic reasons.
Assumptions		
<p>WFP will facilitate the coordination among donors for the school meals basket fund. The project will be aligned with the gender policy of Nicaragua and with the GAP-II; WFP will implement its women's empowerment strategy.</p> <p>There is a good acceptance of climate-resilient and environmentally-friendly good practices by women, farmers and local cooperatives.</p>		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Since 2009, WFP and its partners have been helping smallholder farmers to increase their productive capacities and generate linkages to formal markets and shock-responsive social protection programmes. This model is an effective mechanism for promoting sustainable development and long-term hunger solutions in a country where food production relies on smallholder farmers. In 2016, WFP introduced its women’s economic empowerment strategy to enhance women’s access to credit and participation in decision-making in farmers’ organizations. The strategy is recognized as a positive practice that should be scaled up.

Providing farmer's organizations (FOs) and smallholders with equipment, new technologies and training has improved their post-harvest management, increased their storage capacity and reduced post-harvest losses. Therefore, the quality of products has significantly improved, placing the FOs in a better position to compete in local markets and thus, obtain higher sales and income.

WFP’s investments in the existing infrastructure have maximized resources in a cost-efficient manner. Before the project, FOs had old-fashioned processing plants with inadequate functioning to process and store grains for commercialization purposes, resulting in an inefficient service and under-utilization of the plant space. With WFP support, the FOs have succeeded in reducing costs and providing better processing services to smallholder farmers in a timely manner.

Most of the targeted FOs have attained the formal market’s quality standards, even though smallholder farmers are not always motivated to produce high quality basic grains, as these are not demanded by the informal local market. Most middle men suppliers purchase basic

grains without any transformation, mainly as raw product which is paid with low prices. In the context of low demand from urban areas, prices tend to be even lower.

Establishing strategic alliances with key partners has allowed FOs to have technical and financial assistance in the different stages of the value chains of basic grains. For instance, the Inter American Institute for Agriculture's studies was important to classify the FOs and to assess the smallholders' organization processing plants. The National Institute for Agricultural Technology (INTA) technical support has been crucial for the transfer of new agricultural technologies. The Central American University (UCA) academic support has been necessary to strengthen the management capacities of farmer organizations.

3.2 Complementarity, synergy and donor coordination

This project is strongly aligned with the EU's Pro-resilience Action (PRO-ACT) project (EUR 10 million), implemented at the regional level in Central America (Nicaragua, Honduras, El Salvador, and Guatemala) during 2016-2018. PROACT has set the foundation for more resilient livelihoods in communities affected by El Niño, supporting activities such as smallholder farmer support, Food Assistance for Assets, school meals as a mechanism to guarantee access to food, access to schools and reducing the drop-off rates, and strengthening national disaster risk management.

In Nicaragua, PROACT focused strongly on using the School Meals Programme as a shock-responsive safety net in the Dry Corridor, enhancing national capacities in disaster risk reduction, introducing resilience-building actions with smallholder farmers, and women's empowerment. PROACT linked smallholder and cooperatives with the National School Meals Programme, increasing farmer's incomes and their climate and economic resilience. This has set the basis and generated the local knowledge required to scale up this approach through this project, consolidating the gains of the first phase. PROACT finishes in October 2018. This action will benefit from the experience and lessons of PROACT and the evolution from the WFP's methodology from purchases to technical support in terms of production, climate adaptation, and commercialization.

The meal school programme works as a basket of funds. In the 2013-2018 period, there were key contributions from Canada, Swiss, Australia, Brazil, Saudi Arabia, Japan and private donors. The national government contribution was around 16 % of total funds, and the total amount reached by 2016 was USD 21.7 million⁸. For the period 2019 -2024, the goal is to reach USD 26.035 million.

3.3 Cross-cutting issues

Governance: Good governance will be promoted on different levels. First, the food production and transformation process will strengthen cooperatives and their capabilities to offer services to their members. Second, the participation of women in decision-making bodies will be promoted. Third, the programme will support school committees in which parents and professors work together in order to guarantee the provision of meals. Finally, the action will support coordination mechanism between private stakeholders (smallholders,

⁸ WFP (2016) WFP Operations Mid Term Review. Econometrica-WFP Office of Evaluation

rurban families, and parents) and public institutions, by the school committees and the coordination of activities with production-related institutions.

Environmental Sustainability: The programme will promote cleaner production and natural resource efficiency with organizations along prioritized value chains. This includes good farming practices (GFP), good manufacture practices (GMP) and the establishment of infrastructure for food transformation. The GFP will permit to improve soil fertility and will increase agrobiodiversity, especially in peri-urban agriculture, where diversification of diets is identified as one of the objectives. Better access to and management of water will also be considered. As regards GMP, special attention will be focused on technology for efficient use of water and waste (liquid and solid) management, the use of sustainable local materials and the use of renewable energy resources, etc.

Climate change and droughts: The programme will increase the resilience of women and people living in vulnerable situations, and especially the ability of communities of the “Dry Corridor” area to face the upcoming dry season. Resilience of producers will be achieved by the promotion of climate resilient practices and better access to productive resources and markets along the value chain. Resilience of women, children and youths will be increased by a better access to food and resources for diversifying their diet.

Human rights: In the case of the support for school meals, the targeted areas are characterized as being among some of the poorest, vulnerable to economic and food insecurity, having low levels of educational attainment, and a high concentration of indigenous populations. The areas covered by the support to food production are highly vulnerable to droughts⁹, and economic shocks for internal markets. This action will generate positive externalities for education, health/nutrition, and childhood wellbeing.

Gender: WFP will implement its strategy for the economic empowerment of women. This will guarantee that gender is mainstreamed in all actions and services. Equitable participation of women and fostering the participation of women as key economic actors will be a priority.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The **general objective** of the action is in line with the CSP 2014-2020 for Nicaragua:

Mitigate the impacts of the 2018 crisis on food production and consumption in targeted areas of the country.

The **specific objective** of the action is:

Promote sustainable and resilient agri-food systems in rural and rurban areas in targeted areas of Nicaragua.

The **expected outputs** are the following:

⁹ as it is forecasted for the rainy season of 2018, affecting the second harvest (postrera)

Expected output 1: prioritized value chains are strengthened, mainly grain production, with a focus on the economic empowerment of women in targeted rural areas;

Expected output 2: market access is increased for the smallholder farmers related to the School Meals programme; and

Expected output 3: the economic and climate resilience of rural families is enhanced in targeted areas.

This action is relevant for the Agenda 2030 and the European Consensus. It will support the achievement of the following SDGs: achieve food security and improved nutrition and promote sustainable agriculture (SDG 2), ensure inclusive and equitable quality education and promote lifelong learning opportunities for all (SDG 4), achieve gender equality and empower all women and girls (SDG 5), ensure sustainable consumption and production patterns (SDG 12), and take urgent action to combat climate change and its impacts (SDG 13). Poverty reduction and the elimination of hunger are priorities for the Nicaraguan National Development Plan.

4.2 Main activities

Expected output 1: prioritized value chains are strengthened, mainly grain production, with a focus on the economic empowerment of women in targeted rural areas

The WFP has developed an important experience in Nicaragua with the Purchasing for Progress programme since 2014. At regional level, the implementation of PRO-ACT, the WFP implemented actions with producers in order to increase their resilience to climate shocks. This process allows WFP to evolve and create the smallholder agriculture and market support tool (SAMS). In this action, using SAMS, WFP will incentive food production, using agriculture contracts. The production of grains such as rice, maize and beans will be incentivised as part of the school meals value chains. Cooperatives and producers will be supported through investments and technical assistance in order to increase their productivity, and transformation of grains to fortified cereal, and to introduce a stronger focus on resilience-building and climate change adaptation, and environmentally-friendly production practices. The selection of beneficiaries will include positive actions to increase women's active participation and empowerment.

This component includes technical assistance and incentives to improve organisation, commercialisation, food production and transformation by applying good manufacturing and farming practices (GMP and GFP). It also foresees the provision of agricultural equipment to guarantee that the cooperatives and farmers have the resources that they need to meet the expected results. The equipment required will be determined through the development of business plans. The selection of materials, type of equipment or investment will take in consideration good practices in terms of environmental impact, low-carbon economy and climate resilience. This will follow a co-financing model, whereby the selected cooperatives and producers will be required to make small investments, in order to cover a part of the cost.

Expected output 2: market access is increased for the smallholder farmers related to the School Meals programme

This component combines food purchases from cooperatives and food distribution to schools. The aim of this component is to maintain or even increase the proportion of food locally

produced and purchased for the School Meals Programme. On the one hand, it stimulates food production systems. On the other hand, it ensures that children and teenagers attending school in areas vulnerable to hunger receive essential food, thereby encouraging them to continue with their schooling, despite the crisis. This component will provide part of the food requirements that are part of the full school meal basket. The remaining requirements will be secured with multi-donor support, thereby maximising resource efficiency. The full basket will include 40 grams of fortified rice, 40 grams of maize (Jinotega) or fortified wheat flour (RACCN), 30 grams of beans, 35 grams of fortified cereal, 15 grams of fortified vegetable oil, and 10 grams of dates.

Expected output 3: the economic and climate resilience of rurban families is enhanced in targeted areas

Nicaragua has developed an important experience in promoting food production in rurban areas in the last seven years. Initially FAO developed a pilot experience in 2010 introducing fruits, vegetables, and medicine plants for improving nutrition and diets in rurban vulnerable families. By 2012, the national government scaled up this initiative to a national programme with a goal of covering 50,000 families, mainly from the Pacific region^{10/11}. By 2016, the programme did cover 277, 095 families, and the goal for the period 2017-2021 is to reach 114,100 new families¹². The WFP's country programme 2013 – 2018 signed with the national government, allows interventions in order to promote livelihoods and family strategies to increase resilience to shocks. This component will pilot the promotion of production in peri-urban areas, mainly in small plots, with an initial 6,000 rurban families. This includes low-income families that are vulnerable to food insecurity and poverty. The action serves as an important tool for low-income families to guarantee nutritious and sustained availability of food, thereby reducing dependency on markets and economic pressures at home, and promoting a resilient and sustainable solution to hunger. Additionally, it will be an important tool to promote dietary diversity and stimulate good nutritional behaviour. Therefore, WFP and the EU will support the implementation of this national initiative in the departments of Matagalpa, Estelí, Jinotega, Madriz, and Nueva Segovia. WFP already has infrastructure and technical capabilities in these departments.

The main indicative activities are the following:

Start-up activities:

- 0.1. Baseline study, including updating and completing gender analysis and other studies related to sustainability.
- 0.2. Design of the monitoring system, including revision of the matrix of indicators.

Expected output 1

- 1.1 Strengthen men and women farmers' capacities to improve their resilience, sustainable productivity and access to markets.
- 1.2 Strengthen women farmers' capacities through the Women's Economic Empowerment Strategy to improve their access to markets and thus increase their incomes and food security.

¹⁰ Managua, León, Chinandega, Carazo, Masaya, Granada, Rivas,

¹¹ FAO (2015) Healthy Patio from a project to a National Policy.

¹² GRUN 2016 Goals for a Good Government 2017 – 2021. Nicaragua hope in present and future.

- 1.3 Strengthen farmers' organizations capacities to improve agro-services, added-value transformation and access to local and formal markets, promoting environmentally-friendly solutions.

Expected output 2

- 2.1 Provide nutritious meals to school boys and girls in targeted areas to meet their basic food needs, thereby incentivising access to education, and linking school meals to smallholder farmers through local purchases.
- 2.2 Purchasing locally produced food for the school meals.

Expected output 3

- 3.1 Establish food production among rural families, prioritizing families headed by women, in order to promote diet diversity and ensure adequate nutritional behaviour.
- 3.2 Provide agricultural inputs and technical assistance to targeted households, prioritizing families headed by women, in order to improve their livelihoods.
- 3.3 Strengthen targeted households' capacities and knowledge on adequate nutritional behaviour through training and messaging.

4.3 Intervention logic

The action will be implemented under the framework of the WFP Country Strategic Plan (WFP CSP 2019-2023). The EU will take advantage of the WFP structure, capacities and experience to implement its response to the effects of the crisis: the production support to cooperatives (increasing the number of cooperatives and services offered); the fortified grains purchasing programme; providing nutritious food for schools (increasing the amount of children and rations); and supporting a new component addressing food security and production in rural areas.

The intervention logic of the present action is built around existing WFP's schemes. On the demand side it will be implemented through Smallholder Agriculture and Market Support (SAMS), which is linked to the School Meals Programme. For the implementation of activities with smallholder farmers, WFP will work in partnership with 20 farmers' organizations, located in the northern area of the country. WFP has been working directly with cooperatives since 2009, as this has been an effective mechanism for reaching women and men farmers, thereby maximizing impact. Producers will be guaranteed market access with prices and conditions that will seek to stimulate quality production. On the supply side, WFP will assist producers with rural advisory services in food production, transformation and commercialization. With this model, WFP will support those value chains that procure inputs for the School Meals Programme. In order to select the farmers' organizations that will participate in the project, WFP will use a series of targeting criteria to ensure that they have a minimum level of infrastructure and equipment, capacity to collect at least 100 metric tonnes of grains, and already established functioning administrative and governing bodies.

SAMS is a key tool in terms of counteracting the effects of negative incentives from a market dynamic affected by an economic and social crisis. Due to the crisis, think tanks predict a contraction in the purchasing capacity of urban and rural families. Higher levels of unemployment and reduction of key economic activities such as trade, tourism and construction will affect urban and rural families' income. SAMS will incentivise the targeted cooperatives to produce quality food implementing good farming practices. Besides, SAMS

will incentivise grains transformation and certification, towards purchasing the super cereal by local cooperatives.

The local food purchases from smallholder farmers, conducted by WFP, will serve to complement the food basket of the School Meals Programme, thus also directly benefiting 182,000 pre-, primary, and secondary school children, in vulnerable and remote areas in the departments of Jinotega and the Northern Autonomous Atlantic Caribbean Coast (RACCN). These specific areas were assigned by the national government to WFP due to their limited infrastructure and access to markets and also due to their vulnerability to climate and economic shocks. In order to coordinate the distribution of school meals, WFP works with School Feeding Committees (SFC), integrated by parents and educators. The SFC members are responsible for kitchen tasks, including the proper storage and handling of food.

In both processes, production and transformation, positive actions for women's economic empowerment will be applied. The action aims to generate positive externalities for children's nutrition, school attendance, food security and women's empowerment.

In addition, WFP will promote food production in rural areas with an emphasis on nutritional crops and training on food management and preparation. This will be a food security component; however, food surpluses might supply vegetables and fruit to urban areas through local commercialization circuits.

This action will be implemented in a gender responsive way, by fostering the economic empowerment of women, either as food producers in cooperatives or as peri-rurban patio producers. The interventions will be focused in those value chains related to the School Meals Programme. There may be a need for import substitution of the super cereal, with local cooperatives such as CCAJ¹³ and COMPARE¹⁴. This is an important option for inclusiveness and for the economic empowerment of women, since women play a key role in activities related to transformation, quality control and commercialization.

The action will ensure that proper attention is paid to environmental standards, through the implementation of cleaner and more efficient production systems in productive units, as an intervention axis for a more responsible and sustainable production. The action will thus positively contribute to ensuring these value chains remain active in spite of the ongoing economic and social crisis, thereby contributing to reducing poverty and fostering the economic empowerment of women.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country.

¹³ Cooperativa de Servicios Múltiples Campesinos Activos de Jalapa

¹⁴ Cooperativa Multifuncional 27 de Junio, Paz y Reconciliación

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of adoption by the Commission of this Action Document.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014

5.3 Implementation modalities for an action under project modality

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation¹⁵.

5.3.1.1 Indirect management with an international organisation

This action will be implemented in indirect management with World Food Programme (WFP)¹⁶. This implementation entails providing rural advisory services to smallholder farmers and rural families in the targeted areas for food production and transformation, purchasing, and delivering agro-food production to the School Meals programme.

This implementation is justified because WFP is the largest humanitarian organisation implementing school feeding programmes worldwide and has been doing so for over 50 years. Each year, WFP provides school meals to between 20 and 25 million children across 63 countries, often in the hardest-to-reach areas. WFP purchases more than 2 million metric tons of food every year. WFP would carry out the following:

- Provide technical assistance and institutional strengthening to cooperatives and school feeding committees, as well as facilitate overall coherence and technical support for all components, in order to ensure the implementation of all activities. This assistance will cover technical issues as well as capacities for communication, organization, and networking.
- Procurement of equipment and inputs for food production and value-added technology
- Implementing the Monitoring and evaluation System
- Implementing the Communication and Visibility Strategy
- A support technical assistance programme, possibly complemented by grants, to benefit selected cooperatives; ensuring positive actions to promote women's empowerment and focusing actions with women organizations/associations.

¹⁵ https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf

¹⁶ The EC has provided over EUR 3.4 billion to WFP since 2013, and was the WFP's second largest single donor in 2016 and 2017. The EC and WFP share a strong partnership working in humanitarian assistance and development operations. By 2017, the EC had contributed a record EUR 1 billion to supporting vulnerable and food-insecure populations in 49 countries through WFP.

The international organisation identified above, is currently undergoing an ex-ante assessment of its systems and procedures. Based on its compliance with the conditions in force at the time previously other indirect management actions were awarded to the organisation and based on a long-lasting problem-free cooperation, the international organisation can also now implement this action under indirect management, pending the finalisation of the ex-ante assessment, and, where necessary, subject to appropriate supervisory measures in accordance with Article 154(5) of the Financial Regulation

The Commission authorised the use of the flexible procedures applicable in crisis situations as defined in article Art 2 (21) of the Regulation (EU, Euratom) 2018/1046 in Nicaragua countrywide from 01/07/2018 to 30/06/2019. This decision applies to all programmes implemented in Nicaragua. This period may be extended by explicit decision if the situation so requires.

According to the applicable regulations on flexible procedures to be used in cases of crisis, post-crisis and fragility situations, the expenses for humanitarian and emergency actions could be considered eligible before the financing decision is taken.

Therefore, under the present programme and for distribution of School Meals (result 2), costs incurred by WFP might be funded as from 01/07/2018 (date of Crisis Declaration for Nicaragua).

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014, on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

	Results/Module	Total Budget	EU contribution (EUR)	WFP contribution (EUR)
I	Prioritized value chains are strengthened, mainly grain production, with focus on the economic empowerment of women in targeted rural areas			
	<i>Indirect management WFP</i>	6,350,000	6,350,000	0
II	Market access is increased for smallholder farmers related to the School Meals Programme			
	<i>Indirect management WFP</i>	10,285,000	5,035,000	5,250,000
III	the economic resilience of rural families is enhanced in targeted areas			
	<i>Indirect management WFP</i>	2,000,000	2,000,000	0
V	5.7 – Evaluation, 5.8 – Audit	300,000	250,000	50,000
	<i>Indirect management WFP</i>	300,000	250,000	50,000
VI	5.9 Communication and visibility	200,000	200,000	0
	<i>Indirect management WFP</i>	200,000	200,000	0
VI	Fees WFP (6.5%)	915,000	915,000	0
VII	Contingencies			
	<i>Indirect management WFP</i>	250,000	250,000	0
	Total	20,300,000	15,000,000	5,300,000

5.6 Organisational set-up and responsibilities

A Programme Steering Committee (PSC) will be established comprised of relevant actors for programme governance and implementation (e.g. WFP and the EU Delegation) and will ensure global coherence and overall effectiveness in achieving the expected results. The detailed Terms of Reference (ToR) of the PSC shall be elaborated during the inception phase. The PSC will meet at least twice a year and will ensure the functioning of the Secretariat of the PSC. WFP will establish an appropriated communication and coordination channel with public institutions related with education, family farming production and cooperatives.

The project will be implemented under the framework of WFP Country Strategic Plan (WFP CSP 2019-2023). The WFP CSP was designed with the aim of supporting Nicaragua in the achievements of the Sustainable Development Goals (SDGs) and in particular SDG2: Zero Hunger and SDG17: Partnerships for Goals.

In order to implement its comprehensive portfolio of activities, currently the WFP Nicaragua has in-country staff in five offices, one of which is located in the capital and four of which are spread across the country. They are in full capacity working their action lines, monitoring school meals delivery and post delivering results. In Managua, the office is structured in nine

units, all of which are headed by their respective chiefs, including programme, partnership and project management, procurement, logistics, finance, communications, technology, administration, and human resources. The teams, in turn, report to senior management, comprised of the Country Director and Deputy Country Director. The programme team has a manager for each of the WFP CSP's strategic objectives, which report directly to the Head of Programme.

As for the other field sub-offices, they are located at Puerto Cabezas, Siuna, Jinotega and Ocotal, allowing WFP staff to be close to field operations. WFP has field monitors and technical staff that directly implement and/or follow-up on activities. This way, they can monitor progress, and build a closer relationship with the project participants and relevant authorities.

WFP's Deputy Country Director will provide leadership and overall direction in the management of the project. He will be responsible for ensuring that the grant is fully and properly implemented, in accordance with the agreement that will be stipulated between the EU and WFP. He will also be in charge of managing and overseeing the staff working in the development and implementation of the project.

With regards to the implementation of all activities under the WFP CSP, an annual work plan was established with each partner establishing roles, responsibilities and budget implementation. WFP directly procures goods and services under its procurement and financial policies and procedures. WFP will coordinate activities with the Integral School Nutrition Programme of the Ministry of Education for the School Meals Programme.

5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this programme will be a continuous process and part of the implementing partner's responsibilities. This requires that the implementing partner establishes a permanent internal, technical and financial monitoring system for the action and elaborate progress and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation. Progress Reports should be reviewed and approved by the planning and supervision bodies defined in the organizational set up.

The setting up of the monitoring system will be ensured by WFP through the following steps

- In the start-up phase: Review, extension, and adaptation of the matrix of indicators, and design and implementation of the monitoring system;
- Conducting the baseline study, in order to complete information for indicators of outcomes related with productivity, food consumption and expenditure, school drop-off rate, livelihoods and farmers procurement to WFP.
- Updating and completing gender analysis and other studies related to sustainability, with a rights base approach;
- In the implementation phase: the WFP will guarantee technical and management support for enhancing institutional performance; management of the monitoring system; analysis of monitoring data and production of periodic monitoring reports.

Specific indicators for this programme, their source of information and institutions responsible for providing them are provided in the logical framework. The identified gender sensitive indicators will be monitored and the relevant indicators will be disaggregated by sex. Both monitoring and evaluation must take into account how the programme is being implemented from a gender sensitive rights-based approach (in particular regarding its five principles: 1) all rights are applied, 2) participation and access to the decision making process, 3) non-discrimination and equal access, 4) accountability and access to the rule of law, and 5) transparency and access to information.

The Commission may undertake additional project monitoring visits both through its staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the importance of the action, mid-term and final evaluations will be carried out for this action via independent consultants contracted by WFP. The mid-term evaluation will be carried out for problem-solving and learning purposes, in particular with respect to assess the overall progress, impact and appropriate implementation of the programme. The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this action is closely related with the promotion of an environmental and social sustainable economic growth.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, jointly decide on the follow-up actions to be taken and any adjustments necessary. Indicatively, one contract for evaluation services shall be concluded tentatively in the first trimester 2023

Where an evaluation is foreseen and is to be contracted by the Commission, the Commission shall inform the implementing partner at least 15 days in advance of the dates foreseen for the evaluation missions. The implementing partner and the national institutions shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The financing of the evaluation shall be covered by another measure constituting a financing decision.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a financing decision.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation, based on Communication and Visibility Manual for European Union External Action and in line with the Joint Visibility Guidelines for EU-UN-WFP Actions in the Field; these will be approved by the EU Delegation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

[APPENDIX - INDICATIVE LOGFRAME MATRIX ¹⁷]

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	Mitigate the impacts of the 2018 crisis on food production and consumption in targeted areas of the country	<p>1. Food Consumption Score</p> <p>2. Food Expenditure share</p> <p>3. Average productivity (yield kg/ha) per target crop for SHF members of targeted aggregation systems**</p> <p>4. Schools Drop-off rate</p>	<p>1. TBD in inception phase</p> <p>2.TBD in inception phase</p> <p>3.TBD in inception phase</p> <p>4.TBD in inception</p>	<p>1. Reduced prevalence of households with poor and borderline food consumption (SUM) as compared to pre-assistance baseline value.</p> <p>2. Proportion of households spending 65% or more of their monthly budget on food decreased.</p> <p>3.TBD in inception phase</p> <p>4.TBD in inception phase</p>	<p>1. Representative household surveys to be implemented by the action.</p> <p>2. Representative household surveys to be implemented by the action.</p> <p>3. Representative household surveys to be implemented by the action.</p> <p>4. Representative school surveys to be implemented by the</p>	

¹⁷ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

			phase		action.	
Specific objective(s): Outcome(s)	Promote sustainable and resilient agri-food systems in rural and urban areas in targeted areas of Nicaragua	<p>1. Livelihood-based Coping Strategy Index.</p> <p>2. Dietary Diversity Score</p> <p>3. Percentage of WFP food procured smallholder farmer aggregation systems disaggregated by sex.</p>	<p>1. TBD in inception phase</p> <p>2. TBD in inception phase</p> <p>3 TBD in inception phase</p>	<p>1 TBD in inception phase.</p> <p>2 TBD in inception phase</p> <p>3 TBD in inception phase</p>	<p>1. Representative household surveys to be implemented by the action.</p> <p>2. Representative household surveys to be implemented by the action</p> <p>3 . Sales records provided by targeted pro-SHF aggregation systems</p>	<p>WFP will facilitate the coordination among donors for the school meals basket fund.</p> <p>There is a good acceptance of climate-resilient and environmentally -friendly good practices by women, farmers and local cooperatives</p>

Outputs	R1. prioritized value chains are strengthened, mainly grain production, with focus on the economic empowerment of women in targeted rural areas.	<p>1.1 Number of farmers trained by this Action on grain production (disaggregated by sex)</p> <p>1.2 Number of farmers' organisations strengthened with the support of the action</p>	<p>1.1 0 by this Action (2018)</p> <p>1.2 0 by this Action (2018)</p>	<p>1.1 TBD in inception phase</p> <p>1.2 TBD in inception phase</p>	<p>1.1 Database of project beneficiaries</p> <p>1.2 Database of project beneficiaries</p>	<p>- Small farmers production is not affected by natural disasters</p> <p>- Small farmers have surplus to commercialize with WFP and other buyers</p>
	R2. market access is increased for the smallholder farmers related to the School Meals programme.	<p>2.1 Number of nutritious meals distributed with the support of the action</p> <p>2.2 Number of children benefitting from the nutritious meals distributed with the support of the action (disaggregated by sex)</p>	<p>TBD</p> <p>TBD</p> <p>2.1 0 by this Action (2018)</p> <p>2.2 0 through this Action (2018)</p>	<p>TBD</p> <p>TBD</p> <p>2.1 TBD in inception phase</p> <p>2.2 TBD in inception phase</p>	<p>Sales records provided by targeted pro-SHF aggregation systems</p> <p>Sales records provided by targeted pro-SHF aggregation systems</p> <p>2.1 Progress reports</p> <p>2.2 Progress reports</p>	<p>Food is delivered to schools in a timely manner</p> <p>Schools remain open</p>
	R3. the economic resilience of rural families is enhanced in targeted areas	<p>3.1 Number of home gardens established among rural families with the support of the action</p> <p>3.2 Number of rural households receiving agricultural inputs and technical assistance with the support of the action</p>	<p>3.1 0 with the support of this Action (2018)</p> <p>3.2 0 with the support of this Action (2018)</p>	<p>3.1 TBD in inception phase</p> <p>3.2 TBD in inception phase</p>	<p>3.1 Progress reports</p> <p>3.2 Database of project beneficiaries</p>	

		3.3 Number of persons trained and informed about adequate nutritional behaviour by this action, disaggregated by sex	3.3 0 with the support of this Action (2018)	3.3 TBD in inception phase	3.3 Database of project beneficiaries	
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ANNEX 2

of the Commission Implementing Decision of the financing of the annual action programme
2018 in favour of Nicaragua to be financed from the general budget of the Union

**Action Document for Project on Sustainable and Inclusive Drinking Water Supply for
Altamira – Managua**

1. Title/basic act/ CRIS number	Sustainable and inclusive drinking water supply for Altamira - Managua CRIS number: 2018 / 041-500 financed under Development Cooperation Instrument	
2. Zone benefiting from the action/location	Nicaragua, Central America The action shall be carried out at the following location: Managua	
3. Programming document	Multiannual Indicative Programme 2014-2020 Country Strategic Paper for Nicaragua	
4. Sector of concentration/ thematic area	Sector III: Adaptation to climate change	DEV. Aid: YES ¹
5. Amounts concerned	Total amount of EU budget contribution EUR 10 million Other part of the project is financed by Inter-American Development Bank (IDB) loan for an amount of EUR 8.76 million and co-financed in parallel by the Government of Nicaragua for an amount of EUR 0.175 million, USD 10 million and USD 0.2 million respectively	
6. Aid modality and implementation modality	Project Modality Indirect management with Spanish Agency for International Development Cooperation - AECID (Ministry of Foreign Affairs and Cooperation)	
7 a) DAC code(s)	14021 Water supply - large systems – 60% 14010 Water sector policy and administrative management – 40%	

¹ Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

b) Main Delivery Channel	AECID - 21			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	X	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	X
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input type="checkbox"/>	X
	9. GPGC thematic flagships	Environment and climate change, Human Development		
10. Sustainable Development Goals (SDGs)	Main SDG Goal: (6) Ensure access to water and sanitation for all Secondary SDG Goals: (13) Take urgent action to combat climate change and its impacts, (5) Gender equality			

SUMMARY

At present, the EU is one of the main donors – with EUR 50 million – of the Integrated Sector Programme for Human Water and Sanitation (PISASH) being implemented in 19 cities of Nicaragua, including among them the capital, Managua. The provision of water supply service in urban areas which is supplied by the National Water Company ENACAL still continues to pose an important challenge for the development of the country. At the same time it is necessary to ensure the sustainable use of water resources, in light of unregulated exploitation, inefficient use and distribution intensified by the effects of climate change. In this context the main source of drinking water for the City of Managua, the Las Sierras aquifer, is affected by the tendency towards over-exploitation.

This action aims at a sustainable use of the Las Sierras aquifer by improving the efficiency of drinking water services in Managua, for instance by reducing the high volume (54.9%) of water that is supplied, but not charged for, so called "non-revenue water". It proposes to act in the sector of Altamira in the City of Managua, which is the area with the greatest billing and consumption of drinking water countrywide. The action aims to improve the provision of drinking water services for the population of Managua through an approach based on the

efficient management of water resources, business efficiency, environmental sustainability and gender equity.

The action includes three outputs:

- Outputs 1 and 3 are foreseen to be financed by the EU with EUR 10 million:
- Output 1 will upgrade the drinking water distribution network in the Altamira sector of Managua, thereby reducing physical losses of water;
- Output 3 will strengthen the social and environmental aspects of water management, incorporating a gender equity approach in the sector;
- Output 2, financed by the Inter-American Development Bank (IDB) with EUR 8.76 million, will establish a new decentralised management and operational model for the provision of water services in Altamira.

This action is aligned with the sector-wide **PISASH programme, the National Plan for Water Resources** and the **Strategic Plan for Institutional Development 2013 – 2017** of the National Water Company ENACAL, and will continue to build on already identified priorities of improving the indexes of efficiency and efficacy in the provision of water and sanitation services; in particular, it will aim to do so by reducing the volume of non-revenue water, improving the quality and coverage of services, ensuring the economic viability of the water supplier, and preserving water resources. The action will also incorporate a gender approach and a "right to water" approach, in line with the work currently being carried out by the Socio-Environmental Unit of ENACAL.

The action contributes to the objectives of the Country Strategy Paper 2014-2020 for Nicaragua and fits into the results framework of the Joint Programming in Nicaragua, contributing to the objective: "Improve access to sustainable, safe water services with an emphasis on equity." It contributes to the objective of the National Human Development Plan of Nicaragua to provide universal and equitable access to drinking water and sanitation in a context of increased pressure on water resources intensified by the effects of climate change.

This project will be implemented under indirect management by the Spanish Agency for International Development (AECID), which has ample experience in the implementation of projects in the water and sanitation sector, and which is administering EU funding in Phase I of the PISASH.

1 CONTEXT

1.1 Sector/Country Context/

In Nicaragua, access to drinking water has improved, the country has achieved the MDG's increasing the population with improved drinking water sources from 73% in 1990 to 87% in 2015 (JMP WHO/UNICEF 2015). The Phase I of the Integrated Sector Programme for Human Water and Sanitation – PISASH has contributed to increase drinking water coverage in 19 major cities throughout the country. Though the actual rate of connection with 91% households in urban areas is much higher than in rural areas, the majority still suffers an interrupted water supply. The provision of water supply service in urban areas which is

supplied by the National Water Company ENACAL still continues to pose an important challenge. Currently preparation for a Phase II of the PISASH at pre-investment stage is ongoing in 17 more cities of Nicaragua, with a total population of 470,000.

A pending challenge is that Phase I of PISASH did not fully considerate climate change aspects particularly. Though Nicaragua has abundant water resources, the quantity and quality of its water is threatened by unregulated exploitation, inefficient use and distribution, and the effects of climate changes such as high variability in precipitation and droughts, among other things. In recent history, between 1990 and 2012, extreme weather events (e.g. hurricanes, tropical storms, floods and landslides, excluding droughts) have produced direct and indirect economic losses, estimated at 1.89% of annual GDP². The heavy droughts which Nicaragua suffered in the years 2014 and 2015 have had impact on the availability of drinking water in many regions. It has evidenced that it is necessary to emphasise the effects of climate change aspects in the water supply sector. For the future can be expected that the pressure on many aquifers will be even more intensified by the effects of climate change.

For the Government of Nicaragua Climate change adaptation has become a priority. In January 2018, it published its National Policy for Climate Change Adaptation in line with the commitment it made in signing the United Nations Framework Convention on Climate Change in October 2017.

1.1.1 Public Policy Assessment and EU Policy Framework

Nicaragua's National Human Development Plan 2018 – 2021 (*Plan Nacional de Desarrollo Humano* or PNDH) continues to set as a priority access to drinking water and sanitation for the population. There is a need to establish and implement a strategy for water sector development that aims to overcome in the medium to long term structural problems in terms of access to water and sanitation and the integrated management of water resources under the consideration of climate change effects. In 2013, the Integrated Sector Programme for Water and Sanitation (PISASH) was approved. This sector programme will run for 20 years and have a total cost of more than 2 billion dollars. Its three Specific Objectives are: (1) increase access to drinking water and sanitation in urban and rural areas; (2) ensure the protection and conservation of watersheds, surface water sources, and groundwater aquifers; and, (3) guarantee ordering of the sector and the sustainability of quality drinking water and sanitation services. In order to support this sector strategy, the EU contributed EUR 50 million which, in addition to funds leveraged by the Latin American Investment Facility (LAIF) through the Government of Spain, and together with funding from the Central American Bank for Economic Integration (CABEI) and the European Investment Bank (EIB), financed a first phase of the PISASH programme totalling EUR 290 million.

Throughout 2017, and with technical and financial support from the World Bank, AECID, and the EU, the Government of Nicaragua conducted a first analysis of watershed conservation in the context of its National Plan for Water Resources (*Plan Nacional de Recursos Hidricos* or PNRH). One of the main conclusions of this analysis was confirmation of the overexploitation of the Las Sierras aquifer, the main source of drinking water for the

² Harmeling, S. and Eckstein, D., Global Climate Risk Index, 2013

City of Managua. The PNRH proposes to decrease water extraction by making drinking water distribution systems more efficient among other things.

This action is therefore coherent with what has been put forward under Phase I of the Integrated Sector Program for Water and Sanitation (PISASH) and with the strategic guidelines (SG) of the PNRH, in particular SG 3: *Development of programmes and projects to improve water security for water users*; SG 5: *Institutional strengthening* that aims to upgrade public capacities for the sustainable administration of water; and, SG 6: *Improve funding for the water sector* by means of more efficient billing processes and control of volumes consumed.

The proposal is also coherent with the Joint Programming Exercise underway in Nicaragua, contributing to the objective of “Improving access to sustainable safe water services with an emphasis on equity”, the cooperation strategy of the EU with Nicaragua, and in particular with EU's Multi-Annual Indicative Programme (MIP) 2014-2020 for Nicaragua which has as its Sector 3 "Adaptation to Climate Change", in this case by improving the integrated management of water resources. The project contributes to adapting to the effects of climate change by a more efficient use of the Las Sierras aquifer.

The project is coherent with the EU policy framework promoting human rights and with the EU Gender Action Plan 2016-2020. It promotes the basic right to access to drinking water and will thereby improve the living conditions of women and children, in particular. The project also promotes women's participation and empowerment and the modification of gender stereotypes and patterns that represent obstacles to achieving gender equality.

1.1.2 Stakeholder analysis

The **Nicaraguan Company for Water and Sanitation (ENACAL)** is responsible for the provision of drinking water and sanitation services in urban areas of the country. It administers 161 drinking water systems in 178 localities and 35 sanitation systems. The direct responsibility for execution of this project will be assumed by the **Investments and Projects Section (GPI)** of ENACAL. Among its functions, GPI carries out the formulation of programmes, projects, and investments throughout ENACAL's departments and units, in coordination with the other sections of the ENACAL. Given the characteristics of the project, the GPI will coordinate with the **Operations Section** for those actions that aim to improve the technical efficiency of the drinking water system, as well as its operation and maintenance, and with the **Commercial Section** for the aspects related to better management of billing and fostering a culture of payment.

Since 2014, the GPI has been implementing Phase I of the PISASH with a good execution of its budget (45.2% as of December 31, 2017). The GPI is also now managing other projects funded by the IDB, EximBank of South Korea, German Development Cooperation, and the Government of Japan. The GPI employs 156 professionals, of whom 97 are in the Project Execution Unit, which in turn is divided into six sections: Coordination, Administration-Finance, Procurement, Pre-Investment, Project Execution, and Follow-Up and Control.

The proposed project will receive co-funding from the **IDB**, which is also participating in the execution of Phase I of the PISASH, administering resources donated by the Government of Spain. The EU and the IDB are already co-funding the drinking water system for the City of Bilwi for a total cost of USD 35.7 million in the framework of PISASH.

1.1.3 Priority areas for support/problem analysis

The upgrading and extension of drinking water and sanitation services in urban areas requires not only new investments to expand and improve existing infrastructure systems, but also the organisational development, modernisation and strengthening of the operative and commercial management of ENACAL.

ENACAL operates with a financial deficit, though there is a clear trend towards improvement of cost recovery, it is still subsidised by the Government. Since 2013, ENACAL has been implementing its **Strategic Institutional Development Plan** in order to improve the indexes for efficiency and efficacy of its services. From 2014 to 2016, in real terms, operational income rose by 57% (from USD 62 million to USD 97 million), while operational costs were reduced by 7% (from USD 96 million to USD 89 million). Still operational costs were not met because of under billing, poor collection practices, low water tariffs, high energy consumption, and a centralised organisational model that limits the operational efficiency of ENACAL. Water tariffs have been increased by approximately 6% annually in the last three years, and continue being a sensitive political topic.

The average index for water losses named **non-revenue water (NRW)** in Managua in 2016 was 54.9% (for every 100 litres of water produced, ENACAL only billed 45.1 litres) which clearly demonstrates an enormous waste of water, and in turn generates unnecessary overexploitation of the aquifer while rendering the cost of operations more expensive. Managua's high level of NRW has **commercial and physical causes**. It is estimated that half of loss is on the commercial side. A significant amount of water is not billed either because water consumption by users is simply not measured, illegal connections are made to the network, there are obsolete listings and mappings of users, or there is weak management of billing services. In terms of physical causes, water is often lost before it even arrives at households, generally because of the deterioration of the network and poor management of hydraulic pressure, which causes the rupture of pipes and constant leaks.

In order to improve the efficacy of drinking water services and contribute to a sustainable management of the water resource, this project proposes to act in Altamira, an important sector in the City of Managua. The Altamira sector covers 167 sub-sectors (*barrios*) with 43,535 households of the total 218,000 in Managua. Geographically, it represents 15% of the whole City of Managua and covers 79 square kilometres. Altamira represents the highest volume of consumption and billing in the whole country and, at the same time, a high rate of water losses of 54.1%. At the beginning of 2018 ENACAL approved by resolution the installation of Altamira Delegation including the assignment of its management staff.

The project will optimize the hydraulic functioning of the present network, improve control over the production of water and its consumption, and introduce managerial improvements in ENACAL's administrative, operational, and commercial functioning, including through the creation of a new delegation that will attend to this sector of the city.

2 RISKS AND ASSUMPTIONS

Ongoing civil unrest which has been occurring throughout Nicaragua from mid-April 2018 has had a large social and economic impact on the whole country. However, the provision of basic public services has not been significantly affected. For the time being, ENACAL continues to be fully operational, and implementation of the ongoing PISASH programme has not been interrupted. Rather, continued provision of basic services is essential to support the population in times of crises.

Risks	Risk level	Mitigating measures
Ongoing political-social conflict continues for several months and impedes execution of works.	Medium / High	<ol style="list-style-type: none"> 1. Organization and regular updating of the workplan according to the situation in Altamira. 2. Social communication and awareness-raising among the population to the pertinence of the project and its benefits.
The procurement by tender for works, supplies, and services could fail for different technical reasons, which would delay execution of the project.	Low	Technical assistance for support to ENACAL will be contracted by AECID, in order to review bidding documents and reduce as much as possible any technical and administrative inconsistencies. This assistance can also support the awarding of contracts through the review of the processes for evaluating offers.
Limited institutional capacity for taking ownership of the project outputs.	Medium	<ol style="list-style-type: none"> 1. The necessary training and ongoing technical assistance will be provided to the technical and operative staff of ENACAL in order to guarantee appropriate empowerment and capacity development. 2. ENACAL will hire additional technical staff in order to ensure all the institutional capacity required for the new management model.
Appearance of unforeseen problems in the physical functioning of the water network or unregistered connections in excess of what was initially projected can mean delays in the execution of the works and the modelling, as well as the need for more funds than originally foreseen.	High	<ol style="list-style-type: none"> 1. Inspection of the network at strategic points during its mapping in order to revise plans as needed. 2. Definition of the scope for the bidding process in line with reality. 3. Reserve of extra time for the execution of the contracts. 4. Budget reserve in order to cover related costs in the execution of the project.
Assumptions		
<ol style="list-style-type: none"> (i) The present model for public management of water service is maintained. (ii) ENACAL maintains its strategy to move ahead towards a decentralised management model for water and sanitation services from its Delegations, as is put forward in its Plan for Institutional Development. (iii) The capacity for execution of public investment by the State does not deteriorate significantly. 		

3 LESSONS LEARNED, COMPLEMENTARITY AND CROSSCUTTING ISSUES

3.1 Lessons learned

Based on the experience of PISASH, it has been identified that the improvement of infrastructure measures should be accompanied by an intensive capacity building for ENACAL delegations and ENACAL Central. So far, it has been important to place even more emphasis on the development of capacities of ENACAL that are necessary to ensure the sustainability of water and sanitation services. In this context, this action will introduce a comprehensive model of support for ENACAL that establishes the basis for greater efficiency and better performance of the company's indicators, and therefore a better service for the population.

The close accompaniment through technical assistance of ENACAL, as has been implemented since the second semester of 2017 in Bilwi and Bluefields in the context of the Programme for Technical Assistance for Water and Sanitation (PROATAS) of the German Agency for International Cooperation (GIZ), is a model that will be replicated for the new delegation of ENACAL in Altamira. The technical and management capacities will be strengthened in particular by Result 2 financed by the IDB, and complemented through technical assistance under Results 1 and 3. For the main topics such as the reduction of non-revenue water, technical support to ENACAL will be carried out complementarily under each of the three Components. To tackle NRW reduction, actions from other delegations like Bilwi and Bluefields will be transferred to Altamira: mapping of users to increase the collection rates, capacity-building to operate equipment that detects physical losses, and reconstruction of the structure and organization of the Delegation.

Within the framework of the PISASH, ENACAL will seek to further decentralize its management and operational model, which is manifested in the planning of five new Regional Centers nation-wide. The installation of Altamira as a delegation supports the strengthening of ENACAL's decentralization tendency.

Another important lesson learned coming out of the execution of the PISASH programme has consisted of the need to provide more emphasis on the social and gender aspects of the interventions in the water and sanitation sector in both rural and urban areas, strengthening the gender approach and recognizing the important relation between access to water and the empowerment of women. As a direct measure of PISASH's midterm evaluation, ENACAL funded the new Socio-Environment Unit at the beginning of 2018. It employs seven professionals who are responsible for supporting the 18 Delegation of ENACAL in the implementation of awareness-raising activities among the population. Because of this, it will be important to integrate into the current action measures to shore up the work currently being done by ENACAL to systematise a model for intervention which safeguards social, environmental and gender aspects.

A correct characterisation and resolution of the problems with the drinking water supply system in the Altamira sector will contribute to the establishment of a new sectorised, decentralised, and more efficient management model that can then be extended to the other sectors of the City of Managua. The evaluations foreseen in this action will therefore take into account the efficacy and impact of the proposed action its replicability in other sectors of Managua and other cities of the country.

3.2 Complementarity, synergy and donor coordination

In 2012, an EU donation of EUR 50 million was approved to fund **Phase I of the Integrated Sector Programme for Water and Sanitation (PISASH)**. This programme is being implemented by the public company ENACAL and has a total budget of more than EUR 290 million with financial contributions from AECID, EIB, CABEL, and the Government of Nicaragua. The project currently being proposed is totally complementary to the objectives and scope of Phase I of the PISASH since Managua is one of the 19 cities covered by this Programme and the strengthening of the Delegations and Branch Offices of ENACAL is one of its Strategic Objectives. The intervention in Managua in context of Phase I of the PISASH is focused on sanitation supply and will be complemented in the sector of water supply by this project.

A close coordination with **IDB** is foreseen in the implementation of this action. The activities by IDB aimed at the expansion and improvement of water and sanitation infrastructures, as well as the improvement of operational, technical and commercial management of ENACAL Altamira are part of the forthcoming "Project for the Improvement and Sustainable Management of Drinking Water and Sanitation Services in Urban and Peri-urban Areas of Nicaragua" financed by IDB.

The project is also complementary to the work done by the **Programme for Technical Assistance for Water and Sanitation (PROATAS)**, funded by German Cooperation through the GIZ. Since 2010 it has been supporting ENACAL in its institutional strengthening with special attention to the support of the Delegations and Branch Offices that administer the water and sanitation systems throughout the country and in particular in Bilwi and Bluefields. The outputs of this project complement the actions for Capacity Building that GIZ is carrying out in ENACAL Central in Managua. The implemented actions by GIZ will be considered and partly replicated in the delegation of Altamira.

This action is complementary to a Japanese International Cooperation Agency (JICA) project that provides Technical Assistance in the framework of the "Project for Capacity Building for Management of non-revenue water in the City of Managua" with the objective of reducing the NRW in three small sectors in Managua.

Finally, in the context of implementing the National Water Resource Plan, the World Bank is planning a diagnostic of the important river basin of Lake Managua (Xolotlan) and Lake Nicaragua (Cocibolca) and, in a second stage, the formulation of an Integrated Water Resource Management Plan. The presented action is linked to this project and will be complemented by other measures still to be defined.

It is foreseen to have close communication and coordination with these projects with the aim of having a greater impact on the water supply of ENACAL in Managua.

3.3 Crosscutting issues

Environment:

The proposed action responds to a need to adapt to climate change in relation to the supply of drinking water to Managua. One of its purposes is reduce the strain on the Las Sierras aquifer

by reducing physical losses from the distribution network. This action aligns with the analysis done in the context of the National Plan for Water Resources which aims to develop programmes and projects in order to improve water security for the different water users.

Changes in precipitation and runoff, combined with changes in consumption and withdrawal, have reduced surface and groundwater supplies. These trends are expected to continue, increasing the likelihood of water shortages. Increasing resilience and enhancing adaptive capacity provide opportunities to strengthen water resources management and plan for climate change impacts. Concretely, the proposed action will propitiate the efficient use of water by reducing losses from the water distribution systems. Additionally, the action will mainstream adaptive principles in the drinking water distribution network, assuring that climate-proofing measures are taken in consideration. Finally, it will empower users, and especially women, in campaigns related to water conservation, water quality and the importance of strengthening resilience in the face of climate change.

The action also will contribute to improving energy efficiency in the distribution of drinking water by replacing water pumps in 10 production centres, thereby in part mitigating the effects of climate change.

Gender:

Sustainable access to drinking water and sanitation has direct impacts on the life of women. Water rationing and irregular service affects the daily planning of activities, obliging women to spend more time in the household. They invest their time and the work to gather water for domestic use. Frequently women have to get up at dawn if water supply is irregular and limited to a few hours a day. Furthermore, informal businesses activities which use water for the processing and commercialisation of food products are often realised by women. Irregular water supply brings about loses of economic income.

Moreover, the access and payment of basic services like water and energy is a common cause of family violence. Men make women responsible when the household is without water, while in many cases they do not allow the payment for water services.

The EU Gender Action Plan and the gender action plan of the EU Delegation in Nicaragua are directed at strengthening gender equity in all EU Delegation cooperation actions. This project incorporated the recommendations on the gender approach coming from these strategic documents into its design, objectives, outputs and proposed activities.

From a strategic point of view, the project will contribute to the creation of a new institutional culture in ENACAL and integrate gender activities systematically in the new Central Socio-Environment Unit. It will promote raise awareness among the population with the aim to strengthen a culture of water including messages to reduce gender inequities. The programme will search opportunities to empower women and take on leadership roles inside and outside of ENACAL. The Altamira Delegation will thus pioneer a cultural shift that can subsequently be extended to others sectors of ENACAL.

Human Rights:

The project contributes to guaranteeing the right to access to safe drinking water and the right to "a decent life for all" by helping to meet basic needs, such as the right to health and housing, and the right to a healthy environment. It implies the duty of preserving the Earth's natural resources, including water, for the benefit of the future. The action will consider the recommendations included in the "EU Action Plan on Human Rights and Democracy".

The project will strengthen the work presently being developed by ENACAL to foster a culture of responsible consumption of water in which everyone is a co-participant with responsibilities and benefits.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/outputs

The **general objective** of the action is in line with the Country Strategy Paper 2014-2020 for Nicaragua:

Improve access to drinking water for men and women in the urban sector in light of the threats of climate change in Nicaragua.

The **specific objective** of the action is:

Improve the efficiency of the provision of drinking water supply for the population of Altamira in Managua.

The **expected outputs** are the following:

Expected Output 1: The drinking water distribution network is improved in the Altamira sector of Managua.

This output will be funded by the European Union.

Expected Output 2: The commercial and operational management of the water supply of the new Altamira Delegation in Managua is improved.

This output will be funded by the Inter-American Development Bank.

Expected Output 3: The social and environmental management of ENACAL is strengthened while promoting gender equity.

This output will be funded by the European Union.

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal 6: *Ensure access to water and sanitation for all*, but also promotes progress towards Goals 13: *Take urgent action to combat climate change and its impacts*, and 5: *Gender equality*. This does not imply a commitment by the country benefiting from this programme.

4.2 Main activities

For **Output 1** (funded by the EU), the following structure for outputs and activities is put forward:

Product 1.1. Distribution network modernised in the zone of Altamira.

- 1.1.1 Construction work to repair priority sections, substituting obsolete pipes with new ones.
- 1.1.2 Construction work to adapt the network, according to the main recommendations for hydraulic optimisation including climate-proofing.
- 1.1.3 Accompany ENACAL in supervising the work for modernisation and pipe laying in order to ensure the necessary quality.

Product 1.2. A digital hydraulic model of the drinking water distribution network in Altamira is designed and implemented.

- 1.2.1 Install equipment for measuring flows and pressure in order to calibrate the model.
- 1.2.2 Design a digital hydraulic model based on existing information.
- 1.2.3 Calibrate the model in order to conduct tests for improving operations.
- 1.2.4 Train ENACAL staff in the use of the model.

Output 1.3. Works for sectorising and pressure management built in the zone of Altamira.

- 1.3.1 Construction of infrastructure necessary for sectorising.
- 1.3.2 Procurement and installation of equipment for optimised operation of the distribution network.
- 1.3.3 Training of ENACAL in managing pressures of water networks.

For **Output 2** (funded by the IDB), the following structure for outputs and activities is put forward:

Output 2.1. Equipment installed for measuring production from the water tables and water pressure.

- 2.1.1 Installation of macro-meters and pressure equipment in 85 water production centres in Managua.
- 2.1.2 Installation of equipment to monitor levels of the aquifer in Managua.

Output 2.2. Installations built for sectorisation of the Altamira hydraulic zone and production and storage facilities in the zone are rehabilitated.

- 2.2.1 Execution of work for rehabilitation and modernisation of the electromechanical installations in 45 water production centres in Altamira and substitution of 10 pumps.
- 2.2.2 Rehabilitation of water storage tanks in Altamira and procurement and installation of equipment for controlling levels in those tanks.
- 2.2.3 Execution of works and installation of equipment for sectorisation of the Altamira Network with respect to the network for the City of Managua.

Output 2.3. Mapping of water networks and clients in Altamira is updated.

2.3.1 *Updating of cadastral client registration and of water network grounded on a database and Geographic Information System (GIS).*

2.3.3 *Redesign and implementation of routes for reading customers' water meters in Altamira and process billing.*

Output 2.4. *Altamira Delegation created with a new decentralised institutional reorganisation.*

2.4.1 *Install water meters in Altamira, rehabilitate connections.*

2.4.2 *Provision of new Delegation infrastructure, office equipment, and equipment for operations and a stock of materials for repairs.*

2.4.3 *Training sessions and implementation of procedures in the new Delegation: organisational chart, list of functions, systems for performance evaluation; up-to-date inventory management; analysis and action plan for micro-measuring; management of new interventions and commercial processes.*

For **Output 3** (funded by the EU), the following structure for outputs and activities is put forward:

Product 3.1. *Strengthening of the new ENACAL Central Socio-Environmental Unit with instruments for management and operation.*

3.1.1 *Conduct a gender analysis to identify and prioritize measures to promote women in issues related to the culture of water and gender equity. Potential activities could be basic gender workshops with community leaders and operational personnel of ENACAL, gender training of the Socio-Environmental Unit staff, campaigns to prevent violence against women and campaigns about efficient water use and benefits of paying for the water supply service.*

3.1.2 *Preparation of a strategy for social promotion, fostering a culture of responsible water consumption and good habits in relation to hygiene-sanitation, the environment, and climate change. The action will promote women to assume a key player role in realisation of these campaigns. Women will be empowered in promoting messages related to the need of a proper use of water and the role of water savings in face of climate change.*

3.1.3 *Draw up an Organisational Chart, manual of functions and processes for the Socio-Environmental Unit. Realise systematisation of the integration of the approaches for rights, gender, and environment in the management model for drinking water service.*

3.1.4 *Technical accompaniment in order to strengthen the Socio-Environmental Unit of ENACAL*

3.1.5 *Prepare and execute Annual Activities Plans of the Socio-Environmental Unit.*

4.3 Intervention logic

The three expected outputs are developed in parallel. To fully achieve them, the set of activities described will be planned and executed in a coordinated and coherent fashion.

The action as a whole will improve the infrastructure of the water network and increase the levels of efficiency in the operational management of the system, so that the investments made in infrastructure last over time. It will update and optimise the distribution network in order to guarantee that the improvements in service management have a greater impact and

are viable. At the management level, the action provides the improvement of the organisational structure of the new ENACAL Delegation of Altamira through technical capacity-building. With regards to social, environmental, climate change and gender considerations, actions aiming at promoting a culture of responsible consumption of water, raising awareness about environmental sustainability, and changes in gender stereotypes will be supported. In the end, through this action ENACAL will provide an improved drinking water service to the population of Altamira.

The main activities of Output 1 will, in the first place, focus on carrying out repair work on the existing water network. Interventions will be carried out at those points of the network that have recurring problems, correcting the capacity of the network and renewing materials. Concretely, 10 different stretches have been identified by ENACAL preliminary where it is necessary to change over 45 km of distribution pipes. Further with the support of the action the essential measuring equipment to optimise operation of the distribution networks will be installed. ENACAL will be trained in the use of measuring instruments, mainly for flow and pressure, in order to calibrate the hydraulic model. At the engineering level, a mathematical model of the distribution network will be made that will seek to improve its structure and operation. The first step will be to make the model, then to calibrate it with the data measured from the respective installations, and lastly to propose improvements based on the scenarios modelled. A technical assistance is foreseen to develop the capacities of ENACAL in this field. ENACAL will develop the necessary technical capacities to use the hydraulic modelling of the rehabilitated infrastructure. The scenarios put forward for the different alternatives will endeavour to reduce the costs of operation and maintenance, while maximising the level of service to households. The level of service will be adequate when the households receive sufficient water continuously with the pressure regulated in order to avoid ruptures. In terms of infrastructure, the necessary calculations will be made to improve the network and avoid interruptions in the provision of services as much as possible. Finally physical water losses will be reduced relevantly. This reduction leads to increasing cost savings of the new delegation of ENACAL.

The activities for Output 2 will be directed at the creation of a new ENACAL delegation for Altamira that can operate in a decentralised way under a new management model. The staff will be trained and the office will be provided with the necessary inputs for efficient management so that the use of the resource is optimised, and ensures environmental and financial sustainability.

For that, actions will be carried out to acquire and install equipment in order to improve and monitor water production, including the aquifer, sectorise the hydraulic zone of Altamira, update the mapping of users and the networks in the zone, and all the organisational activities necessary for creating the new ENACAL delegation.

The activities of Output 3 will be directed at strengthening the actions of the Socio-Environmental of ENACAL and consolidating its objectives. Carrying out strategies such as information campaigns and awareness-raising among the population will contribute to strengthening the culture of water, and implement adaptive measures to face the impacts of climate change in terms of water demand and patterns of use at network and household level. The promotion of gender equity as a central element in this Output through activities that are realized inside ENACAL and with the population will lead to empower women and take on leadership roles.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of adoption by the Commission of this Action Document.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation³.

5.3.1 Indirect management with AECID

This action may be implemented in indirect management with the Spanish Agency for International Development Cooperation (AECID). This implementation entails the improvement of the drinking water distribution network in the sector of Altamira (Managua) by means of actions for hydraulic design, investments for the improvement and management of the networks, and equipment for measuring and operating the system.

Over the last 10 years, Spain has been one of the main donors in Nicaragua in matters of water and sanitation, investing more than 150 million USD through different instruments for cooperation. The increasing commitment of Spanish Cooperation in matters of water and sanitation and its added value given its experience in managing these kinds of programmes and projects, together with national counterparts, has led to the sector constituting one of the four Development Outputs included in the Country Association Frame (MAP) signed between Nicaragua and Spain for the 2015 – 2017 period.

This experience has also reinforced the leadership of AECID in the sector among the international cooperation community; accordingly, AECID has arranged for delegated financial resources from the European Union (LAIF-PISASH) for approximately EUR 51

³ https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf

million. It is also the lead agency in the water and sanitation sector within the Joint Programming exercise and the corresponding division of labour agreed to by the European Union and its member countries and associates.

The entrusted entity would carry out the following budget-implementation tasks: administrative management of the programme, supervision of the procurement of services and goods, award grants, monitoring, communication, visibility, evaluation, audit and technical assistance.

The international organisation identified above, is currently undergoing an ex-ante assessment of its systems and procedures. Based on its compliance with the conditions in force at the time previously other indirect management actions were awarded to the organisation and based on a long-lasting problem-free cooperation, the international organisation can also now implement this action under indirect management, pending the finalisation of the ex-ante assessment, and, where necessary, subject to appropriate supervisory measures in accordance with Article 154(5) of the Financial Regulation

5.3.2. Changes from indirect to direct management mode due to exceptional circumstances

The Commission may change the implementation modality of one or more component of the action, to direct management mode, when the preferred modality (indirect management with AECID) cannot be performed due to circumstances beyond the control of the Commission, in consultation with the Government of Nicaragua.

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply. Any event, goods, organisations, companies and experts eligible under the applicable regulatory provisions of the European Union, shall be eligible for any activity funded by the EU.

5.5 Indicative budget

Indicative Budget	EUR million
EU Contribution	
Output 1. Improve the drinking water distribution network and capacities of ENACAL for its operation	8 925 000
Output 3: Strengthen the social and environmental management of ENACAL with a gender equity approach	400 000
Evaluation and Audit	125 000
Fee for budget administration	550 000

Total EU contribution (indirect management with AECID)	10 000 000
<i>IDB Contribution</i>	
<i>Output 2. New model for ENACAL Delegation (funded by IDB)</i>	8 760 000*
<i>*funding from IDB is 10 million USD (exchange rate EUR/USD 1.14)</i>	
Total project budget	18 760 000

This action is co-financed in parallel by the Government of Nicaragua for an amount of EUR 0.175 million or USD 0.2 million.

5.6 Organisational set-up and responsibilities

The budgetary administration of the EU funds will be under the responsibility of AECID, which will supervise and monitor the implementation of the project by the national institution in charge, the *Empresa Nicaragüense de Acueductos y Alcantarillado Sanitario* (ENACAL or National Water and Sanitation Company), which will execute the corresponding activities directly through its own organisational structure.

The procedures for technical and administrative management of the actions funded with EU funds will be worked out according to the same modality for execution already established since 2012 with ENACAL, under Phase I of the PISASH funded from the Latin America Investment Facility (LAIF).

To this end, both parties will sign the particular **Operative Regulations** for this project that brings together the administrative and management provisions for its execution. The Operative Regulations determine the procedures for ensuring compliance with the technical and management aspects included in the Delegation Agreement between the EU and AECID, based on the national norms and procedures of the Beneficiary, but with ex-ante and ex-post control tasks being assumed by AECID throughout the bidding procedures, providing grants, contracting, and payments. The Operative Regulations also establish the provisions required for the disbursement of funds, financial follow-up, accounting, and final justification for the project by the national entity in charge of its execution.

Therefore, all contracts implementing the Project will be concluded by ENACAL in accordance with the Procurement Policies and Rules of AECID, which are in compliance with internationally accepted standards

The national executing body for this project is the national water and sanitation company, **ENACAL**. The **Investments and Projects Section (GPI)** of ENACAL will have direct responsibility for the execution of Output 1 of the project funded by the EU. The GPI will be responsible for all technical, administrative, and fiduciary aspects of the project: (i) preparation of the terms of reference, bidding documents, evaluation reports and others related to procurements; (ii) managing processes for the contracting of goods and services and the signing of contracts; (iii) writing half-yearly, annual, and final reports; (iv) monitoring the programme through the management of defined indicators; (v) financial supervision and contracting for audits; (vi) processing authorisations and permits for bidding on and executing the works; and, (vii) promotion of aspects of visibility and public information.

The national executing body (ENACAL) and the three funding and cooperation bodies involved (UE, AECID, and IADB) will form a steering committee to follow and coordinate this project with ordinary twice-yearly meetings during which reports on physical and financial progress, annual planning, the Plan for Communication and Visibility, and aspects of evaluation and auditing will be presented, discussed, and approved.

5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of AECID's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (no less than annual) and final reports. Every report shall provide an accurate account of the implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its outputs (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

The setting up of the monitoring system will be ensured by AECID, in collaboration with ENACAL, during the start-up phase and include the review and adaptation of the matrix of indicators, if necessary. During the implementation phase, AECID will ensure the management of the monitoring system and analysis of monitoring data.

5.8 Evaluation

Given the importance of the action, at least one final evaluation will be carried out for this action or its components via independent consultants.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the project assumes the implementation of a new management model for drinking water service in search of environmental sustainability and business efficiency, the purpose of which in the future is to replicate it in other sectors of Managua.

AECID, together with the EU, shall approve the terms of reference for the contracting of external services for evaluation, and will grant their no-objection to the awarding of the service before the signing of the contract; they will be part of the committee for follow-up and coordination of the evaluation.

In addition, the implementing partner shall inform the national institutions at least 30 days in advance of the dates foreseen for evaluation missions. The national institutions shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them

with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation shall be covered by another measure consisting of a financing decision.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure consisting of a financing decision.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Actions shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

[APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) ⁴]

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Outputs chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	Improve access to drinking water for men and women in the urban sector in light of the threats of climate change in Nicaragua.	G1. Proportion of urban population using an improved drinking water source	697.222 (2017)	740.000 (2022)	Report from ENACAL (annual measurement)	
Specific objective(s): Outcome(s)	Improve the efficiency of the provision of drinking water supply for the population of Altamira in Managua.	S1. Homes with continuous water service 24 hours/day in the Altamira Delegation (% of homes with continuous service with respect to total homes)	83 (2016)	90 (2022)	Report from ENACAL (annual measurement)	There are the basic conditions of governability, stability and security in Nicaragua and there is no greater economic recession in the country. The present model for public management of water service is maintained.
		S2. Non-revenue water in the Altamira Delegation (% of water billed compared to water produced)	54.1 (2017)	40.0 (2022)	Report from ENACAL (monthly measurement)	
		S3. No. of supply wells for Managua with continuous monitoring of level	0	120	Records of ENACAL	
		S4. Level of efficacy of collections in the Altamira Delegation (% income / billing)	72 (2017)	90 (2022)	Report from ENACAL	
Output 1	Output 1: The drinking water distribution network is improved in the Altamira sector of Managua.	R1.1. Number of systems that meet the water pressure according to what is projected in the hydraulic modelling.	To be defined	100%	Report from ENACAL (monthly measurement)	The amounts of extraction of the aquifer by other sectors do not

⁴ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Outputs Framework with '**'.

		R1.2. Number of km of water mains (6" or more diameter) and pipes substituted with support of the action	0 (2018)	45 km water mains 10 km pipes (2022)	- Acts of reception of contracts for works. - Pipe installed (photos).	increase significantly in the next years.
		R1.3. Number of points for measurement of flows and pressure with accessories installed	0 (2018)	10 (2022)	- Digital model in ENACAL computer.	The capacity for public investment does not deteriorate.
		R1.4. Number of Operative Control units built for the micro-sectorisation of the Altamira area.	7 (2018)	43 (2022)	- Acts of reception of contracts for works. - Infrastructure built (photos).	ENACAL maintains its strategy to move ahead towards a decentralised management.
		R1.5. Number of accessories for sectorisation and for managing pressure installed in Altamira	0 (2018)	300 (2022)	- Acts of reception of contracts for works. - Accessories installed (photos).	
Output 2 (funded by IDB)	Output 2: The commercial and operational management of the water supply of the new Altamira Delegation in Managua is improved.	R2.1 Number of modernised production centres in Altamira including electromechanical installations	0 (2016)	45 (2022)	- Acts of reception of contracts for works. - Accessories installed (photos).	ENACAL assigns qualified personnel for the new delegation of Altamira and avoids greater rotation
		R2.2. Level of effective micro-measuring in the Altamira Delegation (% meter with acceptable accuracy / total connections)	72 (2017)	90 (2022)	Report from ENACAL	
		R2.3. Number of replaced water pumps in production centres	0 (2016)	10 (2022)	- Acts of reception of contracts for works. - Accessories installed	
Output 3	Output 3: The social and environmental management of ENACAL is strengthened while promoting gender equity	R3.1. % execution of Annual Activities Plan of the Socio-Environmental Unit	0 (2016)	70%	Monitoring of Plan for Raising Awareness by the Socio-Environmental Unit	ENACAL has an annual budget for the operation of the Socio-Environmental Unit.
		R3.2. Number of women and men trained as leaders	0	To be defined	Records of ENACAL	