

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

NICARAGUA

**ENVIRONMENTAL PROGRAM FOR DISASTER RISK AND CLIMATE
CHANGE MANAGEMENT
(NI-L1048) (2415/BL-NI)**

**INCREASE IN FINANCING
(NI-X1011)**

PROPOSAL TO AMEND RESOLUTIONS DE-115/10 AND DE-116/10

This document was prepared by the project team consisting of Duval Llaguno Ribadeneira (RND/CNI) Project Team Leader; Luis Enrique Miranda (CID/CNI); María Cristina Landázuri-Levey (LEG/SGO); Alonso Chaverri-Suarez (LEG/CLA); Heleno Gouvea (ORP/ORP); Claudia Ogialoro (ORP/GCM); Armando Chamorro (CMF/CNI); Santiago Alejandro Castillo (FMP/CNI); Juan Carlos Lazo (FMP/CNI); Jorge Osmin Mondragón (FMP/CNI); and Rosario Gaggero (INE/RND).

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| REQUIRED | |
| 1. | Annual work plan (AWP) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38598577 |
| 2. | Procurement plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38598608 |
| 3. | Environmental and Social Management Report (ESMR) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35283499 |
| 4. | Monitoring and evaluation structure http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38601317 |
| OPTIONAL | |
| 1. | Multiyear execution plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38598592 |
| 2. | Project completion report (PCR) of the Socioenvironmental and Forestry Development Program II (loan 1084/SF-NI) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35393908 |
| 3. | Impact assessment report on the Socioenvironmental and Forestry Development Program II (loan 1084/SF-NI) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38823299 |
| 4. | Baseline report on the Environmental Program for Disaster Risk and Climate Change Management (loan 2415/BL-NI) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38825695 |
| 5. | SDC project document http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38600238 |
| 6. | Administrative agreement between the IDB and the SDC http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38825000 |
| 7. | Borrower request letter http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38826032 |
| 8. | Updated Institutional Capacity Assessment of MARENA http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38826720 |

ABBREVIATIONS

| | |
|-------------|---|
| EM-DAT | International Disaster Database |
| ERS | Environmental restoration system |
| INAFOR | National Forestry Institute |
| INETER | Nicaraguan Institute of Territorial Studies |
| MAGFOR | Ministry of Agriculture, Livestock, and Forestry |
| MARENA | Ministry of the Environment and Natural Resources |
| MEP | Multiyear execution plan |
| NDF | Nordic Development Fund |
| PSG | Project specific grant |
| SDC | Swiss Agency for Development and Cooperation |
| SE-SINAPRED | Executive Secretariat of SINAPRED |
| SIMOSE | Sistema de Monitoreo, Seguimiento y Evaluación [Monitoring, Follow-up, and Evaluation System] |
| SINAPRED | [Sistema Nacional de Prevención de Desastres [National Disaster Prevention System] |

EXECUTIVE SUMMARY

| | |
|--|---|
| Project name: | Environmental Program for Disaster Risk and Climate Change Management (NI-L1048) (2415/BL-NI). Increase in Financing (NI-X1011). |
| Executing agency: | Ministry of the Environment and Natural Resources (MARENA). |
| Beneficiary: | Republic of Nicaragua. |
| Direct beneficiaries: | Populations of selected municipios (1. Jinotega, 2. San Rafael del Norte, 3. La Concordia, 4. La Trinidad, 5. San Isidro, 6. Sébaco, and 7. Ciudad Darío), which are part of the subwatersheds of the Viejo River and Lake Apanás. |
| Source of financing: | The Government of Switzerland, through the Swiss Agency for Development and Cooperation (US\$3,157,500*). Project specific grant (PSG). |
| Objective: | The objective of this program is to continue helping to reduce the vulnerability of rural communities in Nicaragua to phenomena associated with climate change through risk management actions based on the management and conservation of natural resources in watersheds prioritized on the basis of their vulnerability. |
| Execution and disbursement period: | 24 months. |
| Procurement: | Procurement activities completely or partially financed with resources from this program will be undertaken in accordance with the Policies for the Procurement of Works and Goods Financed by the IDB (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9). |
| Exceptions to Bank policies and procedures: | There are no exceptions to Bank policies and procedures. |
| Special conditions precedent to the first disbursement: | Amendment and entry into effect of the program's Operating Regulations, approved by the executing agency. |

* Administrative agreement signed between the SDC and the IDB in November 2013 (paragraph 1.9).

I. BACKGROUND AND RATIONALE

A. Bank experience with the sector in Nicaragua

- 1.1 Nicaragua has been impacted by frequent disasters owing to its vulnerability and high susceptibility to a variety of threats. Between 1970 and 2013, the country was impacted by 54 large-scale disasters, 14 of which were geological (earthquakes, tsunamis, and volcanic activity) and the rest (40 events), hydrometeorological (floods, hurricanes, and landslides due to heavy rains). These disasters affected some 4 million Nicaraguans, causing approximately US\$2.7 billion¹ in direct public infrastructure losses. According to the Germanwatch Global Climate Risk Index 2012, Nicaragua was one of the world's five most vulnerable countries to hydrometeorological disasters, with total estimated losses for the period 1991-2010 of 1.90% of gross domestic product (GDP).
- 1.2 Since 1996, the Inter-American Development Bank (IDB) has supported Nicaragua's efforts to mitigate the risk of disasters through two socioenvironmental and forestry development programs (loans 970/SF-NI and 1084/SF-NI, ending in 2009), which had the objective of improving the socioeconomic conditions of the population and reducing the impact of disasters on priority watersheds through the sustainable use of their natural resources. The Environmental Program for Disaster Risk and Climate Change Management (loan 2415/BL-NI), approved in 2010 and currently in execution, continues to build on the efforts already made under loans 970/SF-NI and 1084/SF-NI. Loan 2415/BL-NI focuses its activities in the municipios that make up the subwatersheds of the Viejo River and Lake Apanás. These actions are complemented by the development of systems to assess environmental services, which are being explored through the project financed by the Global Environment Facility (GEF), operation NI-X1005. This project channels investments in the Lake Apanás watershed. Its objective is to protect biodiversity and support the conservation of this subwatershed.
- 1.3 Under a technical cooperation operation to analyze and incorporate disaster risk management in municipal planning in Nicaragua (operation ATN/OC-12298-NI), approved in 2010, the Bank provided Nicaragua with support for: (i) bolstering municipal planning processes aimed at reducing disaster risk; (ii) strengthening the operation of the National Disaster Prevention System (SINAPRED); and (iii) designing infrastructure investments for reducing vulnerability. The main products of the technical cooperation operation—municipal risk management plans and risk management index (RMI) studies in 12 municipios—were completed in October 2013.
- 1.4 The Bank also approved the Contingent Loan for Natural Disaster Emergencies (operation NI-X1007) in November 2013, with a view to reducing the impact of a

¹ International Disaster Database (EM-DAT). http://cred01.epid.ucl.ac.be:5317/?after=1970&before=2013&iso%5B%5D=NIC&dis_group%5B%5D=Natural&agg1=year&agg2=. The term “disasters of great magnitude,” as defined by EM-DAT, refers to those that cause a government to declare a state of emergency.

future catastrophic disaster on Nicaragua's public finances by increasing the availability of contingent financing to address such an event. To support that operation, in December 2013, the Bank approved technical cooperation funding to support implementation of Nicaragua's comprehensive disaster risk management plan (operation ATN/OC-14249-NI).

B. Environmental Program for Disaster Risk and Climate Change Management

- 1.5 The Environmental Program for Disaster Risk and Climate Change Management (operation NI-L1048 and loan 2415/BL-NI), in the amount of US\$10 million, was approved by the Bank's Board of Executive Directors on 29 September 2010 (Resolutions DE-115/10 and DE 116/10). On 3 December 2010, the IDB and the Government of Nicaragua signed the loan contract, which was ratified by the National Assembly of the Republic of Nicaragua on 3 February 2011. The contract was published in the Official Gazette, *La Gaceta*, on 18 February 2011. Its execution and disbursement period is projected to run through 18 February 2016. The program's executing agency is the Ministry of the Environment and Natural Resources (MARENA). Since its approval, the program has received the equivalent of US\$3 million in nonreimbursable cofinancing from the Nordic Development Fund (NDF).
- 1.6 The program's objective is to reduce the vulnerability of rural communities in Nicaragua to phenomena associated with climate change through risk management actions based on the management and conservation of natural resources in watersheds prioritized on the basis of their vulnerability. The expected outcomes are related to improvement in risk management, primarily at the municipal level, in the areas of risk identification and reduction and the strengthening of governance, as well as the generation of synergies with agricultural producers to facilitate their adaptation to climate change.
- 1.7 The program finances activities in three components: (i) support for the adoption of environmental restoration systems; (ii) infrastructure to reduce losses caused by climatic events; and (iii) capacity building and development of instruments for risk management, local compensation mechanisms for environmental services, and adaptation to climate change.
- 1.8 In Component 1, activities are financed to achieve four outputs: (i) increased area with tree cover regenerated/enriched/conserved (4,900 hectares regenerated/enriched/conserved thus far or 22% of the current total target); (ii) increased area under eco-forestry and soil conservation management (319 hectares thus far or 85% of the total target); (iii) increased number of water collection works established and operating (1,408 works thus far or 61% of the total target); and (iv) number of beneficiaries trained in environmental restoration system (ERS) management (1,346 beneficiaries trained thus far or 37% of the current target). In Component 2, the construction of works in critical sites is financed (works have been constructed at 75 critical sites thus far or 64% of the target). In Component 3, the following outputs are expected: (i) approval

of at least seven municipal risk management plans (thus far, 12 such plans have been prepared and agreed on, but have not yet been formally approved); (ii) men and women (staff of MARENA, municipal authorities, and program beneficiaries) trained in risk management and climate change (currently 304 trained or 76% of the current target); and (iii) local compensation instruments designed for environmental services (currently in the design phase). With respect to progress made on current cofinancing with the NDF, there were some coordination-related setbacks with MARENA, but these have been resolved and satisfactory advances are expected in 2014. In general, progress made on planned outputs has been satisfactory. At just over 60% of the way through the execution and disbursement period, 57% of the total loan has been disbursed. The project is expected to be fully executed within the projected period—through February 2016.

- 1.9 The Government of Switzerland, acting through the Swiss Agency for Development and Cooperation (SDC), announced its interest and willingness to support this program (under the Swiss Cooperation Strategy for Central America 2013-2017, which includes environmental vulnerability and climate change as one of its priorities) with additional financing of up to US\$3,157,500 channeled through the project specific grant (PSG), and the Government of Nicaragua made the corresponding request to the Bank (see [optional electronic link 7](#)). This contribution will be distributed among the three components and consists of entirely new resources (it would not replace counterpart resources from the original budget). This document is presented to request authorization from the Board of Executive Directors to administer these funds independently of the financing and original execution periods of loan 2415/BL-NI, and use them to supplement the operation's financing, in order to support, give continuity to, and consolidate its interventions by enhancing the resolutions approving the original loan. Switzerland's grant resources will be documented and managed in a separate account. The proposed operation complements Bank-supported efforts by Nicaragua in the areas of reducing vulnerability to climate change and disaster risk management.
- 1.10 **Lessons learned.** The evaluations of previous operations—particularly the Socioenvironmental and Forestry Development Program II (loan 1084/SF-NI)—recommended: (i) the need to define a baseline for proper measurement of targets and impacts; (ii) increased participation by local authorities and producers; and (iii) increased participation by municipios in the identification and construction of mitigation infrastructure. It was also recommended that any prevention strategy, whether for disaster risks or climate change, entail a change in behavior, whereby a combination of analytical work (municipal plan preparation) and concrete actions (fieldwork and infrastructure investment) will facilitate the involvement of beneficiaries throughout the entire project cycle. These recommendations have been incorporated into the proposed program. The midterm review of loan 2415/BL-NI is currently under way, and its recommendations will be incorporated in the loan's remaining execution period as well as in the execution of its proposed expansion with SDC funds.

II. CONTENT AND SCOPE OF THE PROGRAM'S EXPANSION

A. Program description

- 2.1 The objective of this program is to continue helping to reduce the vulnerability of rural communities in Nicaragua to phenomena associated with climate change through risk management actions based on the management and conservation of natural resources in watersheds prioritized on the basis of their vulnerability.² The SDC will provide up to US\$3,157,500 to finance the program's activities. This financial contribution will be distributed among the program's three components.
- 2.2 **Component 1. Support for the adoption of environmental restoration systems (US\$900,000).** Incentives for the conservation of natural resources will be increased³ for the program's eligible producers to partially cover the cost of the goods and/or services that make up a technological package called an environmental restoration system (ERS). Currently, 3,600 are expected to benefit from ERSs; with the new financing there will be at least 1,000 more beneficiaries. This would increase the total target to 4,600 beneficiaries. Each beneficiary represents a poor rural family that meets the program's current criteria. Detailed information on the new beneficiaries is currently being compiled for the respective baseline.
- 2.3 With the new resources, activities will continue to be strengthened to increase the output of the beneficiaries' farms, facilitate the collection and infiltration of water, and reduce soil erosion in sensitive areas. This will be implemented through seven types of ERSs,⁴ which include a menu of agroforestry practices, based on agroecological conditions and available land area of the farms. Each beneficiary will receive an incentive,⁵ enabling the producers to access inputs, tools, and plant material. The new beneficiaries will be small producers with farms of less than approximately seven hectares.⁶ Outreach, training, and promotional activities will also be carried out.

² This objective is consistent with the current operation (loan 2415/BL-NI). The beneficiary municipios are the same ones selected for the original program.

³ For these incentives, the mechanism and procedure will be the same ones the executing agency (MARENA) is currently using, pursuant to loan proposal NI-L1048, the loan contract (loan 2415/BL-NI), and the program's Operating Regulations. Incentive amounts remain the same as established in the original program.

⁴ The types of ERSs are: 1. Eco-forestry plantations; 2. agroforestry plantations; 3. biofuel plantations; 4. silvopastoral systems; 5. industrial timber plantations; 6. natural forest regeneration; and 7. forest management. All of these include practices such as living and dead barriers, water collection works, and soil conservation.

⁵ Average of US\$830 per beneficiary plus US\$400 for technical assistance and training.

⁶ The farm size of most of the producers supported thus far ranges between 7 and 35 hectares. The SDC resources would be used to support the smallest producers (farms of less than 7 hectares) under the same eligibility requirements established in the program's current Operating Regulations.

- 2.4 **Component 2. Infrastructure for disaster loss reduction (US\$1,499,625).** Financing will be increased for preinvestment studies, supervision, and construction (including the relevant socioeconomic and environmental studies) for minor works in the selected municipios aimed at limiting atypical flow volumes in order to protect public and private assets from floods or landslides in the middle and lower levels of Viejo River and Lake Apanás subwatersheds. The resources of loan 2415/BL-NI are planned to finance works in 118 critical sites, and the Swiss financing will provide additional resources for works in 33 sites prioritized in municipal plans.
- 2.5 The works will be prioritized on the basis of vulnerability, economic return, and complementarity with ERS areas, thus ensuring a watershed approach. The prioritized works should be included in participatory risk-management plans and located in high-risk areas.
- 2.6 **Component 3. Capacity building (US\$600,000).** Communication for development will be strengthened. The activities financed will support a communication and values-building strategy with input from the beneficiaries, field technicians, and MARENA departmental delegations, among others. Awareness-raising activities will be encouraged to promote the required changes in the productive units, micro-watersheds, and subwatersheds targeted by the program. The specific strategy and programming details of these activities will be developed in coordination with the SDC during the first six months of this operation.
- 2.7 The participants in these activities include the technicians of MARENA and related institutions, staff of the participating municipal governments, and the beneficiaries of works and ERSs under the program. The resources of loan 2415/BL-NI are expected to finance training for 400 men and women, and the additional Swiss resources would finance training for at least another 300 persons.
- B. Program scope and financing**
- 2.8 The resources of the SDC's grant⁷ will support and supplement the activities of loan 2415/BL-NI, for an additional amount of up to US\$3,157,500, including the Bank's administrative costs. The program's scope would only change with respect to its delivery of a greater number of outputs and beneficiaries as a result of this contribution.
- 2.9 **Alignment with the Bank's GCI-9 sector priorities.** This program is aligned with the following priorities of the lending program established in the Report on the Ninth General Increase in the Resources of the Inter-American Development Bank (document AB-2764): (i) support for small and vulnerable countries; (ii) poverty reduction and equity enhancement; and (iii) climate change, sustainable energy; and environmental sustainability—as it includes investments to mitigate the impacts

⁷ The resources of SDC's grant will neither replace the counterpart funds originally provided for loan 2415/BL-NI nor amend the terms and conditions of that loan contract.

associated with climate change as well as incentives to adopt technologies that make it possible to adapt to climate change.

- 2.10 Approved in 2010, loan 2415/BL-NI was aligned with the IDB Country Strategy with Nicaragua 2008-2012 (document GN-2499), as part of Strategic area V, Institutional management for natural disaster prevention, which seeks to mitigate vulnerability to natural disasters and strengthen institutional management for disaster prevention.
- 2.11 This new proposed program is not aligned with the IDB Country Strategy with Nicaragua 2012-2017 (document GN-2683). It is, however, linked with the crosscutting action area “climate change vulnerability reduction, adaptation, and mitigation” included therein. This operation is also included Nicaragua’s 2014 Country Program Document.

C. Socioenvironmental safeguard risks

- 2.12 In accordance with the Environment and Safeguards Compliance Policy (Operational Policy OP-703), this program is classified as a category “B” operation. Like the current operation (loan 2415/BL-NI), the program is generally expected to have positive environmental and social impacts. The ERS incentives and works to prevent and mitigate disasters result in lower rates of deforestation, erosion, and losses due to extreme climate events. In the design phase of loan 2415/BL-NI, a socioenvironmental analysis of the program was prepared, which recommended the following measures: (i) designs for the works should explicitly include environmental and social analyses; (ii) supervision should verify implementation of the prevention and mitigation measures; (iii) technical assistance and training for producers should include topics related to climate change, adaptation to it, and prevention of child labor; and (iv) municipal planning should explicitly include vulnerable groups and specific risk management activities should be designed with a gender focus. The design of both loan 2415/BL-NI and this one incorporate these recommendations, which are reflected in the program’s Operating Regulations.

D. Development risks of the operation

- 2.13 The risks identified are associated with issues of: (i) internal control of the executing agency (MARENA); (ii) coordination with institutional partners of the program at the Ministry of Agriculture, Livestock, and Forestry (MAGFOR), the National Forestry Institute (INAFOR), the Nicaraguan Institute of Territorial Studies (INETER), the Executive Secretariat of the National Disaster Prevention System (SE-SINAPRED), and the municipal governments; (iii) disasters and other contingencies (the targeted area presents high levels of risk for disasters); (iv) design and scaling of works, as well as the quality of materials; (v) selection of ERS beneficiaries; and (vi) relationship with the community.
- 2.14 The planned mitigation measures include: (i) training and capacity building for MARENA staff on topics of internal control and fiduciary procedures; (ii) the inclusion of institutional partners on the program’s committees and in its periodic

meetings to report on progress made in execution, outcomes, and requirements; (iii) designing disaster contingency measures and encouraging the municipios to include these measures in their planning; (iv) ensuring adequate quality control in the design of works and appropriate supervision during construction; (v) ensuring compliance with beneficiary selection criteria; and (vi) organizing workshops, meetings, and outreach activities in the communities to raise awareness on the program's investments and results.⁸ The MARENA team has demonstrated its execution capacity during the current operation and as the executing agency in previous operations. In addition, an updated analysis of MARENA's institutional capacity was conducted, which helps document its strengths (as well as recommendations) as the executing agency for this expansion of the program.

III. BUDGET

- 3.1 The cost of this operation is the equivalent of US\$3,157,500, financed by the Government of Switzerland, through the SDC. These funds are provided to the Bank as a project specific grant (PSG). The resources of this program will be independent from the original financing and execution of loan 2415/BL-NI. The Bank will administer this operation pursuant to the provisions of the Report on COFABS, Ad-Hocs and CLFGs, and a Proposal to Unify them as Project Specific Grants (document SC-114).
- 3.2 Additionally, the donor's specific commitment to provide the resources to finance this program is set out in a separate administrative agreement entered into between the Bank and the donor. In keeping with applicable procedures, that agreement establishes a fee of 5% of the grant (US\$157,875) to cover administrative costs, duly identified in the budget appearing in Table III-1 hereof. As specified in the above-mentioned administrative agreement, the use of SDC financing for the project is contingent upon the Bank's completion of all the required internal approvals, including Board authorization and signing the respective agreement with the beneficiary. In the event these approvals or the agreement have not been formalized, the administrative agreement signed with the SDC will cease to be in effect.
- 3.3 The Bank will receive the resources from the SDC and transfer them to the beneficiary in the form of periodic advances, pursuant to the Financial Management Policy for IDB-financed Projects (document OP-273-2). The proceeds will be transferred into a special account at the Central Bank of Nicaragua. The Bank may provide funding, in the form of advances, based on the project's liquidity needs to finance expenses for up to six months pursuant to the financial plan and, when at least 80% of the advance has been justified, a new disbursement may be requested. The exchange rate used for expenses will be the same rate used for the conversion

⁸ An institutional study and an analysis of risks with proposed mitigation measures were conducted during the preparation of this new operation.

of the funds into local currency. The resources will be audited by the same auditing firm hired for the program.

- 3.4 The following budget table lists the components that will be strengthened with the SDC's contribution.

Table III.1. Program Cost (in US\$)

| Components/investment categories | IDB | NDF | Gov. of Nicaragua | SDC | Total |
|--|-------------------|------------------|--------------------------|------------------|-------------------|
| 1. Support for the adoption of environmental restoration systems | 4,400,000 | 50,000 | | 900,000 | 5,350,000 |
| 2. Infrastructure for disaster loss reduction | 3,620,000 | 1,350,000 | | 1,499,625 | 6,469,625 |
| 3. Capacity building | 450,000 | 1,200,000 | | 600,000 | 2,250,000 |
| Administration and monitoring | 740,000 | | 500,000 | | 1,240,000 |
| Audits | 100,000 | 20,000 | | | 120,000 |
| Evaluation and contingencies | 40,000 | 380,000 | | | 420,000 |
| Interest | 650,000 | | | | 650,000 |
| Credit fee | | | 100,000 | | 100,000 |
| Administrative fee (5% of SDC contribution) | | | | 157,875 | 157,875 |
| Total | 10,000,000 | 3,000,000 | 600,000 | 3,157,500 | 16,757,500 |

IV. KEY RESULTS INDICATORS

- 4.1 The scope of the program would vary with the new resources provided by the SDC, in terms of the delivery of a greater number of outputs and beneficiaries. The main outputs are as follows.

Table IV.1. Main Outputs

| Outputs | Unit of measure | Original target, PAGRICC (NI-L1048) | Additional target, APAGRICC (NI-X1011) | Total target |
|---|------------------------|--|---|---------------------|
| Area with tree cover regenerated/enriched/conserved | Hectares | 21,760 | 820 | 22,580 |
| Area under eco-forestry and soil conservation management | Hectares | 375 | 180 | 556 |
| Water collection works established and operating | Water collection works | 2,318 | 500 | 2,818 |
| Beneficiaries trained in ERS management | Producers | 3,600 | 1,000 | 4,600 |
| Men and women trained in risk management and climate change | Men and women | 400 | 300 | 700 |

V. EXECUTION MECHANISM

- 5.1 The beneficiary and executing agency will be the Republic of Nicaragua and MARENA, respectively. The SDC's contribution will be documented through a nonreimbursable investment agreement to be signed between the Bank, as the administrator of the resources, and the Republic of Nicaragua, as the beneficiary.
- 5.2 This program will follow the same execution mechanism as loan 2415/BL-NI. MARENA will carry out the administration, supervision, and evaluation of the program through the Bureau of Climate Change. Its duties include: (i) ensuring fulfillment of the program's contractual conditions; (ii) requesting disbursements from the Bank and coordinating, implementing, and monitoring the activities; (iii) planning, preparing, and organizing the program's work plans and activities; and (iv) preparing the required reports. The General Director of this Bureau is responsible for these duties and reports to the Minister. He or she is supported by a technical team made up of a technical coordinator and specialists in procurement, finance, and monitoring and evaluation.
- 5.3 **Interagency coordination.** The same Technical Coordination Committee mechanism established under loan 2415/BL-NI will also be used for this project, made up of representatives of MARENA, SE-SINAPRED, MAGFOR, INETER, INAFOR, and the municipal governments participating in the program.
- 5.4 **Program Operating Regulations.** The administration of loan 2415/BL-NI is governed by the program's Operating Regulations. These regulations establish the rules and procedures for programming activities, financial-accounting management, procurement and contracting, audits, and program monitoring and evaluation. The Operating Regulations also specify the execution mechanisms for the program's three components. The Operating Regulations will be amended to include the

details of the program's expansion, including the resources contributed by the SDC. **The approval of the amended Operating Regulations by the executing agency and their entry into effect will be special conditions precedent to the first disbursement of SDC resources (administered by the Bank) to MARENA.**

- 5.5 **Component execution mechanisms.** The current mechanisms for the components (especially Component 1 and Component 2) under loan 2415/BL-NI will also be used for the new resources provided by the SDC.
- 5.6 **Execution and disbursement period.** The projected disbursement period for this operation is 24 months.⁹
- 5.7 **Procurement.** Procurement financed in whole or in part with resources from the Swiss contribution will be undertaken in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9).
- 5.8 **Monitoring.** The main monitoring instrument is the multiyear execution plan (MEP), which includes budgets, outputs, outcomes, and a procurement plan for the program's entire execution and disbursement period. The semiannual progress reports on program execution are based on the MEP and focus primarily on progress made toward physical and financial targets, in compliance with the output indicators of the results framework. MARENA also has a monitoring, follow-up, and evaluation system (SIMOSE). The incentives (ERSs) and beneficiaries are recorded in that system's database.
- 5.9 **Evaluation.** MARENA conducted an ex post impact evaluation of loan 1084/SF-NI, which measured the beneficiaries' rates of adoption and marginal changes in income. A baseline study for loan 2415/BL-NI was also conducted, which included: (i) the identification of a control group for Component 1; (ii) the design of a representative sample of Component 1 beneficiaries; and (iii) calculation of the risk management index (RMI) for disasters at the municipal level. The same monitoring and evaluation structure established for loan 2415/BL-NI will be used for the program's expansion.¹⁰
- 5.10 **Donor reports.** The Bank will submit an annual report on the program to the SDC at least one month prior to requesting the contribution installments set out in the administrative agreement signed between the parties. Upon completion of the operation, the Bank will submit a final report to the SDC. In addition, the SDC may request copies of the program's audited financial statements and the corresponding

⁹ Calculation of this period is based on execution experience with the current loan (loan 2415/BL-NI) and operations executed previously by MARENA.

¹⁰ The complementarity of the current arrangements will be analyzed with the SDC through a beneficiary assessment.

“agreed upon procedures” report on the use of contribution resources.¹¹ Any reports required will be drafted in English or Spanish.

- 5.11 The annual report will include the program’s overall results and general progress and, specifically, the progress made with the resources contributed by Switzerland. In that report, the Bank will provide the SDC with copies of the progress monitoring reports and other pertinent reports, analyses, or studies produced by the program.

VI. RECOMMENDATIONS

- 6.1 Inasmuch as the resources of the Government of Switzerland’s contribution were not anticipated in the original program approved by the Board of Executive Directors, and taking into account that these resources will be managed by the Bank through a PSG, it is therefore recommended that the resolutions approving the program (Resolutions DE-115/10 and DE-116/10) be amended to reflect the attached proposed resolution, authorizing the President of the Bank, or such party as he designates, in the name and on behalf of the Bank, to: (i) take the appropriate measures to enable the Bank to administer a grant provided by the Government of Switzerland of up to US\$3,157,500, which includes the Bank’s administrative costs, as established in this document; (ii) enter into the necessary agreements with the Republic of Nicaragua as the beneficiary, to grant it nonreimbursable financing charged to the contribution provided by the Government of Switzerland for the program’s execution, as described in this document; and (iii) take the necessary steps to execute the program with the resources of the grant provided by the Government of Switzerland and administered by the Bank.
- 6.2 This recommendation is presented for approval by short procedure, pursuant to the provisions of the Regulations of the Board of Executive Directors of the Bank (documents DR-398-14 and CS-3953), which allow for submission by short procedure: “6. Amendments to resolutions and contracts for investment and sector loans, technical cooperation and small projects, when the authority to approve such amendments has not been delegated to the President.”

¹¹ The SDC will be responsible for covering the costs of the “agreed upon procedures” report and that amount is not to be deducted from its contribution. The SDC will reimburse the Bank for these costs upon receipt of a written request from the Bank.

Evaluability Assessment Note- SPD

NICARAGUA. Expansion of the Environmental Program for Disaster Risk and Climate Change Management

(NI-X1011)

This operation is an expansion of the operation *Environmental Program for Disaster Risk and Climate Change Management* (NI-L1048) previously approved for Nicaragua. The new project expands on the existing activities of the project and meets the previously set objectives. The initial program geographically targeted poverty through working in one of the poorer regions of the country. Its objectives remain linked to current Bank corporate initiatives on poverty and social equity. The project improves natural resource management and the management of risks associated with climate change and is also linked with the Climate Change Initiative. The program remains aligned with the Country Strategy sector objectives and indicators.

The original program had a good diagnosis which identifies main deficiencies and their magnitudes. The monitoring and evaluation plan for this expansion remains the same as for the original project. It includes a monitoring plan which identifies responsibilities, means of verification and frequency of measurement for each and every indicator. There was a cost-benefit analysis which provides a detailed analysis of project benefits for recipient farmers and finds a positive rate of return to the project using reasonable assumptions. The project remains focused on managing environmental risks and has identified the principal environmental and social risks, as well as mitigation measures required.

The expanded project is expected to continue to help improve the management of risk due to climate change.

RESULTS FRAMEWORK NI-L1048, MODIFIED PURSUANT TO SWITZERLAND'S CONTRIBUTION (NI-X1011)

Purpose: To reduce the vulnerability of rural communities in Nicaragua to disasters associated with climate change through risk management actions based on the management and conservation of natural resources in watersheds prioritized based on their vulnerability.

| Results | Baseline 2010 | Target level | Comments |
|--|--|---|---|
| Improved risk management indicators at the municipal level | Risk management and vulnerability index at the municipal level based on measurements obtained at the start of the program. National Risk Management Index: 41.58 at last measurement (2008). | Reduction in the risk management indexes at the municipal level compared to the initial level | A municipal risk management index has been proposed. There is also a Risk Management Index at the national level. The index is being studied for government use. |
| Increase in the gross value of the farm's production | Value of the farm's production according to the baseline | Increase in the gross value of the farm's production compared to baseline levels | Information from the Monitoring and Evaluation System (MES). The data are collected through records and surveys of random samples, the baseline, and program evaluations. |

| Component/final expected outcomes by activity | Unit of measure | Baseline | Year1 | Year 2 | Year 3 | Year 4 | Year 5 | Total | Observations |
|---|-----------------|----------|-------|--------|--------|-----------------------------|---------|-----------------|---|
| Component 1. Natural resources management to reduce vulnerability to disasters | | | | | | | | | |
| OUTCOMES | | | | | | | | | |
| 1. Cubic meters (m ³) of water collected. | m ³ | 0 | | 39,750 | 79,350 | 54,750 [3.200] ¹ | [4,800] | 173,850 [8,000] | Reported in field reports and stored in the database. |
| 2. Increased productivity of on-farm natural resources | % | 0 | | | 5% | | 10% | 10% | Reported in field reports and stored in the database. Validated through evaluation surveys. |

¹ SDC's contribution noted in brackets.

| Component/final expected outcomes by activity | Unit of measure | Baseline | Year1 | Year 2 | Year 3 | Year 4 | Year 5 | Total | Observations |
|---|------------------------|----------|-------|--------|--------|----------------|--------|------------------|---|
| OUTPUTS | | | | | | | | | Information from SIMOSE |
| 1. Increased area with tree cover regenerated/enriched/conserved | Hectares | 0 | 1,069 | 6,128 | 9,810 | 4,753 [820] | | 21,760 [820] | Reported in field reports and stored in the database. |
| 2. Increased area under eco-forestry and soil conservation management | Hectares | 0 | | 188 | 187 | [180] | | 375 [180] | Reported in field reports and stored in the database. |
| 3. Increased number of water collection works established and operating | Water collection works | 0 | | 530 | 1,058 | 730 [200] | [300] | 2,318 [500] | Reported in field reports and stored in the database. |
| 4. Increased number of beneficiaries trained in ERS | Producers | 0 | | 818 | 1,648 | 1,134 [500] | [500] | 3,600 [1,000] | Reported in field reports and stored in the database. |

| Component/final expected outcomes by activity | Unit of measure | Baseline | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total | Observations |
|--|-----------------|----------|--------|--------|--------|-------------------|------------------|-------------------|---|
| Component 2. Reduction of risk of losses caused by climate events | | | | | | | | | |
| OUTCOMES | | | | | | | | | Information from SIMOSE |
| 1. Increased number of men and women protected with mitigation works | Men and women | 0 | 1,716 | 10,299 | 8,582 | 10,299 [3,000] | 3,433 [3,000] | 34,329 [6,000] | The data will be obtained from the designs. Reported in field reports and stored in the database. |
| OUTPUTS | | | | | | | | | |
| 1. Works in critical sites constructed and operating | Critical sites | 0 | 6 | 35 | 35 | 30 [14] | 12 [19] | 118 ² | Each site may have multiple types of works. A works project may serve various critical sites. |
| 2. Number of days' work generated | Days of work | 0 | 350 | 2,036 | 2,036 | 1,745 | 698 | 6,865 | The data will be obtained from works supervision reports. Reported in field reports and stored in the database. |

² The total number of critical sites remains at 118, which was the original target established in NI-L1048. With SDC's contribution, works financing will be expanded at 33 of these sites.

| Component/final expected outcomes by activity | Unit of measure | Baseline | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total | Observations |
|---|-----------------|----------|--------|--------|--------|-------------|--------|--------------|---|
| Component 3. Building local capacity for risk management and administration of payments for environmental services | | | | | | | | | |
| OUTCOMES | | | | | | | | | MARENA reports |
| 1. Municipal Disaster Prevention Committees (COMUPRED) in all seven municipios strengthened and operating with approved regulations | COMUPREDs | 0 | | 1 | 3 | 3 | | 7 | Number of COMUPREDs. Reported in semiannual reports and stored in the database. |
| 2. Local Disaster Prevention Committees (COLOPREDs) strengthened and operating with approved regulations | COLOPREDs | 0 | | 15 | 15 | 5 | | 35 | Number of COLOPREDs. At least five COLOPREDs per municipio. Reported in semiannual reports and stored in the database. |
| 3. Legal regulations approved by environmental authorities. | Regulations | 0 | | | 2 | 2 | | 4 | Reported in semiannual reports and stored in the database. |
| OUTPUTS | | | | | | | | | |
| 1. Approved municipal risk plans | Plans | 0 | | 3 | 4 | | | 7 | Number of plans. Reported in field reports and stored in the database. |
| 2. Men and women trained in risk management and climate change | Men and women | 0 | 50 | 150 | 150 | 50 [150] | [150] | 400 [300] | Staff of MARENA, SE-SINAPRED, INETER, MAGFOR, INAFOR, and municipios. Reported in field reports and stored in the database. |
| 3. Local compensation instruments designed for environmental services | Instruments | 0 | | 1 | 2 | 1 | | 4 | Number of instruments. Reported in semiannual reports and stored in the database. |

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/14

Nicaragua. Nonreimbursable Investment Financing GRT/___-____-NI
Increased Financing for the Environmental Program for Disaster Risk
and Climate Change Management (2415/BL-NI)

WHEREAS:

The resources of the Government of Switzerland, represented by the Swiss Agency for the Development and Cooperation, were not foreseen in the original formulation of the environmental program for disaster risk and climate change management approved by the Board of Executive Directors by Resolutions DE-115/10 y DE-116/10, and taking into account that said resources will be administered by the Inter-American Development Bank (the “Bank”) through a Project Specific Grant (PSG), it is necessary to amend the Resolutions DE-115/10 y DE-116/10.

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank: (i) to take the necessary actions as may be necessary for the Bank to administer a nonreimbursable contribution granted by the Government of Switzerland of up to the amount of US\$3,157,500 (the “Contribution”) in accordance with the provisions contained in Document PR-____; (ii) to enter into such agreements as may be necessary with the Republic of Nicaragua, as Beneficiary, to grant it a nonreimbursable financing up to the a amount of US\$3,157,500 chargeable to the Contribution, as described in Document PR-____; and (iii) to take such additional measures as may be pertinent for the execution of the Program.

(Adopted on _____ 2014)