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EXECUTIVE SUMMARY

The context of this CSP is linked to the historical context of Nicaragua, marked by years of internal protracted conflicts. Recovering its the previous level of development is a major challenge for the country, which at the same time faces other important needs: fully implementing the rule of law, fighting corruption, democratizing all level of society, boosting social cohesion, integrating into the regional and world economy, preserving natural resources and finding a national identity in a context of political instability. Numerous constraints, the tense socio-political situation and values specific to the country complicate the country's development.

For historical and humanitarian reasons, Nicaragua is a country with a sizeable donor presence. External financing plays a very significant role in macro-economic stability, social cohesion and opportunities for development. The well-established coordination mechanism should prove instrumental in implementing the Paris Declaration on alignment and harmonisation.

The present EC strategy has been designed following a thorough multi-stakeholder consultation process, and is meshed with the country's development programme. It should be considered not as a whole but as the European Commission's contribution to the overall effort, complementing that of Nicaragua and the rest of the donor community. Coordination and harmonisation are therefore essential components of its implementation. For the same reason, cooperation with Nicaragua will continue to be based on sector approaches (whenever possible financed through non-earmarked budget support) and capacity building. However, the whole range of EC instruments can be considered in designing implementation options, particularly outside focal sectors.

In line with EC development policy objectives and the conclusions of the Guadalajara summit, in particular on social cohesion, the EC strategy focuses on:

- Supporting governance and, in particular, consolidating democracy, good governance and effective implementation of the rule of law.
- Investing in human capital, especially education, in order to reduce social inequities, territorial imbalance, gender and cultural prejudices, and to better adapt the education system to the country's development needs.
- Securing macro-economic sustainability and reinforcing Nicaragua's trade and integration in the world economy so as to contribute to sustainable and equitable economic growth.

These focal sectors involve mainstreaming a number of different issues: regional economic integration; rurality; environmental sustainability and risk management; human rights, in particular gender equity; and decentralisation of the State. Regarding civil society, a new kind of relationship has to be found in the mutual interest of both the EC and civil society (as well as the Government).

Implementation of the programmes will be spread over seven years, and cover two successive indicative programmes. An indicative allocation of € 214 million has been earmarked for Nicaragua for the period 2007-2013 under the financing instrument for development cooperation (DCI). These resources can be supplemented by projects and programmes financed under the Central American and Latin American regional programmes, as well as from thematic programmes.

1 OBJECTIVES OF COMMUNITY COOPERATION

This CSP is guided by the global objectives of the EC cooperation policy, the more specific objectives of EC relations with Latin and Central America and the bilateral objectives of relations between the EC and Nicaragua.

1.1 Global objectives

Article 177 of the **Treaty Establishing the European Community** lays down the broad objectives for Community development cooperation: sustainable economic and social development, smooth and gradual integration of the developing countries into the world economy, the fight against poverty, the development and consolidation of democracy and the rule of law and respect for human rights and fundamental freedoms.

In November 2005, the Council, the representatives of the Governments of the Member States, the European Parliament and the Commission approved “*The European Consensus on Development*”, providing for the first time a common vision that guides the action of the EU, at both Member State and Community levels, on development cooperation. It states that the prime objective of Community development policy is the eradication of poverty in the context of sustainable development, including pursuit of the Millennium Development Goals (MDGs), together with the promotion of democracy, good governance and respect for human rights. The Consensus also stresses the importance of partnership with the developing countries and of promoting good governance, human rights and democracy with a view to more equitable globalization. It reaffirms the commitment to promote policy coherence for development, to the effect that the EU will take account of the objectives of development cooperation in all policies that it implements which are likely to affect developing countries, and that these policies support development objectives. It reiterates the principle of ownership of development strategies and programmes by partner countries and advocates both enhanced political dialogue and a more prominent role for civil society in development cooperation.

1.2 Specific objectives in Latin and Central America

From January 2007, Nicaragua will be eligible under the **Regulation** of the European Parliament and the Council establishing a financing instrument for development cooperation (DCI) in application of article 179 of the **Treaty Establishing the European Community**.

The 2004 Guadalajara Summit between Latin American and European countries put the emphasis on multilateralism, regional integration and social cohesion¹, which are the main priorities for policy dialogue and cooperation. These agreements are to be translated into concrete programmes of action in Central America through country-level initiatives on social cohesion and regional-level initiatives on regional integration.

In its December 2005 Communication on “*A reinforced European Union-Latin America partnership*”, the Commission restated its aim of a strategic partnership with the entire region and stressed the need for policy dialogues, targeted cooperation, promotion of trade and investment, and improved alignment of cooperation with political agendas and with the needs of recipient countries.

¹ Social cohesion includes fight against poverty, exclusion and inequities. The European Union’s Social Policy Agenda defines the concept of social cohesion as an objective “*to prevent and eradicate poverty and exclusion and promote the integration and participation of all in economic and social life.*”

Cooperation between the EU and the six republics of the Central American isthmus has been shaped by the **San José Dialogue**, which was launched in Costa Rica in 1984 and remains the principal channel for political dialogue between the two regions. This annual dialogue was originally set up to support the peace process and democracy in the region. It was confirmed in 1996 and 2002 and expanded to include issues of sustainable and equitable economic and social development, the fight against insecurity and organized crime, the rule of law, and social policy.

The Regional Development Cooperation Framework Agreement, between the same six Central American countries and the Commission, signed in 1993, came into effect in 1999. This “third generation” agreement covers a broad range of sectors and provides for the establishment of a Joint Committee to oversee its implementation, plus sub-committees for detailed examination of specific sectors under the Agreement.

In **December 2003** a new **Political Dialogue and Cooperation Agreement** was signed by the EU and Central America, which, once ratified, will institutionalise the San José Dialogue and expand cooperation to include areas such as migration and counter-terrorism. It also opens the door to a future Association Agreement, the common strategic objective of both parties, as established at the EU-Latin American Countries Summit in Guadalajara of May 2004. The two regions decided that a future Association Agreement, including a free trade area, between them shall be built on the outcome of the Doha Development Agenda and on the realization of a sufficient level of regional economic integration. The Declaration of Vienna, issued by the Heads of State and Government of the European Union and of Latin America and the Caribbean on 12 May 2006, reiterates the commitment to expand and deepen EU-LAC cooperation in all areas in a spirit of mutual respect, equality and solidarity. In this context, and based on the positive outcome of the joint evaluation, the Heads of State and Government of the European Union and of Latin America and the Caribbean decided to launch negotiations between Central America and the EU in view of an Association Agreement including a free trade area..

1.3 Specific objectives for Nicaragua

Nicaragua, like Latin America in general, has strong cultural and historical links with Europe. In the 1980s, Europe played a key role in the peace process in Central America, and its consequent consolidation. However, for political and commercial reasons as well as that of proximity, the new generation of managers looks more towards the USA (where there is a sizeable Nicaraguan community) than towards Europe. The new Administration that should take place from January 2007, expressed its intention to diversify its external links within Latin America and towards Europe.

The level of **cooperation** between the European Union and Nicaragua, the highest in Latin America, is linked to Nicaragua’s high levels of poverty and to European countries’ willingness to consolidate democracy and implies a substantial **political dialogue**. The European Union (Member States and Commission) accounts for more than 50% of total cooperation aid to Nicaragua, and is a key actor in development.

The priorities of the political dialogue and the main challenges of EU-Nicaragua relations have been highlighted in the new Political Dialogue and Cooperation Agreement signed in December 2003, which is being ratified. It emphasises supporting regional integration and helping the negotiations of the Association Agreement, and underlines the need to gear cooperation to supporting social cohesion, democracy and the rule of law. The European Commission subscribed to the Managua Declaration on cooperation, a commitment between the donor community and the Republic of Nicaragua.

2 COUNTRY ANALYSIS AND MEDIUM TERM CHALLENGES

2.1 Rule of law/politics

The 2002-2006 period has been marked by an institutional and political crisis. A new administration, lead by the Sandinist Daniel Ortega Saavedra, (already President from 1985 to 1990) will be in place from the beginning of 2007 (see political context in [annex 2](#)). But most of the challenges of Nicaragua will remain, whatever is the political tendency of the next administration.

2.1.1 Rule of law

Nicaragua has an incomplete implementation of the rule of law and its formal and electoral democracy lacks effective institutionalisation and active participation. In particular, the “Pact” (*El Pacto*)² raises concerns as the main political parties share key posts in the high institutions of the State (in particular the Supreme Court of Justice, the Supreme Electoral Council, and the General Controller of the Republic). Political life appears to be polarized and characterised by *caudillismo*; in 2005, this situation culminated in what appeared to be paralysis in decision-making. Large parts of the population are alienated: the 2004 *Latinobarómetro*³ study reaches the conclusion that only 21% of Nicaraguans are satisfied with their democracy.

Real separation of powers does not mean that one power ranks above the others, but that each has its own role and counterbalances the others; this is not the case in Nicaragua. Building a modern and participative democracy is thus the main challenge for Nicaragua; this means *inter alia*:

- an efficient and professional Executive,
- a National Assembly acting as the legislature,
- an independent and professional judicial power that provides equal access to justice for all,
- political pluralism with modern and dynamic political parties, opening internal and external spaces of democratic participation,
- a depoliticised public administration, with recruitment and career development based on merit,
- an independent and depoliticized electoral body, preserving representative democracy,
- raising citizen's awareness among the population.

2.1.2 Fight against corruption and impunity

Corruption in Nicaragua is perceived as widespread⁴. The population and the international community supported the fight against corruption promoted by M. Bolaños’ Government but, besides a few successes, the perception is that Nicaragua has not been able to seriously confront the problems of corruption⁵, and to put an end to impunity. The policy to root out bribery seems to have failed.

² The “Pacto” was been signed by the two main political parties (*Frente Sandinista de Liberación Nacional -FSLN-* and *Partido Liberal Constitucionalista -PLC-*) in 2000 and settled by constitutional changes.

³ Marta Lagos and Yun-Han Chu, *Latinobarómetro and Asian Barometer, Cross-Continental Comparison*, Brussels 2005

⁴ Nicaragua ranks 111th of 163 countries analysed by Transparency International in 2006.

⁵ The case of the ex-President Arnoldo Alemán is a notable example. The PLC and the FSLN do not seem to consider the serious charges of corruption as sufficient to remove Mr. Alemán from the political life.

A number of judicial decisions related to drug trafficking, land tenure, and commercial banking activities should be termed biased, and are the result of the judicial insecurity and partiality prevailing in the country. This contributes to create a climate favourable to money laundering activities. Drug trafficking and drug use are also growing (Nicaragua is not a major producer but a transit country), in particular in the Atlantic Regions where the situation is of growing concern. It is important to stress the need for a sound legal framework which is not subject to interpretation in order to sustain legal certainty. Nicaragua is also a transit country for small arms and light weapons, very often connected to illicit activities such as money laundering and drug trafficking. Nicaragua, like all the other countries in the Central America sub-region, presents a widespread availability of small arms.

A recent World Bank study⁶ analysed the structure of the perception of corruption. Low level corruption is prevalent within public services and is less costly than in other countries. However, the perception of large scale corruption or influence trafficking remains high and seems to be linked to political and judicial uncertainty. Corruption is also regressive and hits small companies and poor people hardest.

2.1.3 Civil society

Nicaraguan civil society has played a significant role in the country's history. At present, civil society, and in particular NGOs, are highly heterogeneous, with different levels of autonomy, capacity and experience, entailing representation problems and divergences of opinion⁷.

The dialogue between civil society, the Government and other bodies could be improved. In particular, there seems to be a lack of mutual trust between civil society, the Government and the political parties, with corresponding consequences. The absence of dialogue between civil society and the various State entities has created a vacuum in the democratic architecture of Nicaragua. However, in certain sectors, civil society is well articulated around representation mechanisms, management and actions on different matters of national interest, and could play a positive role within a context of “willingness for dialogue”.

2.2 Social cohesion and poverty

Nicaragua is still one of the poorest countries in Latin America: poverty strikes half of the population, with more than 2 million poor people in the country, thus representing a major challenge. Poverty is concentrated in rural areas, where 2 out of 3 people are poor. The extremely unequal income distribution, the lack of opportunities, a non-participatory political system and unfair access to public goods demonstrate a serious lack of social cohesion.

The lack of social cohesion and widespread poverty are holding back economic and social growth, in the country as well as environmental sustainability. Poverty translates into low incomes, a small internal market, poor health conditions (including reproductive health) and insufficient access to education and basic services (such as water and sanitation, and energy), as well as high emigration rates, both internal and to other countries, such as Costa Rica and the United States.

Investment in “human capital”, i.e., education, vocational training, health, social protection, *inter alia*, is still largely insufficient. Education is strongly associated with higher welfare. The illiteracy rate is still 23.3%. The budget for primary and secondary

⁶ World Bank, *Nicaragua, Evaluación del Clima de Inversión, Evidencia del Sector Manufacturero*, Abril 2005

⁷ In addition, part of civil society is acting mainly on possibilities of obtaining external financing.

education, and for vocational training is far below international standards⁸; in contrast, the Constitution provides for a relatively high budget for universities which is not linked to needs or efficiency. This imbalance also exists in terms of quality, and the correlation between higher income and higher education is still insufficient incentive for school attendance. There is a need for higher quality and for new and knowledge-based technologies, also in order to reduce the digital divide.

Population growth causes 80,000 people to enter the work force every year, mainly fueling the non-formal sector: in 2003, this sector employed 43% of the population at national level, most of them women, with very low income levels and low productivity.

The Government has not launched any initiative yet to promote social cohesion; recent efforts have rather been focused on the fight against poverty. The recent tax reform has limited scope and aims to increase collection, without effective redistribution, despite some improvement in term of progressivism. Public expenditure on poverty rose from 40.7% of the National Budget in 2001, to 48% in 2004⁹ and is targeted on health, education, water and sanitation, of which 72% is financed from external financing, direct financing or through the HIPC initiative. However, poverty expenditure has decreased per capita in recent years, and represents less than 10% of GDP. Progress on the MDGs (see [annex 4](#)) shows the difficulties Nicaragua has in reaching the majority of them.

Geographical integration within Nicaragua is weak; vast portions of the country lack proper roads, communications, infrastructure, or an institutional presence to offer basic social, administrative or justice services, especially in isolated areas, such as the Caribbean coast. This situation encourages illegal activities such as drug trafficking.

The ethnic communities, including Afro-descendants and indigenous communities in the Atlantic and in some areas in the Pacific and Northern regions live in extreme poverty and have to face both administrative and political discrimination¹⁰.

Compared to the other Central American countries, Nicaragua has the highest levels of public safety. However, weak social cohesion, non-respect of children's rights, growing crime linked to young gangs ("*pandillas*" or "*maras*") in neighbouring countries and drug trafficking are serious threats. Globally, Nicaragua is concerned with respect for human rights and has ratified most of the international conventions. However, the country did not sign the Rome Statute on the International Criminal Court nor the Optional Protocol to the Convention on the Elimination of All Forms of Discrimination Against Women.

Nicaragua has a high level of gender inequity. Gender violence, in particular within families, is one of its most dramatic manifestations and rose lately¹¹. Different factors increased this situation: social inequities, poverty, emigration, unemployment, employment discrimination, beliefs and other forms of discrimination (see [annex 5.1](#)).

The number of emigrants from Nicaragua is relatively high (between 400 000 and 800 000 illegally living abroad in 2004). The destinations are mostly the United States and more recently, Costa Rica. Remittances ([see section 2.3.](#)) are an important factor of social cohesion as they are sent directly to poor families, representing a major buffer against poverty and allowing at least basic consumption. On the other hand, emigration is a factor of external dependence and a loss of human resources for the country, and puts emigrants at risk of becoming victims of smugglers and human traffickers.

⁸ The Nicaraguan the primary and secondary school teachers are the lowest paid in all Latin America.

⁹ Source : SECEP

¹⁰ Recently, the Inter-American Human Rights Court has condemned the Nicaraguan Government for excluding Yatama (indigenous political party) from the 2000 municipal elections. This exclusion is not only an "*indigenous exclusion*" but mainly the result of *the Pacto*, which eliminates small political parties.

¹¹ According to the Ministry of Health and to the Police 95% of the rapes in the country are perpetrated by close relatives.

2.3 Trade and macro-economics

Despite years of structural adjustment and three years of PRGF (*Poverty Reduction and Growth Facility*), despite having reached the HIPC completion point and despite the acceleration of economic growth and inflation control, the macro-economic situation remains vulnerable. Nicaragua faced serious difficulties in implementing its programme of economic reforms. The lack of political support for government policies in the national assembly has been an important factor. Internal debt is high and the trade deficit remains very high. The balance of payments has a precarious equilibrium because of the remittances¹² of emigrants (13 to 18% of GDP) and international cooperation (around 13% of GDP). The 2005 G-8 initiative to cancel 100% of the multilateral debt stock to the IMF and World Bank should affect Nicaragua in the coming years, even though no additional resources will be available for the cooperation budget of donor countries.

Fiscal policy performance remains a high priority of Bolaños' government. High public debt burden requires further efforts of fiscal consolidation over the coming years to put debt dynamics on a sustainable path. To address these challenges, the fiscal program includes strengthening of the tax administration and increase of the quality of public expenditures (including strengthening the anti-poverty expenditures¹³). In addition, several key fiscal reforms are underway to support medium term fiscal consolidation: tax code, pension reform, decentralisation, civil service reform, and fiscal transparency.

Internal debt will continue to cloud the budget for several years and servicing it has replaced payment of the external debt since the HIPC alleviation. Internal debt service accounted for around 84% of total debt service in 2004. Mainly composed of BPIs and CENIs¹⁴, it is partly a result of the mismanagement of public finance. The HIPC alleviation was positive but it is important to keep external and commercial debt under control to avoid a downward spiral of indebtedness once again.

International cooperation accounts for a large part of the national budget, and is indispensable to the balance of payments. Cooperation finances both current expenditure and public investment (80% of the public investment budget, which also includes some current expenditure). In the medium and long terms, dependence on cooperation should be reduced progressively and replaced by national resources. More recently, the Government of Nicaragua, pushed by the donor community, has been intending to build a medium-term expenditure framework. This would progressively replace budgets drafting without reference to needs with a modern budgetary system (results oriented budgeting).

Besides the public debt (20% of public expenditures), the State budget has legal constraints allocating 6% of expenditure to universities and 4% to the Supreme Court of Justice. Municipalities will receive 10% of tax revenues¹⁵. This impedes efficient management and distribution of the budget, and limits resources for the social sectors (primary and secondary education, health) which account for just above 10% of the total expenditure; it also limits public investment. In addition, pension reform and civil service reform will need to be absorbed within the budget constraints. In 2005, fiscal slippages, linked to the political situation, have created new resistances and new macro-economic difficulties. This situation has led to doubts about the future of the agreement with the

¹² The 2004 level of remittances to Nicaragua is estimated between US\$ 750 and 800 millions, 65% of which comes from the USA and 28% coming from Costa Rica. Total exports were US\$756 million in 2004

¹³ 10.4 % GDP in 2002 to 12.4 % GDP in 2004

¹⁴ The Coupons for Indemnification (BPI) were issued following agreement ("*la piñata*") between the political parties during the 1990s, to pay compensation for confiscated properties, *de facto* legalizing these confiscations. BPIs are long term coupons. They augment regularly by judicial sentences.

The origin of the Negotiable Certificates of Investment (CENI) is recent. They were issued mainly after the bank crisis (mainly fraudulent bankruptcies) between 1997 and 2001. They are short terms coupons, with the market rate of interest in córdobas, but with a warranty in dollars. The CENIs represent 20% of the internal debt but 50% of its service.

¹⁵ Transfers should rise progressively up to this rate until 2010. This transfer should be fiscally neutral but the transfer of responsibility is still to be defined.

IMF and subsequent cooperation agreements. Facing this difficult situation, political leaders reached an informal agreement on resuming the PRGF for 2006.

Central Government fiscal pressure remain low (16.3% of GDP in 2004) even though slightly increasing (12.9% in 1995, 13.7% in 2001)¹⁶. Hence there is still room to improve tax collection in the coming years. In recent years, tax revenues collection has increased an average of 16 % annually. Recent IMF studies stressed the need to establish effective sanctions for those who fail to comply with fiscal obligations. Without fiscal evasion and special treatment, tax revenues could rise by an additional 11% of GDP¹⁷.

Despite what has already been done as regards fiscal reform, the country needs a new reorganisation to achieve a better rate of tax collection and a progressive approach through: preventing tax evasion and exemptions, improving the effectiveness and efficiency of public management and promoting better social and economic cohesion. For some years the Public Management Framework has been under improvement. In 2005, Nicaragua introduced a new law on the “Tax Authority and Budgetary System”, which provides a single legal framework for the budget, the treasury, auditing and public credit. The law reinforces external auditing, and the consolidation of the whole budget of the public sector. Nicaragua does not yet have a Mid-Term Expenditure Framework, despite the fact that much work has been done on drafting one. The SIGFA¹⁸ represents an important step towards improving the efficiency of public finance management by integrating the budget, accountability, treasury, internal debt, and public purchase in a single system. In addition to that, further efforts should be made to speed up the procurement and external budget control systems reforms.

To reach economic growth, investment – and in particular foreign investment – needs to increase. The improvement of social cohesion, the business environment and competitiveness are crucial challenges for the future if Nicaragua is to overcome its reputation for legal uncertainty. Better social cohesion and a better investment climate would also expand the domestic market.

Although less than in the neighbouring countries, Nicaragua’s industrialisation policy is based on the “*maquilas*” scheme¹⁹, with low added value, low impact on the economy, and by definition, low fiscal revenues. Based mostly on the textile industry, the *maquilas* have suffered from Asian competition since the end of the quota system. There are also concerns about labour and human rights for the thousands of women who work in the *maquila* industry.

The contribution of rural areas to the sustainability of the economy should not be underestimated. Agriculture, fishing, and forestry are essential for the national economy; these sectors accounted for 40% of GDP in 2004 (including agro-industrial industries), and therefore need specific and coherent policies, as well as strategies to improve their environmental sustainability.

In trade matters, Nicaragua ranks only 114th among the European Union’s trading partners while the EU is Nicaragua’s third biggest trading partner after the USA and Central America. The small market and difficulties in achieving political stability, social cohesion and judicial security make Nicaragua less attractive to European investment in comparison with other countries. Only genuine economic integration and an improvement of the business climate could change this trend.

¹⁶ It should be mentioned that, according to recent studies, the losses of tax revenue due to the CAFTA for Nicaragua are estimated to around 0.45% of the GDP in the short term.

¹⁷ 60% of it is due to fiscal evasion and 40% to exoneration. Daniel Artona: *Evolución reciente de la recaudación tributaria, gastos fiscales y proyecciones fiscales*, November 2005

¹⁸ *Sistema Integrado de Gestión Financiera, Administrativa y Auditoría*.

¹⁹ *Maquilas* are companies working in tax-free zones and dedicated to manufacture for export.

2.4 Production process

Local industries, including small and medium-sized enterprises, have a small capacity and are not competitive in the international market. Quality standards and controls are needed, together with new technologies and clear policies and rules. The country should take advantage of opportunities in international market liberalization, and shift from an industrialization model based on “*maquilas*” to a more competitive one, with more added value, modern technologies, better employment conditions and environmental commitments, including compliance with labour laws. Tourism is a potential sector for private investment, particularly in the context of a Central American package, mostly based on natural resources.

Governance problems such as the added costs of bureaucracy, regulatory burdens and small-scale corruption are great incentives for the informal economy. The informal economy represents around 45% of GDP, compared to 30% in neighbouring Mexico or the Dominican Republic. A better investment climate would reduce the size of the informal economy and raise the level of tax collection²⁰. Governance problems account for an average of around 6% of production costs.

2.5 Vulnerability and environmental situation

Primary and secondary production²¹ need to be both more competitive and more respectful of environmental standards, especially in view of the trade liberalization planned in the years to come. Sectors’ activities are carried out in an inefficient way and often lack a sustainable focus or appropriate technology.

Most of the farming land plots and cattle ranching units are extensive, relying only on natural fertility and thus tend to expel farmers to the agricultural frontiers or to the cities. Vast areas have been lost, prone to desertification, flooding or degradation, in all ecological regions of the country. This phenomenon has been amplified by inadequate land planning and management. The major production factor is labour, and income increases come from expanding areas or from better prices, not from productivity enhancements. This situation makes the sector very vulnerable to climatic conditions or to market failures ([see environmental profile in annex 5.2](#)).

Insecure land tenure and weak institutions explain the pressure on agricultural land, even though Nicaragua is a small country with a small population. Small-scale farming is one answer to poverty, but agriculture has to develop appropriate, high value, diversified production, so that it can contribute to food security, poverty alleviation and income generation. In the forestry and fisheries sector, there is a high rate of illegal exploitation²². Adequate policies and institutions are needed, e.g. for natural resources management, land tenure and market organization. If the Nicaraguan government integrated sustainable development principle inside the legal framework, there is a lack of effective implementation and environmental conscience among the population and the State institutions.

The recent rise in world oil prices (2005 and 2006) revealed the scale of Nicaragua’s dependence on fossil energy. Nicaragua’s economy is highly sensitive to energy prices, and it lacks a comprehensive energy policy. Thus, its high potential for renewable energy is underexploited. Furthermore, the lack of a proper energy policy influenced

²⁰ According to the World Bank (“*Evaluación del Clima de Inversión, Evidencia del Sector Manufacturero*,” Abril 2005), if the level of informality fell to around 30% of the GDP, the Government would receive from an additional 2.3% of the GDP in tax income.

²¹ Agriculture, forestry, fisheries and mines account for 22% of GDP, industry for 18%. (Central Bank, 2004)

²² Illegal and inadequate logging of indigenous forests is a concern for some of the departments and species. Pine forests are under pressure, not only from inadequate exploitation, but also from the “*gorgojo*”, a parasite destroying large extensions of pines if improperly controlled.

2.6 Regional and world integration

Nicaragua is a small-scale economy which depends on adequate regional and world integration for its development. It is an active member of the Central American integration process. It faces the challenge of adapting its policies to the new global environment so as to take advantage of globalization and attenuate its negative effects.

Nicaragua, like the other Central American countries, has a policy of bilateral trade agreements²³. This policy weakens the regional integration process, in particular the completion of the customs union. The CAFTA²⁴, signed with the US, it is claimed, will boost sub-regional integration but its differentiated treatment of the various Central American countries could make it more difficult to complete the customs union and could result in partial substitution of intraregional trade flows by North-South exchanges.

3 NICARAGUA – NATIONAL AGENDA

In 2001, Nicaragua adopted its first Poverty Reduction Strategy Paper (ERCERP) as part of the HIPC initiative. The ERCERP has been followed by the operational National Development Plan (PNDo), prepared by the Government as from 2003. The PNDo, recently approved (January 2006), should form a second-generation PRSP (ERCERP-II). Nicaragua became part of the HIPC initiative in 2000 and reached the HIPC completion point in 2004. As part of this initiative, Nicaragua should benefit from an average US\$ 231 million each year in debt alleviation²⁵.

The Millennium Development Goals (MDGs) comprise a set of goals, targets and indicators. [Annex 4](#) presents the goals, their integration into the PRSP and the PNDo and the likelihood of achieving them. Reaching the majority of MDGs seems problematic. However, a recent poverty analysis²⁶ gives a more optimistic figure, in particular for reducing extreme-poverty. For this, economic growth will be key. The protracted institutional and political crisis of the last years has clouded efforts to reach the MDGs.

The main focus of the PNDo is poverty alleviation through economic growth, and nine economic clusters with economic potential have been identified: coffee, milk, meat, tourism, micro enterprise, wood/furniture, fishing and agriculture, mines and energy. The development of these clusters is supposed to lead to the development of all sectors in the country, and in this way to poverty reduction and improved social conditions for the Nicaraguan population. However, the PNDo has been criticised for not considering tax reform as a tool for wealth redistribution, for its lack of public participation and consultation, for the commitment to pay all internal debt before 2008, and for the focus on economic clusters and economic growth where there is existing development potential instead of putting more focus on social aspects and poverty. Still, the PNDo, despite its weaknesses, is an additional step towards greater ownership by the Nicaraguan institutions of their own development.

The next administration expressed its willingness to keep the PNDo and used it as a basis, with only few changes, mainly because political parties have not been consulted during the drafting.

²³ Agreements exist with Mexico, Chile, Panama, and Dominican Republic.

²⁴ Central American Free Trade Area, trade agreement between the US, Central American countries and the Dominican Republic.

²⁵ Source: Central Bank of Nicaragua. Additional external debt alleviation could be provided as follow-up of the decision of the G8 in June 2005 to cancel 100% of the debt stock with the IDA and IMF.

²⁶ “*Performance and Prospects toward 2015 of Nicaragua’s MDGs, PRSP Goals and intermediate Indicators*,” World Bank 2003.

The regional agenda is part of the national agenda and Nicaragua participates in a number of regional initiatives. The country supports regional integration and free trade agreements. Nicaragua is an active member of the *Central American Integration System (SICA)*.

4 OVERVIEW OF PAST AND ON-GOING CO-OPERATION WITH NICARAGUA, COORDINATION AND COHERENCE

4.1 Overview of past and ongoing EC co-operation, lessons learned

In the period 2002-2006 the EC has committed a total of €230 million in external aid to the country²⁷. EC cooperation has evolved **from a project-based approach towards a sector-oriented approach** with an increased focus on budgetary support and result-oriented instruments. The sector approach was experienced for the first time in Latin America with support to the education sector, followed by a programme for rural aspects of the PNDo, and finally by a programme to support access to justice for the poor.

In addition to sector support, the EC has provided macro-economic support as part of the HIPC initiative, and project support through horizontal and thematic budget lines. Despite the increased focus on sector support, a number of isolated projects are still being implemented in various sectors. In total more than 60 projects have been implemented throughout the period. Some of the main themes are infrastructure, food security and NGO (Non Governmental Organisation) co-financing.

Finally, an overview of the EU's relationship with the Central American sub-region would not be complete without mentioning the unilateral tariff preferences granted through the **Generalised System of Preferences (GSP)**, which, since 1990 have resulted in duty suspension on agricultural and industrial exports to the EU from the six Central American countries. The GSP drugs regime was replaced by the new GSP Plus scheme, which will permit continued privileged market access for countries committed to the promotion of sustainable development and good governance.

The 2002 "*Evaluation of the ALA regulation*" and, in particular, its chapter on cooperation with Nicaragua recommended upgrading to **sector approaches and budget support**. Thus this approach has started, Nicaragua being the first in Latin America, and is expected to have greater impact, lower transaction costs, reduce fragmentation of activities, help tackle the root of problems- including corruption and low institutionalisation -, and improve ownership and dialogue between stakeholders, the Government and the donor community. This new approach should be formally evaluated in 2008. A global evaluation (for all donors) of budget support was initiated in 2005²⁸. Initial assessments are very encouraging, despite the fact that much remains to be done to enable all the actors to understand and apply the results-oriented method.

Since the beginning of the implementation of the Country Strategy Paper 2002-2006, the EC cooperation with Nicaragua has been influenced by different factors:

- the shift to budgetary sector support,
- the deconcentration of the Commission's services to Nicaragua, giving more responsibility to the EC delegation's staff, expanded for that purpose,
- the implementation of a new financial regulation, which entailed a number of changes in the way EC cooperation works²⁹.

²⁷ Annex 7 provides a summary of the EC cooperation with Nicaragua.

²⁸ "*Joint Evaluation on General Budget Support*" (2005, to be published in 2006).

²⁹ In practice, additional delays resulted from the introduction of the new regulation. Sometimes, local counterparts were not enthusiastic on changing rules which have worked for years for a new system. In particular, they questioned why they should carry out a full responsibility of execution under another regulation than their own.

Technical and economic cooperation have been concentrated on a **reduced number of focal sectors, aligned with national policies**. However, this has not been the case for a number of other types of financing (in particular horizontal and thematic budget lines, especially those financed through the PRRAC³⁰, but also projects resulting from previous programming), made available through a project-based approach³¹, disconnected from national policies, in a large range of sectors. Regular external monitoring and a number of thematic evaluations³² provide some guidance on EC cooperation with Nicaragua, in particular as regards projects:

- Too many projects are deficient or not consistent with cooperation priorities and national policies. This is more the case for projects implemented under the thematic budget lines³³. Furthermore, consistency between projects financed under the same budget line has been insufficient.
- Too many projects are deficient because the complexity of implementation has been underestimated. The identification phase suffers from severe weaknesses, which has led to delays in the execution of projects. Administrative and financial control requirements have been very high; however, technical monitoring requirements have not been at the same level of scrutiny.
- The “culture of evaluation” is not yet sufficient, and the results of the evaluations and assessments have not been adequately taken into consideration.
- Policy dialogue has been poor, and generally used for strictly political issues.
- Consistency between the projects financed under the thematic budget lines³⁴ and the CSP has often been problematic, which can mean they are inefficient and lack impact.

These results have led to the conclusion that more focus should be given to a limited number of sectors. The shift to sector approaches and budgetary support has brought a substantial change in cooperation with Nicaragua. Moreover, EC cooperation has concentrated almost exclusively on the executive branch. There is much scope for both strategic support to the civil society, and the link between cooperation and policies.

Numerous specific problems have been encountered in implementing projects. In particular, recipients have expressed concerns about the heavy burden of EC procedures linked to project and programme financing and the existence of a kind of “control culture” which has led to delays during all phases of the project cycle.

³⁰ *Regional Programme for the Reconstruction of Central America*, financed by the Rehabilitation budget line.

³¹ What we call a project-based approach is a financing through projects where identification and feasibility is made according to the availability of funds, and often irrespective of the sectoral policies of the country.

³² The main evaluations reports connected to Nicaragua are the following: “*Evaluation of Rural development and agricultural support*” (to be published in 2006), “*Thematic Evaluation of the EC Support to Good Governance*” (2006), “*Joint Evaluation of General Budget Support*” (2005), “*Evaluation of the Environment and Forests Regulations 2493/2000 and 2494/2000*” (2004), *Joint Evaluation of Co-ordination of Trade Capacity Building in Partner Countries* (2006), “*Thematic Evaluation of Food Aid Policy and Food Aid Management and special operation in support of Food Security*” (2004), “*Evaluation des actions de réhabilitation et de reconstruction financées par la Communauté Européenne dans les pays ACP/ALA/MED/TACIS*” (2003), “*Joint Evaluation of External Support to Basic Education in Developing Countries*” (2003), “*Evaluation of the integration of Gender in EC development co-operation with third countries*” (2003), joint evaluation with Member States on “*3Cs, Coordination, Complementarity and Coherence*” (to be published in 2006), “*Analysis of EC Project Monitoring Results – Latin America*” (2004), “*Evaluation de la stratégie régionale de la CE en Amérique Latine*” (2005).

³³ The exception of the Food Security budget line should be highlighted.

³⁴ The “*Call of Proposals*” modality, in its current form, should be improved to ensure consistency with the sector approach, to support civil society and to select more sustainable projects. These projects should help Nicaragua to overcome the challenges of the country. This concern has often been raised by the civil society itself, by governmental institutions, Member States and EC delegation officials.

4.2 The importance of international cooperation with Nicaragua

International cooperation is essential for Nicaragua, for macro-economic stability, for investment and for the stability of the country (see above). In 2004, total official development assistance (ODA) received by Nicaragua amounted to US\$ 550.08 million, equivalent to US\$ 100 per capita and to around 13% of GDP³⁵. In addition to this amount US\$ 15.3 million was channelled through NGOs. These figures indicate that international cooperation is important and influences significantly the national economy and the political and social situation in the country. The level of international aid per capita received by Nicaragua is among the highest in the world and by far the highest in Latin America.

An evaluation of the profile of external aid to Nicaragua, between 2002 and 2004, shows an increase in multilateral assistance in relation to bilateral assistance, and an increase in loans in relation to grants. Bilateral assistance accounted for about 47% of external aid in 2002 and 28% in 2004, and grants represented 61% in 2002 and less than 50% in 2004.

As a HIPC country, with a high level of international cooperation, Nicaragua has been chosen as a focal country for a number of international initiatives³⁶, in particular in relation to the selection of pilot countries. Except for the “Harmonization and Alignment Pilot Initiative”, the result of those initiatives has been a low level of ownership, additional workload for the national administration and the Commission staff working with Nicaragua and, in total, low added value. The distribution of international cooperation can be found in [annex 6.3](#).

4.2.1 Member States of the European Union and other donors

Between 2002 and 2004, around 31% of the external aid received by Nicaragua came from the European Union. In 2004, the three largest bilateral EU donors were Sweden (US\$ 32 million), Denmark (US\$ 32 million) and the Netherlands (US\$ 17 million). In 2002, the Member States financed altogether 170 projects for a total amount of US\$ 146 million. As a result of increased coordination, the number of projects was reduced to 78 in 2004. [Annex 7.2](#) indicates the size of the external aid provided to Nicaragua by the EU Member States in 2004. The EIB is currently not active in Nicaragua. The external aid from the EC and Member States can be found in [annex 6.2](#).

The two largest multilateral donors in 2004 were the World Bank (US\$ 126 million) and the Inter-American Development Bank (US\$ 139 million), whereas the two largest bilateral non-EU donors were the USA (US\$ 28 million) and Japan (US\$ 17 million); other active bilateral non-EU donors are Switzerland, Norway and Canada.

4.2.2 Coordination mechanism

The 2003 Managua Declaration between the donors and the Government should be considered as the base for strengthening coordination, harmonization and alignment of cooperation in Nicaragua. The 2005 Joint Financing Arrangement (JFA) linked to the budget support modality reinforced this tendency. It defines a coordinated approach through a common platform for multi-donor intervention.

Nicaragua is a pilot country for two international Harmonisation and Alignment (H&A) initiatives; the “*Joint Country Learning Assessment*” (JCLA) and the “*Road Map*” initiative. Nicaragua was the first partner country to implement the JCLA, an initiative undertaken by the OECD-DAC, in which a group of donors (“*lead*

³⁵ The repartition of international cooperation can be found in Annex 7.

³⁶ For example the “*Education for All - Fast Track Initiative*”, “*Extractive Industry and Transparency Initiative*”, “*Poverty and environment*”, “*H&A initiative*”, the “*Global Fund*”, “*H&A en el sector rural*”.

facilitators”) assess the level of H&A. As a follow-up to the exercise, the lead facilitators identified the impediments to greater H&A and formulated a number of steps to be taken by both the Government and the donor community. More recently, at EU level, the General Affairs and External Relations Council’s ad hoc party on harmonisation made recommendations for an EU road map for harmonisation. Specific EU coordination in relation to the 3Cs (coordination, complementarity and coherence) is an additional step in harmonisation. Regular meetings under the local *pro tempore* presidency of the EU are held to promote coherence and complementarity.

The dynamism of coordination of cooperation, and the dialogue with the Government, has led to several successes, for example the support for the drafting of a new national strategy (PNDo), the establishment of sector tables under the coordination of the Government, the drafting of SWAPs in some sectors, the creation of a multi-annual budgetary framework and improved management of public finances.

A number of other coordination mechanisms exist in the country:

- the Budget Support Group (*el Grupo de Apoyo Presupuestario*);
- the Global Donor Table (*Mesa Global de Donantes*);
- Sector Tables (*Mesas Sectoriales*);

Not all Sector Tables are equally operative and a lot still needs to be done, in particular in the present political context. There is also a growing demand to involve civil society more in these different forums. The coordination and harmonisation plan is in [annex 6.1](#). As a new administration will take place from January 2007, it could have some minor changes in the way of which coordination and harmonisation will be addressed in the future.

4.2.3 Sector breakdown of aid

The social sectors (social programmes, health and education), followed by transport and communications and the agricultural sector, benefit from most of the donors’ financial assistance. The fact that the social sectors are the sectors receiving by far the biggest aid illustrates clear commitment to the Millennium Development Goals.

The education sector receives 20% of the total EU (EC and Member States) assistance. The other main sectors are the health sector, the productive sector, in particular activities related to the modernization of production, environment, transport and communications. The World Bank and the Inter-American Development Bank both focus on social sectors and economic infrastructure.

4.3 Coherence with other EC policies and instruments

An analysis of Community policies and instruments and their possible impact on Nicaragua shows that the most relevant policies, in particular trade, agriculture, environment, health and consumer safety, internal market, competition, justice, information society, research, conflict prevention, etc. (see [annex 8](#)) are consistent and coherent. The European Commission recently introduced Impact Assessment, a tool used for all major proposals. It contributes to improving the coherence of draft measures by linking all Commission departments potentially interested in various scenarios to determine the expected result.

Moreover, in most cases, Community policies and the strategy paper are complementary, in that they take a common view or the subject is mainstreamed (i.e. gender). However, it

is important to underline some issues relating to certain implementation aspects, which have raised some concern among Nicaraguan officials and civil society:

- The GSP trade mechanism, which, despite its recent improvement³⁷, is seen as insufficient for longer-term direct investment decisions.
- Consumer protection policy on sanitary and phytosanitary controls.
- Agricultural policy, in particular the banana sector.
- Involvement of non-state actors. In particular, the system of selection for co-financing needs significant improvement.
- The lack of coherence and sustainability of projects financed by some horizontal and thematic budget lines.

Particular mention should be made of the EC emergency response to natural and/or man-made disasters, through the Humanitarian Aid Office (ECHO), which is part of the EC strategy. In the field of disaster preparedness and prevention, coordination and links will be promoted between DIPECHO action plans and other programmes/actions.

5 EC STRATEGY

5.1 Global objectives

Nicaragua is facing a number of important challenges, of which the most important is perhaps the difficulty of putting itself on a firm path towards sustainable development. In this respect, the main element of the EC Strategy 2007-2013 is that Commission support will not be only financial but will gradually shift to a more important policy and political dialogue in parallel with ample transfer of European experience (i.e. twinning between actors). Social cohesion must be central to this dialogue, and regional integration omnipresent (the CSP is coherent with [the RSP](#).) Consistency between European policies and cooperation will be of utmost importance in the strategy and in its implementation. Policy dialogue should not only be with the Government but also with other entities and civil society.

Stronger control of consistency between financing and cooperation priorities is needed, together with better *ex ante* analysis of the programmes. Any cooperation activity must be consistent with a number of cross-cutting issues for which a specific analysis will be carried out, in particular the environment, gender, regional integration, and trade and development.

For better impact and efficiency, sectors in which there is a world thematic initiative are eliminated at national level, and treated more at regional or global level in order to influence them positively.

Increasing social cohesion broadly speaking is the aim of the strategy. Since this is mainly the Nicaraguans' responsibility, the Commission will support the Nicaraguans in their policy to establish more redistributive mechanisms helping them to comply with the Millennium Development Goals and supporting efforts towards greater efficiency of economic flows, based on improved governance, better effectiveness and competitiveness.

5.2 Implementation issues

The shift to sector approaches (already initiated in the previous CSP) will continue in the future and is the rule for the implementation of the CSP. To improve impact, non-earmarked budget support must be the preferred financing modality.

³⁷ More than GSP, Nicaragua is hoping to have a full association agreement.
CSP Nicaragua-EN

In this context, the European Commission will continue to promote donor coordination and harmonization, including EU coordination. It will also participate actively in all the tasks of the “*mesas sectoriales*” and the “*Mesa Global de los Donantes*”. A summary of the harmonization and alignment plan is given in [annex 6.1](#). The conditions for budget support includes: a favourable macro-economic framework, an accepted global strategy or policy with indicators, a positive trend in better budget management, efficient donor coordination, and a critical mass (see [annex 10](#)).

Support for civil society through horizontal programmes and specific budgetary lines will continue. Support for processes and policies should be strongly favoured over financing local projects. The aim is to strengthen participation by civil society, particularly local actors, in the design of global, sector and development policies, and in consultation processes³⁸, particularly in the Harmonization and Alignment process. Priority should be given to proposals complementing the focal sectors, while preserving the independence of civil society, and to financing for cross-cutting issues (such as regional integration, gender, decentralisation, human rights, environment and sustainable management).

However, financial support to civil society is not enough to build strong relationships, and the Commission will pay particular attention to ensuring adequate consultation mechanisms with civil society and between civil society and the State entities. This also contributes to social cohesion.

An annual meeting between the EC delegation and the Government will take place to review all cooperation. A mid-term review will take place during 2010 in order to prepare the 2011-2013 National Indicative Programme.

5.3 Strategy for EC cooperation and focal sectors

The European Commission will concentrate its actions where it can add value and impact, in coherence and in complementarity with other donors, in particular Member States, thus avoiding duplication. The choice will also be based on past experience and results, and will comply with the overall objectives stated in section 5.1. All those sectors must be seen from a social cohesion perspective.

To ensure sustainability, for the financial and technical assistance and economic cooperation, two out of three of the focal sectors of the 2002-2006 CSP will remain: democracy and governance, and education. **Rural development** was a focal sector in the previous programming documents. Until recently this has been mainly implemented through Integrated Rural Development Projects (DRI), which support socio-economic development in geographically defined areas. If there were positive results at local level, the impact at national level has been limited. Sustainability was low due to insufficient prior assessment of what is a complicated sector with a multicultural dimension, diverging interests, weak policy and scattered and duplicated institutions.

Recent experience stemming from food security financing, which was proposed to be followed by the CSP 2002-2006, gave new direction to dialogue about rural development and poverty. This new dynamic received more political support, despite the fact that some problems, like land tenure and weak institutional capacity, seemed very difficult to tackle. Moreover, the counterparts should not be only institutional, but also include private actors. Rural areas have a higher proportion of poor people, but also greater growth potential. Paying special attention to rural areas supports social cohesion. The rural poverty analysis highlighted three main factors linked to poverty: education, land access and conjunctural adverse factors. This is why the EC should change its way of supporting rural areas to achieve more impact. This could be done by supporting rural aspects of other sector policies (mainstreaming), particularly when designing sector policies.

³⁸ Nicaraguan civil society has a more political than social history. A new dynamic should take place through the concept of citizenship.

Sustainable economic growth and macro-economic sustainability appear to be essential to reduce extreme poverty and to support social cohesion. In particular, foreign investment and fair integration in the regional economy should be better targeted. Given its effect on the economic and social context, this will be the third focal sector, associated with a reinforced policy dialogue which includes cross-cutting issues; the EC could also provide the knowledge acquired by years of experience of progressive economic integration.

5.3.1 Democracy and governance

Good governance and democracy have been focal sectors in the past with two projects to modernize the administration, and a programme on access to justice for the poor. Democracy and Governance are basic values for the European Union. The issue of governance, in particular democracy and the rule of law, will continue to be a major issue in the relationship between the EU and Nicaragua. It will continue to be a focal sector, supported by specific financing and by policy and political dialogues. The Commission will also follow closely access to justice and the electoral system.

The global objective is to consolidate democracy and good governance. The interventions must support the plan to modernise institutions and create a culture of transparency and integrity, in particular for public officials and employees.

The main issue will be to support effective implementation of the rule of law, with an actual separation of powers; no one power should claim to outrank the others. Establishing clear roles and clear mandates will be of the utmost importance for the next administration and the next National Assembly, both due to come to office when the present Country Strategy Paper enters into force.

Another key governance issue is land tenure. Land tenure in Nicaragua cannot be considered only as a technical problem, it is above all a political and governance problem. The legal insecurity of property and land tenure is a major handicap to development. It is not only by supporting cadastres and land registration or by distributing land that the problem can be solved; it must be approached from a broader perspective, including factors such as legal certainty, land use, environmental issues, social services, urban planning, etc. This item must be part of the future policy dialogue with the country.

5.3.2 Human capital, especially education

Social cohesion and poverty are affected by poor education, the degree of rurality and poor access to the information society. Educational problems remain more acute in rural areas. Therefore, investments in education should focus on the completion of the National Education Plan and in particular, the policy of extending the range of education offered in rural areas, thus raising its quality and making it better suited to the labour market.

Education was a focal sector in the previous CSP, and the EC has also acquired experience in this field from previous projects. It also participated actively, with the Government, in designing the Swap, being the contact point for donors active in the field. Education was the starting point to provide the sector approach financed through budget support in Nicaragua. By supporting education policy during the last CSP period, the European Commission entered into a long-term commitment, and education will continue to be a focal sector, as it is a key investment in long-term development. The support from donors, including EC financing, has allowed substantial progress towards the millennium goals in the education sector, except on

the overall illiteracy rate. However, there is no indicator in the MDGs for the quality and relevance of teaching and there are serious concerns in this respect.

Even if the education strategy is a shared policy with the Government and other active donors, a number of priorities could be listed as important for future EC support (not activities, but points meriting specific attention):

- Good quality basic education which has an impact on social cohesion and poverty,
- A focus on rural and indigenous communities to involve them in the overall development of the country,
- Special attention to adult education and teenager education,
- Curricula including mainstreamed issues such as gender, human rights, citizenship, regional issues, the environment and natural resource management,
- Vocational education and training linked to employment,
- A comprehensive strategy which involves not only the Ministry of Education but also other institutes and administrations, as well as civil society,
- Coherence with the international agenda, consistent with national ownership.

5.3.3 Economic and trade issues

Without macro-economic sustainability, reaching the MDGs and social cohesion will be almost impossible and all cooperation will face serious problems of sustainability. The European Commission has already supported macro-economic sustainability through support for debt alleviation, the PRSP and the PND. Securing macro-economic sustainability is a long-term challenge and the Commission could consider supporting to overall development strategy, along with the other donors of the Budget Support Group.

There is more cohesion when there is less poverty, inequities and exclusion. The economy, employment and social policies are interdependent. Thus, in addition to investment in human capital ([see section 5.3.2.](#)), social cohesion also means policy coherence and effective redistribution mechanisms. This common view of the donor community and Latin American countries is particularly relevant to Nicaragua which needs institutional support to carry out the necessary reforms.

Specific actions aimed at reinforcing Nicaragua's trade and integration in the regional and world economy should take place in a way that contributes to sustainable and equitable economic growth. Integrating trade and the international commitments ratified by Nicaragua should be done not only at Central American level, but also in terms of national pro-poor policies. This is an important challenge that the EC should continue to help meet, along with other donors.

The EC could contribute to this activity by supporting trade policy and standards, as well as trade exchanges (with a particular emphasis on small and medium-sized enterprises). There should be strong link and coherence with regional integration at Central American level. Part of the strategy should be aimed at reducing the trade balance deficit and supporting regional integration, especially in the view of a possible association agreement with the European Union. The PND proposes the development of economic activities by supporting different clusters of potential growth (coffee, prawns, tourism, meat and milk products, wood). Nevertheless, EC intervention, rather than giving support to specific sectors, should be aimed at giving more widely-based

support, in connection with general conditions, bearing in mind international commitments ratified by Nicaragua, and the environmental impact of such actions.

5.3.4 Principle of review and evaluation, risk assessment

Both the indicative programme and the strategy are subject to annual review. A bilateral meeting (headed by the Ministry of External Relations and the Delegation) will review the implementation of cooperation in Nicaragua each year, including financing which is not included in the NIP. *Inter alia*, the meeting could produce a report on compliance with the strategy and the situation as regards conditionalities and indicators.

At the latest in 2010, or for any major change at the request either of the Commission or the Republic of Nicaragua, a mid-term or a specific review will take place to assess the terms of the programme, to review cooperation and, if necessary, to adapt the CSP and/or the NIP. Any changes to the strategy and the indicative programme will be made after consulting the Member States and the Nicaraguan authorities.

The proposed strategy faces some circumstantial and structural risks linked to different factors, including the excess of centralization of a heavily politicised state, the internal macroeconomic situation, sensitivity to external shocks (world economy or natural disasters) and, finally, the difficulties linked to the imperfect implementation of the rule of law. Although there is hope that political parties are ready to work together, persistent political rifts and political uncertainty for the 2006 elections (and probably later) could make difficult the political needed consensus to implement the PRSP (PND). The absence of sound and effective institutions as well as weaknesses of the judicial system are undermining confidence and limit impacts of social cohesion policy. The EC choice of the focal sectors responds to this situation. Upgrading the quality of policy dialogue responds also to the situation. Economic sensitivity, both external (natural disasters, terms of trade shocks) and internal (bank sector, internal debt, land tenure) does exist. Along with the donor community and national and regional authorities, the EC is working on mitigating risks and their influence on the present CSP.

Finally, the move toward a more innovative approach is not without risk. The EC along with other donors - in particular within the Budget Support Group - is looking carefully at the progress towards appropriate mix of investments and expenditures to address the PND's priorities, and at what the Government puts in place as adequate financial management and other control policies.

5.3.5 Cross-cutting issues

A number of cross-cutting issues are particularly relevant for Nicaragua and could receive financing outside focal sectors.

As mentioned in [section 5.3](#), development of rural areas should be considered a horizontal issue. Reducing the proportion of people suffering hunger is probably the most critical and problematic MDG to achieve. The analysis of rural poverty highlights different factors, of which three are of particular importance: education, land access and conjunctural adverse factors. Those factors are directly or indirectly addressed by the proposed focal sectors. Some limited specific activities focussing on **food security** could be considered (financed through the ad hoc budgetary line).

Nicaragua will have great difficulty achieving better social cohesion if it does not engage in a proper **regional economic integration** process. Proper integration with

Central America is an essential complement to the three sectors identified, and fundamental if it is to take advantage of the opportunities of a global economy and correct possible losses of competitiveness. The Commission is supporting regional integration at Central American level, but this issue should also be considered at national level and incorporated into other activities.

The need to better integrate **environmental sustainability** and protection of natural resources should be considered as an overall cross-cutting issue to be taken into account throughout this strategy with Nicaragua. The global challenge of climate change requires the greatest possible mainstreaming and an effective, cost-efficient response, coinciding with the need for a new comprehensive energy policy. Preserving biodiversity, fighting desertification, considering vulnerability to natural disasters and fighting the illicit exploitation of natural resources (in particular native forest and fisheries) have emerged as major issues to mainstream. Specific financing could also be contemplated through the thematic programme in order to complement the focal sectors. The lack of sustainable development has certainly helped to aggravate climatic damage, soil degradation and the disappearance of forests. During implementation and, particularly in discussing national strategies, the Commission will support the possibility of carrying out a Strategic Environment Assessment, in close collaboration with other donors and the Nicaraguan administration.

Natural and man-made disasters, environmental sustainability and the rural sector are related issues. Risk management, closely tied in with the different disaster preparedness programmes, also has to be mainstreamed.

Ownership and the personal involvement of stakeholders are important factors in sustainability. Involving the population more directly in decision making is important. **Decentralisation of the State**, a national policy, is one way to achieve this and, thus, will also be a cross-cutting issue.

The central importance of **gender equity** should be taken into account in debates on national-owned development strategies and be promoted in policies and programmes in all spheres of life. In particular, it is important to address gender issues adequately, avoiding stereotypes of Nicaraguan society ([see annex 5.1](#)). Other human-rights-related issues such as children's rights, indigenous people, core labour standards, etc are other important cross-cutting issues and should be addressed equally.

HIV/AIDS, and sexual and reproductive health in particular, are important issues in the partner country. An assessment is made of the risks and opportunities in the proposed focal sectors for combating HIV/AIDS and other diseases, an issue addressed simultaneously by the Global Fund ([see annex 8.10](#)).

6 PRESENTATION OF THE INDICATIVE PROGRAMME

6.1 Main priorities and goals

The National Indicative Programme (NIP) is based on the strategy and concerns financial and technical assistance and economic cooperation. It has been drawn up as a series of comments outlining the intervention framework for the focal sectors, the indicative commitments programmed and a detailed in depth activity-based schedule.

The final selection of programmes and projects and the amounts to be allocated to them will depend on the results of identification studies and appraisal reports managed by the Commission, in agreement with its global policies and in coherence with national Nicaraguan policies.

Coherence between the State Budget and national policies must be a key element in deciding support for an action, in order to ensure efficiency and sustainability. When supporting sector policies, the Commission must always evaluate this coherence.

At the latest in 2010, a mid-term review will be held to assess the terms of the present programme, to review the cooperation, and to adapt and detail the second part of the NIP.

6.2 The sectors of cooperation

As sector approaches (already initiated in the previous CSP) will be the rule for the implementation of the CSP, EC actions will be fully integrated in donor coordination. It is the coordination mechanisms, led by the Government, that will be in charge of defining more precisely the targets and the outcomes in the different sectors.

In this context, non-earmarked budget support must be the preferred type of financing. EC funds will be fully integrated into the Joint Financing Arrangement (JFA), and any subsequent documents, drafted by the Budget Support Group. Outcome indicators will be subject to a common assessment with the other donors participating in the different coordination forums.

Consultation with the different actors shows the need for capacity building, in particular to professionalize an administration currently based on political loyalties rather than ability. The challenge will be to put to an end with investment in those sectors where the turnover of officials is very high. Therefore, specific capacity building, for all focal sectors and possible cross-cutting issues, will be provided. This component could include support for harmonisation and alignment, if necessary. This technical assistance will account for 5% of the NIP.

The experience of the 2002-2006 CSP showed the need for the national administration to take advantage of such international expertise. In particular, international experience is important. The assistance will also have the task of devising a better communication system between Government and civil society and between civil society and the donor community. Better explanation of how the sectoral approach works is also needed.

6.2.1 Good governance and democracy

Main priorities and goals: this sector relates to the institutional and democratic deficit of Nicaragua. Therefore, the objectives of this sector of utmost importance are not linked to the macroeconomic context, but are linked to the political situation and its evolution. The EC and other donors, in particular Member States, must share responsibility for the evolution of governance and democracy by monitoring accountability systems, sanctions against corruption, the creation of opportunities for dialogue, etc. Civil society should be involved in this monitoring.

Specific objectives: to support effective implementation of the rule of law, and an actual separation of powers, also to address legal insecurity with regard to property and land tenure and other governance related issues.

Expected results: since a consensus is so hard to find between the different political tendencies, the Nicaraguan authorities do not have a specific set of indicators. Some relevant indicators for Nicaragua are presented in [annex 11.1 and 11.2](#). Those indicators are quite incomplete and vague. It is not surprising that so few indicators are published; there is not even a specific Millennium Development Goal for this issue.

The following related actions, among others could be financed in this sector: i) actions related to capacity building in governance sector, ii) actions related to fiscal redistribution and fiscal evasion, iii) access to justice (in case of positive assessment of the previous project).

Programmes to be implemented: Good governance and democracy could account for around 20% of the National Indicative Programme through specific projects and programmes. This has to be implemented through a sector programme and if possible, budget support.

In this sector, more than in others, the EC will need to step up its capacity and the availability of political dialogue and consultation, and enhance coherence between political and cooperation instruments. Therefore, a specific amount of around 2.5% for each indicative programme will be at the Delegation's disposal for limited political operations related to governance and related issues, to publicise the work of the European Union and to support different economic, social and cultural activities consistent with the specific EU-Nicaragua political agenda. It should be a flexible funding mechanism (small scale operations facility) which should respond rapidly to small funding requests or needs related to the sector.

6.2.2 Education

Main priorities and goals: The global objective is to raise the quantitative and qualitative level of life with a special emphasis on education and in particular on vocational education.

Specific objectives and target beneficiaries: by financing this first SWAp, the EC made a long-term commitment and will continue to support and co-finance the 2001-2015 National Education Plan, with a special emphasis on primary and secondary schools as well as vocational training based on an assessment of the private sector's needs. This will remain the specific objective. Particular attention will be paid not only to the educational MDGs, but to the quality of teaching and the curriculum.

Expected results: The EC contribution will help Nicaragua to achieve the MDGs related to education. As education has always been where a SWAp was implemented, the expected result is linked to the result of the national education plan. Indicators are clear and numerous. A number of them can be found in [annex 11.3](#).

The Government and the donor community are currently designing a set of new indicators (context, input, output, outcome) based on the MDGs concept. Three outcome indicators are; completion of primary school, the illiteracy rate and the average rate of education of the population. The Government's principal commitments are to implement the policy of expanding school provision, to pursue the reform of secondary education, and to respond to private sector demand for vocational training. In this context an important issue is the 6% of the State budget attributed to universities and its impact on EC intervention³⁹.

Programmes to be implemented and type of assistance: All education interventions will be carried out through a sector approach (the total amount is around 35% of the National Indicative Programme) as a follow-up to previous financing.

³⁹ Under this constitutional provision, the universities are entitled to the equivalent of 6% of any loan or grant, in particular for budget support, whatever are the conditions of the financing agreement.

6.2.3 Economic and trade issues

Main priorities and goals: In this sector, there is a double objective: supporting the macro-economic framework, and supporting the business and investment climate. Supporting the macro-economic framework consists in providing financing for the National Development Strategy. The other objective is helping to improve business and investment climate, one of the bases for economic growth, in particular those linked to the challenges of regional integration.

Specific objectives: the EC will support the macro-economic framework by co-financing the Joint Financing Arrangement, which is aligned with the National Development Strategy, along with other donors who provide budget support.

For improving the business and investment climate, a first TRTA project has been financed under the 2002-2006 CSP (supporting agricultural export to fulfil EU sanitary and phytosanitary regulations). However this is a very specific matter, and there is a need for a larger perspective. Nicaragua's commitment to regional integration, is now unequivocal, this why the country has to consolidate its policy planning capacity, cushion the possible integration shocks and maximise its benefits.

The coherence with international and regional commitments, in particular with the future negotiation of an Association Agreement between Central America and the European Union, is fundamental and opens the doors to a wide range of actions. The different items to be considered could be: i) supporting the fulfilment of regional and international commitments, ii) supporting the design of an environment-friendly industrialisation scheme, including normative, etc., iii) exchange of experience between Nicaraguan and European actors, iv) supporting small and medium-sized enterprises strategy, v) ad hoc actions to support professional organizations in providing services (i.e. management advice), vi) norms and standards and support to customs administrations in order to promote trade facilitation and the acceptance of international standards such as the WCO Framework of Standards to Secure and Facilitate Global Trade, vi) actions to help compliance with international labour standards. By definition, the "*maquilas*" scheme should be excluded due to its low added value for the country. This component will be further elaborated on the basis of a Trade Need Assessment study which will be carried out no later than 2007.

Expected results: the expected results and outcome indicators for macro-economic sustainability will be aligned with those of the Joint Financing Arrangement. For the business and investment climate, there are numerous indicators in the different Government papers. Some are presented in [annex 11.4](#). However, others have still to be developed, on legal security, administrative facilitation, etc. Those indicators have also to be developed according to the integration agenda, and the requirements linked to the future negotiation of an Association Agreement between Central America and the European Union.

Programmes to be implemented and type of assistance: Around 40% of the National Indicative Programme could be allocated to economic issues, half for the macro-economic framework and half for improving the business and investment climate in a broad programme with two kinds of indicators. The part for the business and investment climate could be complemented by ad hoc specific actions according to the specific needs identified during the preparation phase.

6.3 Integration of cross-cutting themes

Cross-cutting issues are important when designing any intervention. They are also important issues for sector and global dialogue when drafting specific and sector strategies. The main cross-cutting issues for Nicaragua are outlined in [section 5.3.5](#).

In a context of sector approaches, the way to mainstream cross-cutting issues is different. Crosscutting issues should be an important element of discussion and policy dialogue when the Commission, with the other donors, participates and is consulted on national sector and development policies.

A brief analysis will be carried out for each of the following cross-cutting issues: gender, environment and vulnerability, and trade, in each identification document or financing proposal. The way those issues are mainstreamed during implementation must be explained in the specific interventions. Sector programmes must present a summary of how those issues are mainstreamed by the country. Particular attention will be paid to the “rural side” of financing. In addition, a specific analysis of budget availability and impact on regional integration should be made. For the environment, the option of carrying out a Strategic Environmental Impact Assessment is a useful instrument in decision-making and will be supported by the EC.

In addition to mainstreaming, specific ad hoc financing could be provided for cross-cutting issues using thematic programmes and the IEDDH instrument.

6.4 Indicative work programmes

The National Indicative Programme covers only financial and technical assistance and economic cooperation. A forecast is presented for each sector. However, the exact amount should be tailored to necessities and objectives (and not vice versa). The work programme for Nicaragua consists of two National Indicative Programmes, one from 2007 and 2010, the other from 2011 to 2013. Before launching the second NIP, a mid-term review of the CSP will be done. The second NIP is only tentative as the results of the mid-term review could provoke some changes. The allocation for Nicaragua in the period 2007-2013 has been set to €14 million.

As EC support is mostly sector support, commitments and payments are similar each year. This allows also more predictable funds for the Nicaraguan State, in accordance with EC commitments to the OECD/DAC. Some actions are postponed until 2008 because of existing actions from the previous NIP still on-going in 2007.

CSP 2007-2013		2007	2008	2009	2010	2011-3
		NIP 1				NIP 2
<i>Institutional support for sector programmes</i>	5,0%		2,5%			2,5%
<u>Governance & democracy</u>						
Governance Facility	2,5%	1,5%				1,0%
Governance & democracy	15,0%		2,5%	2,5%	2,5%	7,5%
<u>Education</u>						
Support programme Education	35,0%	5,0%	5,0%	5,0%	5,0%	15,0%
<u>Economic and trade Issues</u>						
Macro-economic support	20,0%		2,8%	3,2%	3,6%	10,4%
Investment and business climate	22,5%	2,5%	3,0%	3,4%	3,4%	10,2%

(In % of the total amount)

Mid-term review

6.5 Activities financed under other EC programmes and instruments

In addition to the National Indicative Programme, Nicaragua also benefits from the Central American Regional Indicative Programme and from the Latin America Regional Indicative Programme, according to their respective programming.

Furthermore, additional activities could also be financed in Nicaragua through specific thematic and horizontal programmes and instruments. These have their own programming. The aims of the use of those programmes and instruments should be:

- to reinforce the participation of civil society in the development agenda, sector policies, and the harmonisation and alignment initiative.
- to better address cross-cutting issues.

This concerns in particular:

- Regional integration which is addressed by the Regional Strategy Paper for Central America (see [annex 9](#)).
- The European Initiative for Democracy and Human Rights, in particular for governance, gender and ethnic equity issues (see annexes [8.7 & 8.8](#)).
- The thematic programme on “*Environment and Sustainable Management of Natural Resources, Including Energy*”, for activities consistent with the priorities of Nicaragua may be financed (see [annex 8.9](#)) where appropriate. Special attention should be paid to sustainability by drafting good terms of reference for such activities
- Food security and DIPECHO: the monitoring and improvement of structural “food insecurity”, in complement to the focal sectors in a region where natural disasters are frequent, should continue (see annexes [8.12](#) and [8.16](#)) in order to better address this cross-cutting issue of utmost importance.
- Co-financing for non-State actors. This budget line has always been very active in Nicaragua. Preference should be given to supporting the involvement of non-State actors in the process of establishing and discussing policies rather than financing local projects. For the thematic programme “*Non State Actors and Local Authorities in Development*”, priority should be given to proposals complementing the focal sectors and their main cross-cutting issues (see [annex 8.18](#)),
- Higher education and R&D: Nicaragua, being the poorest country of the Latin American continent, should not be ignored when addressing higher education and R&D (see [annex 8.6](#)), in addition to basic education and vocational training. Higher education and R&D are important to address governance, and capacity, and have an important effect on economic development and regional integration.

ABBREVIATIONS

ALBAN	<i>América Latina – Becas de Alto Nivel</i> (Latin America - High Level Scholarships)
ALFA = α LFA	<i>América Latina – Formación Académica</i> (Latin America – Academia Training)
ALOP	<i>Asociación Latinoamericana de Organizaciones de Promoción</i> (Latin-American Association of Promotion Organisation)
BPI	<i>Bono Para Indemnización</i> (Coupon for Indemnification)
CAFTA	Central American Free Trade Area
CAP	Common Agriculture Policy
CENI	<i>Certificados Negociables de Inversión</i> (Negotiable Investment Certificates)
CONPES	<i>Consejo Nacional de Planificación Económica Social</i> (National Council for Economic and Social Planning)
CSE	<i>Consejo Suprema Electoral</i> (Supreme Electoral Council)
CSJ	<i>Corte Suprema de Justicia</i> (Supreme Court of Justice)
CSP	Country Strategy Paper
CSR	Core Social Responsibility
DRI	Integrated Rural Development Project(s)
EC	European Commission
EFA-FTI	Education For All – Fast Track Initiative
EIB	European Investment Bank
ERCERP	<i>Estrategia Reforzada de Crecimiento Económico y reducción de la Pobreza</i> (Reinforced Strategy for Economic Growth and Poverty Reduction)
EU	European Union
FDI	Foreign Direct Investment
FSLN	<i>Frente Sandinista de Liberación Nacional</i> (Sandinist Front of National Liberation)
GDP	Gross Domestic Product
GNI	Gross National Income
GoN	Government of Nicaragua
GSP	Generalized System of Preferences
HIPC	Heavily Indebted Poor Countries
H&A	Harmonisation and Alignment
IDA	International Development Agency (World Bank Group)
IEDDH	European Initiative for Democracy and Human Rights
ILO	International Labour Organisation
IMF	International Monetary Fund
INIM	<i>Instituto Nicaragüense de la Mujer</i> (Woman Nicaraguan Institute)
JCLA	Joint Country Learning Assessment
JFA	Joint Financing Arrangement
LAC	Latin American Countries
MDGs	Millennium Development Goals
MTEF	Medium Term Expenditure Framework
NIP	National Indicative Programme
NGO	Non Governmental Organisation
NL	Netherlands
NSA	Non-State Actor
OECD-DAC	Organisation for Economic Cooperation and Development - Development Assistance Committee
OIT	International Labour Organisation
PAM	Performance Assessment Matrix
PANic	<i>Plan ambiental de Nicaragua</i> (Environmental Plan of Nicaragua)
PLC	<i>Partido Liberal Constitucionalista</i> (Constitutionalist Liberal Party)
PND	<i>Plan Nacional de Desarrollo</i> (National Development Plan)
PND _o	<i>Plan Nacional de Desarrollo operativo</i> (operative National Development Plan)
PNE	<i>Plan Nacional de Educación</i> (National Plan for Education)
ppp	Purchase parity power
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Startegy Paper
R&D	Research and Development
RSP	Regional Strategy Paper
SPS	Sanitary and Phyto-Sanitary
SICA	<i>Sistema de la Integración Centroamericana</i> (Central American Integration System)
SIECA	<i>Secretaría de Integración Económica Centroamérica</i> (Secretary for Central American Economic Integration)
SWAp	Sector Wide Approach
TRTA	Trade Related Technical Assistance
UE	Unión europea (European Union)
UNDP	United Nations Development Programme
US, USA	United States of America
USD	US Dollar
WB	World Bank
WTO	World Trade Organization

ANNEXES

Annex 1. Consultation and context

Annex 1.1 Consultation with civil society

Consultation with civil society has been part of the preparation of the Country Strategy Paper 2007–2013. In the end of 2004 and early 2005 various civil society representatives, local authorities, groups and organisations were consulted in relation to the preparation of a Concept Note. Other consultations were carried out with Member States, other donors and the recipient Government. In March 2005, the Concept Note was published on a specific website, and a public electronic consultation was carried out from April 15 to June 6. Through this open consultation all parts of civil society and anyone else interested had the possibility to comment on the note. Unfortunately, the European Commission received only very few comments. The Concept Note was also published on the website of the *Asociación Latinoamericana de Organizaciones de Promoción (ALOP)*.

A **national workshop** open for civil society was carried out on May 11th 2005. The main objective of the workshop was to create a forum for civil society, in which the European Commission would listen to their point of views and comments related to the Concept Note and the Country Strategy Paper 2007 - 2013. Invitations were sent out directly to different sectors of civil society, and an open invitation was announced through the newspaper, radio, television and the website of the EC Delegation to any person who likes to attend to the meeting. Television interviews were organized during and after the workshop. More than 100 persons from the civil society participated in the event. The majority represented NGOs, although the invitation was open to all parts of civil society. Only one political party attended the event. Inauguration speeches were given by a representative of the European Commission and the Government.

The methodology of the workshop was based on a mix of plenary sessions and working groups. The Concept Note was presented in plenary and three working groups were carried out: 1) Challenges to the EU-Nicaragua relations; 2) Focus sectors of the EC cooperation; 3) civil society participation in the EC cooperation. During the working groups all participants could express their points of view, and the results were presented in plenary by a representative from each group. The results have been published at the website of the EC Delegation in Nicaragua, and a link to the results has been send to the participants. (http://www.delnic.cec.eu.int/es/seminarios/nic/seminario_nic_07.htm).

The main conclusion from the workshop was that there is a need to launch a more strategic and systematic dialogue between the European Commission and civil society in relation to the EC activities in Nicaragua. Civil society is asking for more than a punctual consultation. The process of deconcentration of EC cooperation has not been coupled with a satisfactory level of dialogue and participation, and civil society requires a real and regular access to all stages of the EC cooperation.

Civil society expressed that information about EC activities should be more accessible. In particular, sector approach, budget support and the possible involvement of civil society in these instruments should be better explained and shared.

There is a significant lack of dialogue between civil society and the Government and political parties. Civil society expressed that the Government is not the “*appropriate*” interlocutor (in particular, the lack of consultation in relation to the *Plan Nacional de Desarrollo* was emphasized), and civil society raised some concerns about the Harmonization & Alignment initiatives. The Nicaraguan Government expressed its doubt about the utility to consult civil society on policy issues as many local NGOs are linked to

political parties and would take positions according to its political membership rather than to the benefit of the country.

Different actors had an interest in a larger number of EC focal sectors. However, the Commission expressed its belief that there is added value to concentrate its work on a reduced number of issues. The need for a higher coherence between the EC policies and cooperation has emerged on several occasions.

The perception of the European Commission was that the methodology of the workshop proved efficient in order to collect the point of views and comments of the civil society. It was the perception that civil society appreciated the initiative of the workshop and approved the concrete modalities, as well as the consultation process in general.

As a follow-up on the consultation with civil society, the EC commits itself to elaborate a report on the consultation process and the comments and suggestions received.

Annex 1.2 Consultation with national authorities

The consultations with Nicaraguan authorities have been held in two steps. Extensive informal discussions have been held from the drafting of a concept note all along the programming process. A formal discussion with Government of Nicaragua on the concept note has been held on 10 May 2005. Representatives of the Ministries of Foreign Affairs, Environment, Education, Economy & Trade, Finance, Agriculture, Governance and the Secretariat to the President were present. The meeting was chaired by Vice Minister Mauricio Gomez (Foreign Affairs).

In his introduction Vice Minister Gomez underlined the participatory character of the CSP preparatory process, thereby acknowledging that the concept paper is an internal EC document. Mr. Gomez stressed as well that cooperation with the EC is going through a transitory phase, towards aid delivery through budget support mechanisms, a development which he welcomed. The EC Delegation provided a presentation on the concept paper, upon which the government representatives present were given the floor to comment.

Many speakers underlined the weaknesses of Nicaraguan institutions and the need for institution and capacity building. Some pointed at the nexus that exists between the lack of social cohesion and the need for institution building and strengthening of governance. Others agreed on the need for institutional strengthening but rejected a potential multiplication of consultants and technical assistance which, in the past, have not yielded the expected results. The need for a strengthening of monitoring and evaluation capacities was also highlighted.

- The government welcomed the attention in the concept paper for civil society in a large sense, including private sector. Reinforcing capacities of civil society was seen as essential for fostering social cohesion and for creating a good business environment and support for further commercial liberalisation;
- Recognizing the problem of what the EC calls in the concept note “*social incohesion*” in particular in relation to the people living in the Atlantic Regions, government officials pleaded for a stronger presence of the state in the autonomous regions in order to guarantee more investment and basic services in health and education and to promote the rule of law in these remote areas. It was also considered essential to prevent social exclusion of the poor.
- The need to capacitate the productive sector was mentioned in view of globalisation and the negotiations on free trade arrangements. Government officials recognised that the Government should do more to assist SME and to attract foreign and local investments. The concept paper’s focus on improving the business and economic environment was considered as highly relevant.

- From the discussion on Budget Support it became clear that there are still different levels of understanding of the mechanism within the Government, with the Ministry of Finance being highly favourable, whereas some technical ministries were questioning the use of result indicators. In general terms most interlocutors agreed on the fact that budget support has the potential to improve the quality of the EC's development programmes. Some participants asked for support from the EC in improving Nicaragua's public finance management systems.
- The Ministry of Agriculture lamented that the concept paper did not properly reflect the challenges of rural development;
- The Ministry of Foreign Affairs pointed at the desirability for government and donors to increase efforts on Harmonisation & Alignment. The Concept Note remained largely silent on these aspects.
- The Governance Ministry welcomed the concept note's analysis on civil security. However, it did not share some of its conclusions, for instance on the relationship between gender inequality and violence. Others denied the paper's statement that the fight against corruption has remained largely unsuccessful.

Overall, the concept paper was well received and the meeting provided an interesting input for the preparation of the CSP.

Annex 1.3 Consultation with the National Assembly

The concept note and the draft CSP have been presented and discussed at the Commission for External Relation of the National Assembly on several occasions. Political parties have also invited to the national workshop.

On the other hand, the Sector Approach instrument and the Budget Support financing modality have discussed extensively within the same Commission in a joint donor meeting. Additional discussions have taken place with the Commission for Finance.

Annex 2. 2002-2006 political context

In the last twenty years Nicaragua has undergone radical changes: the Somozas' hereditary dictatorship was succeeded by the popular Sandinista revolution, a regime which ruled throughout the 1980s. This period was characterised by a deterioration of the relations with the USA and a protracted civil conflict, which plunged the country into a profound economic and social crisis.

In the early 1990s, the newly elected government headed by President Violeta Barrios de Chamorro had to cope with a delicate and manifold transition process. From 1997 to 2001, Dr Arnoldo Alemán headed a coalition led by the *Partido Liberal Constitucionalista (PLC)*. Enrique Bolaños (PLC) won the last presidential elections on November 4th 2001 against the sandinist candidate, Daniel Ortega, former head of State until 1990. President Bolaños gave priority to the fight against corruption, the de-politicisation of the public administration⁴⁰, separation of powers, regional economic integration with the Central American countries, social and macro-economic reform to secure a debt alleviation scheme and the support to small, medium and large-scale investments. One consequence of President Bolaños' action is the judicial enquiry into allegations of fraud against the former President Alemán who was accused of embezzlement. The PLC was split and the Bolaños government had to act as a minority government, the opposition controlling more than 80% of the seats at the National Assembly. Even if Arnoldo Alemán has been condemned to jail, he has always controlled the PLC. Since 2005, M. Alemán may circulate freely within the Managua region.

M. Bolaños succeeded in achieving some significant results like the HIPC (Highly Indebted Poor Country) completion point, but the recent political life has been marked by incidents between the different parties, in particular in relation to various initiatives such as the Judicial Reform, the control of man-portable missiles, but also former President Aleman's specific status. President Bolaños appeared to be isolated due to the coincidence of interests within the National Assembly between Sandinists and Liberals (the "*Pacto*").

Concerns regarding the independence of the different powers of the State have been expressed. Corruption and politicisation of the public administration still remain preoccupying. Recent political life is marked by important preoccupation in relation with the November 2006 general elections. Thanks to OAS mediation, since end-2005, a consensus has been reached between all political parties and M. Bolaños' government to freeze the reforms until January 2007 and to resume the dialogue. This permitted taking the measures to overcome current governance problems, freeze some key disputes in the view to resume a Programme with the IMF and other donors. However, resuming the dialogue between the different powers does not mean the end of *the Pacto*.

For the November 2006 elections, M. Ortega has been appointed once more candidate for the Sandinist Front, and PLC has appointed M. José Rizo, a faithful friend of M. Alemán and former vice-president, as candidate. New political figures emerged, like sandinist Herty Lewite (dead in July 2007 and has replaced by E. Jarquín) with the MRS (*Movimiento Renovador Sandinista*) and liberal Eduardo Montealegre with the ALN (*Allianza Liberal Nacional*). As a result of the liberal division, Mr. Ortega has been elected as President of Nicaragua with 38% of the votes (the lowest percentage he has got for Presidential elections). On the Liberal side, Montealegre's ALN has become the second political force of the country. The EU Electoral Observation Mission reported a regular election.

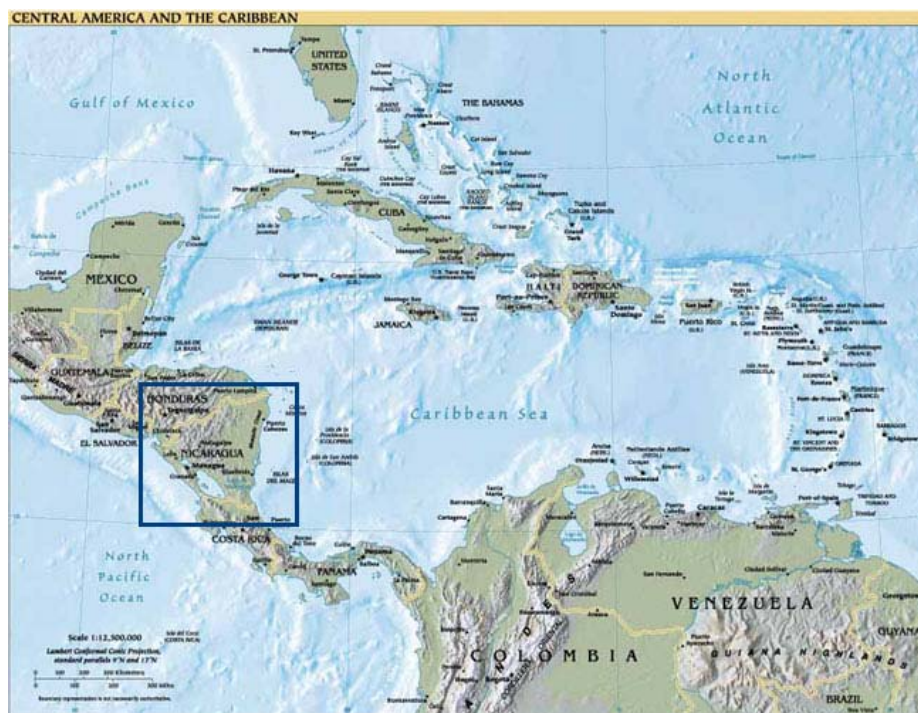
During and after the electoral campaign, Daniel Ortega Saavedra expressed on several opportunities his willingness to avoid major changes and tried to reassure the population. As

⁴⁰ One of the consequences of the political polarisation resulting from *El Pacto* is an increased politicisation of the higher administration by the two main political parties.

he does not enjoy a majority at the National Assembly, he will have to negotiate with the opposition to govern. Unknown elements will be the future of *the Pacto* and the implementation of the constitutional reforms. According to many political analysts, no major changes should be expected from the new Government.

Annex 3. Statistics and maps

Annex 3.1 Maps

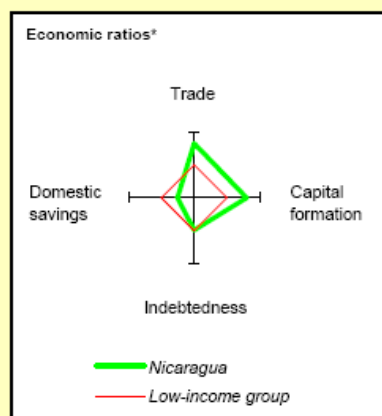
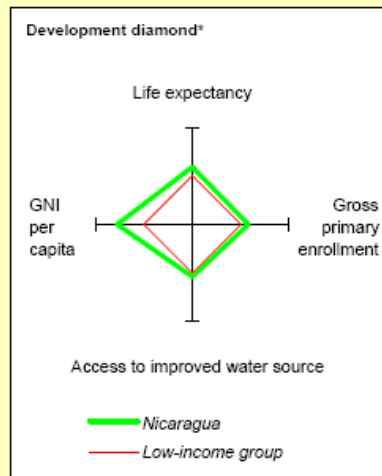


Annex 3.2 Nicaragua at a glance

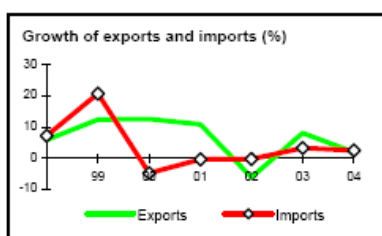
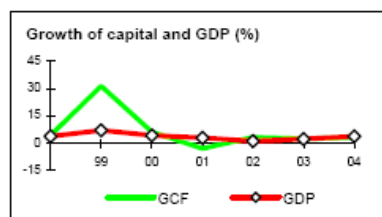
Nicaragua at a glance

8/25/05

	Nicaragua	Latin America & Carib.	Low-income		
POVERTY and SOCIAL					
2004					
Population, mid-year (millions)	5.6	541	2,338		
GNI per capita (Atlas method, US\$)	790	3,600	510		
GNI (Atlas method, US\$ billions)	4.4	1,948	1,184		
Average annual growth, 1998-04					
Population (%)	2.5	1.4	1.8		
Labor force (%)	3.1	0.9	2.1		
Most recent estimate (latest year available, 1998-04)					
Poverty (% of population below national poverty line)	48	..	..
Urban population (% of total population)	58	77	31		
Life expectancy at birth (years)	69	71	58		
Infant mortality (per 1,000 live births)	30	28	79		
Child malnutrition (% of children under 5)	10	..	44		
Access to an improved water source (% of population)	81	89	75		
Literacy (% of population age 15+)	77	89	61		
Gross primary enrollment (% of school-age population)	108	123	94		
Male	109	126	101		
Female	108	122	88		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1984	1994	2003	2004	
GDP (US\$ billions)	3.1	3.0	4.1	4.4	
Gross capital formation/GDP	22.2	20.4	37.1	35.7	
Exports of goods and services/GDP	16.4	15.6	24.1	21.9	
Gross domestic savings/GDP	9.2	3.8	10.8	10.1	
Gross national savings/GDP	3.4	-10.4	21.0	23.2	
Current account balance/GDP	-22.0	-30.5	-17.7	-15.5	
Interest payments/GDP	1.1	3.2	1.3	..	
Total debt/GDP	154.2	402.9	167.2	..	
Total debt service/exports	18.4	39.9	14.8	..	
Present value of debt/GDP	37.6	..	
Present value of debt/exports	111.9	..	
	1984-94	1994-04	2003	2004	2004-08
(average annual growth)					
GDP	-2.1	4.1	2.3	3.7	4.2
GDP per capita	-4.6	1.3	-0.3	1.4	2.1
Exports of goods and services	3.6	9.2	8.1	1.9	2.2



	1984	1994	2003	2004
STRUCTURE of the ECONOMY				
(% of GDP)				
Agriculture	24.9	19.8	17.7	17.1
Industry	31.8	24.3	25.4	24.7
Manufacturing	25.4	16.9	14.3	13.8
Services	43.3	55.9	56.9	58.2
Household final consumption expenditure	55.4	86.1	73.6	74.4
General gov't final consumption expenditure	35.3	10.1	15.6	15.5
Imports of goods and services	29.5	32.2	50.4	47.5
(average annual growth)				
Agriculture	-1.0	4.2	3.2	0.2
Industry	-3.2	4.1	2.4	0.5
Manufacturing	-4.1	4.4	2.1	-0.3
Services	-2.0	4.0	1.9	6.5
Household final consumption expenditure	3.4	1.6	0.9	3.4
General gov't final consumption expenditure	-10.8	6.6	1.3	7.6
Gross capital formation	-7.2	10.3	2.4	3.0
Imports of goods and services	0.3	7.1	3.2	2.5

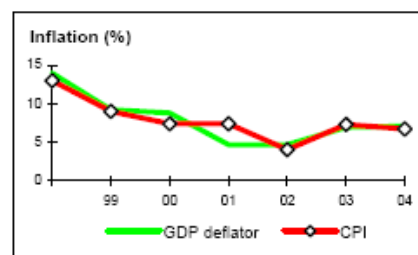


Note: 2004 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

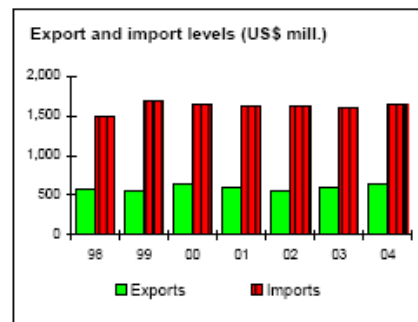
PRICES and GOVERNMENT FINANCE

	1984	1994	2003	2004
Domestic prices				
(% change)				
Consumer prices	36.4	7.8	7.3	6.7
Implicit GDP deflator	39.0	80.1	6.9	7.1
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	12.5	16.2	16.7
Current budget balance	..	-0.8	0.5	4.3
Overall surplus/deficit	..	-6.2	-6.7	-3.7



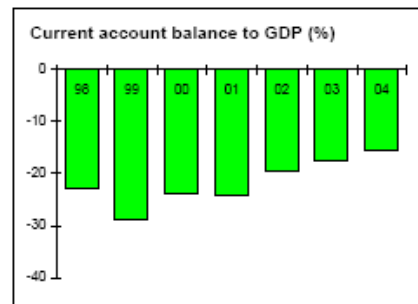
TRADE

	1984	1994	2003	2004
(US\$ millions)				
Total exports (fob)	413	335	605	631
Coffee	122	73	86	..
Shrimp and lobster	13	42	69	..
Manufactures	58	117	286	321
Total imports (cif)	825	867	1,608	1,653
Food	107	188	460	..
Fuel and energy	145	123	194	..
Capital goods	238	218	362	288
Export price index (2000=100)	92	97	93	100
Import price index (2000=100)	49	84	111	115
Terms of trade (2000=100)	186	115	84	87



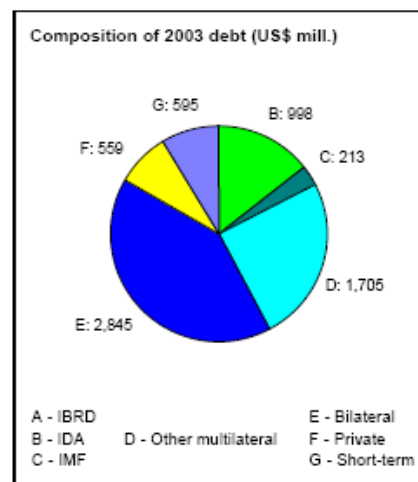
BALANCE of PAYMENTS

	1984	1994	2003	2004
(US\$ millions)				
Exports of goods and services	462	463	853	907
Imports of goods and services	884	949	2,004	2,056
Resource balance	-423	-486	-1,151	-1,148
Net income	-263	-472	-108	-96
Net current transfers	0	50	528	..
Current account balance	-686	-908	-731	-676
Financing items (net)	601	978	738	696
Changes in net reserves	85	-69	-7	-20
Memo:				
Reserves including gold (US\$ millions)	..	141	447	524
Conversion rate (DEC, local/US\$)	2.89E-9	6.7	15.1	15.9



EXTERNAL DEBT and RESOURCE FLOWS

	1984	1994	2003	2004
(US\$ millions)				
Total debt outstanding and disbursed	4,807	11,996	6,915	..
IBRD	134	76	0	..
IDA	59	254	998	..
Total debt service	86	207	205	..
IBRD	15	25	0	..
IDA	0	3	3	..
Composition of net resource flows				
Official grants	56	181	495	..
Official creditors	344	245	162	..
Private creditors	11	-6	28	..
Foreign direct investment (net inflows)	0	47	201	..
Portfolio equity (net inflows)	0	0	0	..
World Bank program				
Commitments	0	68	27	..
Disbursements	22	52	112	..
Principal repayments	7	19	0	..
Net flows	15	33	112	..
Interest payments	9	9	3	..
Net transfers	7	24	109	..



The World Bank Group: This table was prepared by country unit staff; figures may differ from other World Bank published data.

8/25/05

Annex 3.3 Selected macro-indicators for Nicaragua

Macro Economic Indicators

	Unit	2000	2001	2002	2003	2004	*2005	*2006
GDP current prices	USD billions	3,9	4	4	4,1	4,4	4,7	5
GDP current prices, per capita	USD	782	774	750	754	788	821	848
GDP annual change	Percent	4,2	3	1	2,3	4	3,5	4
Current account balance	USD billions	-0,794	-0,799	-0,809	-0,811	-0,949	-0,976	-0,969
Current account balance in percent of GDP		-20,1	-19,9	-20,2	-19,6	-21,4	-20,6	-19,3
GDP based on purchasing-power-parity (PPP) per capita GDP	USD	2490,323	2557,689	2550,183	2588,569	2677,1	2778,888	2882,894
GDP based on purchasing-power-parity (PPP) share of world total	Percent	0,028	0,028	0,028	0,027	0,027	0,027	0,027
GDP based on purchasing-power-parity (PPP) valuation of country GDP	USD billions	12,584	13,273	13,627	14,196	15,067	16,052	17,069
GDP, deflator	index	194,277	203,301	212,844	227,735	246,304	263,363	276,344
Inflation	(2000=100)	100	107	112	117	127	135	142
Inflation, annual change	percent	11,5	7,4	4	5,2	8,2	6,5	4,8

Source: International Monetary Fund, World Economic Outlook Database, April 2005

* Forecast

	Unit	2000	2001	2002	2003	2004	2005	2006
External sector:								
Deficit (-) current prices in percent of GDP	Percent	-23,4	-23,2	-21,7	-20,8			
Exports of goods fob	USD million	642,8	605	561	604,5			
Imports of goods fob	USD million	1653,1	1620,4	1617,6	1720,3			
Gross total reserves	USD million	496,7	382,8	454,2	504,2			
Net total reserves	USD million	319,2	211,2	275,4	308,3			
Total external debt	USD million	6659,9	6374,2	6362,6	6595,8			
Public sector:								
Fiscal pressure in percent of GDP	Percent	14,5	13,7	14,2	15,8			
Current saving in percent of GDP	Percent	2,8	0,3	2,2	2,9			
Nonfinancial balance before grants in percent of GDP	Percent	-8,9	-9,9	-5,8	-6,7			
Nonfinancial balance after grants in percent of GDP	Percent	-4,4	-6,1	-0,8	-1,4			
External financing in percent of GDP	Percent	7,9	7,1	7,7	9,6			
Intern financing in percent of GDP	Percent	1	2,9	-1,9	-2,9			

Source: Central Bank of Nicaragua 2005

Annex 4. Millennium development goals, targets and other indicators

The following table presents a summary of the analysis of the Millennium Development Goals (MDGs) for Nicaragua, and indicates the possibility of achieving the goals. The table shows that there is a low possibility of achieving most of the goals.

Millennium Development Goals (MDGs) for Nicaragua

	Goals (MDGs) 2015 for Nicaragua	Basis	1998	2001	2015 goals	Objective ERCERP 2015	Objective PND0 2015	Will the goal be achieved?
1.a	Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day (%)	19.4 (1993)	17.3	15.1	9.7	9.7	9.7	Some possibility
1.b	Halve, between 1990 and 2015, the proportion of people who suffer from hunger (%)	...	24.9	20.2		7	...	Low possibility
2	Achieve universal primary education by 2015 (%)	78.9 (1993)	73.1	81.1	100	90	100	Low possibility
3	Eliminate gender disparity in primary and secondary education by 2005 and to all levels of education no later than 2015	...	...	...	....	...	...	Very possible
4.a	Reduce by two-thirds the under-five mortality rate before 2015 (per 1000 live births)	57 (1990)	50	40	20	24	24	Probably a low possibility
4.b	Reduce by two-thirds the infant mortality rate before 2015 (per 1000 live births)	42 (1990)	39.5	31	14	20	20	Probably a low possibility
5	Reduce by two-thirds the maternal mortality rate and provide universal reproductive health service before 2015 (per 100.000 live births)	160	148 (1999)	125	40	40	22	Low to very low possibility
6	Stop the spread of HIV/AIDS, malaria and other major diseases and begin to reverse the incidence by 2015 (Incidences per 1000 inhabitants)	0.47	1.28	3.27	...	...	...	Low possibility
7	Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources by 2015				...	...		Low possibility
8.a	Halve the number of persons without access to drinking water in 2015 (%)	70 (1990)	...	70.5	100	100	90	Low possibility
8.b	Halve the number of persons without access to sanitation in 2015 (%)	76 (1990)	...	...	95	95	95	Low possibility

Sources: "Metas de Desarrollo, Seguimiento a la Cumbre del Milenio, Nicaragua", Managua 2003. UNDP, IDB, SECEP, WB and CONPES. "Plan Nacional de Desarrollo Operativo 2005-2009" SECEP. In relation to objective 8: Input from "Estrategia sectorial de agua potable y saneamiento", República de Nicaragua, 2004.

UNDP assessment of the likelihood of meeting Millennium Development Dgoals

(source: Sistematización comparativa, informes de cumplimiento de los objetivos de desarrollo del milenio en América Latina y el Caribe, Informes de país 2002-2005)

NICARAGUA 2003 Objetivos y Metas propuestos	Situación Actual	Estimación de Cumplimiento	Desafíos y Prioridades	
			Políticas Sugeridas por el PNUD en el informe	Costeo de las metas
1. Erradicar la Pobreza Extrema y el Hambre <ul style="list-style-type: none"> ▪ <i>Reducir a la mitad a la proporción de personas con ingresos menores a un dólar por día</i> ▪ <i>Reducir a la mitad la proporción de personas que sufren hambre</i> 	<ul style="list-style-type: none"> ▪ La proporción de población en extrema pobreza, definida en función del consumo per capita equivalente a 1 dólar o menos al día, se redujo del 19.4% en 1993 al 15.1% en el 2001. ▪ Del total de personas que viven en situación de extrema pobreza, el 76% reside en las zonas rurales del país. ▪ Las proyecciones realizadas con base en la información histórica oficial indican que la economía podría crecer en los próximos 14 años a una tasa promedio anual de 4.5%, y el PIB per capita en un 1.8% promedio anual. ▪ Considerando esas tasas de crecimiento, es posible que Nicaragua alcance la meta del Milenio. 	Probable	<ul style="list-style-type: none"> ▪ Reconversión productiva: Para el logro de una tasa de crecimiento económico sostenido, sin afectar el medio ambiente, se requiere del desarrollo de conglomerados productivos para la exportación y la adecuación de los cultivos orientados a la autosuficiencia alimentaria. ▪ Desarrollo del Capital Humano: la identificación de nuevos nichos productivos y la reconversión productiva deben ir acompañadas de políticas orientadas a reducir el analfabetismo, mejorar la educación y calificación de la población en general y en particular la población joven. ▪ Reformas institucionales: el país debe continuar con las reformas que garanticen estabilidad económica, fortalecimiento de la institucionalidad y el estado de derecho. Esto es particularmente importante para desarrollar un clima de confianza para la inversión interna y externa, en tanto son soportes fundamentales para la creación de empleo de calidad. 	Na
	<ul style="list-style-type: none"> ▪ Aunque la producción de alimentos se ha incrementado en cerca del 30% desde 1995, los niveles de producción aun no son suficientes para alcanzar las necesidades diarias mínimas de 2.155 calorías recomendadas por la FAO ▪ En 2001, un 20,2% de nonos menores de 5 años tenia desnutrición crónica, y un 6.3% de desnutrición crónica severa. ▪ La población entre los 48 y 59 meses de vida presenta una tasa de desnutrición crónica del 26.7%, equivalente a 6.4 puntos porcentuales por encima del promedio nacional. 	Poco Probable		
2. Alcanzar la Educación Básica Universal	<ul style="list-style-type: none"> ▪ Nicaragua ha realizado significativos progresos en el ámbito de la educación primaria. En 1993 la tasa neta de escolarización fue de 78.9%. Desde 	Poco Probable	<ul style="list-style-type: none"> ▪ Disminuir las brechas en el acceso a la educación, en particular en las zonas rurales. ▪ Incrementar los gastos presupuestarios en educación. ▪ Mejorar la calidad de la educación, introduciendo programas de 	

<p><i>Asegurar que en el año 2010, todos los niños y adolescentes puedan completar los 3 niveles de educación básica.</i></p>	<p>entonces ha mostrado un crecimiento importante, llegando en 2001 a 81.1%. En 2002, la tasa bruta de escolarización fue de 104.4%.</p> <ul style="list-style-type: none"> ▪ Existen también avances en las tasas de repetición. En 1997 la misma fue de 12.6% y en 2001 descendió a 6.7%. ▪ El promedio de años de escolaridad subió de 4.3 años en 1993 a 4.9 años en 1998. ▪ La deserción escolar es uno de los mayores problemas. En el 2001 la tasa de deserción fue de un 9.4% en primer grado y 17.4% en sexto grado. ▪ Un 54% de los niños trabajadores de entre 5 y 17 años declaró en el 2001 que no estaba integrado a ninguna modalidad educativa. 		<p>capacitación docente para superar el empirismo.</p> <ul style="list-style-type: none"> ▪ Apoyar programas orientados a la adaptación del sistema de enseñanza y aprendizaje a las necesidades y condiciones del país por medio de un nuevo sistema nacional de educación diversificada. Esto implica un sistema de educación de calidad, flexible y pertinente. ▪ Ampliar la cobertura, acceso y equidad de la educación, en particular en áreas rurales: acceso gratuito, obligatorio a servicios de enseñanza primaria, priorizando aquellos que se encuentran en mayor situación de pobreza así como las minorías étnicas. ▪ Fortalecer la implementación de la Estrategia de Reducción de la Pobreza, la cual incluye tres lineamientos básicos: <ol style="list-style-type: none"> 1) Ampliar la cobertura de la educación básica. 2) Mejorar la relevancia y pertinencia de la educación. 3) Modernizar el sector y profundizar el proceso de descentralización de los centros escolares. 	
<p>3. Promover la igualdad entre los sexos y la autonomía de la mujer.</p> <p><i>Eliminar la disparidad de género en la educación primaria y secundaria hasta el 2005 y en todos los demás niveles hasta el 2015.</i></p>	<ul style="list-style-type: none"> ▪ Uno de los rasgos significativos del sistema educativo es la elevada participación de mujeres en la matrícula, superando a los hombres en todos los niveles escolares. ▪ La tasa bruta femenina en educación primaria es de 123.1% en la zona rural y 90.3% en las zonas urbanas. ▪ Pese a que las niñas presentan mejores indicadores tanto en matrícula como en rendimiento, tanto en los centros escolares como en su socialización posterior en el mundo del trabajo, persisten factores de discriminación: La tasa de desempleo de las mujeres duplica a la de los hombres, con 142% y 6.7% respectivamente. ▪ Dentro de la población ocupada, los ingresos promedios de las mujeres son un 20% inferior al promedio de los hombres. ▪ Las mujeres trabajan mayoritariamente en el sector informal (77%), con salarios muy bajos y desprotegidas de los derechos laborales básicos. 	<p>Probable</p>	<ul style="list-style-type: none"> ▪ Mantener una equilibrada matrícula entre mujeres y hombres en todo el sistema educativo. ▪ Eliminar los estereotipos acerca de hombres y mujeres en la sociedad. ▪ Fortalecer políticas y acciones de igualdad de oportunidades en el marco de la Ley de Igualdad de Oportunidades. ▪ Fortalecer las unidades de género de las instituciones públicas, para que puedan incidir en la formulación de políticas sectoriales. ▪ Apoyar las iniciativas de la sociedad civil orientadas a promover la equidad entre hombres y mujeres y combatir la violencia intrafamiliar. ▪ Fortalecer la iniciativa del Sistema de Indicadores con Enfoque de Género (SIEG) para facilitar el monitoreo de políticas públicas desde un enfoque de género. 	
<p>4. Reducir en 2/3 la tasa mortalidad de menores de 5 años:</p> <p><i>Reducir en 2/3 partes la tasa de</i></p>	<ul style="list-style-type: none"> ▪ Desde 1974-1998 las tasas de mortalidad infantil y de menores de 5 años se han reducido de manera constante, de 100 a 40 por mil nacidos vivos, y de 137 a 50 por mil nacidos vivos, respectivamente. ▪ Entre 1998 y 2001 se reduce la mortalidad infantil en más del 20%, como resultado de 	<p>Poco Probable</p>	<ul style="list-style-type: none"> ▪ Incrementar los recursos presupuestarios en salud: según las cuentas nacionales en salud, el gasto es apenas de 19 dólares per capita, que se incrementa a 39 dólares con el aporte de la cooperación internacional. Por falta de recursos presupuestarios, la oferta pública de salud no permite que la población acceda a servicios de manera oportuna. ▪ Disminuir la pobreza: La pobreza limita el acceso a los alimentos, 	

<p><i>mortalidad infantil</i></p>	<p>la amplia cobertura del Programa Ampliado de inmunizaciones.</p> <ul style="list-style-type: none"> ▪ Sin embargo, se estima que el subregistro es del orden del 42% en las defunciones y 28% en los nacimientos. ▪ Existen marcadas diferencias en las zonas rurales y urbanas. La mortalidad infantil es de 28 por mil nacidos vivos en zonas urbanas, hay una brecha del 35% en las zonas rurales, donde la tasa es de 43 por mil nacidos vivos. 		<p>servicios de salud y compra de medicamentos.</p> <ul style="list-style-type: none"> ▪ Mejorar la infraestructura en servicios sociales básicos: mejorar las precarias condiciones de viviendas, alcantarillado sanitario, recolección de basura, particularmente en zonas rurales. ▪ Fortalecer las prácticas de cuidado de la salud, fortaleciendo prácticas de higiene, atención prenatal y referencia oportuna a servicios de salud en casos de enfermedad. ▪ Apoyar la reglamentación de la Ley General de Salud y el Consejo Nacional de Salud. ▪ Apoyar la adopción de un modelo de atención y definición de paquetes de intervención, para facilitar la prestación de servicios de salud a la población. ▪ Fortalecer el Sistema Nacional de Estadísticas Vitales (SINEVI), para mejorar el monitoreo y evaluación en el sector salud. 	
<p>5. Mejorar la salud materna</p> <p><i>Reducir la tasa de mortalidad materna en 3/4 partes</i></p>	<ul style="list-style-type: none"> ▪ Entre 1990 y 2000, la muerte materna ha sido la principal causa de defunción de las mujeres en edad reproductiva. ▪ Los esfuerzos orientados a mejorar el registro de la información explican el incremento de la tasa de mortalidad materna, pasando de 106 por 100 mil nacidos vivos en 1998 a 121 por 100 mil nacidos vivos en 2001. ▪ Entre los principales factores asociados destacan la inaccesibilidad geográfica donde ocurren las muertes, ya que debido a los insuficientes o inexistentes medios de transporte, las mujeres no pueden acudir a centros de salud. Igualmente, las limitaciones de recursos económicos en el sector salud y la débil capacidad para abordar el problema en las comunidades y centros de salud. 	<p>Poco Probable</p>	<ul style="list-style-type: none"> ▪ Mejorar la calidad y cobertura de la atención prenatal, parto y puerperio, implementando acciones de monitoreo, seguimiento y evaluación de la oferta y la calidad de los servicios. ▪ Promover la atención prenatal, parto y puerperio, para disminuir los riesgos de muerte materna. ▪ Incidir en una mejor atención para prevenir complicaciones en el embarazo, a través de programas de difusión del conocimiento y reconocimiento de los signos de alarma asociados al a emergencia obstétrica; de la sensibilización a los grupos y poblaciones que viven en situación de pobreza acerca de la importancia del auto cuidado; de la promoción de la educación en salud reproductiva, sexual y de planificación familiar, en los centros de salud y en los espacios propios de las comunidades. ▪ Apoyar acciones orientadas al incremento y fortalecimiento de las unidades de cuidados obstétricos de emergencia del Ministerio de Salud, en unidades primarias y secundarias de salud. ▪ Fortalecer el Sistema de Vigilancia de la Mortalidad Materna (SVMM) ▪ Fortalecer la estrategia de atención primaria de salud a la comunidad, con énfasis en la reducción de las inequidades por razón de género que conllevan problemas de salud para la mujer. 	
<p>6. Combatir el VIH/SIDA, la Malaria y otras enfermedades</p> <p><i>Detener la propagación del VIH/SIDA y la incidencia de la Malaria y otras enfermedades, y comenzar a revertirlas en el</i></p>	<ul style="list-style-type: none"> ▪ La epidemia del SIDA en Nicaragua comenzó en 1987. En Mayo de 2002 se reportan 877 casos seropositivos acumulados, de los cuales 392 han enfermado y 208 han fallecido. ▪ La tendencia es ascendente y acelerada, con un incremento anual de 24% de casos. ▪ Se caracteriza por una feminización de la epidemia. La relación hombre-mujer en el 2000 era de 7 por 1 respectivamente, pasando a una relación de 3 por 1 en 2002 ▪ La tendencia de la malaria es a la reducción del número de casos, reportándose para el 	<p>Poco Probable</p>	<ul style="list-style-type: none"> ▪ Apoyar los esfuerzos de fortalecimiento de las acciones preventivas sobre el SIDA, a través de un enfoque de planificación multisectorial ▪ Promover las gestiones que favorezcan el acceso y la disponibilidad de medicamentos a personas con VIH/SIDA ▪ Fortalecer la implementación del sistema de vigilancia de segunda generación. ▪ Fortalecer la implementación de estrategias para el control de la malaria en pueblos indígenas y grupos inter-fronterizos. ▪ Fortalecer los espacios de participación ciudadana, y de coordinación y acción intersectorial. ▪ Promover el control integrado de vectores como practica de salud publica ▪ Apoyar el sostenimiento de los logros alcanzados en reducción de la 	

2015.	<p>ano 2000 un total de 24,014 casos (19,2% del total de Centroamérica). Casi la mitad de los casos ocurren en menores de 15 años. La mortalidad por malaria ha tenido una disminución entre 1998 y 2000, pasando de 52 a 2 fallecidos.</p>		<p>malaria y la tuberculosis, evitar retrocesos en esa materia, y desarrollar nuevas acciones para el control del VIH/SIDA, teniendo en cuenta los siguientes desafíos:</p> <ol style="list-style-type: none"> 1. Reconocer la magnitud de la epidemia. 2. Disminuir la transmisión en os grupos vulnerables 3. Reducir la transmisión de madre a hijo 4. Incentivar comportamientos sexuales seguros y la utilización de preservativos. 5. Motivar la realización de la prueba diagnostica. 	
<p>7. Asegurar un medio ambiente sostenible</p> <p><i>Haber logrado en el 2015 que todas las políticas y programas del país hayan integrado los principios del desarrollo sostenible y se haya revertido la pérdida de recursos naturales (ambientales)</i></p>	<ol style="list-style-type: none"> 1. La cobertura vegetal del país se ha reducido a un ritmo estimado entre 50-100 mil hectáreas anuales en los últimos 30 años. 2. Se estima que el 85% de los bosques tropicales secos y el 65% de los bosques húmedos han desaparecido en los últimos 300 años, debido al avance de la frontera agrícola, la expansión de la ganadería, los incendios forestales, la extracción de madera y el impacto de desastres naturales. 3. La contaminación con agroquímicos y la salinización han provocado que 15 de los mas importantes ríos están contaminados con aguas residuales domesticas e industriales. 4. 54% de la población de zonas rurales no tenia acceso a una fuente de agua segura en el 2002, mientras que en la zona urbana el 10% no accede a ella. 	<p>Poco Probable</p>	<ul style="list-style-type: none"> ▪ Armonizar el conjunto de políticas y estrategias existentes en materia de ambiente, según principios de desarrollo sostenible. ▪ Fortalecer la institucionalidad y marco jurídico para la gestión ambiental en el ámbito local y sectorial ▪ Desarrollar una cultura de responsabilidad ambiental, tanto en el sector publico como privado, para la toma de decisiones y formulación de políticas publicas que incorporen criterios de sostenibilidad ambiental. ▪ Promover el ordenamiento territorial, como instrumento de gestión ambiental, lucha contra la pobreza y reducción de vulnerabilidades. ▪ Fortalecer la capacidad técnica y facilitar el acceso a recursos financieros para apoyar la modernización del sector energético, particularmente de fuentes renovables. ▪ Establecer un Sistema Nacional de información Ambiental para contar con un marco que apoye la toma de decisiones sobre políticas y estrategias de desarrollo sostenible. ▪ Promover el dialogo entre las organizaciones publicas, privadas y políticas, utilizando el Plan nacional Ambiental vigente, para la reversión de las tendencias de deterioro ambiental asociadas con procesos productivos, priorizando la atención a los recursos agua, forestal y suelos, así como la atención al manejo de residuos sólidos y líquidos, la educación ambiental y la coordinación interinstitucional. 	

Annex 5. Profiles

Annex 5.1 Gender profile (an overview of gender aspects in Nicaragua)

Nicaragua has established equity between men and women by Constitution. By law, there should not be any discrimination of any type by place of birth, nationality, political beliefs, race, sex, language, opinion, origin, economic or social conditions. In practice, as in many countries in the world, the gender situation is rather different.

Nicaragua is a small country, with a relatively small population – 5.4 million people, 50.02% women, and 49.08% men. The rate of urbanization degree is relatively high; 59% of the population is living in urban areas and only 41% in the countryside. 51.7% of urban population is female, while women are 47% of the population in rural areas. The country has a high rate of demographic growth (2.1%), the population having doubled in 30 years. The fertility rate is also high (3.7% annual), especially between adolescents, the highest in Latin America. In 2003 household size was 5.0 persons in cities and 5.7 in rural areas. Nicaragua is a young country: 39% of population is aged between 0-14, and 58% between 15 and 64 years.

The Human Development Index for 2004 is 118, and the Gender Related Development Index is 97. There is no data for Gender Potentiation Index, the tool used to catch the political and economic participation of women in the country, but the women presence in the political life is low: women in important positions in the Government or the private enterprise are scarce. Only 15.5% of cabinet members were women in May 2005. At the National Assembly, only 21% of its members are women, and for municipalities, the figure is 12.5%. There is no woman in the Directorate of national business chambers. The National Development Plan commissioned the National Institute for Women to work out a National Program for Gender Equity, whose results are supposed to cross cut all national public policies.

Besides assuming practically all the reproductive activities, women in Nicaragua play an important role in the national economy. During the last years, their participation in the labour market has increased from 18% in 1950 to 42% in 2000 and, according to different forecasts, this participation is still growing. The increasing participation of women in economic activities has been originated, on one hand, by a change of attitude through the Nicaraguan society have recognized the potential of women; and on the other hand, because many of these women are working to survive the crisis suffered by Nicaragua and there is a growing proportion of households where women are the only income.

Underemployment and employment in the informal sector are affecting women more than men, increasing their vulnerability and poverty, households headed by women usually staying in the lowest income group – 38.8% of extreme poverty households are in this situation. In general, 33% of households are in charge of women, revealing a high degree of paternal irresponsibility; this has been encouraged by traditional values and an educative system promoting assistance to school but not changing this values. There are still many sexist elements confirming men as social protagonists and women in secondary and mostly reproductive roles. Literacy rates by sex are similar: if there is a slight majority of women assisting to school, this is not a problem of quantity but of pertinence and quality of education.

Usually, women have problems to have access to vocational education, credit, training and technical resources in order to promote their own business or to have better employment conditions or insertion. The salary gap between men and women is estimated

at an average of 62.9% in 2002. On the contrary, the women's rate of participation in non-conventional credit programs is high: 59% and 38% in urban and rural areas, especially in the informal sector – but they have only respectively 42% and 17% of the funds. In 2001, the average amount of credits for women was 70% less than for men. Due to a traditional vision from the formal financial sector in that women do not have collaterals and resources of their own, women are not perceived as credit subjects. This situation is slowly changing: by 2001, 41.3% of the credits from commercial banks were for men and 31.4% for women. By law, men and women have equal rights to land access, and joint titling is compulsory. In 2003, women own 22% of titled lands, a clear advance respect to the situation in 1995, when this figure was only 13%. In urban areas, houses are mostly owned by women, with 52.5%, while in rural areas women possess only 29.9%.

Violence linked to gender is a growing concern: by 1998, a national survey on demographics and health indicated that 29% of coupled women have suffered some kind of physical or sexual abuse. In areas affected by Hurricane Mitch, domestic violence has increased. More than 30% of girls have been sexually abused before the age of 12; in half of these cases, the authors have been members of their close family. 70% of these girls have attempted to suicide. Only 20% of violence victims denounce the situation to the police, basically out of fear, but also because of the belief violence is a normal condition. Many times, officials in charge of law enforcing have gender prejudices, and thus, are double-victimizing the victim.

Gender Statistics – Nicaragua

	Nicaragua		Latin America and Caribbean	
	1980	2000	1980	2000
GDP per Capita (current US\$)	670	777	2070	3700
Total population (mio)	2,9	5,1	356,4	510,0
Female (% of total)	50,1	50,2	50,0	50,7
Life expectancy (in years)				
Male	56	66	62	67
Female	62	71	67	74
Adult illiteracy rate (% of people above 15)				
Male	41,0	33,8	17,4	10,1
Female	41,4	33,3	22,8	12,1
Labour force, female (% of total labour force)	28	36	28	35
total unemployment (% of labour force)	...	9,8	...	9,2
Female unemployment (% of female labour force)	...	9,4	...	10,5
Net primary school enrolment rate				
Male	70	80		96
Female	71	81		94
Primary completion rates				
Male	...	65	...	79
Female	...	74	...	68
Total fertility rate (births per woman)	6,3	3,6	4,1	2,6
Maternal mortality ratio (per 1000,000 live births)	...	230	...	193

Gender mainstreaming is a need when addressing development policies. The importance is particularly important for some policies like education, agriculture ... It is also a governance problem. The Government of Nicaragua and the donor community should pay a particular attention to gender issues when designing and consulting sector policies. A larger implication of civil society, in particular women organization, during the consultation of these policies is also one of the ways to better mainstream gender issues.

Annex 5.2 Environment profile

The following text has been synthesized and completed from the “Regional Environmental Profile of the Central American Region”, published in 2005. The whole study is available on the RELEX website at http://europa.eu.int/comm/external_relations/ca/doc/index.htm.

Nicaragua is situated in the centre of Central American isthmus, between the Atlantic and the Pacific Ocean. The surface of the country is of 130.682 sq. km.; lakes represent 8% of this surface. The length of coasts is of 305 km. on the Pacific side and of 450 km. on the Atlantic. The climate is tropical, with two distinct seasons, winter or rainy season, and summer or dry season. Precipitations are decreasing from South-East to North-West, from up to 5 000 mm. per year in the area of Saint Juan River to 700 mm. per year in the dry areas of the Pacific. The annual average temperature varies from 28°C at sea level, to the 22° in the mountainous parts, depending of altitude.

The country is divided into three geomorphologic regions: the Pacific region, the Central mountainous region and the Atlantic region, with important differences due to the altitude, relief, soils, climate and natural vegetation. The Pacific area is characterized by seismic and volcanic activities, with depth soils derived from volcanic ashes. The natural vegetation is dominated by the dry or deciduous tropical forest. By contrast, the Atlantic region is characterized by old soils, an absence of active volcanoes and a fairly flat relief. The natural vegetation is a tropical humid forest of low altitude associated with high rates of biodiversity, large surface of pine forests in the North-East and swamps in the deltas of the large rivers of the region. The Central mountainous region is characterized by sharp relief and small intra-mountainous valleys, with sub-deciduous and mist forests in the highest areas.

Nicaragua is divided into two large hydrographical regions: the Pacific slope of 12 183 sq. km. and the Atlantic slope with 117 420 sq. km. The rivers of the Pacific slope are short, of small flows and generally seasonal. In the Atlantic, the rivers are draining water from the central mountainous area and are long, large flowed and often navigable in good part of their length. Nicaragua has two large lakes, Xolotlán or Lake Managua of 1.040 sq. km., and Cocibolca or Lake Nicaragua with an extension of 8.200 sq. km. Subterranean waters are important in the region of the Pacific, with large quantities in the plain of León-Chinandega, the isthmus of Rivas and the north-east of Lake of Managua. In the North and the Atlantic, the subterranean-water availabilities are poor and of low return, therefore superficial water is the main source of water.

Generally, almost all natural resources and ecosystems present problems of degradation, either due to inadequate use or to pollution. Soils are subject to important problems of erosion, even in the plains, due to inadequate cattle and agricultural technologies. In the Pacific, the best agricultural soils of the country are converted to urban areas, without any appropriate planning. Inadequate land use aggravates the problems of irregularities of flows and floods, reducing the amount of water infiltrating to the underground waters. Insufficient agriculture and cattle farming technologies not only bring erosion but also degrade the fertility and structure of soils by poor use of fertilizers and pesticides, which also are polluting. The agricultural frontier that advances to the Atlantic degrades fragile soils whose fertility comes from the primary forest by the recycling of nutriments. This provokes a spiral in which there are less primary forests in the area each year. The imprecision in the land tenure in these areas is an aggravating factor.

The primary ecosystems are strongly affected: in the Pacific, less than 10% of the primary forests still exist, including the mangrove swamps of the north-west, where activities of prawn farming are growing. In the Central North area, the primary forest has been replaced by extensions of coffee plantations, an agro-forestry system that preserves the native fauna, but also by basic grains cultivation in the slopes which has minimal productive returns and an important negative impact on soils and the native fauna. In the Atlantic, the agricultural frontier, associated to the chaotic logging, has provoked that the large forests are more and more reduced to smaller extension and biodiversity is decreasing significantly.

Gold extraction in the areas of Chontales, Siuna and Bonanza, and Larreynaga, where existing, has caused considerable impacts, not only because it is open-sky extraction, but also through the use of heavy metals by the small miners and cyanide by large extracting companies. The most visible impacts are erosion and sedimentation of rivers, deforestation in the mining areas, and effect on the wild fauna and cattle that drink contaminated river water.

Nicaragua does not have an important fishing fleet. However, prawns, crayfishes and crabs are overexploited in the fishing area of Cayos Miskitos, Corn Island (in the Atlantic) and the Gulf of Fonseca (in the Pacific). The consequence is a decrease in the average size of prawns and crayfishes and an increase in the fishing effort. Other products of the sea, like oysters, black shells, turtle eggs, sea snails, etc., are subject to partial or total prohibition by the national legislation because of overexploitation.

The growing urbanization induced problems of accumulation and collection of solid and liquid waste. Clandestine trash collectors are observed near all cities of Nicaragua and practically all rivers or lakes close the cities are contaminated. The problem also exists on the beaches during summer time. In the largest cities, the air pollution due to vehicles is increasing. In addition, the agro-industry contaminates the main water due to the absence of treatment of its waste.

Even though tourism is a more and more promoted activity and though the attractions of Nicaragua are predominantly its natural resources, pollution, urbanization and environmental degradation threat this promising economic activity.

The country has an institutional and legal framework in environmental matters. There exists a General Law of Environment exists, a Forest Law and regulations for protected areas, an environmental impact regulation, and a new Law of Waters is under examination in the National Assembly, in addition to many other legal instruments. It has ratified all the international agreements relating to it. However, the lack of financial resources to make operational the institutions, but above all the lack of an environmental conscience among the population and among the same State institutions, is serious obstacles to sustainable development. Paradoxically, the different donors directly active in environmental field, which includes most traditional donors, are facing absorption capacity problems for sustainable projects or programmes. A general conclusion for the donors community is the need for a better mainstreaming of environment within development projects and national policies, which this should be the preferred way to support environment.

Annex 5.3 Migration profile⁴¹

Migration is a complex phenomenon, the consequences of which are felt at the economic, social, political and cultural spheres. The Nicaraguan migration differs from other Central American countries. Moreover, there has been a change in the destination of emigration and its structure over the past decades.

During the 1970's, the years of Nicaragua's protracted conflict, there was a migratory dynamic with important flows of population inside the country and towards neighbouring countries (mainly Honduras and Costa Rica). In addition, numerous members of the oligarchy and their families left Nicaragua to host countries (in particular the USA, Guatemala, Mexico and Canada). The peace process permitted the return of the majority of refugees, but not all of them. In particular, a large community of Nicaraguans or bi-nationals is settled in the US, mainly in the South of the country, travelling from time to time to Nicaragua.

During the last decade, the emigration flow has increased; the composition and destination of emigration have changed. Nicaraguans emigrate mainly to neighbouring countries with a higher development level, essentially Costa Rica, and to the "Northern countries" (mainly the US, but also Canada and Mexico) being the US a "traditional" destination⁴². 30.2% of the skilled population is emigrating⁴³, but the Nicaraguan migrant population is divided: the more educated migrants head to the U.S., while those with less education and fewer skills tend to move to Costa Rica. Thus there are two types of emigration.

This new type of emigration is due to the lack of opportunities, in particular in the rural areas where the slow rate of growth of the economy, the lack of support to the agricultural sector, the incertitude in land tenure; resulting poverty, marginalization, inequalities and the hypothetical success stories of compatriots who emigrated earlier, have all contributed to render emigration as the only possible solution. For Costa Rica, it is also a response to the Costa Rican demand for foreign labour in the agriculture and service sectors.

The Nicaraguan population (not naturalized) settled in the US is estimated at 240,000 people documented, and 70,000 undocumented. Around 60% of migrants in the US are sending regularly remittance to Nicaragua, and 10% are doing it sporadically. The average sending is of 200 US\$ (150 US\$ a month) with a transfer cost of around 7%. Even though only 10% of the recipients have a bank account, transfers are likely to pass through the banking system or by licensed business (like *Western Union*). Nicaraguan recipients use remittances up to 83% for the basic needs of the family. The annual amount of remittances from the US is difficult to estimate but could be around US\$ 500 million per year.

Migration to Costa Rica is by far the most important and concerns equally both male and female populations. Around 225,000 Nicaraguans currently live in Costa Rica on a permanent (80% of migrants) or seasonal (for harvesting in rural areas) basis, and represent 75% of the foreign community in this country. In addition, there is an important undocumented population (due to access restrictions in Costa Rica) estimated between 300,000 and 800,000 persons. Nicaraguans are mainly active in the agricultural and manufacturing sectors. This constant emigrant stream has left lasting impressions on the

⁴¹ Many information in this chapter is coming from: Miguel Orozco *et al.* : "*Transnational engagement, remittances and their relationship to development in Latin America and the Caribbean*", Georgetown University (2005)

⁴² On the other hand, the lack of adequate education has created a demand for qualified workforce, and thus there is a flow of temporal migrants (mainly Salvadorians) to Nicaragua.

⁴³ Frédéric Docquier and Hillel Rapoport : *Skilled migration: the perspective of developing countries*, World Bank, 2004

Costa Rican society and Nicaraguans are mainly concentrated in the lowest social class of the country. Total remittances from Costa Rica account for around US\$ 200 million. The average per person is US\$ 70 monthly. The transfer is essentially informal, only 10% of the remittances are transferred using licensed business like *Western Union* or local Costa Rican banks. 95% of the funds from Costa Rica are reported to cover basic living expenses.

At present, the remittances from Nicaraguans living abroad account for between 13 and 18% of the country's GDP. Most of these funds are used for consumption of basic goods and services, and it can be argued to have a considerable impact in alleviating the levels of poverty in rural areas and it is thus an important element of social cohesion. The implications of remittances for national economy – and the corresponding potential multiplier effect on GDP, poverty, consumption and investment – are significant. Recent studies on remittances in Latin America have concluded on the necessity to lower transaction cost. Fees and commissions for sending money, although decreasing, are still expensive. Expanding fund transfer methods, increasing competition and educating customers about charges would help reducing the costs associated with money transfers. This is part of the regulatory policy currently supported by macro-economic programmes.

Studies showed that between 5 and 10% of remittances are saved or invested. Some people are in a position to use their money for enterprising activity. Both private sector and development players (in particular, the Inter-American Development Bank) can insert themselves as credit partners for these potential investors. Tying remittance to micro-lending has a potential to enhance local markets. This is part of Nicaragua's credit policy.

Annex 6. Cooperation with Nicaragua

Annex 6.1 Coordination and harmonisation plan.

In recent years, the Government of Nicaragua has been striving to improve donor coordination with the overall aim of increasing aid effectiveness and in doing so, reduce transaction costs and optimise the benefits of external resources. Clearly, in the local context, this task is a formidable one given the large number of donors (40) and the high volume of aid per annum (approx US \$550 million) not to mention the often precarious political and economic landscape which clearly threatens the sustainability and success potential of any harmonisation initiative.

Despite this complex backdrop, the Government of Nicaragua has made substantial progress particularly in the field of ownership whereby the Presidential Agreement in early 2003 establishing a formalised coordination mechanism of sector roundtables and the subsequent endorsement of the Managua Declaration, clearly demonstrates its readiness to be in the driving seat.

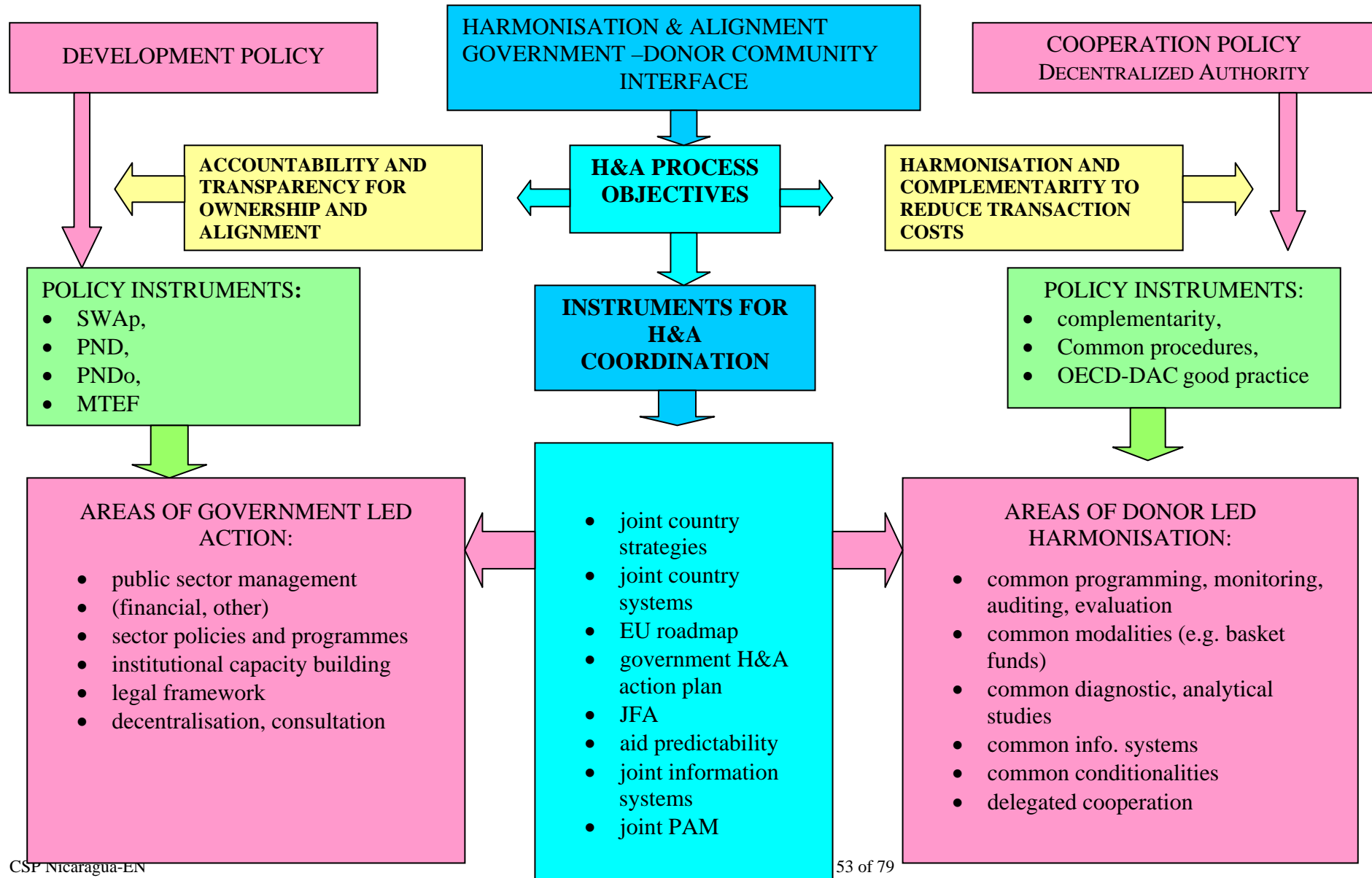
Nicaragua forms part of the OECD/DAC initiative for enhanced harmonisation and was one of four pilot countries selected to undergo a Joint Country Learning Assessment (JCLA) which aimed to provide a snapshot of advances in H&A and more importantly to identify future actions needed to enhance donor coordination. The current main challenge for Nicaragua and indeed one that will be relevant for the coming years is to translate H&A International Declarations (e.g. Paris Declaration) and national commitments together with the findings of the JCLA and other related studies/surveys into tangible progress on the ground.

To meet this challenge, the Government together with a group of Lead Facilitators (EC/UNDP/Netherlands/Japan) has developed a National Plan for Harmonisation & Alignment which has been adopted by the Government and donors in November 2005. This Plan identifies objectives, specific actions, indicators of achievement and deadlines for completion; the structure of the Plan reflects the three main pillars of ownership, harmonisation and alignment. The Plan will be monitored at both national and sector levels. Base lines for each indicator will need to be established together with monitoring mechanisms and regular feedback lines to ensure that the Plan does not remain a paper exercise but is well and truly embedded in local processes and is fully recognised by all parties as a tool for greater harmonisation.

The role and active tripartite participation of Government, donors and civil society in harmonisation-related actions is crucial to the success of this action plan. Many of the fundamental actions under ownership and alignment rely upon agreed and approved national strategies (e.g. PNDo) and related sector policies which are still under consultation and have in certain cases received considerable criticism concerning the way in which they have been developed given the lack of systemic involvement of civil society. Similarly donor-donor progress in terms of harmonisation relies heavily on a willingness to adopt new approaches whether in terms of financing modalities (moving from individually financed projects to common funding modalities for sector programmes) or indeed in terms of project cycle (moving from personalised follow-up to common platforms for missions/reports/evaluations etc).

The April 2006 GAERC proposes to initiate a joint multi annual programming framework for the EC and EU Members States. This could be applied for the mid term review of the present strategy.

HARMONISATION AND ALIGNMENT FLOW CHART



Annex 6.2 Cooperation of EU member states with Nicaragua

COUNTRY	TYPE OF STRATEGY	VALIDITY	OBJECTIVES	FOCAL SECTORS
Austria	Country programme Austria – Nicaragua Development assistance through OEZA	2003 - 2006	<ul style="list-style-type: none"> • Promotion of good governance; • Protection of the environment and natural resources 	<ul style="list-style-type: none"> • Small- and medium sized enterprises; • Rural development; • Education and health
Denmark	Estrategia de la cooperación Danesa en Nicaragua	2004 - 2009	<ul style="list-style-type: none"> • Increased economic sustainability • Improved human resources • Human rights, democracy and governance 	<ul style="list-style-type: none"> • Agriculture • Education • Environment • Transport • Decentralisation, governance and democracy
France	Development Contract of debt alleviation Counterpart Fund (food assistance) Multi-Annual Regional Cooperation Program Commission mixte de coopération.	2005 - 2006 2005 -2006 2005-2007	<ul style="list-style-type: none"> • Basic Primary Education • Food Security Program • Improvement of treatment against Cancer • Fight against Dengue • Improved security, and good governance • Improvement of University capacities 	<ul style="list-style-type: none"> • Education • Agriculture/Education • Health • Governance and democracy • Geophysics, agriculture, linguistic, history
Finland	Development policy of Finland Guidelines for cooperation between Finland and Nicaragua	2004 – Biannual, ratified in 2004	<ul style="list-style-type: none"> • Eradication of extreme poverty and hunger; • Basic education for all; • Promotion of gender equity and the position of women; • Reduction of infant mortality; • Improvement of the health of pregnant women; • Fight against HIV/AIDS, malaria and others; • Sustainable development of 	<ul style="list-style-type: none"> • Rural development; • Health, in particular reproductive health; • Municipal development and decentralisation; • ICT (from 2004)

			<ul style="list-style-type: none"> environment; The creation of a global association for development 	
Germany	<p>Country Strategy (2004), Priority Strategy Area</p> <ul style="list-style-type: none"> Technical assistance through GTZ and DED Financial assistance through KfW 		<ul style="list-style-type: none"> Promotion of good governance Fiscal transparency Local economic development Improved social and economic infrastructure Sustainable use of natural resources 	<ul style="list-style-type: none"> Governance and decentralisation Environment and natural resource management Water and sanitation
Ireland	<p>Multi-Annual Programme Scheme (MAPS)</p> <p>Development Cooperation Ireland Central America Regional Programme</p>	2003-2006	<ul style="list-style-type: none"> Capacity building for civil society organisations to increase their delivery and coverage of high quality services to poor communities in a sustainable way 	<ul style="list-style-type: none"> Education; Health; Livelihood/agriculture; Water and sanitation
Italy	Agreement of cooperation		<ul style="list-style-type: none"> Promotion of sustainable development, peace and democracy; Satisfaction of basic needs and realization of basic needs; Promotion of development opportunities for women; Defence of the rights of children and adolescents; Reconstruction and stabilisation in emergencies and crises; Conservation of cultural and environmental heritage 	<ul style="list-style-type: none"> Agriculture Infrastructure/productive Food security Sanitation Social sectors
Luxemburg	Indicative Cooperation Programme (ICP)	ICP: 2003-2006 ICP 2: 2007-2010	<ul style="list-style-type: none"> Fighting poverty Access to social services Local and economic development 	<ul style="list-style-type: none"> Water and sanitation Health and education Municipal development and decentralisation Train the trainers + Vocational training in the

				tourism sector.
Netherlands	Multi-annual strategic plan	2005-2008	<ul style="list-style-type: none"> • Improved security, stability and good governance; • Increased prosperity and poverty reduction; • Human and social development 	<ul style="list-style-type: none"> • Public sector, governance • Private enterprise and trade • Social sectors (health, education and culture)
Spain	<ul style="list-style-type: none"> • Comisión Mixta de Cooperación • Plan Director de la Cooperación Española <p>Development assistance through AECI</p>	<p>2000-2004</p> <p>2001-2004</p>	<ul style="list-style-type: none"> • Equal and sustainable development; • Consolidation of democracy, institutional support, decentralization, human rights and social participation; • Contribution to a lasting and sustainable economic growth 	<ul style="list-style-type: none"> • Coverage of basic social needs; • Investment in the human being; • Infrastructure and economic network; • Environment; • Social participation, institutional development and good governance
Sweden	Regional Strategy Central America and the Caribbean	2001-2005	<ul style="list-style-type: none"> • Decrease in the social and economic inequalities; • Democratic development of society 	<ul style="list-style-type: none"> • Popular participation in the political processes; • Strengthening of the rule of law; • Good Government/good governance; • Support for economic reforms; • Social sectors; • Economic growth in the rural sector; • Urban sector/local development
United Kingdom	Latin America Regional Assistance Plan	2004-2007	<ul style="list-style-type: none"> • Good governance and public sector reform; • Social and economic inclusion 	<ul style="list-style-type: none"> • Market access and international trade; • Public sector management; • HIV/AIDS
	Central America Regional Strategy Paper	1999-		

Annex 6.3 Cooperation of EU Member States and various donors

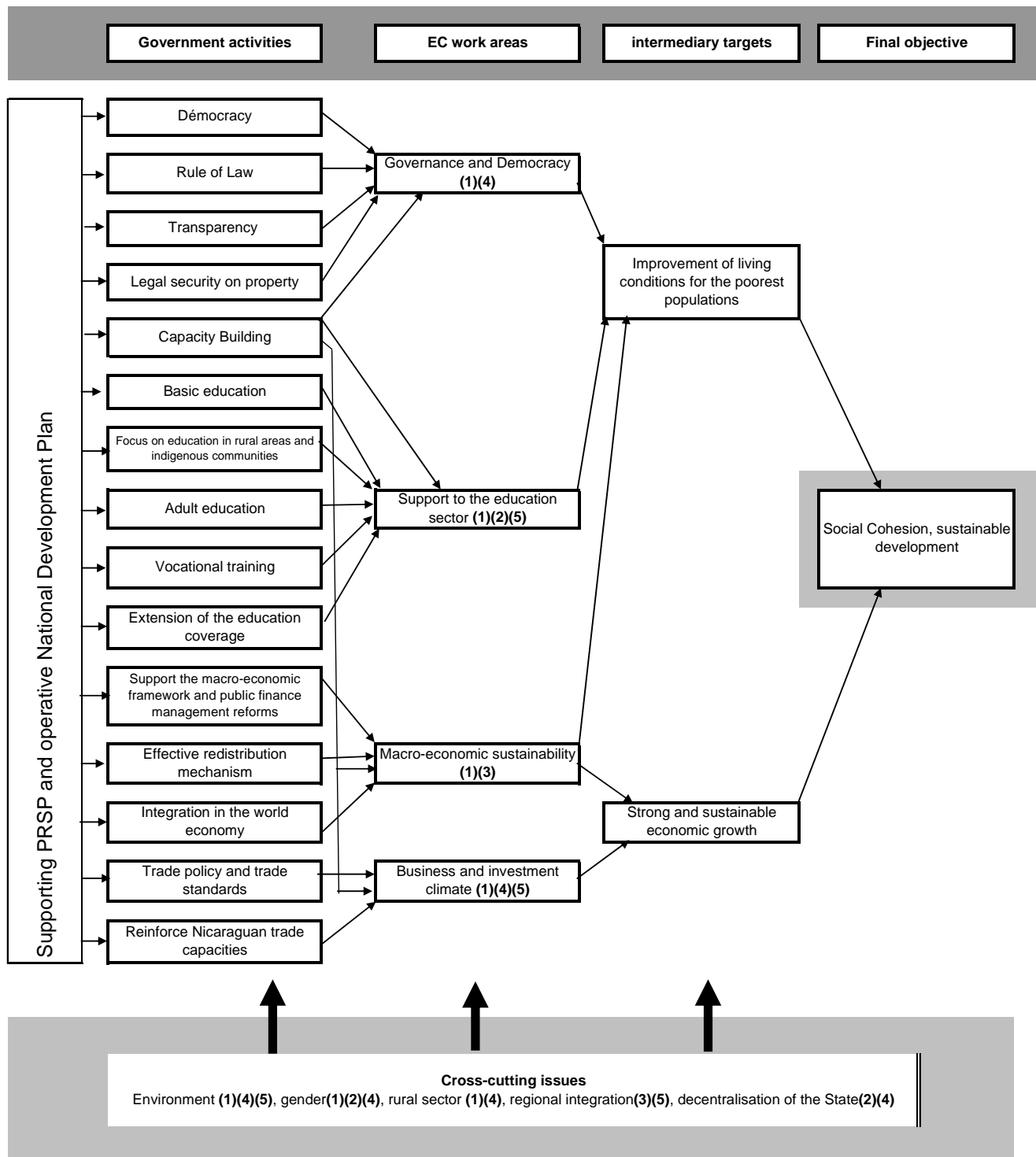
Disbursements 2004 (US\$ 1000) Source: Ministry of Foreign Affairs – SYSoda

	N/D	Productive sector				Economic Infrastructure					Social sector						Financial	Other sectors		TOTAL		
		AGRO	FISH	NR	VARI	ENERGY	T&C	A&S	TEL	VAR2	EDU	HEALTH	SOP	MUP	CUL	HOS	VAR3	FIN	GOV		VAR4	
Germany				2,263.5	912.4	625.0		4,748.6			417.9	481.5	2,289.2	473.0			520.8		351.4	469.2	13,552.4	
Austria				110.5							274.3										384.8	
Belgium																					0.0	
Cyprus																					0.0	
Denmark		2,691.9		4,174.5			17,323.3						47.1	2,749.4			822.1		1,806.1	2,646.0	32,260.3	
Slovakia																					0.0	
Slovenia																					0.0	
Spain	397.6	325.0	162.0	721.2	2,465.7	1,828.7	2,640.5			179.5	1,077.2		579.6	261.9	352.0				872.9		11,863.9	
Estonia																					0.0	
Finland		270.8		1,117.2						955.8	199.9	2,455.5	992.3							380.2	6,371.7	
France											556.7										556.7	
Greece																					0.0	
Hungary																					0.0	
Ireland													6.1								6.1	
Italia		472.0																			472.0	
Leetonia																					0.0	
Lithuania																					0.0	
Luxemburg							2,998.3			1,007.4	2,303.8										6,309.5	
Malta																					0.0	
Netherlands		1,649.0		28.0	1,080.5													11,606.1		1,519.0	17,854.2	
Poland																					0.0	
Portugal																					0.0	
United Kingdom																					0.0	
Czech Rep.																				36.0	147.8	1,032.6
Sweden		4,458.7		528.7	0.8					2,683.5	2,475.8	409.3				1,402.0		12,131.5	5,383.7	2,966.9	32,440.9	
European Commission (EC)		192.7			16,413.0		879.2	6,814.6		31,261.7	1,348.8		2,520.0			110.3	9,500.0				69,040.3	
EC + Member States	397.6	10,060.1	162.0	8,943.7	18,406.7	3,090.7	20,031.3	17,201.9	0.0	0.0	36,780.1	10,238.9	6,232.5	7,314.3	261.9	352.0	2,855.2	33,237.6	8,450.0	8,129.0	192,145.3	
World Bank		7,559.2		940.1	1,126.5	208.2	21,328.2		967.3	9,190.6	2,589.1	64,174.2	5,657.2				1,499.9	768.9	7,244.1	2,844.3	126,097.8	
BCIE				1,575.0			8,019.4					1,491.8								30.0	11,116.2	
Inter-American Dev. Bank		10,066.8		5,773.4	3,164.2	4,689.8	17,329.4	4,078.9		6,141.2	15,260.9	35,478.3	1,145.1		3,785.2	4,468.0	4,459.3	2,246.3	21,711.4		139,798.1	
Canada		988.4			978.7	189.8				44.7	445.8		134.7							655.3	3,437.4	
Chile				90.0																	90.0	

China Taiwan				5.0							400.0	690.0					100.0	1,480.0	2,106.4	4,781.4	
Nordic Dev. Fond			1,618.0								2,106.4							225.2		3,949.6	
FGSTM											4,197.7									4,197.7	
GEF			2,659.1		1,089.9														227.4	3,976.4	
IICA		5,062.7																		5,062.7	
Japan		2,000.0		7,400.0					1,500.0	3,000.0					210.0			3,000.0		17,110.0	
Norway		43.5			58.2						437.5	1,154.8				159.8		1,666.7	314.3	5,821.6	
OEA				178.5							776.6									955.0	
OECD						1,939.9						979.5								2,919.4	
United Nations		2,624.0	74.9	117.8	1,574.8	54.5	19.9	1,835.0		4,345.9	11,282.1	4,322.2	882.2		152.0	721.8		1,188.3	593.0	29,788.3	
Switzerland		1,573.9			2,000.0	1,192.6		1,041.6				7,144.0							965.5	313.8	14,231.4
USA		4,660.0		370.0	10,795.0					1,752.0	951.0					6,365.0		3,350.0		28,243.0	
TOTAL	397.6	44,638.5	236.9	20,422.1	47,294.4	10,573.7	68,668.0	24,157.4	967.3	1,500.0	62,031.0	47,909.3	121,667.3	15,133.5	471.9	4,289.1	16,069.7	43,232.4	25,463.7	38,597.4	593,721.3

Annex 7. Programming scheme

This scheme represents the relation between the Strategy of Nicaragua, the Government's activities, the EC work areas, cross-cutting issues and the main targets.



- (1) Focal sector Governance and Democracy
- (2) Focal sector Education
- (3) Focal sector economic and trade issues
- (4) Thematic programmes and other instruments

Annex 8. Policy mix, main development policies and other instruments

To assess the coherence of the Nicaragua CSP, this annex presents relevant EU policies and guidelines affecting the country. Some policies are also development policies; some are linked to financial instruments or thematic programmes. All have a link with the past and future EC development policy toward Nicaragua. For each, different categories and levels of EU interventions are addressed, assessing the complementary and coherence:

- cooperation instruments and programmes: bilateral, sub-regional and regional, with a special focus on the complementarity of horizontal programmes and other financial instruments such as thematic programmes;
- regulatory instruments and international agreements;
- policy and political dialogue (bilateral and regional);
- mainstreaming into the different sector cooperation.

Annex 8.1 Trade & development

Article 133 of the EU Treaty constitutes the legal basis for the EU's trade policy. It states that the objectives of the Union's commercial policy is «*to contribute, in the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international trade and the lowering of customs barriers*». It covers all the main aspects of trade in agricultural and non-agricultural goods, services as well as key aspects of trade related aspects of intellectual property, investment and competition.

The main objective of the Union's trade policy towards Central America is:

- to strengthen and expand bilateral trade relations between the EU and Central American countries on the basis of transparent and non-discriminatory multilateral rules, and notably by means of strengthening the EC cooperation throughout the WTO negotiations launched at Doha.
- to support the regional trade and economic integration process in Central America.
- to support Central America in completing its international commitments, in particular fight against drug trafficking, international labour standard, human rights and environment, through autonomously granting market access to EU markets via the GSP scheme.
- to support the Central American countries' integration into the world economy by implementing their existing WTO commitments and to assist them in the negotiations and implementation of new commitments resulting from the new WTO round (Doha Development Agenda).

The strategy set out in this CSP, in particular with regard to economic cooperation, is fully in line with the achievement of these objectives. However, for the third item, Central America, including Nicaragua, is seeking a deeper relation notably through an association agreement which is considered, since Nicaraguan authorities consider this to be a much more powerful tool to attract FDI.

Support in trade-related matters is provided by the CSP and by the RSP for Central America and Latin America.

Annex 8.2 Common Agriculture Policy (CAP)

The "*Common Agricultural Policy*" (CAP), created by the Treaty of Rome, sought to increase the productivity of European agriculture, ensure reasonable living standards for farmers, stabilise farm produce markets and guarantee a stable food supply at fair prices for consumers. Since then, many changes to the CAP have been made, modifying price policy (reduction of prices support), restricting market interventions, regulating output, and introducing a system to control spending on agriculture involving an adjustment of market management to restore market balance; furthermore, more assistance is provided for social and environmental measures to stimulate development in rural areas. Those changes focussed on the evolution of the global economy and the need to implement WTO commitments to reduce market distortions.

Few agricultural commodities covered by the CAP enter into competition with Central American products. A notable exception is bananas and since the EU is an important destination for Central American products, Central American banana producers have voiced significant grievance concerning the impact Community policy in this field has had on their market access. Nicaragua, not even a significant exporter to the EU, is associated with other Latin American countries to present a common position against the common organisation of bananas. Latin Americans claim also that the CAP influenced indirectly different world markets. This is why Nicaragua inclines to be take part along other South American countries when discussing with the EU on agricultural matters.

Annex 8.3 Sanitary and phytosanitary control Policy – consumers protection

The external dimension of the Community policy in this sector aims to ensure a high level of protection of health, safety and economic interests of the consumers, as well as the protection of public health in the EU. The implementation of this principle is sometimes perceived as a measure of non-tariff trade protection that prevents the access of some products – mainly agricultural, but also meat - to the European markets even if the same principle is applied to European-made products.

At the same time, some Central American countries have raised concerns about what they feel as a non-reciprocal treatment by the EC in the implementation of certain Community principles of health inspection, such as that of regionalisation but also agreement of control institutions. Confusion is also added by the fact that the US and the European SPS systems are different.

This sector is of utmost importance for both regions, therefore this strategy is in total accordance with those important preoccupations, since they provide specific supports for Nicaraguan exporters in order for them to be able to fulfil EU requirements in this respect.

In addition, a specific effort is associated to SPS (Sanitary and Phytosanitary Measures); Nicaraguan experts are benefiting, like other developing countries, from a specific training system to SPS requirements by the EU.

Annex 8.4 Internal market

The principal aim of this policy is to strengthen the process of economic integration for a liberalisation of the markets as well as the development of a legislative framework compatible with that of the EC in order to:

- assure a suitable level of protection of industrial and intellectual property,
- prevent money laundering,
- protect personal data,
- guarantee minimum standards for public calls for tender, avoiding any kinds of restrictive measure of the markets.

Regulatory convergence is a factor of mutual benefits, by supplying trade and investments and favouring the investments of the EU companies abroad.

Annex 8.5 Competition policy

The interest of introducing competition policy in the EU's relations with third countries, mainly in the negotiation of trade agreements, is based on the establishment of a stable and clear legal framework for the relations between economic operators in order to prevent commercial conflicts.

At the same time, the discriminatory treatment between companies of both parties is avoided with respect to direct investments or access to the services market. Likewise, the EU takes part in multilateral cooperation in this sector in the framework of the World Trade Organisation (WTO). The WTO working group on "trade and competence" examines the possibility of strengthening the convergence of policies for which a multilateral horizontal action might be explored by the EC.

Nicaragua raises some concerns for its juridical insecurity, which is linked to the global governance problem. The EU competition policy and the CSP are in accordance since interventions promoting competition are included, in particular in the regional context. This issue is particularly relevant in the context of a possible future Association Agreement between the EU and CA.

Annex 8.6 Research and development policy

In the EU, international co-operation in this area is covered by the Research Framework Programmes through two principal axes:

- an international co-operation dimension for each thematic research programme and,
- a specific international S&T Co-operation programme that contributes to the solution of common or sustainable development problems in third countries and regions,

It should be noted that specific instruments of the EU Research Framework Programmes, that will be continued further under the 7th Research Framework Programme (2007-2013) also support research collaboration:

- exchanges of researchers from third countries are highly encouraged at all stages of research careers in FP6 under the Marie Curie activities,
- under the ERA-NET scheme the coordination of the bi-lateral cooperation programmes between EU Member States and Third Countries will be further reinforced.

Moreover S&T Promotion Platforms recently launched with Latin-America will further develop other possibilities for Nicaragua widening our partnerships from a predominately bilateral to a bi-regional context.

In addition, specific programmes developed at the level of the Regional Strategy Paper for America Latina complement the R&D policy in the area of high level education and cooperation between academic institutions (ALFA, ALβAN). The R&D policy is complementary to the CSP by strengthening links between Nicaragua, Latin America and Europe.

Annex 8.7 Governance, capacity building, rule of law

This is one of the decisive components for policies and reforms toward social cohesion. The level of social cohesion, economic development, environmental sustainability and human rights are depending on the quality of governance. Good governance is a critical factor for reaching the Millennium Development Goals even though there is no specific indicator related to it. The October 2006 conclusions of the Council and the Representatives of the Governments of the Member States, meeting within the Council, and the August 2006 communication of the Commission “*Governance on the European Consensus for the Development – Towards a harmonised approach within the European Union*” both propose a coordinated policy towards governance by: :

- using the external dimension of community policies,
- making use of political dialogue and development aid programming to encourage change and to adopt the requisite support measures,
- developing a common approach of the EU Member States, the Commission, the other donors and international organisations to support partner countries,
- developing a consistent common approach to promote all aspects of democratic governance.

The present strategy takes into account these recommendations. In the case of human rights and democracy, the EC mobilises support through the European Initiative for Democracy and Human Rights instrument ([see below](#)).

Annex 8.8 Human rights, democracy, indigenous people and democracy

The commitment in furthering human rights and democracy is a long-standing priority for partnership between the EU and the Central American regional, dating from the launching of the San Jose Dialogue in 1984. Democracy, the rule of law, human rights and fundamental freedom are basic principles of the European Union, independently of the fact that national Governments are responsible for these to be respected. In support to the promotion of these principles, the signature of the EU-Central America Political Dialogue and Cooperation Agreement in late 2003, of which it is a fundamental clause.

The basic idea is that democracy, rule of law, human rights and fundamental freedom are basic principles of the European Union, independently to the fact that national Governments are responsible of their respect. The EC has developed different instruments and priorities and raised a number of thematic matters.

The understanding of this traversal nature demands a considerable effort for assuring coherence. The EC identified three main areas for action:

- The stimulation of coherent support policies, looking for a better coherence between cooperation and external relations, complementarity between the EC and Member States, and the integration of these issues as cross-cutting within other policies and actions of the EU.
- Give a greater priority to human rights and democracy in the relations with third countries,
- Have a more strategic focus when addressing programmes and projects in this matter.

This is of particular relevance for Nicaragua, and therefore reflected in the CSP. The European Initiative for Democracy and Human Rights (IEDDH) instrument addresses the promotion of democracy and human rights through supports to civil society, universities, regional and international organisations. In recent years, Nicaragua was benefiting from some regional

financing in the area of promotion of a culture of human rights, equity, tolerance and peace. However, Nicaragua was not a target country within the initiative despite its situation regarding democracy. Some have voiced concerns about the way projects were selected and the system of “calls for proposals”. For the future, social cohesion should be added as a focal sector within the new instrument for human rights and additional attention would be given to supporting democracy, gender and ethnic equity.

In addition it is worth mentioning the Multi-annual Programme for Democracy and Human Rights in Central America (PPDDHAC) which includes two regional programmes and six country programmes aimed at the promotion and dissemination of human rights values and the instruments that guarantee human rights. The Multi-annual Programme is implemented by key organisations at regional level such as the Centre for Justice and International Law (CEJIL) and Institute for Human Rights (IDDH), while the six country programmes work with consortia of public and civil society entities involved in the defence of human rights and democracy at the national. The use of counterpart consortia of NGOs and other bodies has made a significant contribution to developing a new culture of joint analysis and collective action and has enabled the programme to build institutional bridges. This initiative is providing positive results and may constitute the basis for future initiative in this sector at both bilateral and regional level.

Finally, the Andean and Central American countries receive a special treatment within the framework of the Generalised System of Preferences linked to their international commitments towards good governance and promotion of Human Rights standards.

In addition, the Andean and Central American countries received a special treatment within the framework of the Generalised System of Preferences linked to their international commitment in relation to Human Rights.

Annex 8.9 Environmental policy

The priorities of the environmental policy for Central America are defined at three levels:

- The objectives and principles included in the 6th Community Environment Action Programme (6EAP, 2002-2011), in particular those related to climate change, biodiversity, health and quality of life, natural resources and waste.
- The mainstreaming of the environmental dimension into development policy, stressing the links between environment and poverty, and between environment policy and management of disasters;
- The encouragement of Central America to implement its international commitments under the different multilateral environmental agreements.

The above imply major changes which lay beyond the competence of environmental organizations and which are to address governance, education, economic policy and other sector policies. The integration of the environmental dimension in social cohesion is a fundament the EC is aiming to raise through policy dialogue. In this context, the Andean and Central American countries received a special treatment within the framework of the Generalised System of Preferences linked to their international environmental commitments.

A specific assessment has been carried out at the level of Central America to determine the environmental profile of the region. One of the main conclusions is that environmental issues have to be better addressed by a global mainstreaming through all sectors rather than by specific financing. Both at national and regional levels, environment is one of the main cross-cutting issues to mainstream. Environment is also addressed by the regional strategy for Latin America and horizontal programmes (e.g. education/ALFA; trade and Investments/AL-INVEST; local management/URB-AL).

The EC Communication on Water Management stresses the need to address the issue in close conjunction with social cohesion, regional integration, food security, and other cross-cutting issues. The Communication suggests providing a framework for water security, both in terms of quality and quantity, for all developing countries, so as to achieve sustainable development. The water management policy is linked to other policies: land use management, social policy such as health, disaster prevention, economic development, food security agriculture and rural development, regional integration and cooperation, good governance, trade, transport, gender equity. Finally, the Communication invites donors to join their efforts to assist partner countries by raising the issue on the political agenda promoting a shift in thinking in order to apply an authentic integrated approach. It is in this spirit that the EC has been involved in water issues in Nicaragua over recent years, financing different projects, in particular in rural areas. Water is a specific issue of the National Development Plan supported by the Commission and is considered jointly with rural (and urban) development and environment within the present strategy. In addition, special mention should also be made for “EU water initiative” which could provide additional support in the water sector.

Two specific EC horizontal budget lines for the environment have been mobilised over the years to provide funding for environment related interventions in Central America. The recent evaluation of these budget lines stressed the need for these to better reflect the principles described above. More specifically, concerns were raised in relation to the sustainability of the financed projects, their coherence with the national policies and, overall, preoccupations about the pertinence of project selection with regards to the needs of the country and the sub-region. The evaluation noted that the environment could be better addressed by these financial instruments and be considered in a long-term perspective, notably if better terms of references are drafted for the calls for proposals in conformity and coherent with the political priorities of the Commission towards Nicaragua.

Annex 8.10 Health and poverty

If social cohesion is set at the centre of the EU-LA relations, the EC health policy establishes the link between health and poverty, between health and well-being and development, including a reference to AIDS and other contaminating diseases. There is a consensus to make assistance more efficient by a more important ownership and participation of recipient States. Health is a sector largely financed by external assistance in Nicaragua.

Assistance related to AIDS, tuberculosis and malaria is financed through the Global Fund, using parallel administration, and often subcontracting activities to the national authorities. Some organisations are voicing the incoherence between the way the Global Fund is implemented and the objective to reinforce ownership. The Commission should raise this concern at the Board of the Global Fund in order to stimulate an assessment of the system of intervention the Global Fund for getting better ownership and sustainability.

The regional programme Eurosocial includes a provision for institutional capacity building in health policy and is open to the participation of Nicaragua.

Annex 8.11 Conflict prevention

In its Communication on conflict prevention, the Commission announced its intention to focus its cooperation programmes more clearly on addressing the root causes of conflict in an integrated manner. In this context, the Commission will seek to incorporate specific conflict prevention (or resolution) measures into its various sector programmes.

A first analysis of potential sources of conflict in Nicaragua has put in evidence several issues of concern: corruption, relative weakness and politicisation of the judicial system, juridical insecurity, unequal income distribution and access to natural resources and to social services, lack of social cohesion, limited transparency in public affairs, the over-dependence on a reduced

number of commodities, as well as regional influences such as the of the “*maras*”⁴⁴ and drug trafficking. The Commission is addressing these issues both at regional and bilateral level in a complementary way. Addressing the agenda of social cohesion directly contributes to conflict prevention. In this respect, and though Nicaragua has not benefited from the specific EC budget line for conflict-prevention, the CSP is compatible with the conflict prevention policy.

Annex 8.12 Linking emergency, rehabilitation and development (LRRD)

Emergency aid addresses the immediate needs of populations affected by crisis. Rehabilitation is designed to support, in the mid-term, the recovery of development capacities of the affected populations. There is no standardised model for linking emergency to rehabilitation and rehabilitation to development.

This link has been of particular relevance for Nicaragua and Central America after the conflicts of the eighties and, more recently, after hurricane Mitch (through the Regional Programme for Rehabilitation and Reconstruction of Central America). Regional mechanisms of preparedness are under preparation, but at national level, Nicaragua is back in the phase of development after having experienced the previous phases.

EC humanitarian emergency response would be provided to affected population in case of natural and/or man-made disaster, through the General Directorate for Humanitarian Aid. EC Humanitarian aid will be duly coordinated with other EC services and EU Member States humanitarian actions.

In addition, ECHO’s disaster preparedness programme (DIPECHO) targets vulnerable communities living in the main disaster-prone regions of the world, of which Central America. DIPECHO tries to reduce risks by ensuring prior preparedness for the most vulnerable populations in the regions most affected by recurring natural disaster. It increases the response capacity by incorporating and coordinating activities at local, national, and regional levels. The experience gained through DIPECHO is very useful for other EC services, in particular those related to food security and disaster preparedness.

Annex 8.13 Migration, justice and home affairs

The current policy concerning immigration could have an impact on the development of Nicaragua and some Central American countries due to the extreme importance of remittances from immigrants in hosting countries in the macro-economic equilibrium (remittances represent around 20% of the GDP). For the moment, given the fact that the emigration flow from Nicaragua is directed to the USA and Costa Rica, the impact above mentioned is very limited. However, migration within Central America is a factor to take into account when addressing national and regional problems.

Annex 8.14 Employment, social affairs and equal opportunities

Employment is a crucial factor to achieve a high level of social cohesion. In this respect the EC promotes decent work for all in line with the ILO agenda. Core Social Responsibility (CSR) is a concept whereby companies integrate social and environment concerns in their business operation and their interaction with stakeholders on a voluntary basis. In consequence respect of fundamental labour rights is a key element of the EU policy. Social responsible initiatives by entrepreneurs have a long tradition in Europe, but CSR has also a global nature, with the issues of global governance and liberalisation, including their social and environmental dimension, dealing with both social cohesion and regional integration.

In the field of labour policy, Central America has recently reaffirmed its commitments to the ILO principles and fundamental labour rights through a declaration made on 30 June 2005 by

⁴⁴ Armed gangs of violent young people present over Central America, Mexico and the USA.
CSP Nicaragua-EN

labour ministers and representatives of employers and labour in support of the development of employment and “decent jobs”. The fundamental aims of this programme include promotion of international labour norms, employment creation, expansion of social protection and strengthening social dialogue

Annex 8.15 Information society

The main cooperation objectives pursued with Latin America in the Information Society field are the following:

- Promoting social cohesion through the development of an inclusive Information Society and fighting the digital divide within and between countries and regions and, in such, contributing to governance and to the economic and social development of Latin American countries;
- Fostering regional integration and the integration of Latin American countries in the global Information Society;
- Promoting investment and reinforcing commercial exchange with Latin America by creating a favourable environment in the region, notably by promoting efficient regulatory and policy frameworks, as well as open and global standards;

These objectives are specifically addressed by the Latin American regional strategy and the @lis programme which includes a high level regular policy dialogue between Latin America and the European Union.

Annex 8.16 Food security, rural development and sustainable resource management

The European Commission recognises that rural poverty is a multi-dimensional problem that includes low incomes, inequity in access to the production factors, low health and education standards, degradation of natural resources, vulnerability to natural disasters, and little political power. Rural development strategies should tackle all these issues and incorporate rural poverty strategies such as food security and sustainable natural resources management.

At national level, the European Commission sets out a policy of adapting its actions to the specific national context and to encourage political and sector dialogue including the private sector, civil society and NGOs.

The present strategy is in line with this policy, in particular with respect to the multi-dimensional aspect of rural development. Nicaragua has benefited from the thematic food security budget line in addition to the regular cooperation instruments. This combination of the thematic budget line and development cooperation has been highly positive and coherent, and should be a good example for the future use of the food security thematic programme. It should continue as being managed as it is.

Annex 8.17 Integration of the gender factor

The Community’s strategy on gender equity lays out a global framework to promote equality between men and women in five areas: economic life, equality of participation and representation, social rights, civil life and roles, gender stereotypes.

Gender issues are an important concern in Nicaragua. A gender profile has been made and can be found in [annex 5.1](#). It is one of the main cross-cutting issues of the present CSP. Although a specific gender budget line existed, it was not active in Latin America.

Annex 8.18 Participation of Non State Actors (NSA) in development

The European Commission’s policy is based on the recognition that ownership of strategy is the key to the success of development policies. Therefore, the most wide-ranging participation of all

segments of the society must be encouraged and implemented, respecting both the particular situation of each partner country and the central role of the Government complemented by decentralized authorities. Beside the implication of NSA in the present strategy, the Commission is committing direct financing to NSA through thematic programmes.

Besides sector budget lines detailed in other chapters, the Commission has been co-financing development activities proposed by NGOs for many years. Progressively, priority has been given to activities initiated by partner organisations and to larger projects. This financing was concentrated in two budget lines: the Co-Financing and the Decentralised Cooperation budget lines. The aim of these budget lines and the new NSA and Local Authorities Programme is to add a specific dimension to the EU development cooperation.

Those financing have been particularly active in Nicaragua. Recently, there has been a growing concern about the pertinence and the coherence of the selected projects. Being only demand-driven, there is a feeling that the financing has missed its role of supporting the process of implicating the local NSA in the development agendas. This was especially the case at the moment of supporting the implication of NSA in the discussions on poverty reduction strategies.

When co-financing the civil society and NGO in particular, a strong preference should be given to support processes and policies rather than financing local projects. Priority should be given to proposals complementing the focal sectors of the CSP and their main cross-cutting issues, but preserving the independence of civil society. The aim is to back up civil society, in particular its local actors, in participating to the design of global, sector and development policies, and in being active in the consultation processes⁴⁵, in particular in the Harmonization and Alignment process.

Annex 8.19 The EU drugs strategy

At the external level, the EU drug strategy is based on strengthening coordination in the fight against drugs and on supporting the development of relations between third countries and the EU. Based on the principle of shared responsibility, the EU approach is comprehensive and multidisciplinary and focuses simultaneously on demand reduction, supply reduction, the fight against trafficking and international action addressing the overall social and economic development. This has been concretised by the EU-Latin American Action Plan of Panama adopted and ratified in 1999; Based on it, the Lisbon Priorities (2000) focussing action on demand reduction, alternative development, money laundering and maritime cooperation.

The 2004 EU-LAC summit in Guadalajara reaffirmed the essential role of international cooperation in the fight against illicit drugs and highlighted the increasing importance of dealing with drug trafficking and drug consumption. With respect to the institutional framework, cooperation with Latin America in the fight against illicit drugs, including Central America, takes place at bi-regional level in the EU-Latin America and Caribbean (LAC) Coordination and Cooperation Mechanism (first meeting in 1998), as well as at multilateral level in the meetings of the UN Commission of Narcotic Drugs (CND) in Vienna.

One should recall the special treatment received by the Andean and Central American countries, within the framework of the Generalised System of Preferences, in support to their efforts in combating drugs.

The objectives of the present CSP are coherent with the instruments put into place by the EC in its relations with Central America to fight drug trafficking. The Latin American regional strategy includes a new specific provision between the EU and Latin America to take place in addition to the *ad hoc* policy dialogue.

⁴⁵ Nicaraguan Civil Society has a more political than social history. A new dynamic should take place through the concept of citizenship.

Annex 8.20 Education and training

The European Commission recognizes the vital importance of education in reducing poverty. Education priorities for the EC are:

- basic education, in particular primary education and teacher training,
- work-related training,
- higher education, especially at regional level.

At the level of primary education, the Commission is participating to the “Education-for-All” initiative (EFA-FTE). It is committed to improve the efficiency of the education system, stressing as much quality and quantity of education. At the level of higher education, the focus is on institutionalizing networks, exchanges of students, teachers and professors between Europe and the rest of the world.

As regard Nicaragua, different officials voiced that the focus on primary education from the donor community, together with the national attention on universities (which are benefiting from 6% of the State Budget), is creating a inequity of the different education levels, in particular vis-à-vis the secondary education. This lack of attention, added to the inadequacy between secondary education and the labour market, could have a perverse effect on education. They advocate considering education as a whole, with an equitable distribution of resources and attention and in coherence with the labour market needs. They also called for a more flexible approach regarding Education for All, in particular more ownership.

The Community is supporting the Education for All initiative and financing its coordination, helping it to be more flexible and adapted to specific situation. At the level of higher education, Nicaragua is participating to the regional projects ALβAN and ALFA, and to different initiatives of networking and exchange of students and teachers. Those initiatives at the level of high education are considered positive and should continue.

Mention should be made to the YOUTH programme which is an EU’s mobility and non-formal education programme targeting young people aged between 15 and 25 years. This programme also supports international cooperation activities with other partner countries including Latin America.

The CSP is fully coherent with the EU education policy.

Annex 8.21 Economic and financial affairs

In its international policy on economic and financial affairs towards Latin America, the Commission has two main priorities supporting the global agenda toward Latin America:

- to foster macro-economic stability and convergence
- to promote social cohesion

In matter of macro-economic convergence, the Commission participates in the policy dialogue among policy makers of Latin America, transmitting its own experience.

This exchange of experience is crucial for supporting regional economic integration, and is significant in helping the Central American integration agenda. Activities are financed and to be financed at the level the Latin American RES. Among other actions, the Commission contributes is supporting activities of the Economic Commission for Latin America and the Caribbean (ECLAC).

Annex 8.22 Fisheries and maritime affairs

The common fishery policy has the objective to protect fish resources by regulating the amount of fish taken from the sea, to help the fishing and aquaculture industries to adapt themselves to the constraints of the market, and to maintain a common organisation of the market.

Regarding third countries, the objectives are to set up fisheries agreements and to negotiate for common conservation measures in deep-sea fisheries, in order to guarantee both conservation and sustainable exploitation of fish resources. This includes close collaboration with developing countries to help them become more effective in fisheries matters, and support to the efforts to combat illegal and unregulated fisheries.

Regarding Nicaragua, there is a common objective on Atlantic tuna, prawn, and crayfish. Both the EU and Nicaragua are members of the Western Central Atlantic Fishery Commission) and the Inter-American Tropical Tuna Convention. Nicaragua and the European Union are collaborating closely in these international organisations, looking for the respect of international practices (management of fish resources, dolphin-safe catching). There is no restriction to the import of Nicaraguan fish products to the European Union.

Annex 9. Regional strategy for Central America - priorities for cooperation

The guiding principles that will underpin the 2007-2013 regional strategy for Central America can be set out as follows:

- *Strengthening political and economic relations between the EU and Central America*, which is the main instrument for facilitating the negotiation and implementation of an Association Agreement based on the mutual interest of both regions;
- *Contributing to the sustainable socio-economic development of Central America*, which would be the key instrument for developing classical development cooperation activities as set out in the 1993 Framework Cooperation Agreement and the Cooperation Chapter of the 2002 Political Dialogue and Cooperation Agreement signed between the EU and Central America;
- *Supporting the consolidation of the process of regional integration in Central America*, for which the Commission would provide support to the Central American integration agenda, building on the current regional cooperation programme channelled through the SG-SICA, SIECA and other regional institutions and taking advantage of the comparative advantages and specialised knowledge of the Commission in the area of regional integration.

Regional integration is not only a means of promoting political stability and sustainable development, but also constitutes a fundamental element of the EU and Central America's common strategic objective, the negotiation of an Association Agreement including a Free Trade Agreement. In this context, focusing cooperation on supporting the process of regional integration in Central America is fully in line with the Commission's priorities, reiterated in Guadalajara and Vienna, and will enable the Commission to capitalise on the solid basis established under the current regional strategy. It is underlined that the Commission is essentially the key actor in supporting with grant funds the process of establishing a customs union, developing and implementing common policies and strengthening regional institutions.

In principle, support for increasing social cohesion, the other key challenge that confronts the Central American region, will be provided through the country-level strategies, as will also be the case for sector initiatives including areas such as education, health, rural development and decentralisation.

Thus the main objective of the 2007-2013 Regional Strategy for Central America will be to support the process of political, economic and social integration in the context of the preparation of an Association Agreement with the EU. Within this objective, three groups of potential interventions can be considered.

The first group will include the **strengthening of the institutional system of the process of Central American integration**. In this context, cooperation may be directed to regional institutions, inter-governmental systems of coordination and national entities involved in the integration process. It is underlined that this support will be limited to the involvement of these institutions in questions strictly related to regional integration. Specific provision will be made to include the participation of civil society in the preparation and implementation of programmes in support of the regional integration process.

The second group will focus on: the **consolidation of the Central American customs union**; support for specific aspects of the economic integration process such as trade facilitation, services and investment and intellectual property rights; and the development and implementation of other harmonised and common policies and legislation within the Central American region that will

contribute to the creation of a common market. For the latter, initiatives that could be considered may range from fiscal policy and labour legislation to environmental measures, *inter alia*.

The third group of intervention will cover aspects of **strengthening regional security** in the context of mitigating the impact of the free circulation of goods, capital and persons. This constitutes a response to the growing wave of insecurity and crime in the region, which has its origin in the high levels of poverty and social exclusion and has been exacerbated by migratory trends and the opening of borders.

With regard to the orientation of support to the economic integration process, the Joint Assessment of regional economic integration in Central America provided a clear picture of the region's shortcomings in order to reach a sufficient level of economic integration . In addition, further needs arising from the process of negotiating and implementing an Association Agreement will be systematically taken into consideration in the design of support programmes under this strategy.

Finally, the coherence of the regional strategy for Central America with both the Regional Strategy for Latin America and the Country Strategies for the individual Central American Republics is assured through its fundamental regional integration focus. This approach permits: a) the Regional Strategy for Latin America to concentrate on horizontal issues and areas where the transfer of knowledge between the EU and Latin America is of critical importance; and b) the Central American country strategies to focus on nation-building policies such as governance, rule of law, social cohesion and sector programmes including decentralisation and local development.

Annex 10. General criteria on eligibility to budget support⁴⁶

Budget support is direct or indirect support to the budget of the beneficiary state, managed in accordance with that state's budget procedures. All kinds of budget support represent a support to the balance of payments and a financing of the budget deficit for the beneficiary country.

- Macroeconomic budget support has also been called support for structural adjustment, support for economic reforms and budget support for poverty reduction. It covers the overall macroeconomic and budget framework of the beneficiary country.
- Budget support to sectoral policies includes budget support provided within a specific sectoral framework (e.g. food security, health, education, transport, etc ...). It does not imply targeting of aid funds towards the sector, since the previous experiences in this respect have produced distortions in the budgetary process and narrow impacts within the sector. Besides, fungibility of resources renders targeting as a virtual exercise.

Countries eligible for macroeconomic budget support must have a viable medium-term macroeconomic framework (or a PRSP in the case of IDA countries) supported, but not necessarily financed by the Bretton Woods Institutions. In general, where such a country needs to finance its external financing gap, this type of support can be justified. At the same time other needs of budgetary nature, such as those caused by the need to finance any economic or social policies agreed with donors, will also be considered.

Budget support for implementing coherent sectoral policies agreed with donors (e.g. the World Bank, EU Member States, etc), may be provided as sectoral budget support separate from - or in parallel with - macroeconomic programmes. Generally the sector budget support will be complementary to macroeconomic budget support. In practice, it is difficult to conceive of providing sectoral budget support in the absence of a macroeconomic support programme.

Work has been done on defining what a sectoral programme is and what minimum conditions it should fulfil. The general view within the donor community is that a sectoral programme should meet at least three criteria if it is to qualify for budget support. The criteria are:

- there must be a sectoral policy document and an overall strategic framework, designed after consultation of the stake-holders;
- there must be an annual budget, and a perspective of sectoral medium-term expenditure framework; the sectoral support programme can be an accelerator in the production of an MTEF;
- there must be a sufficient degree of coordination among donors within the sector, under the umbrella of the government.

Transparent, accountable and effective management of public expenditure and publicly open and transparent rules on public procurement are of paramount importance. In the absence of internationally agreed standard for Public Finance Management (PFM), the Commission is adopting a dynamic concept of PFM improvement within a medium term perspective. Recent work in the field of PFM by the Public Expenditure Accountability Programme (PEFA, www.pefa.org) financed by several donors, has been instrumental in setting benchmarks in order to appreciate PFM.

The assessment of the public finances of a beneficiary country is one of the fundamental pillars for the implementation of EC budget support. It is important to ensure both beforehand and in the

⁴⁶ More information could be found in the EC "GUIDE to the programming and implementation of budget support for third countries"

course of implementing any support, that the direction of public finances management is improving satisfactorily. Improvement in the quality/effectiveness of public expenditure is one of the most important elements to be addressed in the analysis

The Commission may co-finance all support programmes together with other interested donors, such as the World Bank or the EU Member States. This should be reflected in the negotiation between Government and donors of a single framework of support in which the same objectives, disbursement schedule, conditions / verification indicators will apply, whilst leaving each donor free to make its own financing decisions. The arrangement could be formally embodied in a memorandum of understanding and a code of conduct applicable to all donors.

Analysis of medium-term macroeconomic framework and poverty reduction policies (for IDA countries) is an essential part of appraising support programmes. This is a continuous analysis process method.

Annex 11. Sector indicators for the focal sectors

Annex 11.1 Good governance and democracy

Gobernabilidad Y democracia : meta nacional Objetivo especifico Acción Iniciativa	INDICADOR
1 Institucionalizar un sistema de concertación y participación público-privada que identifique y promueva las rutas para la reducción de la pobreza y la ampliación de capacidades nacionales de desarrollo a la vez que concilia las intervenciones públicas con las privadas.	15 departamentos y dos regiones autónomas implementan planes de desarrollo entre Gobierno y Sociedad a través de los CDD/CDR
2 Capacidad institucional del sector público permite una gestión eficiente participativa y transparente administrando y proveyendo eficazmente los recursos, bienes y servicios.	Instancias nacionales de participación, los 15 departamentos y las dos regiones autónomas cuentan con mecanismos de acceso a la información pública sobre gestión
3 La ciudadanía y los funcionarios públicos adoptan los principios del desarrollo sostenible en sus acciones.	17 planes territoriales, programas y políticas de desarrollo sectorial operacionalizan los principios del desarrollo sostenible
4 Reducir la desigualdad entre los géneros y promover la autonomía de las mujeres.	Planes de desarrollo territoriales, programas, leyes y políticas sectoriales incluyen criterios de equidad de genero
5 A través de la consolidación, fortalecimiento y profesionalización de las instituciones que constituyen el sistema de seguridad ciudadana se logra su mejorar y ampliar los servicios prestados a la población, mejorando los indicadores de seguridad ciudadana.	

Extract the National operation Development Plan

Annex 11.2 Access to justice

<i>Ámbito</i>	<i>Objetivo</i>	<i>Ind icador</i>	<i>Meta</i>
Acceso a Justicia	Implementación completa del nuevo Código Procesal Penal a nivel nacional	<ul style="list-style-type: none"> • Número de unidades de acceso a la justicia instaladas y en operación: fiscalías defensorías públicas, unidades de auxilio judicial (policía) • Número anual de acusaciones presentadas por personas pertenecientes a los siguientes colectivos: mujeres, habitantes de municipios más pobres indicados en el mapa de pobreza. 	Cobertura 100 Munic. (Defensores, Fiscales) y 45 unidades auxilio judicial
Sistema de Administración de Justicia	<p>Profesionalización e independencia de las autoridades judiciales</p> <p>Estructura y distribución del gasto</p> <p>Estructura y distribución del gasto</p>	Porcentaje de Fiscales y Defensores Públicos que ingresan por medio de concursos públicos	100% de los nuevos ingresos
	Mejora de la eficiencia y eficacia del sistema de administración de justicia	<p>Promedio de días que transcurren desde el inicio de la acción judicial hasta la sentencia firme</p> <p>Reducción en el porcentaje de declaraciones de falta de mérito para acusar, motivadas por debilidades en la sustentación técnica de las acusaciones penales</p>	
Seguridad Ciudadana	fortalecimiento de las capacidades institucionales públicas de prevención, a nivel central y a nivel local	Incremento en el número de instancias locales de prevención de la violencia.	Ampliación cob. A 70 municipios
Finanzas Públicas	Aumento de la transparencia en el uso de los fondos mediante la realización de una evaluación independiente sobre la ejecución de las finanzas públicas	Reporte de auditoría sobre la ejecución del presupuesto general de la república	La CGR elaborará y presentará a la Asamblea Nacional un reporte de auditoría sobre la ejecución del presupuesto que incluya a la CSJ y al MP.

Indicators agreed between the Nicaraguan Government and the European Commission.

Annex 11.3 Selected indicators of the education sector

Metas Claves del Sistema Educativo Nicaragüense				
Indicador	Meta 2015	Meta 2008	Meta 2005	Actual 2004
TNE Preescolar	45	36.4	32.5	30.7
TNE Primaria	100	88.7	83.8	82.6
TNE Secundaria	60	46.9	41.4	40.1
Tasa de Analfabetismo	10	15.6	18.0	18.7
Años Promedio de Escolaridad	9	5.9	4.8	4.6
Matrícula Educación de Adultos	125,000	102,609	85,549	77,109
Deserción Preescolar	4	7.5	9.0	9.86
Deserción Primaria	4	5.4*	6.0*	6.07*
Deserción Secundaria	4	7.2*	10.0*	10.9*
Repitencia Primaria	2	7.6	10.0	10.6
Repitencia Secundaria	2	4.8	6.0	6.07
Tasa de Terminación Primaria	100	68.0*	65.0*	63.9*
Tasa de Terminación Secundaria	75	41.0*	35.3*	33.6*
Implementación del sistema de evaluación y retroalimentación de resultados de pruebas censales de las asignaturas de español y matemáticas para el 3er y 6to grado	Implementado	Implementado	Implementado	Diseño
% de escuelas públicas incorporadas al régimen de Participación Educativa	100	100	80	61
Número de alcaldías que se encuentran gestionando sus sistemas educativos	153	153	70	20
Presupuesto del MECD como porcentaje del gasto total del Gobierno	20	15	12	11

Política 1: Transformación Educativa: Relevancia y Calidad. Acciones y Metas de la Transformación Educativa.

POLÍTICA	LÍNEA DE ACCIÓN	INDICADOR POR OBJETIVO	CRONOGRAMA DE EJECUCIÓN PROPUESTA				
			2004	2005	2006	2007	2008
1	TRANSFORMACIÓN EDUCATIVA: RELEVANCIA Y CALIDAD	Sistema educativo transformado	Diseño	Diseño	En implementación	En implementación	Implementado
1.1	Diseño de la nueva estructura curricular educativa	Diseño finalizado	Diseño	Finalizado			
1.2	Implementación de sistema de competencias por programas y modalidades	Sistema de competencias implementados	Diseño	Diseño	Implementación	Implementación	Implementación
1.3	Implementación de salidas tecnológicas y vocacionales	Programa de salidas tecnológicas y vocacionales implementado	Diseño	Diseño	Implementación	Implementación	Implementación
1.4	Reforzamiento de lecto escritura, operaciones básicas de matemáticas y competencias para la vida	Maestros aplicando metodología CETT		8400	9200	9500	9700
1.5	Consolidación de modalidades educativas abiertas	Matriculados en modalidades educativas abiertas	7500	11000	14000	20000	25000
1.6	Expansión de programa de educación para la vida	Número de centros participantes en el programa	200	400	600	800	1000
1.7	Expansión de Centros de Aprendizaje y Progreso (CAP)	Número de centros certificados	60	200	500	700	1000
1.8	Fortalecimiento del programa intercultural bilingüe	Programa renovado	Diseño	Diseño	Implementación	Implementación	Implementación
1.9	Vincular los programas educativos al contorno socioeconómico (cluster productivos)	Programas educativos contextualizados	Adecuación de programas	Adecuación de programas	Implementación	Implementación	Implementación
1.10	Mejorar la calidad de vida de los docentes	Porcentaje de canasta básica cubierta con salario promedio de los docentes	80%	90%	100%	100%	100%
1.11	Expansión de informática educativa	Número de centros o laboratorios de informática educativa	65	100	200	300	400

Política 2: Ampliación de la Oferta y Estímulo a la Demanda, Acceso, Adaptabilidad y Equidad. Acciones y Metas de la Ampliación de la Oferta y Estímulo a la Demanda.

POLÍTICA	LÍNEA DE ACCIÓN	INDICADOR POR OBJETIVO	CRONOGRAMA DE EJECUCIÓN PROPUESTA				
			2004	2005	2006	2007	2008
2	AMPLIACIÓN / DIVERSIFICACIÓN DE LA OFERTA Y ESTÍMULO A LA DEMANDA, ACCESO Y EQUIDAD	Años de escolarización de la población entre 10 y 19 años	5.2	5.5	6	6.3	6.7
2.1	Incrementar cobertura de programa de alimentación escolar	Número de alumnos atendidos	600,000	800,000	850,000	850,000	850,000
2.2	Incrementar cobertura de preescolar	Matrícula Pública Preescolar	180,000	192,000	203,000	215,000	228,000
2.3	Incrementar cobertura de primaria	Matrícula Pública Primaria	750,000	780,000	812,000	844,000	877,000
2.4	Incrementar cobertura de secundaria	Matrícula Pública Secundaria	276,000	290,000	301,000	316,000	332,000
2.5	Atender anualmente a más de 100,000 jóvenes y adultos que no tuvieron la oportunidad de concluir la educación primaria	Matrícula de programa de educación de jóvenes y adultos	77,019	85,449	98,000	100,000	102,609
2.6	Implementación de sistema de subsidio a la demanda	Sistema implementado		Diseño	Implementación	Implementación	Implementación
2.7	Ampliación de programa de escuela de padres	Número de centros escolares que implementan programa	60	200	500	700	1,000
2.8	Mejoramiento y Ampliación de la infraestructura Escolar	Número de aulas reemplazadas, construidas o reparadas en todos los niveles	608	600	600	600	600
2.9	Incrementar cobertura educación especial	Número de alumnos atendidos	3276	3500	3500	3500	3500
2.10	Implementación de nuevo sistema de capacitación a los docentes y transformación de las escuelas normales en institutos superiores de educación	Sistema implementado	Diseño	Diseño	Implementación	Implementación	Implementación

Política 3: Mejoramiento de la Gobernabilidad: Participación, Resultados, Rendición de Cuentas y Eficiencia.
Acciones y Metas del Mejoramiento de la Gobernabilidad.

Annex 11.4 Selected indicators in economic and trade issues

META NACIONAL OBJETIVO ESPECIFICO Acción Iniciativa	INDICADOR	BASE	CRONOGRAMA DE EJECUCION				
		2003	2005	2006	2007	2008	2009
TOTAL SECTOR MICRO, PEQUEÑA Y MEDIANA EMPRESA (MIPYME)							
1 LA MIPYME DE LAS RAMAS PRODUCTIVAS PRIORIZADAS AUMENTARÁ EN UN 24% EL VOLUMEN DE SU PRODUCCIÓN Y ACTIVIDAD ECONÓMICA.	Valor Bruto de la Producción (En miles de dólares) /1	209.981	217.331	226.024	236.195	248.005	260.405
2 LAS EXPORTACIONES DE PRODUCTOS MIPYME SE INCREMENTARON EN UN 33%	Exportaciones Anuales (miles de dólares) /2	35,0	36,2	38,0	40,3	43,1	46,6
3 LA MIPYME AUMENTARÁ EN UN 30% LA GENERACION DE EMPLEO.	Generación de empleo /3	411.518	432.094	455.859	478.652	507.371	537.814
4 LA MIPYME CONTARÁ AL MENOS CON UN CRECIMIENTO EN NÚMERO DE 78 NUEVAS EMPRESAS CON POTENCIAL COMPETITIVO A CARGO JÓVENES Y MUJERES EMPRENDEDORES.	Nuevas Empresas de jóvenes y mujeres incubadas		3	10	15	20	30
5 LA MIPYME DE LOS SECTORES PRODUCTIVOS PRIORIZADOS HABRÁ REDUCIDO EN UN 20% SUS ÍNDICES DE CONTAMINACIÓN AMBIENTAL	Empresas adicionales que adoptan un PGA	4	10	20	30	40	50

/ 1: Estimaciones MIFIC-PYME e INPYME s/Informe Anual 2002 Banco Central, solamente incluye las Ramas Muebles, Textiles, Vestuario, Cuero, Calzado, parcialmente Agroalimentos, no incluye pequeño comercio, artesanías
/ 2: Exportaciones Totales a Dic/2003 según estimaciones del MIFIC. Proyecciones 2004 al 2008 basadas en la tasa de crecimiento esperado por las acciones de promoción.
/ 3: Directorio Económico Urbano 1996, actualizado por MIFIC-INEC-GTZ a Febrero 1998, se estimó un crecimiento anual compuesto del 4% en el empleo igualando al crecimiento poblacional, lo que supone niveles de desempleo

META NACIONAL OBJETIVO ESPECIFICO Acción Iniciativa	INDICADOR	BASE	CRONOGRAMA DE EJECUCION					
		2003	2005	2006	2007	2008	2009	Total
TOTAL CONGLOMERADO MANUFACTURA LIGERA								
TOTAL SECTOR MANUFACTURA LIGERA								
TOTAL INFRAESTRUCTURA PORTUARIA DE MANUFACTURA LIGERA								
1 IMPULSAR EL DESARROLLO DE LA MANUFACTURA LIGERA ELEVANDO LA INVERSIÓN EXTRANJERA Y NACIONAL EN U\$ 475 MILLONES Y GENERANDO 70 MIL NUEVOS EMPLEOS DIRECTOS AL 2008.	Inversión directa (extranjera y nacional): en millones de US\$	60	135	235	335	435	535	
2 AUMENTAR LA GENERACIÓN DE DIVISAS HASTA U\$ 315 MILLONES EN 2008.	Millones de U\$ en divisas	134	170	214	245	280	315	
3 CONTAR CON UNA FUERZA LABORAL DE 4200 INDIVIDUOS ALTAMENTE CALIFICADOS A NIVELES TÉCNICO Y MANDOS MEDIOS PARA EL SECTOR Y CONTAR CON 60 EMPRESAS CERTIFICADAS EN TEMAS DE RESPONSABILIDAD SOCIAL EMPRESARIAL.								
4 DESARROLLAR INFRAESTRUCTURA PRODUCTIVA DE APOYO AL SECTOR.								