

Country strategy paper 2002 - 2006

NICARAGUA

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EXECUTIVE SUMMARY

This Country Strategy Paper (CSP) is part of a continuous process of management of the EC cooperation with Nicaragua. It is a key element in the improved programming process of external assistance, which is expected to lead to greater coherence between the EU's strategic priorities and the development policy of each country.

This strategy follows the main principles of the Memorandum of Understanding signed with the country beginning of 2001. It is based on the Poverty Reduction Strategy Paper of Nicaragua published in August 2001. The present strategy fit within the PRSP, in line with the decision of the Council of November 2000.

Having reached the HIPC (Heavily Indebted Poor Countries Initiative) decision point, having published its development strategy, trying to get a PRGF (Poverty Reduction and Growth Facility), Nicaragua is looking for a greater political dialogue with the donor community. The 2002-2006 EC strategy is part of the response. It is based on the reinforcement of ownership trough greater coherence and coordination within the country and between donors (in particular Member States).

The response strategy will be based on three focal sectors which are agricultural and local development, education and good governance.

1. OBJECTIVES OF COMMUNITY COOPERATION

1.1 Global objectives

Article 177 of the EU Treaty lays down three broad objectives for Community development cooperation:

- *sustainable economic and social development;*
- *smooth and gradual integration of the developing countries into the world economy;*
- *fight against poverty.*

Community development policy should also contribute to the general objective of developing and consolidating democracy and the rule of law, and to that of respecting human rights and fundamental freedoms.

November 2000's Joint Declaration by the Council of Ministers and the European Commission on the Development Policy of the European Union establishes poverty reduction, and eventually its elimination, as the principal objective. The Declaration uses a broad interpretation of the concept of poverty: "*poverty is not defined only by the lack of income and economic resources, but also includes the concept of vulnerability and the impossibility to have access to adequate education, food, health, natural resources, drinking water, land, work, credit, information and political participation, services and infrastructure.*" (Article 8).

To achieve this objective, the Declaration specified six areas of action for EU cooperation, namely:

- link between trade and development;
- support for regional integration and cooperation;
- support for macroeconomic policies and promotion of equitable access to social services;
- transport;
- food security and sustainable rural development;
- institutional capacity building, particularly in the area of good governance and the rule of law.

1.2 Specific objectives in South and Central America

Council Regulation (EEC) No 443/92 of 25 February 1992 on financial and technical assistance, and on economic cooperation with the developing countries in Asia and Latin America applies to Nicaragua. Its priorities are to strengthen the cooperation framework and promote sustainable development, social and economic stability and democracy by means of institutional dialogue and economic and financial cooperation.

Complementary guidelines have been introduced in the context of the San José dialogue which has been carried out between the EU and the Central American countries since 1984 in order to help:

- reinforce the peace process and democratisation in the region,
- promote sustainable and equitable economic and social development,
- reinforce the fight against insecurity and delinquency,
- consolidate and modernise the rule of law,
- reinforce social policies and stability in the countries of Central America.

Other principles and guidelines for cooperation with Nicaragua are set out in the 1993 **Cooperation Agreement between the EC and the six Central American countries**. This Agreement, which includes “*human rights*” and “*future developments*” clauses, covers a wide range of spheres for cooperation, one being regional integration.

In the context of the guideline laid down in the March 1999 Communication from the Commission Communication to the Council, the European Parliament and the Economic and Social Committee on a new European Union-Latin America partnership¹ the follow up to the Rio Summit, the Commission² restated its aims to reinforce the partnership and proposed stepping up its action in the three priority areas of promotion and protection of human rights, promotion of the information society, reduction of social imbalance and integration into the world economy.

Finally the Stockholm Declaration in May 1999, six months after Hurricane Mitch, agreed by the affected Central American countries and donors laid down a series of guiding principles and objectives for the reconstruction process:

- The overriding goal must be to reduce the region's social and ecological vulnerability.
- The reconstruction and transformation of Central America should follow an integrated approach of transparency and good governance.
- Democracy and good governance should be consolidated and the decentralisation of government's tasks and powers stepped up, with the active participation of civil society.
- Respect for human rights should be a permanent objective. Particular attention should also be given to promoting gender equality and the rights of children, ethnic groups and minorities.
- The donor's efforts should be guided by priorities set by the recipient countries.
- Efforts should be made to reduce the external debt burden of countries in the region.

1.3 Specific objective to Nicaragua

The priorities for bilateral cooperation between the EC and Nicaragua are laid down in the Memorandum of Understanding (2000-2006), signed by the Nicaraguan Government and the European Community in March 2001. They include:

- Local development in a rural environment,
- Land tenure,
- Education
- Governance and public safety

¹ COM(1999)105 final.

² COM(2000)670 final.

- Economic cooperation.

The Memorandum covers financial and technical assistance and economic cooperation, but not initiatives such as regional cooperation, the Regional Programme for Reconstruction of Central America (PRRAC), food security or decentralised cooperation.

2. NICARAGUA – NATIONAL AGENDA

Nicaragua is eligible for the HIPC initiative. The country reached the decision point in December 2000. In July 2001 the government published the final version of the PRSP (Poverty Reduction Strategy Paper) entitled “A Strengthened Growth and Poverty Reduction Strategy” (SGPRS).

The SGPRS is based on four fundamental principles:

- modernisation of the state to increase its focus and efficiency in providing services to the poor;
- promotion of greater equity by increasing the access of the poor to the benefits of growth, with special emphasis on rural communities, women, indigenous groups, and residents of the Atlantic Coast;
- more *transparency and accountability* through participatory processes that include targeted communities, beneficiaries, and local leaders;
- a broader participation of all members of Nicaraguan society in the PRSP process.

The poverty reduction strategy is based on a core of four pillars (see details in [annex 4](#)):

- labour-intensive, broad-based economic growth and structural reform;
- increasing the investment in the human capital of the poor to enhance their productivity, income and welfare;
- better protection for vulnerable groups;
- good governance and institutional development.

Three crosscutting issues which complement the basic principles and the four pillars have to be taken into account at each stage:

- environmental vulnerability, including the reinforcement of the reduction to the risks of natural disasters;
- greater social equity, in particular with regard to women and indigenous groups. This includes important draft legislation to improve the rights of these groups and the development of national action plans;
- decentralisation of decision-making and service delivery, with a special emphasis to the Atlantic Coast.

[Annex 4](#) contains a graphic presenting the pillars and the crosscutting issues of the strategy.

The PRSP presents 14 targets and indicators of the advance and the success of the strategy. The general target is to reduce extreme poverty by 50% in 2015, with an intermediate target of a 17.5% reduction by 2005. The complete matrix of targets is presented in [Annex 3](#).

The IMF and the World Bank published a Joint Staff Assessment³ recommending the acceptance of PRSP and concluding: “*while the PRSP presents a comprehensive and coherent strategy to reduce poverty in Nicaragua, additional work is needed in several areas*”. The report underlines that “*most targets appear feasible, but their attainment will depend critically on accelerating growth, and a few targets may be overly ambitious*”.

It should be noted that “*the staffs consider that the strategy is subject to significant implementation risks*”. Risk factors include:

- the presidential elections (4th November 2001, see [political context](#) below),

³ IDA and IMF: Poverty Reduction Strategy Paper Joint Staff Assessment, August 2001.

- the fragility of the financial system,
- the need to reinforce good governance and deal effectively with corruption,
- the strategy's sensitivity to the terms of trade (coffee, oil) and to the world economy,
- the need for significant technical assistance.

The World Bank, the IMF and a large number of donors endorsed the Nicaraguan PRSP, which could provide the basis for a US\$ 4.5 billion reduction in external debt servicing.

The PRSP process has been criticised for the lack of coordination and a weak participatory approach. The strategy is presented as a mere of project ideas, a declaration of principles. It has been presented as a dynamic process which should be improved with the time. However part of the Civil Society and some donors consider that the PRSP is still a draft document.

3. COUNTRY ANALYSIS

3.1 Political context

3.1.1 Internal situation

Over the last twenty years the country has seen radical change:

- The popular Sandinista revolution overturned the Somozas' hereditary dictatorship and ruled throughout the 1980s. This period was marked by a deterioration of relations with the USA and a protracted conflict that plunged the country into profound economic and social crisis. The human consequences of this period persist to this day.
- The 1990 elections were the first to be recognised as legitimate by all the political movements taking part.

The recent constitutional reforms and the legal framework have been carried out under a political agreement (“*El Pacto*”) between the government (*Partido Liberal Constitucionalista – PLC*) and the main opposition party (*Frente Sandinista de Liberación Nacional – FSLN*). This agreement was legalised through a constitutional reform. It has generated some scepticism about the independence of the institutions⁴. The electoral system was recast under the same political agreement to reduce the range of national political movements to only three parties. This raised some concerns about the democratic consolidation. The differences between the two parties are more linked to the historical context and the personalities than to their programmes.

The **recent presidential and general elections** (4th November 2001) were a test of the credibility of the present electoral system and democracy. The peaceful outcome is a step towards the consolidation of democracy but, according to electoral observers, also confirms the weakness of the electoral administration. On that occasion President Bolaños was elected and the PLC won the majority in the parliament.

One of the consequences of the political polarisation is an exacerbated politicisation of the higher echelon of the public administrations. Each change of government is accompanied by considerable staff turnover at both central and local level. “*El Pacto*” reinforced the political grip on key administrations such as the Supreme Court, the Electoral Supreme Committee and the Office of the Comptroller General. Thus, building responsible administrative capacity is a major difficulty in Nicaragua because the empirical base is changed each five years and the higher echelons are build up on political concerns more than on professional careers. This politicisation is one of the main causes of stagnation and weaknesses of the capacity of the national administrations.

President Bolaños expressed his intention to fight corruption and to end the politicisation of the administration and “*caudillismo*”.

⁴ In particular since the composition of most key institutions of the State (Supreme Court, Contraloría General de la República, Electoral Supreme Council) was widened to include supporters of both political organisations. The Contraloría has been put under partial control of the two main political parties.

The main points of President Bolaños' programme of government are:

- ending politicisation of the senior administration and having an actual separation of powers,
- fighting corruption,
- creating the necessary economic, social and political conditions to support small, medium and large-scale investments,

This last point implies, *inter alia*, redressing the macro-economic situation, implementing the PRSP and reaching agreement with the IMF, enhancing regional economic integration, developing the productive sector, in particular agriculture and giving a particular emphasis to education.

The first months of the Bolaños' presidency show that his policy, supported by most aid partners, is facing some resistance. Some tensions appeared between the Executive and the Legislative Power, within the legislative power, within the political parties (in particular inside the PLC), between those having benefited from the "*pacto*" and those supporting the new transparency policy.

For reasons specific to its history, Nicaragua has the foundations needed to consolidate its political system:

- The media are generally independent and operate with a full margin of freedom.
- The armed forces have a good institutional level, given the environment.
- Economic groups, for all their importance, do not determine the political context.
- Although still fragmented, civil society has a level of visibility.
- Public security, although deteriorating, is still under control within a framework of respect for public freedoms and fundamental human rights.

There is, however, a high level of perception of **corruption** in the civil service and the private sector. In 2001 the NGO Transparency International put Nicaragua in 77th place out of 91 countries analysed for perceived corruption. Transparency International stated that Nicaragua has a progressive anti-corruption plan, but the government failed at every juncture to put it into action. President Bolaños has made the fight against corruption as a priority for his future government policy.

The **judiciary** also is subject at times to political influence and corruption. The Supreme Court continued its structural reform programme for the judicial system. A new Judicial Organic Law, intended to address many of these problems, came into effect in January 1999; however, the weakness of the judiciary continued. It is clear that the rule of law does not extend to all rural areas.

The **Atlantic Regions** are claiming their difference. The two autonomous regions represent 46% of the territory and only 11% of the population. Those low humid and inhospitable lands are inhabited by indigenous people in the forests and by black allochthonous population coming from the Caribbean on the coast. They not only speak Spanish but also Amerindian languages and an Anglo-Jamaican dialect. With just a few roads this part of the country is quite isolated from the rest of the country. The population perceives the coming of gold diggers, foresters and landless farmers as a danger. In particular the advance of the agricultural border raises concerns. There is a wide difference in term of poverty between this part of the Atlantic and the rest of the country. The last regional elections in the autonomous regions of the Atlantic showed a split with the rest of the country. In both regions abstention was very high contradicting the behaviour of the rest of the country.

One of the most important social characteristics in Nicaragua is the **unequal distribution of income** which is a structural obstacle to poverty reduction and a threat to the stability of the political system.

Nicaragua is not a major **drug** producing country, but it is a transit area (in particular the Atlantic Coast) for illegal narcotics en route from South America to the USA. Evidence in 2000 did not support a finding that the illicit narcotics from Nicaragua were of an amount sufficient to have a

significant effect on the USA or Europe. Following the US Narcotics Department, the Nicaraguan Government has shown its commitment to the fight against the narcotics trade⁵.

The Government generally respects many of its citizens' **human rights**; however, serious problems remain in some areas. In 2000 members of the security forces committed six reported extra-judicial killings. Police continued to beat and otherwise abuse detainees. There were allegations of torture by the authorities. Prison and police holding cell conditions remain harsh, although they improved somewhat. Security forces arbitrarily arrested and detained citizens at an increased rate. The Government effectively punished some of those who committed abuses; however, a degree of impunity persisted.

Land propriety and land tenure is a long time problem. Properties confiscated during the Sandinist period are still a remaining problem the government has to deal with. There is also a significant rate of incertitude of propriety in the rural area due to an inadequate land tenure system.

In conclusion, the principal challenges facing the country continue to be: strengthening democracy, sustaining a professional and efficient civil society, an independent judicial system, fighting corruption, and reducing poverty and social inequalities. This is clearly also a matter of conflict prevention policy.

3.1.2 The regional context

Nicaragua is a member of various **regional initiatives**. For instance, in 1960 it signed the “*Tratado General de Integración Económica Centroamericana*”, the main objective of which was to create the “*Central American Common Market*” (CACM) with Guatemala, El Salvador, Honduras and Costa Rica. Despite various efforts, a real customs union is still a long way off. Since the end of the 1980s, there has been a slight reactivation in Central American integration with a view to the creation of a free trade area between the members (including Panama in some spheres). Formally, the CACM has been succeeded by the *Central American Integration System* (SICA), an umbrella organisation for both political and economic integration efforts.

The country's international political relations are still shaped by **territorial disputes** with neighbouring countries: Colombia (San Andrés y Providencia Islands and the continental shelf of Caribbean Sea), Honduras (territorial waters and Pacific Coast), Costa Rica (navigation on the San Juan River). These conflicts re-emerge from time to time, serving to divert attention from internal problems.

The external policy of the new government is based on stimulating the regional integration within Central America, on trying to resolve the uncertain borders with neighbouring countries, and on integrating the country into the world economy through a policy of free trade agreements with the main trade partners. This is a major change in comparison with the former policy where Nicaragua had its own agenda, preferring bilateral negotiations to regional dialogue.

3.1.3 The United States and Nicaragua

The **United States’ role** in Central America has always been significant and pervasive. US policy has, however, traditionally followed a reactive approach towards the region. In the 1980s such an approach prevailed in the context of an open US support to the armed opposition to the Sandinists.

Since the 1990s US policy toward the region has maintained low profile. Aid has paid attention to building democratic institutions and to addressing social problems, without increasing assistance to significant levels. Throughout Central America there is a significant declining trend in foreign aid from United States.

The passing of the **Caribbean Basin Trade Partnership Act**⁶ and investment in the “*maquila*”⁷ industry increased prospects for expanded trade and has produced an increase of exports to the

⁵ State Department International Narcotics Control Strategy Report for 2000.

⁶ This act allows duty and quota free access for apparel made from knitted regional fabric.

USA. The United States has also sought to curtail drug trafficking by increasing its training to the police forces and other agencies.

3.2 Economic context

Nicaragua's economy is typical of agricultural exporters. Approximately 30% of GDP are generated by the activities of the agricultural sector, and value added is low. The sector accounts for over 40% of employment, but a remarkable 68.7% of the rural population live below the poverty line (30.5% in urban areas).

3.2.1 Macroeconomic situation

Less than ten years ago the economy of the country practically collapsed, with hyperinflation, an external debt of more than US\$ 11 billion, and scarce external economic and financial resources. In 1993, after several years of stagnation or recession, the Nicaraguan economy began to show signs of recovery, chiefly as a result of a stabilisation and structural adjustment programme carried out with substantial external funding.

Nicaragua is the biggest country in Central America but its **GDP of only US\$ 410 per capita** is the second lowest in the Americas, trailed only by Haiti. However recent estimation, not yet published, indicates that official GDP is underestimated and should be multiplied by 1.7 to reflect the reality (US\$ 700 per capita is then more realistic).

During the last few years the country has managed to maintain certain basic macroeconomic balances (prices, exchange rate), record positive economic growth rates and reduce unemployment. [Annex 1](#) presents some of the basic macroeconomic data and forecasts in the event of the acceptance of the programme of poverty reduction.

There are **persistent structural problems**: low rates of productivity and external competitiveness, a high deficit on the current account balance, high levels of poverty and unemployment, a significant external debt burden. All these factors make for a very vulnerable economy heavily dependent on international aid and on remittances from emigrants, though the consistent exchange policy has contributed to an atmosphere of macroeconomic stability. The grave external account deficit (38.3% of GDP in 2000) should be underlined: \$1 019.6 million in 1998, \$1 391.9 million in 1999 and \$1 238.6 million in 2000.

Even if the country doubled its exports, it would not be able to make up this deficit. So far the deficit has basically been covered by different sources. They include **remittances** from relatives residing and/or working temporarily in the United States and Costa Rica (600-900 thousands according to unofficial estimates). Official records put remittances at \$320 million in 2000, but greater amounts were channelled informally⁸.

The size of the **external debt** is certainly one of the principal obstacles to growth in Nicaragua. In mid-2001 it was reckoned at US\$ 6 624.6 million (278% of GDP or \$1300 per capita). In 2000 debt servicing cost \$288.2 million, equivalent to 46% of exports for the year. The Paris Club is being asked to reschedule some US\$ 2 178 million. Nicaragua is also buying back its commercial debt to obtain debt relief from the Central American Bank of Economic Integration (CABIE).

Nicaragua reached the decision point for the Heavily Indebted Poor Countries (**HIPC**) initiative in December 2000, and it is expected to reach the completion point in 2004. The HIPC is expected to save US\$215 million a year. Nicaragua's HIPC objective is to clear 90% of bilateral and 70% of multilateral debt. This would reduce annual payments to the equivalent of 15% of exports.

The **internal debt**⁹ repayment will cloud the budget for the next years. This debt has two origins: (i) a recent one due to the recent bankruptcy of several commercial banks and an accumulation of

⁷ Tax-free zones dedicated to manufacture for export.

⁸ Around \$600 million in 1999 according to Interamerican Dialogue.

⁹ Which is US\$ 1 690 million end-2001.

deficit arrears; (ii) an older one coming from the property coupons given in compensation during the nineties for the properties confiscated by the former Sandinist government.

The Nicaraguan government did not meet all the targets of the **economic programme** signed with the IMF for 2000. In particular, fiscal policy was more expansionary than anticipated, as the combined public sector deficit increased and the external current account deficit widened significantly. In addition, the accumulation of net international reserves (NIR) fell short of programmed levels. These overruns were financed mainly by an accumulation of domestic arrears. This could have a negative impact on the functioning of the economy. Discussions on the third annual PRGF arrangement could not be completed because delays in addressing policy slippages in policy implementation, particularly in the fiscal and monetary areas, during the first part of 2001 made it unfeasible to bring the programme back on track in 2001.

The 2001 Public Expenditure review underlined the weakness of Nicaragua's tax collection system, which has the effect of further reducing the availability of funds for central (and local) government.

The last months of Alemán's Presidency increased the slippages and the new Bolaños administration is facing a very difficult macro-economic situation:

- A persistent coffee crisis due to the collapse of world prices.
- A slowdown of the international economy which had an immediate effect on the national economy due to its sensitivity.
- The internal debt repayment (see [above](#)) increased by the fact that the titles given in compensation during the nineties for the properties confiscated by the former Sandinist government are coming to end of term.
- A bank crisis with the recent bankruptcy of several banks.
- A low level of net internal reserves (US\$ 16 million end 2001).

The result is that the economic growth in 2001 should be much lower than foreseen previously (around 2,5%).

Since the beginning of 2002 the country is under a "Track Record Programme" with the IMF and the new Government has begun to negotiate with this institution, in the hope of presenting a programme to the Board just after mid-2002. The main actions to be undertaken during this programme are related to a fiscal reform without increasing of the nominal taxes and without reducing social expenditure, to strengthen the financial system, to develop a tracking mechanism of the [PRSP](#) and to implement a few structural measures mostly related to governance.

However even if the country gets a PRGF and a substantial debt relief, macro-economic tensions should remain high with difficulties to maintain the level of social expenditure.

In 1998 direct foreign investment totalled US\$184 million, up from zero in 1990.¹⁰ Over the same period the net private capital flow rose from US\$21 million to US\$171 million.

3.2.2 Foreign Trade

The main characteristic of Nicaragua's foreign trade is its concentration, in terms both of composition and the direction of flows.

Exports of goods are concentrated on the following **few products**: coffee, meat, sugar, prawns and lobsters. In 2000 coffee and meat represented almost 40% of total exports. This makes the country highly vulnerable to the frequent fluctuations in international prices for these commodities. The recent collapse in international coffee prices (down from \$146 a quintal in 1998 to less than \$60 in 2001) has had an immediate economic and social impact. The estimated fall in exports in 2001 is around 6.1% and the deterioration of the terms of trade is estimated at 11.1%. Nicaragua's principal trading partner is North America. The European Union (EU) accounts for just over 23% of exports.

¹⁰ This amount can be set against an estimated US\$500 million in official development aid.

As a supplier, the EU accounts for only 5.5% of imports. The long-term trend in Europe's commercial presence is downwards (see breakdown of imports and exports in [annex 2](#)).

Like the other countries of Central America, Nicaragua is a beneficiary of the EU's system of generalised preferences (**GSP**), including the anti-drug clause until the end of 2004.

Note that Nicaragua takes part to a number of trade agreements (see “[the regional context](#)”). It is a member of the WTO.

Expansion of exports is mainly based on the development of free trade areas.

In general the balance of trade reflects the Nicaraguan economy's **structural deficits**:

	1998	1999	2000
Exports (FOB)	573.1	545.2	625.2
Imports (CIF)	1,491.7	1,861.7	1,791.6
Balance	<i>(918.6)</i>	<i>(1,316.5)</i>	<i>(1,166.4)</i>
% GDP	-39.2 %	-52.3 %	-41.4%

3.3 Social context

3.3.1 Poverty in Nicaragua

Nicaragua is one of the poorest countries in Latin America. Almost 48% of the population falls below poverty line and about 17% live in extreme poverty. The poor are largely concentrated in rural areas (where about 70% are poor compared with 30% in urban areas), and in the central region of the country (where 47% of the extreme poor live).

During the 1990s Nicaragua made considerable efforts to reduce civil violence, establish macroeconomic stability and restore growth. Despite laudable successes on many fronts, poverty in Nicaragua continues to be pervasive and acute. Though positive growth rates since 1993 have helped reduce the rate of poverty, rapid population growth has undercut these gains: more people are living in poverty today than in 1993.

A number of factors stand out when poverty in Nicaragua is analysed:

- Fertility rates are twice the Latin American average. Nicaragua’s population is young – 50% of the population is under 17 years of age.
- Nicaragua exhibits a high level of domestic violence (see [chapter 3.4.2](#)), which raises broad concerns about women’s status and a lack of social cohesion.
- Malnutrition is widespread and constrains child health, welfare and opportunities.
- Nicaragua suffers from high levels of infant and maternal mortality, and a high prevalence of infectious and parasitic diseases.
- Economic growth has largely been financed by foreign capital flows. While these have permitted high rates of investment with low levels of domestic savings, they have also raised the level of the exchange rate and discouraged the development of exports.

Social outcome indicators and provision of basic social services improved overall during the 1990s, but the record varied greatly between regions. Poverty declined in rural areas and the central highlands but rose in the urban Atlantic and, except for Managua, in rural Pacific.

It should be noted that around 42% of the central government spending are dedicated to social sectors. This represents 15.2% of the GDP (source World Bank).

The particular situation of agricultural and rural poverty

Economic growth during the 1990s was led by agriculture. The most dynamic products in terms of annual growth were agricultural exports (coffee, sugarcane, banana) and basic grains (beans, rice and corn). This growth was boosted by favourable export prices. Particularly in the Central Region, the increase in employment benefited the rural poor despite a net fall in real wages.

These gains were due to a combination of favourable factors: the restoration of peace, the availability of newly demobilised workers and favourable international commodity prices (in particular coffee). During that period yields for major export crops improved, but those of all basic grains fell. The recent fall in international commodity prices has brought much concern about the sustainability of the agricultural sector.

An **anti-export bias** persists, with a positive rate of protection for import-competitive products and negative for exportable goods. More generally, it is estimated that the anti-export bias will remain as long as there is a lack of adequate infrastructure, transport, ports, communications and a suitable land tenure framework. There is evidence of a low marginal productivity of agricultural labour; it is clear that an increase in agricultural productivity is needed to improve the welfare of the rural poor. Another source of vulnerability is the **limited diversity** of Nicaraguan agriculture. Since half of all exports come from the agricultural sector, the country's total exports are highly vulnerable to the terms of trade for commodities.

Faced with population growth and the need to provide work, Nicaraguan policies in the past were a balance of land tenure reforms and deforestation. Neither made for sustainability. One of the major issues in the rural policy is the **land tenure system**. The consequences are uncertainty about the ownership of over 20% of farmland (especially for the poor)¹¹, a low level of agricultural investment and environmental problems. The result is Nicaraguan agriculture's lack of competitiveness.

Nicaraguan agriculture features very low levels of technology and therefore **very low productivity** gains. It is necessary to speed up improvements in agricultural technology. At the same time rural education levels will have to be raised to enable the rural population to assimilate information about technology. Sustaining rural income growth needs a two-pronged strategy: boosting agricultural productivity and improving incentives for non-agricultural activities. In any case, it is important to boost economic activities in rural areas to prevent migration to increasingly congested urban areas.

As rural growth is a pillar in the Nicaraguan poverty reduction strategy, there is a major concern to find appropriate agricultural policies which could address all rural communities and not just some.

3.3.2 Education

Nicaragua has a **low level of education**. Between 1993 and 1998 overall illiteracy fell from 23% to 19% in line with trends in poverty reduction. Despite that, 40% of the extremely poor are illiterate. Poor and extremely poor people average only 3.1 and 2.3 years of education respectively. Over half of students leave school for economic reasons. The effectiveness of basic public education is adversely affected by high numbers of unqualified teachers, poor classroom conditions and a chronic lack of teaching materials. These problems are especially acute in rural areas.

Nicaragua's main target will be to raise access to primary education from 75% in 1999 to 83.4% by 2005 and 90% by 2015. Illiteracy is to decrease from 19% in 1999 to 18% in 2004 and 10% in 2015.

The government's education strategy combines physical investment in classrooms and intellectual investment in teacher training and a comprehensive reform of secondary and technical education. The government is also planning special measures for rural areas.

¹¹ However there is no significant correlation between uncertain ownership and productivity.

3.3.3 Health

In spite of improved indicators, the health system in Nicaragua is still plagued by poor resource allocation, management and services. The poor have only half the access to doctors than the non-poor. A third of extremely poor women receive no prenatal care and half give birth without benefit of institutional facilities. At 2.6 % Nicaragua's rate of population growth is high by international standards. The rate is even higher among the poor, whose households number more people (6.7-7.7) than the non-poor (4.7).

The Nicaraguan authorities' plans to expand primary health coverage target women, adolescents and children. There will be a focus on providing services in remote areas, in particular on the Atlantic Coast and in Rio San Juan.

3.3.4 Gender

Although the Constitution provides for equality between the sexes, reports of **discrimination against women** are persistent and credible.

Nicaragua has a high incidence of **domestic violence**¹², which raises the broader concern of women's status and a lack of social cohesion. Almost a third of Nicaraguan women report having been abused. Gender segregation is characterised by the following aspects:

- Men are always considered heads of household, even where women are the main breadwinners. Only widows or single mothers living alone are considered as such.
- To be either pregnant or nursing is very often seen as a woman's lot.
- Responsibilities for housework and childcare constrain women's work outside their homes. The labour force participation rate of married women is therefore low. Yet households headed by women are less poor than conjugal households.
- Among the poor, boys and girls are expected to start work very early in life (boys earlier than girls), severely limiting their educational achievement and future income.
- Pregnant teenagers are more likely to live in poor households and their children will face higher risks than others.
- Substance abuse and alcoholism, particularly among men, are important worries for their families. This behaviour promotes violence among youngsters and violence against women and children.
- Prostitution is common. According to UNICEF and OAS there is a significant growth in prostitution among girls under age in the country, but also in child abuse. Sex trade seems to be griming more common.

Such gender segregation is a major obstacle to developing the human capital and taking advantage of income opportunities. It is a permanent concern when attacking poverty in all sectors.

3.3.5 Indigenous people

Indigenous people constitute about 5 percent of the country's population and live primarily in the Northern Autonomous Atlantic Region (RAAN) and Southern Autonomous Atlantic Region (RAAS). Based on 1998 information, the four major identifiable tribes are the Miskito (with approximately 100,000 members), the Sumo (10,000), the Garifuna (3,000), and the Rama (1,000).

The indigenous people of the RAAN, have a political organisation known as Yatama, which has representation in regional and municipal councils. There is also an armed faction of the same name. The total strength of Yatama armed groups was estimated at 210 men.

In September 1999, The President signed a disarmament agreement with representatives of the Yatama armed groups in return of a number of promises. However, these provisions had not been

¹² Almost one third of Nicaraguan women report physical abuse, frequently when their children are present and often during pregnancy.

implemented at year's end which has caused recent threats of remobilization by the Yatama groups. In the past the Supreme Electoral Council (CSE) ruled that the Yatama political party did not meet the qualifications to participate in elections.

During the last regional elections in the Atlantic, indigenous political parties were participating. In both regions more than 60% of the population abstain from voting indicating the low confidence into the national institutions. In the RAAN, the Yatama party won 22% of votes allowing this formation to participate to the next regional government aside with the opposition party FSLN. In the RAAS, the liberal PLC increased its majority to 62%.

The 1987 Autonomy Law requires the Government to consult indigenous people regarding the exploitation of their areas' resources. Indigenous people claim that the central Government often made decisions without adequate community consultation.

3.4 Sustainability issues

3.4.1 Macro-economic issues

As mentioned above Nicaragua has persistent **structural macro-economic problems**: low rates of productivity and external competitiveness, a high deficit on the current account balance, and a significant external and internal debt burden. The economy is heavily dependent on international aid and on remittances from emigrants, though the consistent exchange policy has contributed to an atmosphere of macroeconomic stability.

The unequal distribution of income increases the vulnerability of the country to the external economic shocks and accentuates the negative effect of other sustainability issues. The recent collapse of international coffee price had tremendous effects on the macroeconomic situation and on poverty in the rural areas. It also influenced the food security due to the impossibility of coffee producers to pay salaries.

The **PRSP** prepared by the authorities constitutes a very comprehensive and coherent strategy to reduce poverty in Nicaragua. According to the IMF and the World Bank it could serve as a basis for concessional assistance and debt relief once the authorities have established a satisfactory track record of policy implementation.

A number of actions have still to be taken:

- developing a structured action plan to ensure broad-based participation in the implementation of the poverty strategy,
- preparing an integrated financial management system to monitor implementation and track poverty-related spending¹³,
- developing set of economic indicators to complement social indicators in monitoring the progress in poverty reduction, with a focus on the poorest segments of society.
- Improving the competitiveness of the economy to be able to reduce the structural negative foreign account deficit.

However, the present situation is so difficult that, even if the country will reach its agreement under a PRGF, structural macro-economic problem will still cloud the situations for the next years (see also §3.2.1).

3.4.2 Environment and vulnerability to natural disasters

The agricultural system based on extensive technology has created high pressure on the environment, with a number of key problems:

- decline of soil quality as a result of inappropriate land use and inadequate agricultural practices.

¹³ Since the assessment has been published a programme named SIGFA is carrying out this action.

- limited access to health services and safe water.
- migratory pressure caused by food insecurity and a lack of policies on human settlement and land tenure.

Inadequate natural resource management has increased ecological risks and vulnerability to natural disasters. Though Nicaragua still has substantial natural resources, prompt action is needed to reduce vulnerability. Many departments are experiencing a critical environmental situation,¹⁴ but some regions are particularly badly affected. The Nicaraguan authorities plan to develop a geographical information system to map natural threats and develop early warning alert systems. This action will be combined with environmental education and better planning systems.

Like the other Central American countries, Nicaragua is particularly prone to **natural disasters**. It has been affected by both “*El Niño*” and “*La Niña*”, but Hurricane Mitch is the worst natural disaster to hit Nicaragua these last few years. Hurricane Mitch devastated Central America in October 1998 leaving a trail of flooding, erosion and wreckage and claiming more than 800 000, including 2400 dead and 938 missing. 34% of Nicaraguan territory (130 000 km²) suffered hurricane damage and economic losses are reckoned at US\$1 500 million. The Hurricane caused a food shortage,¹⁵ a worsening social situation¹⁶ and disruption to the country's infrastructure.¹⁷

More recently, a persistent drought during the first half of 2001 has led to food shortages in the areas affected. Late 2001, Hurricane Michelle passed through Nicaragua, damaging the north-west region. For 2002 the return of “*El Niño*” is expected to provoke a severe new drought in the dry parts of the country. The effects of the drought may be exacerbated by a parasite, *Dendroctonus frontalis*, which recently reached epidemic proportion and is destroying natural pine forests of these regions on a large scale.

The consequences of such natural phenomena are exacerbated by latent food insecurity arising from inappropriate agricultural and rural policies.

3.5 Medium-term challenges

By the way of an introduction, it must be reiterated that the overall macroeconomic situation is so fragile that any poverty project will run a high risk of failure unless the **macroeconomic framework** is restructured. The current account balance deficit is over 35%, the debt service represents more than 50% of exports and foreign aid accounts for 25% of GDP: the country is heavily dependent on donors and emigrants' remittances. Its small internal market (linked to poverty) also leaves the country heavily dependent on the international economic context.

In the medium and long terms, **private investment** (internal and external) and the national budget should replace official aid in the area of creating growth. Such investments should also encourage the modernisation of production processes to address low productivity and the need to diversify the economy. This will only be possible with a significant improvement in the investment climate.

In the interests of stability, the country needs to maintain and increase the level of public investment in social services and infrastructure without upsetting the macroeconomic framework and to consolidate the institutional and legal environment to promote a stable regulatory framework, democracy, good governance and transparency. The country then needs to decide a realistic macroeconomic programme with the IMF to preserve the basic macroeconomic balances.

There is an overriding need to enlarge the market for local companies. There are two practical ways to enlarge the market:

¹⁴ Problems include deforestation, water basin and watershed management and soil compacting.

¹⁵ The hurricane laid waste 86 000 hectares of cultivable land and caused the loss of 77 000 head of cattle.

¹⁶ The reported destruction includes a high number of classrooms (more than 1 600), houses (more than 31 500), health centres and sewage systems, leaving people particularly vulnerable to sickness.

¹⁷ Over 6 500 km of paved roads were destroyed.

- reducing income disparity by ensuring that more people benefit from economic growth and that the poor receive their share,
- improving competitiveness by integrating the local economy into the regional and world economies.

This should also **create a climate of competition**, which is not actually possible in today's small Nicaraguan market.

The lack of sectoral macro-economic policies has to be filled creating a favourable context for investments in the social and productive sectors.

Regional integration is an essential element of the medium-term challenge for accompanying economic development and reducing poverty by increasing:

- the market size,
- the competition climate,
- the competitiveness of economic activities,
- the efficiency of the economy.

If a lasting **reduction in poverty** is the priority for the country in the mid- and long-term, there are three factors necessary for its achievement: the development framework (constituted by the [PRSP](#)), the prospect of a large reduction in the external debt and high levels of international cooperation.

There is a necessity to launch a wider dialogue with all involved parties with **new methods of consultation** on the future of national policies.

In the mid- and long-term Nicaragua has to reach a greater national consensus. It is a question of the willingness of the country in general and of its political and social leaders in particular. The political polarisation that has marked recent history gives some cause for concern, especially with the populist programmes of each of the country's main political movements, even if the differences between both programmes are small. The new political culture promoted by President Bolaños seems to be an essential response to this challenge. The question that remains unanswered is whether or not the President Bolaños' administration will be able to clean up Nicaragua's "political mess".

However due to the overall situation, the country is likely to remain highly dependent on external public aid.

4. INTERNATIONAL COOPERATION WITH NICARAGUA

4.1 The importance of international cooperation with Nicaragua

In its report on external cooperation, the Ministry of External Relations sets out the importance of aid in the economy¹⁸. In 2000 official development assistance (ODA) to Nicaragua totalled US\$492.1 million, amounting to US\$97 per capita or 21% of GDP (see [annex 7](#)). Loans accounted for 45% of ODA and grants for 55%. In addition to ODA, NGOs provided about US\$113 million in 2000, 64% of it from the USA and 29% from the EU and its Member States.

ODA is undoubtedly essential for the country's economic and social stability.

4.2 EC cooperation

Cooperation between the EU and Nicaragua began with food aid at the end of the 1970s. It has steadily increased in line with the process of reconstruction, democratisation and peacekeeping in Central America. Over time the different agreements and regulations have permitted interventions in almost all sectors of cooperation.

¹⁸ *Informe de la Cooperación Externa 2000*, Ministerio de Relaciones Exteriores, 2001.

[Annex 5.1](#). provides a summary of EC cooperation with Nicaragua during the period 1998-2000. This period saw the approval of new programmes and projects totalling €145 million. In recent years financial and technical assistance to, and economic cooperation with, Nicaragua has fallen into three main areas: democracy and governance, rural development and social support, especially for health and education.

For all the sectoral concentration, the Nicaraguan government's lack of clearly defined long-term strategies stood in the way of the drafting of comprehensive sectoral policies. EU cooperation simply involved responding to specific requests from the government.

As Nicaragua is extremely vulnerable to natural disasters, it has been one of the focus countries of EC emergency assistance financed through ECHO. ECHO has been providing humanitarian aid to Nicaragua on several occasions such as Hurricane Mitch, the summer 2001 drought and Hurricane Michelle. In addition, ECHO has funded disaster preparedness activities through its "DIPECHO" programme since 1998. These activities aim at reducing the vulnerability of the population to disasters.

Particular mention should be made of the Regional Programme for the Reconstruction of Central America (PRRAC). The PRRAC was adopted with a special budget line to help the Central American countries rebuild after Hurricane Mitch (see [annex 10](#)). This €250 million programme focuses on local activities. It is actually less a regional programme, since the actions financed are country-based, than a programme financing national programmes in the region.

4.3 Evaluation of EC cooperation with Nicaragua

Late 1999/early 2000 saw an external evaluation of the European Commission's cooperation with Nicaragua over the period 1988-97.

This evaluation concluded that EC cooperation had significantly contributed to pacifying some areas of the country worst affected by the war and to reducing poverty by resolving certain social problems affecting the poorest groups in certain areas of the country.¹⁹ However, the evaluation highlighted the poor definition of strategic guidelines for cooperation and the multiplicity of instruments. This piecemeal approach was detrimental both to the visibility and effectiveness of activities. The report also noted the limited capacity of some ministries and public institutions to manage cooperation resources responsibly²⁰ and maintain infrastructure financed by the European Union beyond the lifetime of the project.

The study argues that EC sectoral projects (education, health, justice, and others) have been too small to promote any changes in government policy or to influence the behaviour of the institutions and ministries concerned. The latter were deemed too "administrative" and lacking in long-term vision. However, the consultant considers that these issues should be addressed simply by giving local projects greater autonomy, which the Commission feels is a very narrow view.

More generally, the evaluation pointed to cumbersome procedures and controls which prevented the Commission from devoting sufficient attention to "more essential" tasks, such as the preparation of sectoral strategies and preparing and following up projects/programmes properly. The evaluation particularly underlined the adverse effects of "commitment pressure", which prioritises function over quality.

¹⁹Synthesis report, § 4.2.4: "Making reasonable extrapolation on all the overall development projects all instruments together, approximately 50.000 Nicaraguan families could benefit or benefit from sufficiently intensive, coherent and complete assistance. An economic and social durable impact and an autonomous development process could result from this. This figure accounts for ± 25% of the families that the national authorities regard as priority target and approximately 10 to 15% of the rural and urban poor population of the country."

²⁰Synthesis Report, § 4.1.3: " Considering the little probability that the state institutions could, in the short or medium term, have the means of maintaining and of developing their basic activities (and a fortiori those of the projects with external financing), concentrating the efforts at local level must be envisaged."

The principal recommendation of the evaluation was to organise the EC cooperation around three strategic tasks essentially geared to promoting local development.

- Promoting Local Development to sustain endogenous economic and social development in a specific area, with a particular focus on capacity building for municipalities, local branches of state organisations and civil society organisations.
- Using the focal sectoral policy to complement local activities or support sectors of civil society. A slight degree of technical assistance is recommended for ministries and public institutions responsible for sectoral policies.
- Developing crosscutting cooperation with the modern sector.²¹ This means being flexible and using existing Community horizontal programmes, such as “*Al-invest*”, “*ALFA*”, or “*URBAL*”, to promote trade with Europe and other countries of Latin America.
- The evaluation also underlined the need to group the diverse actions²² in “*horizontal programmes*”.

The Commission’s services share most of the consultant’s findings. However, it considers that the evaluation tends to play down the importance of the central level and is too negative in its assessment of the capacities of ministries and public institutions. In fact, the Commission used to spend most of its time carrying out a patchwork of grassroots operations. These may have had a considerable local influence, but that influence failed to spread across the country.

The Commission’s services believe that the scale of its cooperation with Nicaragua requires it to take part in and influence the **drafting of development policies at the central level**. The consultant’s conclusion that the local level should be reinforced without working at national level is inconsistent with its assessment of the need to “*to influence governmental policy and the behaviour of institutions*”. Further it makes operations less sustainable by assigning no responsibility to the institutions of the country.

The Commission’s services share the opinion also that the **capacity building** component has been insufficient to help the administration responsible for the development. The projects were more focussed on physical realisations than transferring knowledge and technology.

The Commission's assessment of the evaluation is borne out by the results of the sectoral policy evaluation. In particular, the IRAM report on the rural sector²³ concluded that it was essential to work at the level of the central state to:

- support the drafting of appropriate policies at central level and help implement them (top-down approach),
- provide civil society at local and national level with the support it needs to develop its capacity to play its part in the national participatory process (bottom-up approach).
- Of course this requires a greater emphasis on capacity building.

In the current process of the evaluation of the ALA regulation the Commission choose Nicaragua as a country case study. The draft report expressed a number of concerns regarding the specific case of Nicaragua:

- The scarce sustainability of social sector programmes, because of the have been implemented regardless the national policy.
- The very traditional approach to local development had only a superficial and short-term contribution to the eradication of poverty.

²¹ By “*modern sector*” the evaluators mean cooperation with groups, companies, and institutions that have managed a sufficient level of development and comprehension of the rules of the market economy to be considered as independent.

²² The new programme “*@LIS*” which took place after the evaluation fit also in this category.

²³ IRAM: *Land Access, Agrarian Structure, Market and Origin of Poverty in Nicaragua. Contribution to the Definition of the Cooperation Policy of the European Commission for Rural Development and Strategy for Poverty Reduction.* August 2001.

- The lack of consultation and participation in policy and project identification and consultation, monitoring and evaluation.
- The weak coordination between donors, partly due to still weak national structures.
- Insufficient timeframe or implementation mechanism.

The draft report underlines the need to swift toward a sector approach, to enter into a transparent and dynamic policy dialogue, and to adopt more flexible programmes. Those findings confirm the Commission's opinion above mentioned in this chapter.

4.4 Member State of the European Union and other donors

4.4.1 Coordination mechanism

Systematic and coherent donor coordination has not yet been institutionalised in Nicaragua. The lack of co-ordination has been highlighted by a number of studies and is often mentioned by donors as a major constraint for the sustainability for development actions. Donors working in Nicaragua have set up a number of coordination forums:

- the Consultative Group for Nicaragua;
- the Stockholm Consultative Group set up in May 1999 to accompany Nicaragua in the post-Mitch reconstruction process. In its framework, a follow-up group was established to support Nicaragua and others countries of the region in the process of post-Mitch reconstruction. This Group is formed by Germany, Canada, Spain, USA, Japan and Sweden;
- the Good Governance Group (GGG);
- the GGG subgroups, dealing on different subject in particular poverty, elections, environment and decentralisation.
- several sectoral coordination forums, covering *inter alia* agriculture and rural development, small and medium-sized businesses and health;
- a specific forum for donors active on the Atlantic Coast.

There is also specific coordination in Managua to promote complementarity between EU Member States and the European Commission by regular meeting under the local *pro tempore* Presidency of the European Union. Note that some donors have expressed disquiet about the government's relatively limited role in the coordination of aid.

Nevertheless those co-ordination forums are not palliating the lack of government led co-ordination. The last Public Expenditure Review²⁴ underlined that two-thirds of public investment is aid-financed which has led to an over-emphasis on capital spending. Moreover 25% of the investments financed by ODA are in reality current expenditures. This high dependence on donors has tended to undermine the public sector's limited expenditure management capacity. The report underlines the need for the Government to co-ordinate donors better in formulation of their aid programmes, preferably on the basis of sector wide approaches, and to strengthen its medium term planning capacity

The **Commission's involvement** in the coordination machinery has not been as great as it could be. With the deconcentration process scheduled to begin in 2002, the Delegation will step up its involvement in the different coordination and negotiation groups. Greater coordination and greater complementarity have to be maintained with other main donors, in particular Member States and multilateral donors (United Nations agencies and Inter American Development Bank).

²⁴ November 2001.

4.4.2 Member States

The tables in [annex 4](#) show the relative importance of cooperation provided by Member States. In 1999 EU cooperation mounted to US\$ 261 million. The largest EU donors are Sweden, Denmark, Germany, Spain, the Netherlands, and Finland. The EU is the largest net contributor to Nicaragua.

These contributions are essentially concentrated on emergency aid and the social sectors.

4.4.3 The European Investment Bank (EIB)

There have been no European Investment Bank operations in Nicaragua recently. As in other Central American countries, the EIB's own resources may be used to finance private-sector projects with European capital. No such interventions are currently planned in Nicaragua.

4.4.4 Other donors

[Annex 4](#) shows the relative importance of donors working with Nicaragua. Besides the EU, the main sources of grant aid are Japan and the USA, with the World Bank, the Inter-American Development Bank, and Taiwan heading the list of lenders.

4.4.5 Sectoral breakdown of aid

A preliminary breakdown of ODA by sector during the period 1997-2000 shows that 35% of disbursements were for the social sectors. The productive sector and economic infrastructure each represent around 23% and 17% of the total. Economic cooperation accounts for 19% of the total.

While growth is the basis of Nicaragua's poverty reduction strategy, aid tends to focus on social infrastructure rather than productive activities (which can provide income to poor). Though the main focus of the strategy, rural activities account for only 11.4 % of total ODA and transport and communications for 12.7%. There seems to be a contradiction between the sectoral breakdown of aid and Nicaragua's poverty reduction strategy, in which agriculture should play a central role.

However, there has been a recent re-distribution of the sectoral breakdown of the main donors to give more emphasis to the productive activities and economic infrastructure.

5. EC STRATEGY

5.1 Strategy of the EC cooperation

Based in the past on the needs to resettle peace and democracy in a post-conflict context, the EC cooperation has now to move toward a strategy based on the fight against poverty. The EC strategy slots into the Nicaraguan strategy (ownership) expressed in the PRSP and the related papers; it represents the European Union's contribution to the Nicaraguan programme to fight poverty.

The analysis shows the importance of supporting appropriate sectoral policies in order to influence structural change with a **strong coordination** between donors (Sector Wide Approach or SWAP). The ownership should be one of the key elements of the decision point of any financing. Therefore the Commission will actively participate in **dialogues** in each focal sector and improve its coordination with other donors and its dialogue with the national administrations. This will be an essential part of the present strategy.

This need is also relevant for [PRRAC](#) which will be integrated progressively inside the usual cooperation for the dialogue as any other activity.

Following the principles of programming, the EC response strategy is based on three main sectors, complemented by four crosscutting issues ([see in chapter 6](#)).

The focal sectors are:

- socio-economic development in rural areas
- investment in the human capital, and particularly in education,

- support for good governance and the consolidation of democracy.

The present strategy is fully coherent with policy of the new government and will support it.

This strategy and the forthcoming indicative programme will clarify and focus the planned interventions and serve as the reference document for all EU cooperation with Nicaragua.

5.1.1 Socio-economic development in rural areas

A number of factors led the EC to choose the rural sector in general (local development), and agricultural policies in particular, as the first and main focal sector:

- The Nicaraguan poverty reduction strategy is broadly based on agricultural and rural growth, and on a rise in exports, in which the agricultural and agro-industrial sector represents 67%. The rural sector, and in particular farming, has a high concentration of poverty.
- The EC has acquired considerable experience in the sector over the years.
- The donors' contributions are not commensurate with the sector's importance in the country's strategy.
- There are many issues tied in with improvements in the agricultural sector (food security, damage by natural disasters, etc.).

Furthermore, in spite of its revival since 1994, the sector has recently been hit hard by collapsing prices for export products, especially coffee, and food insecurity aggravated by the drought in 2001. The Commission's response to Nicaragua's strategy will be based on two kinds of intervention:

- support for rural policy (local development), in particular agriculture, if possible focusing budget support on a limited number of targets.
- local operations to boost grassroots economic and social development in the poorest parts of the country through local communities, municipalities and NGOs;

An estimate amount of €118 million could be spent in this sector coming from the "*technical and financial assistance*" budget lines. In addition to these funds, resources could be provided under the "*food security*" budget lines (indeed €15 million has already been earmarked for 2002). Local operations will receive an estimated 20% of this indicative budget.

A) Rural sectoral policy

Though there is a specific focus on the local development, it is also essential to work at central level, by providing institutional support for the competent authorities. Without such action, local development will not produce maximum results.

Initially the EC, in close collaboration with other donors involved in the sector, will help the government refine sectoral aspects of rural policy. A number of already existing studies and the PRSP will pave the way for designing such a rural policy.

It should be noted that although the PRSP analyses rural and agricultural problems in depth, this part of the national strategy²⁵ still needs to be reinforced to make it more comprehensive. The situation of agriculture (in the broad sense) should be analysed in greater depth. Though this sector accounts half the working population and a higher proportion of poor people than any other economic sector, the assessment contained in the PRSP still seems superficial. In fact, there is a need to transform those studies and proposals into a coherent and comprehensive rural strategy document. The results of this work will be included in the revision of the strategy paper and shared with all donors involved in the agricultural sector in order to prepare an intervention matrix, indicators and an indicative timetable.

²⁵ The Joint Staff Assessment from the IMF and the World Bank stressed "*There are some gaps in the proposed system of indicators*". It says also: "*the PRSP emphasised the need to address social equity, but does not articulate a clear strategy approach to reach vulnerable and at-risk groups*". It adds that the document should be "*used as a framework for preparing sectoral plans for the national investment programme*".

At the end of 2001, a few initiatives started with the administration and other donors to accelerate the creation of a policy framework in the rural sector. The Commission will participate actively in these initiatives. It should be noted that the Ministerio Agropecuario y Forestal published its agenda of policy of the agricultural and forests sector in April 2002. This document could be the basis for further discussions.

The objective of a sectoral policy should be to catalyse local development. In other words, sectoral policy should support development on the overall national territory in opposition of local development project which has a limited geographical area.

Measures in the rural sector should be focused on supporting a coherent new national policy with targets. This policy should address the need for agricultural reform in order to:

- ensure food security,
- create an environment less sensitive to the terms of trade by developing better risk management,
- deal with the critical environmental situation of many departments as result of an inadequate resources management,
- promote competitiveness and reduce production costs,
- reinforce producer organisations,
- improve rural factors and goods markets
- reinforce decentralisation policy,
- consider the rights of indigenous communities,
- Improve effectiveness of government expenditures and tax system in agriculture
- focus on sustainability (more intensive farming),
- promote off-farm activities and employment in rural areas,
- target the entire rural population, including the poorest.

Relevant technical assistance has to be recruited to help implement this sectoral policy. In coordination with the main donors, this technical assistance will not just involve institutional support to the ministry of agriculture but to the government and other institutions.

B) Intervention at local level

It is proposed that the economic and social development of rural areas be pursued under an integrated approach aimed primarily at increasing the capacity of local organisations and local actors to catalyse their own potential to drive and facilitate development. Most of the operations to be financed in this subsector follow on from the previous rural development strategy within a deeper emphasis on using NGO as implementation agents.

There will be a special emphasis on modernising farming and production processes and promoting non-agricultural economic activities in rural areas. Other specific objectives are to increase economic and social infrastructure in rural areas and to contribute to the organisation of land tenure.

It must be stressed that these activities are unlikely to achieve all their objectives without a significant reform in national agricultural policy. That means that any activities in this field of intervention have to be coherent and complementary to the activities undertaken by the Commission in the field of the support to the rural policy as described in §5.1.1.a.

The financing could come from direct financing but also from using part of the budget support given for the rural policy in case of targeted support into the investment budget.

C) Coherence with the Memorandum of Understanding

The operations planned in this area correspond to:

- component 1 (“*Local development in a rural environment*”) of the MoU signed with the government of Nicaragua in March 2001,

- component 2 (“*Support for rural land-use planning*”) of the MoU,
- part of component 3 (“*education*”) of the MoU
- actions from other budget lines such as food security, decentralised cooperation, tropical forests.

The Commission will actively participate in the national rural policy debate. In particular, part A of the EC intervention should be seen as the financial concomitant of this participation in the national debate.

5.1.2 Investment in human capital, especially in the education sector

Human capital will be the second focal sector of the EC response to government strategy, just as it is the second pillar of the PRSP. The EC has acquired experience in the field of education from previous projects and the Regional Programme for Rehabilitation and Reconstruction of Central America (PRRAC).

There is a quantitative and qualitative lack of education at all levels. A number of donors are already active in the education sector (most in basic education), but the EC has built up good experience both of basic education and vocational training, where the need is great and projects few and far between.

Operations are to be carried out within the framework of the “*National Education Plan 2001-2015*” with a marked sectoral approach. Action will be geared to the private sector and its needs, above all in the matter of vocational training.

Along with other donors, in particular member states, the Commission will support the educational sectoral policy of Nicaragua within the framework of the PRSP. In addition of this part, a number of actions are already planned within the PRRAC.

Educational problems are most acute in rural areas. It is therefore proposed that the rural projects planned in the first focal sector include education as a component of local development.

In practical terms, operations in this area will fall under the Nicaragua sub-programme of the Regional Programme for Rehabilitation and Reconstruction of Central America (PRRAC) and part of component 3 (“*Support for the educational sector*”) of the MoU.

The sectoral approach is the base of the intervention. Within this sectoral approach, a second phase of existing projects could be provided in case of positive evaluation and common assessment within the Commission of its opportunity, case by case. These second phases could be drawn by programmes inside the sectoral approach.

This sector could receive an estimated total amount of €40 million plus the budget allocated by the PRRAC which could reach up to €19.5 million.

5.1.3 Support for good governance and consolidation of democracy

Good governance is the fourth pillar of the PRSP. There is a consensus that this part of the national strategy should be reinforced. Concerns have been expressed not only by the IMF and the World Bank in their assessment of the PRSP but also by other donors, among them the European Union. The new government in place since January 2002 has made good governance one of its top priorities for the next years and has already introduced proposals mainly in area of fighting corruption. However this is still to be introduced into the PRSP.

The new elected government proposed a legislative package which includes:

- Ley de Servicio Civil
- Ley de Reforma y Adición al Código Civil
- Ley de Reforma y Adición al Código Penal
- Ley de Probidad de los Servidores Públicos del Estado
- Ley de Participación Educativo

- Ley General de salud
- Ley de Carrera Administrativa

This package is part of the “*nueva institucionalidad*” based on “*a new culture*” and “*a new political and social ethic*” as expressed by the new Government.

The EU will support this policy and the proposed approach in this sector will be focussed mainly on the following three areas:

- Reinforce the structures of economic, social and institutional control.
- Support the planning and participatory process.
- Reinforce relations between executive, legislative and judicial powers and improve their efficiency.

This could include different kinds of action in order to lay the foundations for sustainable economic and social development:

- Consolidate democracy.
- Support the monitoring of the PRSP.
- Enhance good governance (training officials and improving public procurements).
- Consolidate the separation of powers.

Action in this area corresponds to component No 4 (support for governance and civil security) of the MoU, for which an estimated €21 million has been earmarked, of which €5 million has been committed for a project of reinforcement of the public administration in 2000.

5.1.4 Macroeconomic support

As stressed earlier, an improvement in the macroeconomic framework is essential for the country. The strategy does not involve macroeconomic support as such. However, the EC along with other donors (mainly the World Bank/IMF) will contribute to debt reduction by allocating or reallocating regional funds participating in the HIPC initiative.

5.1.5 Response strategy in non-focal sectors

Non-focal sectors cover a number of issues, some of them more important than others. The following areas are worth noting:

A) Economic cooperation (related to the next item).

For trade oriented matter, in order to be able to effectively export its products to the EU market, a technical assistance technical assistance with the aim of helping Nicaraguan products to meet EU sanitary and technical standards and implementing of its existing commitments under WTO. A Working Group on economic and trade relations between the EU and Central America has been set up. Proposals of this Working Group could be financed through economic cooperation.

Further, at the WTO ministerial conference launching the Doha Development Agenda it was agreed to provide trade related technical assistance as a central component of the negotiation under the agenda.

Specifically, the EC could also support Nicaragua in its efforts:

- to build its legislative, institutional and regulatory capacities to implement and apply its existing WTO commitments.
- to build capacity in the areas of trade facilitation,
- to improve of the domestic competition policy framework,
- to assist in the analysis of tariff and non-tariff priorities and needs,
- to increase its capacity to participate in negotiation.

B) National contributions to regional projects and in particular regional integration

As mentioned in 3.2, Nicaragua will have greater difficulty reducing current levels of poverty if it does not engage in a proper regional economic integration process. A sub-regional strategy will also be produced.

Regional cooperation with Central America is a fundamental complement to the three sectors identified. In March 2001 a regional Memorandum of Understanding was signed. It earmarks an indicative amount of €74.5 million for coherent integration programmes over the period 2000-2006. Its purpose is to promote growth and reduce poverty through the economic, political and social integration of Central America, with an emphasis on three areas:

- supporting economic integration and the launch of common policies where a regional approach offers added value over national treatment;
- consolidating Central American institutions and their performance;
- reinforcing the role of civil society in the integration process and introducing a more competitive environment.

C) Operations following up the present strategy and paving the way for the next one.

5.1.6 Other budget lines

- Operations related to HIV/AIDS,
- Operations related to landmines,
- Tropical forests,
- Environment,
- ECHO humanitarian aid
- ECHO Disaster Preparedness programme (DIPECHO)
- ...

Those budget lines have their own modalities of programming with specific objectives. To a maximum possible extension the programmes activities will try to fit in and to reinforce the present strategy.

Those interventions could be eventually complemented by additional funds coming from the non-focal sector.

5.2 Implementation issues

Some aspects of implementation are clearly linked to the strategy. On top of the implementation issues, it should be stressed that co-ordination, consultation and complementarity will lead the Commission's activities for the present strategy. The number of intervention sectors is lower than in the past. Indeed, two components account for 80% of the resources stipulated in the MoU.

The operational criteria guiding EC cooperation in Nicaragua are as follows:

- Favouring sector programmes (sector wide approach or SWAP) over projects should bring greater sustainability. This means that the Commission, and in particular the Delegation, will actively participate in coordination meetings with the government, other donors and civil society.
- Emphasis should be made in the good quality of identification and elaboration of programmes; with better co-ordination with the Member States and other donors (including, if possible, joint missions, joint programmes, interaction with other donors during sector-specific assessment and formulation of new programmes).
- Greater consultation is needed between Commission departments and with the national administrations and civil society when preparing programmes, especially where there is a strong commitment to shift cooperation over to sectoral support.

- The traditional system of co-directors might be appropriate to projects but not always to programmes and in particular sector programmes, especially with other financing mechanisms, e.g. budget support or co-financing with other donors.
- To ensure that Community cooperation is fully integrated into PRSP, each new programme will be examined beforehand with the SREC²⁶ and the SETEC²⁷, and possibly submitted for the approval of CONPES²⁸. Close collaboration with civil society will also be done as often as necessary.
- Attention should be paid to the Public Expenditure Review in order to help the government to improve the budget management.

Any project or programme financed must, quite naturally, be consistent with the PRSP, this strategy and regional strategies. In the matter of NGO co-financing, priority will be given to projects that are consistent with, or complementary to, this strategy and the PRSP.

For a greater efficiency when working on sectoral policies (sector of socio-economic development in rural areas and sector of education), the EC will try to intervene by providing targeted or non-targeted budgetary support²⁹ (which could include interventions on current expenditures) depending on the assessment of the situation agreed between the Commission departments responsible for programming and implementation.

In case of assessed impossibility in implementing a budgetary support, the Commission will provide a capacity building technical assistance in order to reinforce the elaboration and the execution of the national budget; this should drive to the implementation of a budget support in a next step. In this case the sectoral approach will continue but the budgetary approach will be replaced by an approach of targeted financing outside the national budget, but still in the context of a dialogue with national authorities and civil society.

5.3 Coherence with other EC policies

An analysis of the Commission's policies and their possible impact on Nicaragua shows that the most relevant policies and in particular trade, agricultural, health and consumer safety, internal market, competition, justice, information society, research, conflict prevention (see [annex 9](#)) are consistent and coherent with the present Strategy. However, it is important to underline some issues relative to certain implementation aspects, for which some concerns have been voiced by Nicaraguan officials:

- GSP Drugs component which due to its limited duration acts as a barrier to long term investment in the areas concerned.
- Consumer protection policy on sanitary and phytosanitary controls.

6. PRESENTATION OF THE INDICATIVE PROGRAMME

The Indicative Programme is based on the strategy. 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 corresponding amounts will be done according to the results of identification studies and appraisal reports managed by the Commission.

6.1 Financial instruments

Different budget lines may be used to finance the implementation of the EC-Nicaragua Strategy.

²⁶ Secretariat of Economic Relations and Cooperation.

²⁷ Technical Secretary of the Presidency.

²⁸ National Council of Economic and Social Planning.

²⁹ With the exception of TA activities related to capacity building.

- a) Financial and Technical Assistance and Economic Cooperation. These budget lines cover long-term operations under the country strategy. The 2000-2006 Memorandum of Understanding provides for an indicative amount of €191.5 million.
- b) Food Security. Food insecurity is endemic to the country. A provisional sum of €15 million to be programmed for 2002. The food security envelope will address cyclical shortages and the rural focal sector.
- c) Regional fund for HIPC: The EC has contributed US\$14 million to the World Bank Trust Fund for the alleviation of Nicaragua's debt.
- d) Other EC budget lines may be used to finance specific operations, in particular for environmental and natural resources conservation. Such funding will, however, be granted in accordance with the Commission's procedures for the budget line concerned and depend on availability of funds.

The **PRRAC**, funded under the "rehabilitation budget lines" is governed by specific procedures and is not included in chapter 6.5.

6.2 Principle of review and evaluation

Both the indicative programme and the strategy are subject to annual review. They may be adjusted following a review of the sectoral indicators. Any changes to the strategy and the indicative programme will be made after consultations with the Member States and the Nicaraguan authorities.

A bilateral meeting (headed by the Ministry of External Relations and the Delegation) will review annually the implementation of the strategy and co-operation commitment. *Inter alia* the meeting could produce a report on the compliance of the strategy and the situation of conditionalities and indicators. This report would be one of the bases for the consultations above mentioned.

6.3 The sectors of cooperation

6.3.1 Focal sector: socio-economic development in the rural environment

The global objective is:

- *To help the government implement a coherent new rural policy.*
- *To boost grassroots economic and social development in the poorest parts of the country through local communities and municipalities,*

For the second set of actions, the EC intervention will be based on past experience of grassroots operations in the poorest areas and the autonomous regions of the Atlantic. There will also be complementary operations where the **PRRAC** is working.

The major areas of intervention planned are:

- rural policy (€108 million),
- local rural development in the south of the country (€10 million).

The major policy measures to be taken by the government as its contribution to implementing the chosen strategy in this sector are:

- the continuation of the discussion on the policy to stimulate broad-based growth in agriculture,
- the effective implementation of the PRSP,
- the implementation of the decentralisation process in municipalities,
- the modernisation of the cadastral system and the reform of the land tenure system,
- the implementation of discussions on agricultural policy reform as part of follow-up to the PRSP.

The rural policy component will clearly be subject to conditionality in the sector. Those conditionalities will be negotiated during the preparation of this programme.

The indicators for these activities are directly related to poverty reduction, in particular to the reduction of extreme poverty by 17.3 % for 2005, which implies reducing rural poverty.

The absence of a comprehensive national strategy document does not permit the determination sector indicators for the moment. Better assessments of measures and indicators will be available for with the first review of this strategy. With regard to the arrangements for future EC support, the Nicaraguan government and the EC will endeavour to target budgetary support, essentially for non-TA activities. Other activities related to this sector may be implemented where extra funds are available, in particular under the budget headings for food security.

Although the principal partner for EC support is the Secretary for Economic Relations and Cooperation, operations will also be implemented in direct cooperation with other ministries and agencies, notably the Ministries of Agriculture, Education and Transport. Non-governmental bodies will also be actively encouraged to take part in both the planning and implementation of EC cooperation in this focal sector.

In particular, for a good implementation of the sectoral approach, the EC will provide a technical assistance (TA - with a budget for studies) related for capacity building in the sector and for the implementation of budgetary supports. The TA will be a priority.

6.3.2 Focal sector: investment in human capital (mainly education)

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.*

The main intervention areas are:

- Co-financing the 2001-2015 National Education Plan.
- Vocational training based on an assessment of the needs of the private sector.
- Actions already forecasted within the **PRRAC** framework (total allocation of the PRRAC for Nicaragua is €84 million).

All these interventions will be carried out through a sectoral approach (indicative total amount is €40 millions). The first two interventions are conditional upon the evaluation of previous EC educational financing projects and programmes (see [chapter 5.1.2](#)).

The government's principal commitments are:

- to implement the policy of expanding school provision,
- to pursue the reform of secondary education,
- to analyse demand from the private sector for vocational training.
- to continue expanding basic school provision.

As the state budget is fungible indicators will focus on primary schools in particular:

- Net enrolment in primary school should rise from 75% in 1999 to 80.6% in 2003 and 83.4% in 2005.
- The proportion of children completing six years of primary education should increase by 2 percentage points a year in the period 2000-2005.

Better assessments of the measures will be available for the first review of this strategy. With regard to the arrangements for future EC support, the Nicaraguan government and the EC will endeavour to target budget support, essentially for non-TA activities.

With other donors, the EC will participate in the national education debate in the framework of the PRSP consultations. Although the principal partner for EC support is the Secretary for Economic Relations and Cooperation and the Ministry of Education, these actions will also be implemented in direct cooperation with other ministries and agencies. Non-governmental bodies, and in particular the private sector, will be actively encouraged to take part in both the planning and implementation of EC cooperation in this focal sector.

As for the first focal sector, the EC will provide a TA related for a good implementation of the sectoral approach, for capacity building and for the implementation of budgetary supports. The TA will be a priority.

6.3.3 Focal sector: governance and consolidation of democracy

The global objective is:

- *to consolidate democracy and good governance.*

In particular the following intervention is planned:

- supports for good governance. This action has a good governance component, including the procurement system (€15 million), and a component involving support for national human rights and governance institutions, including eventual actions with the judicial system.

The major commitments of the government are:

- to pursue the plan to modernise institutions and create a culture of transparency and integrity;
- to continue the debate in the framework of the National Integrity Committee;
- to submit for further approval the law on the probity and moral integrity of public officials and employees.

This component is clearly linked to the PRSP and the consolidation of democracy in Nicaragua. In this context the EC will investigate whether budget support can be targeted for other actions.

Other actions linked to human capital may be financed from other budget lines, in particular those related to human rights. In this matter the EC will continue to participate in the Good Governance Group, which can propose modifications to the programme in this sector for incorporation in future reviews of this present strategy.

6.3.4 Macroeconomic support

The main objective is: *to improve the macroeconomic framework*

In this context, the government of Nicaragua will work with the EC for incorporating all EC support into the national budget. A US\$14 million contribution has been made from regional financing to the World Bank HIPC Trust Fund. This sum is to help reduce Nicaragua's debt to the BCIE (*Banco Centroamericana de Integración Económica*).

The EC is also planning to convert contributions to the BCIE into payments to reduce Nicaragua's debt to that Bank. Those funds were used for years by the BCIE to provide lines of credit for the Nicaraguan economy. 2002 could see the first such contribution, with about €25.5 million from the old FEPEX project.

The government has undertaken to arrange a Poverty Reduction and Growth Facility (PRGF) with the IMF.

6.3.5 Non-focal sectors and other budget lines

A number of operations to be chosen in close collaboration between the Nicaraguan authorities and the Commission departments responsible for programming and implementation could be financed in non-focal sectors for individual amounts (see also chapters 5.1.5 and 5.1.6).

Specific indicators and assessments will be drawn up when discussing individual programmes or projects.

6.4 Cross-cutting issues

The three sectors chosen coincide fully with three of the four pillars of the PRSP, as indicated in [Annex 7](#). These priority areas are complemented by crosscutting issues that will take into account all phases of the identification, formulation and implementation of programmes:

- *Gender issues* are a particular concern in Nicaragua, due to the strong relationship with poverty (see [chapter 3](#)). It must be a permanent concern in the implementation of cooperation programmes or projects.
- *Environment and disaster prevention*, though not a priority of Community cooperation in Nicaragua, should be a permanent concern, especially with a view to mitigating the impact of natural disasters (in reference to Hurricane Mitch among other things) but also to promoting the use of new technologies and cleaner energy.
- *Decentralisation* will be promoted as far as possible in every programme, in line with national policy and the actual capacity of local organisations to assume additional responsibilities. Attention will be given to municipal and regional authorities as well to local delegations of ministries and central institutions.
- *Regional integration* is the priority for the regional strategy toward Central America. It should be a permanent concern at all levels of the national strategy which any actions or activities should be coherent with the regional level and the regional strategy.

Furthermore, since the Commission is drafting a policy on the subject, the promotion of new information and communication technologies could be incorporated into certain programmes as another crosscutting issue. To that end, a link with statistical capacity building might warrant consideration.

6.5 Indicative work programme

Indicative work programme of the country strategy for Nicaragua

	Indicative commitments	2001 (for information)	2002	2003	2004	2005	2006	Financial & Technical Cooperation (B7-310)	Economic cooperation (B7-311)	Other budget lines	TOTAL
period 2002-2006											
1 Focal sector: socio-economic development in rural areas											
Rural and agricultural policy (1)	103,0		15,0	20,0	16,0	26,0	26,0	88,0		15,0	103,0
Local development project	10,0		10,0					10,0			10,0
Matagalpa Jinotega road	11,0	11,0									
TA for budgetary support & SWAP (5M€) (2)	5,0			5,0				5,0			5,0
TOTAL											118,0
2. Focal sector: Human development											
sectoral policy education (3)	40,0			10,0	10,0	20,0		40,0			40,0
TOTAL											40,0
3. Focal sector: good governance											
Support to good governance	17,0				10,0		7,0	17,0			17,0
TOTAL											17,0
4. Macro economic support											
HIPC participation (4)	15,9		15,9							15,9	15,9
Reorientation of FEPEX (5)	25,5										
TOTAL											15,9
Non focal sectors & various											
Trade and development (5M€)	5,0								5,0		5,0
Various, evaluations & studies	11,5							6,5	5,0		11,5
TOTAL											16,5
TOTAL		11,0	40,9	35,0	36,0	46,0	33,0	166,5	10,0	30,9	207,4
<i>For information : PRRAC Nicaraguan component (budget line rehabilitation)</i>											
	84,0	25,6	14,0							14,0	14,0

- (1) Engagement for 2002 is from food security budget lines, then annual commitments, but only one financing agreement,
- (2) This commitment is also relevant for the focal sector "Human Development".
- (3) Annual commitment but only one financing agreement,
- (4) Regional commitment,
- (5) No new commitment. Conversion of a former project,

The work programme will depend on the annual availability of funds of the Commission.

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ANNEX 1: SELECTED INDICATORS FOR NICARAGUA AND MAP OF POVERTY

Nicaragua: Social Indicators 1/

	Latest Observation			1999	Same Region/Income Group Latin America and the Caribbean Low Income	
	1970-75	1980-85	1993			
Population						
Total population, mid-year (millions)	2.5	3.4	4.2	4.9	508.2	2,417.1
Growth rate (percent annual average for period)	3.3	3.1	...	2.7	1.6	1.9
Urban population (percent of population)	48.9	51.7	...	55.8	74.9	31.4
Total fertility rate (births per woman)	6.6	5.5	4.6	3.6	2.6	3.7
(In percent of population)						
Poverty						
National headcount index	...	...	...	50.3	...	...
Urban headcount index	...	...	...	31.9	...	...
Rural headcount index	...	...	...	76.1	...	...
Income						
GNI per capita (U.S. dollar)	630	740	380	410	3,800	420
Income/consumption distribution						
Gini index	...	...	50.3	60.3	...	...
Lowest quintile (percent of income or consumption)	3.0	...	4.2	2.3	...	...
Highest quintile (percent of income or consumption)	65.0	...	55.2	63.6	...	...
Social indicators						
Public expenditure on:						
Health (percent of GDP)	...	...	...	8.3	3.3	1.2
Education (percent of GDP)	2.5	5.9	...	3.9	3.6	3.3
Social security and welfare (percent of GDP)	2.9	1.4	...	4.8	7.4	...
(In percent of age group)						
Net primary school enrollment rate 1/						
Total	63	73	79	77	91	...
Male	...	71	...	77	...	...
Female	...	75	...	79	...	...
(In percent of population)						
Access to an improved water source 2/						
Total	...	50	52	79	85	76
Urban	...	77	79	95	93	88
Rural	...	13	23	59	62	70
(In percent under 12 months)						
Immunization rate						
Measles	...	49	81	97	90	64
DPT	...	35	78	83	87	70
Child malnutrition (percent under 5 years)	...	10	24	12	9	...
(In years)						
Life expectancy at birth						
Total	57	61	67	69	70	59
Male	55	58	65	66	67	58
Female	59	64	70	71	73	60
Mortality						
Infant (per 1,000 live births)	93	71	58	34	30	77
Under 5 (per 1,000 live births)	168	143	72	43	38	116
Adult (15-59)						
Male (per 1,000 population)	348	277	...	200	207	288
Female (per 1,000 population)	283	189	...	137	122	258
Maternal (per 100,000 live births)	...	...	...	150	...	...
Births attended by skilled health staff (percent)	...	...	...	65	...	...

Source: 2001 World Development Indicators CD-ROM, World Bank.

1/ Net enrollment ratios exceeding 100 indicate discrepancies between the estimates of school-age population and reported enrollment data.

2/ Latest year for access to improve water source data is 2000.

Extract from: IMF Nicaragua 2001 Article IV consultation, October 2001

Annex 1: Selected Indicators for Nicaragua and Map of Poverty (following)

Nicaragua: Selected Economic and Financial Indicators, 1995-2003

	Average 1995-97	Actual		2000		SMP 2001	Projections	
		1998	1999	Modified Program	Prd.		2002	2003
(Annual percentage change, unless otherwise indicated)								
National income, prices, and unemployment								
GDP at constant prices	4.7	4.1	7.4	5.5	4.3	3.0	3.7	4.5
Consumer prices (end of period)	10.2	18.5	7.2	10.0	9.9	8.0	6.0	5.0
Consumer prices (period average)	10.6	13.0	11.2	10.9	11.6	8.3	6.9	5.5
Unemployment rate (percent)	13.7	13.2	20.7	..	9.9	..	..	..
External sector								
Exports, f.o.b.	21.0	-0.6	-4.9	14.5	18.3	-6.1	12.5	13.1
Export volume	15.7	-2.3	9.3	11.9	20.9	-1.7	5.1	5.9
Imports, f.o.b.	20.7	0.9	23.1	1.0	-5.7	-4.5	2.3	4.8
Import volume	18.0	8.6	15.9	-3.3	-15.9	-5.2	2.9	5.4
Terms of trade (deterioration -)	3.1	7.7	-19.1	-1.8	-12.8	-3.7	7.7	7.4
Nominal effective exchange rate end of period (depreciation -)	-6.6	-11.9	-2.7	..	2.1	..	..	..
Real effective exchange rate end of period (depreciation -)	-1.0	2.0	1.6	..	8.8	..	..	..
Money and credit								
Net domestic assets of the central bank 1/	25.6	27.3	-39.3	-40.7	22.7	-35.5	-13.6	-12.7
Net credit to nonfinancial public sector 2/	84.4	-85.8	-75.6	-38.2	-36.2	-23.7	-37.5	-83.1
Net credit to financial institutions 1/	-40.7	-4.8	-2.6	-13.4	95.4	-45.0	-16.4	-6.1
Currency in circulation	17.3	22.2	29.5	12.0	1.2	4.0	9.7	9.5
Financial system liabilities to private sector	46.4	26.6	22.4	17.3	7.3	6.6	14.3	13.0
Financial system credit to private sector	11.1	43.3	40.0	17.1	14.2	4.4	10.5	10.1
Money income velocity (GDP/M3)	2.1	1.6	1.5	1.5	1.6	1.7	1.7	1.6
Interest rate on deposits (percent per annum) 2/	14.1	12.4	11.5	..	11.2	..	..	..
(In percent of GDP)								
Public sector								
Combined public sector saving 3/	2.8	5.6	5.4	4.9	3.6	-0.1	-0.7	1.2
Combined public sector overall balance (before grants) 3/	-12.6	-9.4	-15.7	-13.6	-15.7	-14.9	-13.9	-12.3
Combined public sector overall balance (after grants) 3/	-6.0	-3.6	-7.0	-6.9	-8.3	-7.4	-4.1	-1.9
Nonfinancial public sector saving	3.0	8.9	7.1	6.2	5.2	3.6	2.9	4.5
Nonfinancial public sector overall balance (before grants)	-12.4	-4.1	-14.0	-12.3	-14.1	-11.2	-10.3	-9.0
Central bank operational results (deficit -) 4/	-0.2	-3.3	-1.7	-1.3	-1.6	-3.7	-3.6	-3.3
Savings and investment								
Gross domestic investment	27.3	33.8	43.3	36.9	34.4	28.5	28.5	29.5
Public	15.3	13.0	21.1	18.4	19.2	14.2	13.2	13.5
Private	11.9	20.8	22.2	18.5	15.2	14.3	15.3	16.0
National savings	-4.6	2.3	1.4	7.6	3.0	0.2	3.5	5.5
Public	2.8	5.6	5.4	4.9	3.6	-0.1	-0.7	1.2
Private	-6.3	-3.3	-4.0	2.7	-0.6	0.3	4.2	4.3
External savings 5/	33.8	31.5	41.9	29.3	31.4	28.3	25.0	24.0
External sector								
External current account balance (Excluding interest obligations)	-36.2	-37.2	-47.9	-33.4	-37.3	-30.5	-25.6	-24.3
Trade balance (deficit -)	-25.9	-39.2	-52.3	-38.4	-40.1	-36.8	-33.3	-31.7
Outstanding external public debt (end of year)	382.9	296.0	289.0	271.5	278.0	..	..	..
(In percent of exports of goods and nonfactor services)								
Contractual debt service	104.2	43.5	47.1	35.4	44.1	58.5	49.1	35.2
Gross international reserves (in months of imports)	1.7	2.3	3.3	4.0	3.2	3.6	3.6	3.6

Source: Central Bank of Nicaragua, Ministry of Finance, and Fund staff estimates.

1/ In relation to currency in circulation at the beginning of the year.

2/ Six-month deposits, end of period.

3/ Includes central bank operational losses.

4/ From 2001 onward, includes the cost of bank resolution on accrual basis.

5/ External current account deficit, excluding interest on debt to non-Paris Club bilateral creditors that is eligible for debt rescheduling and deferred interest to Paris Club.

Extract from: IMF Nicaragua 2001 Article IV consultation, October 2001

Annex 1: Selected Indicators for Nicaragua and Map of Poverty (following)

Nicaragua: Medium-Term Macroeconomic Projections

	Actual			SMP			Projections		
	1998	1999	2000	2001	2002 1/	2003	2004	2005	
<i>(Annual percentage change)</i>									
A. Economic Growth and Prices									
GDP at constant prices	4.1	7.4	4.3	3.0	3.7	4.5	5.0	5.0	
Consumer prices (end of period)	18.5	7.2	9.9	8.0	6.0	5.0	4.0	4.0	
Consumer prices (period average)	13.0	11.2	11.6	8.3	6.9	5.5	4.5	4.0	
<i>(In percent of GDP)</i>									
B. Savings, Investment, and the Current Account									
External current account balance 2/	-31.5	-41.9	-31.4	-28.3	-25.0	-24.0	-22.9	-21.9	
External current account, excluding interest obligations	-26.9	-37.7	-27.0	-23.4	-20.2	-18.2	-17.6	-17.0	
Combined public sector balance before grants	-7.4	-15.7	-15.7	-14.9	-13.9	-12.3	-11.5	-10.6	
Private sector S-I gap	-24.1	-26.2	-15.7	-13.4	-11.1	-11.7	-11.4	-11.3	
C. Savings and Investment									
Investment	33.8	43.3	34.4	28.5	28.5	29.5	29.5	30.0	
Public sector	13.0	21.1	19.3	14.2	13.2	13.5	12.9	12.1	
Private sector	20.8	22.2	15.1	14.3	15.3	16.0	16.6	17.9	
National savings	2.3	1.4	3.0	0.2	3.5	5.5	6.6	8.1	
Public sector	5.6	5.4	3.6	-0.1	-0.7	1.2	1.4	1.5	
Private sector	-3.3	-4.0	-0.6	0.3	4.2	4.3	5.2	6.6	
External savings	31.5	41.9	31.4	28.3	25.0	24.0	22.9	21.9	
Memorandum items:									
Nominal GDP (in millions of cordobas)	22,499	26,126	30,409	33,904	37,584	41,416	45,422	49,601	
ICOR	6.5	6.6	7.1	7.1	8.3	7.7	6.6	6.1	

Sources: Central Bank of Nicaragua; Ministry of Finance; and Fund staff estimates.

1/ Assumes that private pension funds initiate operations in 2002.

2/ Excluding interest on debt owed to non-Paris Club bilateral creditors that is eligible for debt rescheduling.

Extract from: IMF Nicaragua 2001 Article IV consultation, October 2001

Annex 1: Selected Indicators for Nicaragua and Map of Poverty (following)

Nicaragua: Medium-Term Balance of Payments

(In millions of U.S. dollars, unless otherwise indicated)

	2000	SMP 2001	Projections			
			2002	2003	2004	2005
Current account	-895	-769	-717	-679	-685	-697
Excluding interest obligations	-647	-590	-535	-508	-520	-535
Trade balance	-961	-929	-888	-876	-889	-903
Exports, f.o.b.	645	605	681	770	849	942
Imports, f.o.b.	-1,606	-1,534	-1,569	-1,646	-1,739	-1,845
Nonfactor services (net)	-22	7	6	4	-5	-16
Receipts	317	333	357	381	401	423
Payments	-339	-327	-351	-377	-405	-439
Official interest obligations	-248	-178	-181	-172	-165	-162
Other current transactions (net)	335	332	347	364	374	384
Capital account	591	696	573	476	491	499
Official (net)	288	324	227	158	158	134
Official transfers 1/	286	298	367	197	180	180
Disbursements 2/	178	204	186	182	176	180
Amortization 2/	-171	-178	-325	-221	-198	-226
Other (net) 3/	-5	0	0	0	0	0
Other Capital	302	372	345	318	334	365
Overall balance	-304	-73	-144	-203	-194	-198
Change in net international reserves (+ increase)	29	-51	-30	-30	-40	-50
Of which: IMF (net)	21	-5	-5	-7	-15	-25
Net change in arrears (decrease -)	64	0	0	0	0	0
Exceptional financing	211	124	75	0	0	0
Financing gap 4/	0	0	99	233	234	248
Memorandum items:						
Current account (in percent of GDP)	-37.3	-30.5	-27.0	-24.3	-23.1	-22.2
Excluding interest obligations (in percent of GDP)	-27.0	-23.4	-20.2	-18.2	-17.6	-17.0
Gross reserves (in millions of U.S. dollars)	496.7	565.8	607.3	641.5	681.0	721.3
Gross reserves (in months of imports)	3.2	3.6	3.6	3.6	3.6	3.7
Adjusted gross reserves (in millions of U.S. dollars) 5/	255.8	338.7	394.1	439.3	487.6	533.5
Net international reserves (in millions of U.S. dollars)	319	394	440	482	537	602
Debt service ratio, accrual basis	44.1	38.5	49.3	34.8	30.3	30.3
Debt service ratio, after restructuring	32.2	24.2	24.9	20.0	18.1	17.9
Gross official grants and loans (in percent of GDP)	20.5	17.1	15.6	13.6	12.0	11.5
Net official grants and loans (in percent of GDP)	14.9	13.1	11.5	10.5	9.4	8.7
GDP (in millions of U.S. dollars)	2,397	2,522	2,649	2,794	2,961	3,139

Sources: Central Bank of Nicaragua; and Fund staff estimates.

1/ Figures for 2001 and 2002 include interim HIPC assistance in the amount of 71.2 and 140 million respectively.

2/ Medium and long term.

3/ Short-term debt, and private debt due to official creditors.

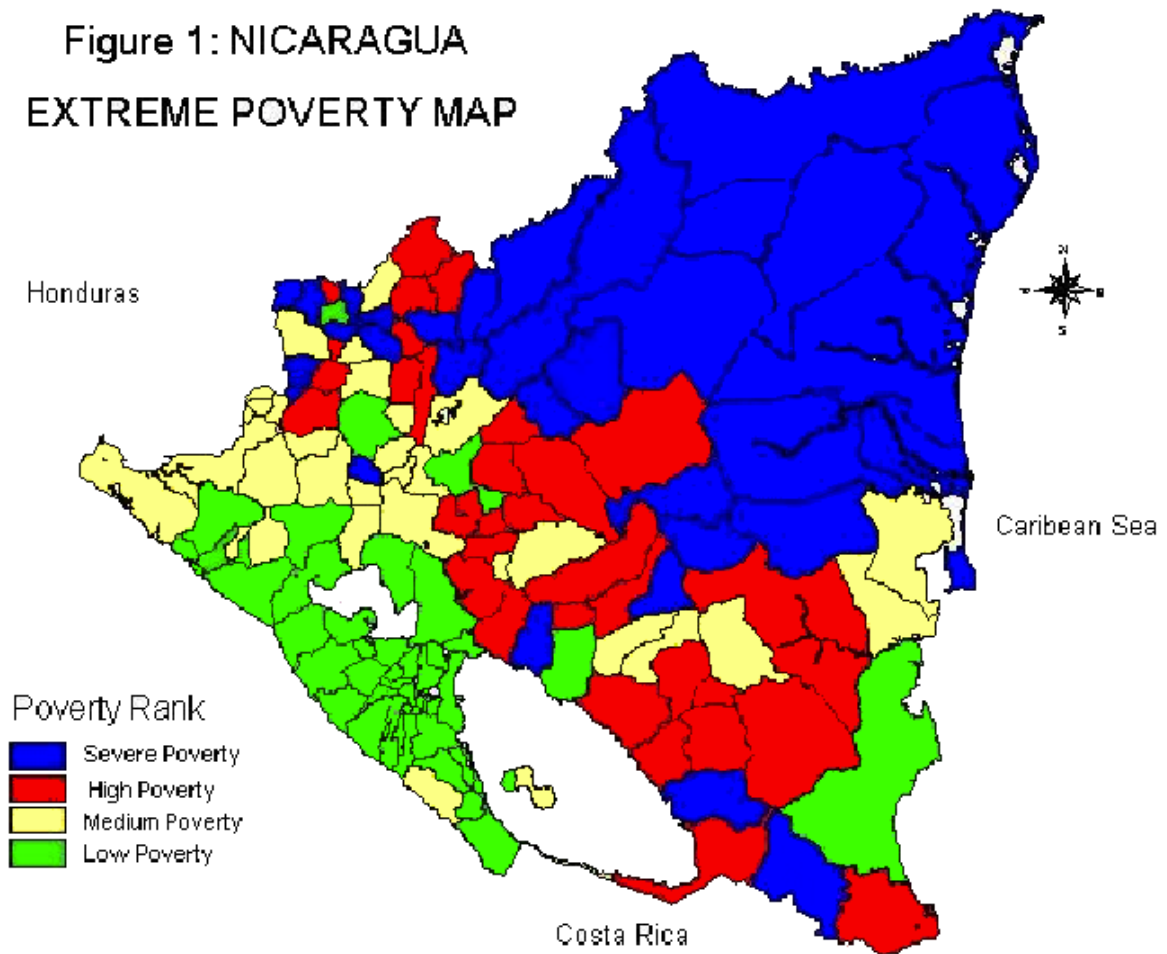
4/ The financing gaps could be filled with debt relief to be granted under the enhanced HIPC Initiative.

5/ Net of the stock of CENIs and in terms of the following year imports of goods and nonfactor services.

Extract from: IMF Nicaragua 2001 Article IV consultation, October 2001

Annex 1: Selected Indicators for Nicaragua and Map of Poverty (following)

**Figure 1: NICARAGUA
EXTREME POVERTY MAP**



The 1998 Extreme Poverty Map is the result of a joint collaborative effort involving MECOVI (Program for the Improvement of Living Standards Measurement Surveys), SETEC, (Technical Secretariat of the Presidency), INEC (National Statistics Institute), FISE (Emergency Social Investment Fund), and the World Bank.

ANNEX 2: NICARAGUAN TRADE

Imports 1998-2000

-in '000 Centrameric pesos (1 \$CA = 1US\$) and in metric tons-

Regions and countries	(P) 1998		(P) 1999		(P) 2000	
	Miles \$CA.	T.M.	Miles \$CA.	T.M.	Miles \$CA.	T.M.
TOTAL	1 534 093	2 081 961	1 723 068	2 323 181	1 720 629	2 746 315
AMERICA 1/	1 258 336	1 889 142	1 461 714	2 131 148	1 441 405	2 439 024
<u>Central American Market</u>	418 156	533 082	519 222	633 248	490 689	626 133
Guatemala	112 888	109 840	133 552	140 819	142 035	145 584
El Salvador	72 010	72 077	99 874	104 258	122 846	141 529
Honduras	70 670	100 730	78 101	112 058	27 030	35 171
Nicaragua						
Costa Rica	162 589	250 434	207 695	276 113	198 778	303 848
Central America, Others	-	-	-	-	-	-
<u>Caribbean Common Market</u>	5 677	13 399	4 496	20 046	21 669	67 510
Antigua and depend.	-	-	-	-	-	-
Bahamas	149	499	249	695	4 213	10 407
Barbados	69	20	8	1	-	-
Belize	226	55	69	32	79	15
Dominica	87	47	15	2	20	14
Granada	-	-	-	-	-	-
Guyana	840	2 654	-	-	-	-
Jamaica	166	83	130	173	56	16
Montserrat	-	-	-	-	-	-
Saint Kitts and Nevis	-	-	-	-	-	-
Saint Vincent	-	-	-	-	-	-
Saint Lucia	-	-	-	-	-	-
Surinam	2	1	-	-	-	-
Trinidad and Tobago	4 138	10 040	4 024	19 142	17 301	57 058
<u>Lat. Assoc. of Integration</u>	243 160	830 965	209 588	884 210	338 419	1 171 069
Argentina	9 379	53 734	5 152	11 571	3 902	3 551
Brazil	12 086	3 436	9 928	4 962	13 623	7 214
Chile	1 490	1 142	4 559	3 191	10 871	6 228
Mexico	70 056	46 374	77 173	38 930	86 503	93 136

Paraguay	93	10	172	18	88	10
Uruguay	224	120	477	223	1 155	561
<u>Andean Community:</u>	149 832	726 149	112 127	825 315	222 277	1 060 368
Bolivia	90	19	88	10	66	18
Colombia	47 701	186 879	11 123	16 715	3 807	2 245
Ecuador	5 736	109 340	12 534	91 861	14 444	88 004
Peru	537	564	1 011	1 249	1 617	1 389
Venezuela	95 769	429 347	87 370	715 479	202 342	968 712
<u>MERCOSUR</u>	21 783	57 300	15 729	16 775	18 768	11 337
Argentina	9 379	53 734	5 152	11 571	3 902	3 551
Brazil	12 086	3 436	9 928	4 962	13 623	7 214
Paraguay	93	10	172	18	88	10
Uruguay	224	120	477	223	1 155	561
<u>Group of the three</u>	213 526	662 599	175 667	771 124	292 652	1 064 093
Colombia	47 701	186 879	11 123	16 715	3 807	2 245
Mexico	70 056	46 374	77 173	38 930	86 503	93 136
Venezuela	95 769	429 347	87 370	715 479	202 342	968 712
<u>ALENA</u>	548 699	469 525	663 831	518 459	523 560	495 269
Canada	16 171	33 492	20 354	24 966	20 553	44 437
USA	462 471	389 659	566 304	454 564	416 504	357 696
Mexico	70 056	46 374	77 173	38 930	86 503	93 136
<u>Other American countries</u>	112 699	88 545	141 750	114 115	153 570	172 179
Aruba	-	-	168	24	59	9
Cuba	829	612	1 033	202	1 076	376
Haiti	9	1	-	-	67	30
Panama	101 763	74 066	121 765	48 604	124 385	88 432
Dominican Republic	978	418	1 403	773	1 340	2 336
Other	9 121	13 448	17 381	64 511	26 643	80 995
<u>EUROPE 2/</u>	126 219	133 733	104 528	138 529	111 972	172 093
<u>European Union</u>	105 107	90 087	84 657	48 466	91 670	90 362
Germany	20 399	7 070	26 668	5 622	28 622	7 342
Belgium - Luxembourg	4 090	8 236	6 313	4 006	8 773	51 831
Denmark	2 082	2 295	2 412	255	2 718	2 084
Spain	21 843	34 777	16 740	11 653	16 727	11 574
France	6 170	6 770	11 140	16 228	7 446	7 547
Greece	-	-	-	-	43	6
Ireland (EIRE)	82	80	594	67	373	68
Italy	5 484	2 463	9 778	6 951	8 531	2 746
Netherlands	38 464	25 772	5 535	2 239	12 419	5 472
Portugal	3	0	24	41	20	28

United Kingdom	3 711	1 831	2 937	728	3 383	700
Austria	953	186	597	384	977	145
Finland	1 135	567	380	74	174	47
Sweden	691	39	1 539	216	1 464	772
<u>European Free Trade Association</u>	8 343	1 387	8 131	2 576	6 260	2 262
Austria	953	186	597	384	977	145
Finland	1 135	567	380	74	174	47
Island	42	1	29	8	9	6
Liechtenstein	-	-	-	-	-	-
Norway	1 582	177	3 375	984	2 067	1 041
Sweden	691	39	1 539	216	1 464	772
Switzerland	3 940	417	2 211	910	1 569	251
<u>Other European Countries</u>	15 549	43 051	14 256	88 161	16 657	80 433
Albania	45	44	-	-	-	-
Armenia	-	-	-	-	-	-
Azerbaijan	-	-	3	0	-	-
Byelorussia	23	57	51	123	108	23
Bosnia o Herzegovina	-	-	-	-	-	-
Bulgaria	43	5	33	42	3	0
Croatia	-	-	4	0	155	4
Slovene	-	-	-	-	4	0
Estonia	-	-	0	0	-	-
Georgia	-	-	-	-	-	-
Hungary	22	7	-	-	11	4
Kazakhstan	19	55	54	153	78	160
Kirghizistan	-	-	-	-	-	-
Latvia	950	3 784	1 034	5 105	1 111	4 843
Lithuania	10	1	36	4	27	2
Moldavia	-	-	-	-	-	-
Poland	1 446	2 247	628	2 323	83	22
Czech Republic	-	-	791	38	79	3
Slovak Republic	-	-	-	-	-	-
Rumania	-	-	-	-	163	40
Russia	11 262	32 008	6 587	43 230	8 593	43 078
Tajikistan	-	-	-	-	154	940
Ukraine	1 656	4 816	5 034	37 142	6 061	31 311
Uzbekistan	-	-	-	-	-	-
Yugoslavia	-	-	-	-	-	-
Others	71	27	-	-	28	3
ASIA	143 408	53 224	154 506	52 009	161 968	128 435

ASEAN	1 212	415	6 610	3 308	6 810	3 072
Brunei	-	-	-	-	-	-
Philippines	3	0	4	0	6	1
Indonesia	764	152	1 238	613	992	1 246
Malaysia	61	86	173	30	286	63
Singapore	103	16	658	1 661	382	153
Thailand	281	160	4 537	1 004	5 144	1 609
Other Asian Countries	142 196	52 810	147 896	48 701	155 158	125 363
China-Taiwan	6 151	2 131	6 998	7 325	8 475	3 240
China, Rep. Popular	3 224	1 583	3 854	2 269	9 988	5 369
North Korea	-	-	-	-	-	-
South Korea	22 793	17 867	28 205	8 443	20 081	5 843
Japan	99 791	11 535	92 045	14 074	102 901	98 047
Other	10 237	19 695	16 794	16 591	13 713	12 864
AFRICA	437	355	406	242	631	83
Morocco	-	-	-	-	-	-
South Africa	29	4	20	22	149	8
Other	408	351	386	220	482	75
OCEANIA	5 614	5 368	1 913	1 254	3 021	1 670
Australia	2 621	4 218	285	56	392	136
New Zealand	2 942	1 142	1 405	693	2 629	1 534
Other countries	51	8	222	504	0	0
Rest of the World	79	138	0	0	1 632	5 010

(P) provisional (-)

1/ value corresponding to Argentina, Brazil, Colombia, Mexico, Paraguay, Uruguay and Venezuela are included only once in the TOTAL AMERICA.

2/ value corresponding to Austria, Finland and Sweden are included only once in the TOTAL EUROPE.

Source: Ministerio de Fomento, Industria y Comercio.

Last actualisation: 14 August de 2001 16:05

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Annex 2: Nicaraguan Trade (following)

Exports 1998-2000

-in '000 Centrameric pesos (1 \$CA = 1US\$) and in metric tons-

Regions and Countries	(P) 1998		(P) 1999		(P) 2000	
	Miles \$CA.	T.M.	Miles \$CA.	T.M.	Miles \$CA.	T.M.
TOTAL	552 824	647 603	509 148	608 970	629 351	690 893
AMERICA 1/	377 417	491 454	367 376	478 680	475 179	491 621
<u>Central American Market</u>	<u>122 495</u>	<u>206 461</u>	<u>145 061</u>	<u>278 965</u>	<u>164 214</u>	<u>265 018</u>
Guatemala	16 449	28 275	14 926	26 446	19 541	46 329
El Salvador	57 646	76 913	68 167	92 499	70 762	82 456
Honduras	22 911	42 700	34 474	98 135	36 168	57 914
Nicaragua						
Costa Rica	25 490	58 573	27 494	61 885	37 743	78 318
Others	-	-	-	-	-	-
<u>Caribbean Common Market</u>	5 679	14 254	1 335	4 952	1 681	7 046
Antigua and depend.	-	-	-	-	-	-
Bahamas	266	76	89	44	121	49
Barbados	27	118	-	-	13	9
Belize	55	2	145	47	258	124
Dominica	136	12	17	11	-	-
Granada	-	-	-	-	-	-
Guyana	-	-	-	-	9	9
Jamaica	3 675	12 506	924	4 513	129	532
Montserrat	-	-	-	-	-	-
Saint Kitts-Nevis	-	-	-	-	-	-
Saint Vincent	-	-	-	-	-	-
Santa Lucia	-	-	-	-	-	-
Surinam	-	-	49	12	-	-
Trinidad y Tobago	1 520	1 541	111	326	1 152	6 323
<u>Lat. Asoc. of Integration</u>	19 144	39 655	15 698	20 528	23 938	32 974
Argentina	3	0	120	1	33	4
Brazil	23	4	91	109	91	70
Chile	4 902	17 501	32	19	11	3
Mexico	12 260	16 527	14 935	20 038	23 342	32 490

Paraguay	-	-	-	-	0	0
Uruguay	-	-	2	0	-	-
<u>Andean Community:</u>	1 957	5 623	518	361	461	407
Bolivia	30	3	46	23	5	4
Colombia	453	424	82	194	163	89
Ecuador	69	127	255	31	58	74
Peru	98	52	119	95	108	51
Venezuela	1 307	5 017	16	18	128	189
<u>MERCOSUR</u>	25	4	214	111	124	74
Argentina	3	0	120	1	33	4
Brazil	23	4	91	109	91	70
Paraguay	-	-	-	-	0	0
Uruguay	-	-	2	0	-	-
<u>Group of the Three</u>	14 020	21 968	15 033	20 249	23 632	32 768
Colombia	453	424	82	194	163	89
Mexico	12 260	16 527	14 935	20 038	23 342	32 490
Venezuela	1 307	5 017	16	18	128	189
<u>ALENA</u>	228 575	228 399	201 658	154 714	286 662	198 833
Canada	9 025	3 913	6 988	2 980	25 426	23 860
USA	207 290	207 959	179 735	131 696	237 895	142 484
Mexico	12 260	16 527	14 935	20 038	23 342	32 490
<u>Other American Countries</u>	13 784	19 211	18 559	39 560	22 024	20 240
Aruba	95	72	-	-	-	-
Cuba	2 723	5 198	2 290	5 708	2 961	4 552
Haiti	1 936	7 640	2 242	10 981	661	4 022
Panama	1 325	1 233	4 258	13 278	4 145	2 613
Dominican Republic	3 629	1 930	3 953	4 659	3 065	2 237
Other	4 076	3 138	5 816	4 933	11 192	6 816
<u>EUROPE 2/</u>	164 400	139 608	135 447	125 569	145 873	189 429
<u>European Union</u>	149 471	104 242	116 597	77 369	128 256	108 648
Germany	61 200	59 770	53 459	31 195	55 065	57 796
Belgium - Luxembourg	19 774	14 924	20 251	16 997	19 682	9 339
Denmark	924	310	767	456	1 304	1 035
Spain	23 453	9 222	13 276	4 894	12 839	5 135
France	11 686	3 286	8 742	2 820	9 021	2 822
Greece	19	0	93	39	7	0
Ireland (EIRE)	-	-	187	147	210	12
Italy	5 193	1 917	3 917	1 545	4 482	2 079
Netherlands	11 787	8 287	5 769	13 131	7 040	13 722
Portugal	790	298	254	104	1 040	497
United Kingdom	10 423	4 794	6 183	4 447	13 405	14 232
Austria	292	65	276	112	680	301

Finland	3 567	1 247	3 096	1 328	2 241	1 055
Sweden	364	123	327	154	1 239	622
European Free Trade Association	10 243	3 232	8 707	3 675	9 198	4 123
Austria	292	65	276	112	680	301
Finland	3 567	1 247	3 096	1 328	2 241	1 055
Island	-	-	7	38	-	-
Liechtenstein	-	-	-	-	-	-
Norway	1 371	439	1 399	617	197	99
Sweden	364	123	327	154	1 239	622
Switzerland	4 648	1 358	3 601	1 427	4 841	2 046
Other European Countries	8 910	33 569	13 842	46 119	12 579	78 637
Albania	-	-	-	-	-	-
Armenia	-	-	-	-	-	-
Azerbaijan	6	0	-	-	-	-
Byelorussia	2	5	-	-	-	-
Bosnia o Herzegovina	-	-	-	-	-	-
Bulgaria	1	1	750	643	5 462	34 135
Croatia	-	-	-	-	-	-
Slovenia	-	-	-	-	-	-
Estonia	-	-	-	-	-	-
Georgia	-	-	-	-	-	-
Hungary	-	-	-	-	-	-
Kazakhstan	-	-	-	-	-	-
Kirghizistan	-	-	-	-	-	-
Latvia	-	-	-	-	-	-
Lithuania	-	-	-	-	-	-
Moldavia	-	-	-	-	-	-
Poland	87	47	15	3	-	-
Czech Republic	-	-	201	76	1	0
Slovaks Republic	-	-	-	-	-	-
Rumania	2 602	10 418	10	4	7 113	44 501
Russia	5 906	23 001	12 865	45 392	3	0
Tajikistan	-	-	-	-	-	-
Ukraine	-	-	-	-	-	-
Uzbekistan	-	-	-	-	-	-
Yugoslavia	-	-	-	-	-	-
Others	305	97	-	-	-	-
ASIA	5 092	2 278	5 132	2 210	6 609	9 214
ASEAN	43	7	20	11	1 051	6 949
Brunei	-	-	-	-	-	-
Philippines	13	2	-	-	1 022	6 928

Indonesia	-	-	15	11	-	-
Malaysia	-	-	-	-	23	18
Singapore	30	5	2	0	6	4
Thailand			3	0	-	-
Other Asian Countries	5 049	2 270	5 112	2 199	5 558	2 265
China-Taiwan	227	456	671	907	532	455
China, Rep. Popular	29	32	247	276	342	213
North Korea	-	-	-	-	-	-
South Korea	-	-	-	-	101	18
Japan	4 014	1 416	3 468	804	3 403	855
Others	779	366	727	212	1 179	724
AFRICA	4 091	13 430	807	2 310	440	218
Morocco	247	109	112	56	214	90
South Africa	3 569	13 231	176	70	81	35
Others	275	90	518	2 184	146	93
OCEANIA	803	216	382	201	528	158
Australia	717	182	257	77	525	146
New Zealand	66	18	95	53	1	0
Others	20	16	30	70	1	12
Rest of the World	1 020	618	4	0	723	253

(P) Provisional (-) zero.

1/ Value corresponding to Argentina, Brazil, Colombia, Mexico, Paraguay, Uruguay and Venezuela are included only once in TOTAL AMERICA. 2/ Value corresponding to Austria, Finland and Sweden are included only once in TOTAL EUROPE.

Source: Ministerio de Fomento, Industria y Comercio

Last actualisation: Tuesday 14 August de 2001 16:07

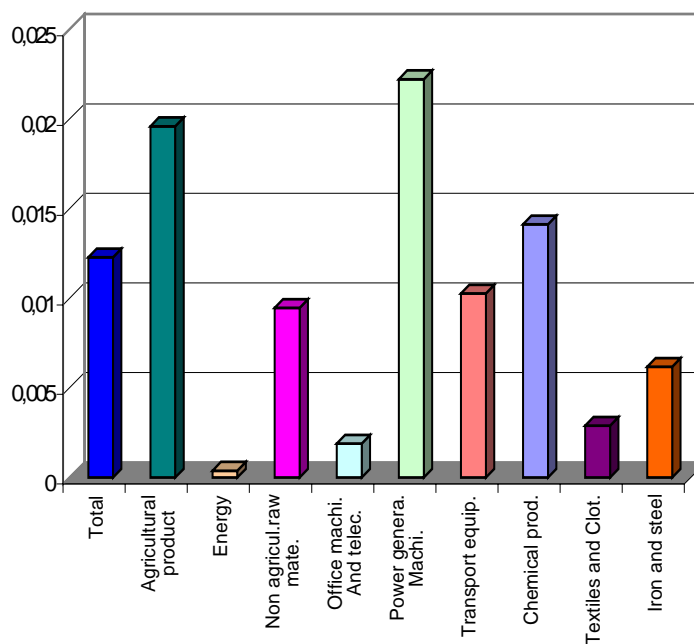
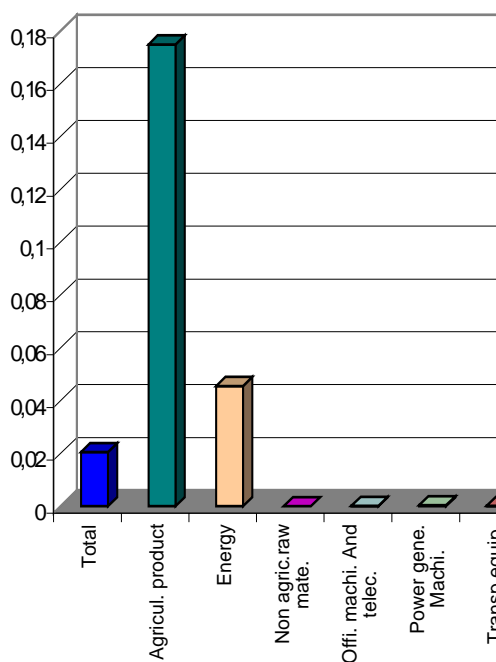
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Annex 2-3: Place of Nicaragua in EU trade (2000)

EU IMPORTS				
Rank	Products	Mio Euro	Share by products	Share of Total
119	Total	210	0,02	100,0
80	Agricultural products	138	0,2	65,5
50	Energy	67	0,05	31,9
174	Non agricultural raw material	0	0,00	0,0
172	Office machines and telecommunication equipment	0,1	0,0001	0,1
141	Power generating machinery	0,3	0,000	0,1
158	Transport Material	0,1	0,000	0,1
97	Chemical product	3	0,004	1,4
126	Textiles and Clothing	1	0,001	0,3
111	Iron and steel	0,007	0,000	0,0

EU EXPORTS				
Rank	Products	Mio Euro	Share by products	Share of Total
146	Total	112	0,01	100,0
150	Agricultural products	12	0,02	10,3
163	Energy	0,1	0,0004	0,1
124	Non agricultural raw material	0,3	0,01	0,3
168	Office machines and telecommunication equipment	2	0,002	1,6
116	Power generating machinery	31	0,02	26,6
140	Transport Material	15	0,01	13,3
124	Chemical product	18	0,01	15,7
154	Textiles and Clothing	1	0,00	1,0
144	Iron and steel	1	0,01	1,0

NICARAGUA SHARE OF TOTAL EU TRADE BY PRODUCTS



ANNEX 3: PRSP, MATRIX OF GOALS, TARGETS AND INTERMEDIATE INDICATORS

Matrix of Goals, Targets and Intermediate Indicators

Current situation	National Goals	National Targets Year 2005	Intermediate Indicators	1999	2000	2001	2002	2003	2004	2005	International Targets Year 2015	
According to poverty line methodology, 47.9% of Nicaragua's population are poor and 17.3% are extremely poor. In the rural area the incidence of poverty is higher, 68.5% of population are poor and 28.5% are extremely poor.	Poverty reduction	Reduce extreme poverty by 17.5%	Increase government spending on poverty-related outlays to 62% from 50% of budget by year 2005 ¹¹	...	46.9	50.0	54.2	55.6	60.0	62.1	Reduce extreme poverty by 50% by 2015 with respect to 1995	
			Projected rate of growth of real GDP of 4.2%	7.4	4.3	3.0	3.7	4.5	5.0	5.0		
Almost 50% of school-aged children (6-18 years) in extreme poverty do not attend school, compared with only 16% for their non-poor counterparts. Poor and extremely poor people have only 2.3 - 3.1 years of education. More than half the children who abandon school do so for economic reasons.	Raising primary education access to 90%	Increase net primary enrollment rate to 83.4% from 75% in 1999	Annual average increase of 1.4 percentage points in the net primary enrollment rate	75.0	76.4	77.9	79.3	80.6	82.0	83.4	90% access to primary education	
			Annual increase of 1.0 percentage point in promotion rate of third graders in rural areas during 2000-2005	76.6	77.6	78.6	79.6	80.6	81.6	82.6		
			Annual increase of 2 percentage points in number of children that finish primary school in six years during 2000-2005	32.0	34.0	36.0	38.0	40.0	42.0	44.0		
			Put into effect academic achievement measuring system, and make first evaluation in math and Spanish in 2001 for 3rd and 6 th grade	Done
			Annual increase of 1.0 percentage point in the net pre-school enrollment rate during 2000-2005	26.0	27.0	28.0	29.0	30.0	31.0	32.0		
			Increase to one half the percent of rural multi-grade schools offering 6 th grade by 2005	29.0	33.0	37.0	41.0	44.0	47.0	50.0		
			Construct and replace 2630 elementary school classrooms during 2001-2005 ²	977	860	400	490	540	600	600		

Extract from: A strengthened Growth and Poverty Reduction Strategy, Government of Nicaragua, July 2001

Annex 3: PRSP, matrix of goals, targets and intermediate indicators

Matrix of Goals, Targets and Intermediate Indicators

Current situation	National Goals	National Targets Year 2005	Intermediate Indicators	1999	2000	2001	2002	2003	2004	2005	International Targets Year 2015
Nicaragua's maternal mortality (143 per 1,000 live births) is high. The high incidence of pregnancies among teenagers and short intervals between pregnancies increases the risks and contributes to higher mortality rates.	Reduction in maternal mortality rate	Reduce maternal mortality rate to 129 per one-hundred-thousand live births from 148 per one-hundred-thousand born alive in 1999	Increase to 62% the share of institutional births from 47% in 1999 (an annual average increase of 3,700 new institutional births per year during 2000-2005) ³ Increase to 86% the coverage of prenatal care from 71.6% in 1999 (an annual average increase of 3,000 prenatal controls during 2000-2005) ³ Increase to 44% the coverage of early prenatal care from 31.9% in 1999 (an annual average increase of 3,400 early prenatal care controls during 2000-2005) ³ Introduce an education program on population for students in public schools as well as a non-formal program by 2002.	47.0	52.4	54.6	55.9	57.2	59.4	61.7	Reduce maternal mortality rate by 3/4 by 2015 with respect to 1994
Although infant mortality has declined for the last two decades from 83 to 40 per 1,000 live births in 1998, it still remains above the Central American average. Acute respiratory infections are the principal cause of illness and the second cause of death among children under 5 years old, while diarrhea is another important cause of child deaths.	Reduction in infant and children under 5 mortality rates	Reduce infant mortality rate to 32 per thousand live births from 40 per thousand live births in 1998 Reduce mortality in children under five to 37 per thousand live births from 50 per thousand live births in 1998	Increase immunization coverage (%) for children under 1 year 1 d. of BCG 3 d. antipolio 3 d. 5-in-1 Increase polio immunization coverage (3 doses) for children under 5 years (measured by survey) from 83.8% in 1998 to 90% in 2004 ⁴ Reduce the incidence of diarrhea in children under 5 to 16.2% by 2004 ⁵ from 21.9% in 1998 ⁶ Reduce the incidence of acute respiratory infections in children under 5 to 21% by 2004 ⁵ from 27.3% in 1998	99.0 91.0 7.0 ⁴ 83.8 (1998)	99.0 91.0 90.0 ...	99.0 91.0 90.0 92.5	99.0 92.0 91.0 ...	99.0 93.0 92.0 ...	99.0 94.0 93.0 94.0	99.0 94.5 94.0 ...	Reduce infant and under five mortality rates by 2/3 by 2015 with respect to 1994

Extract from: A strengthened Growth and Poverty Reduction Strategy, Government of Nicaragua, July 2001

Annex 3: PRSP, matrix of goals, targets and intermediate indicators

Matrix of Goals, Targets and Intermediate Indicators

Current situation	National Goals	National Targets Year 2005	Intermediate Indicators	1999	2000	2001	2002	2003	2004	2005	International Targets Year 2015
Distance and economic reasons limit the access of poor people to health services. On average, to obtain health care the extreme poor must travel three times the distance, and spend three times as much to reach health facilities, as non-poor households. One third of extremely poor women receive no prenatal care, one half deliver their babies without benefit of institutional facilities, and are only half as likely as non-poor women to be attended by doctors when giving birth.	Access to reproductive healthcare services	Reduce to 24.8% ¹¹ the unsatisfied demand for family planning among women with partners in the 15-19 age group from 27.1% in 1998	Reduce to 26.1% in 2001 and 24.8% in 2005 ¹² the unsatisfied demand for family planning among women with partners in the 15-19 age group from 27.1% in 1998	27.1 (1998)	...	26.1	...	...	...	24.8	Provide access to reproductive health care services for all individuals of appropriate age
			Reduce to 18% ¹³ the unsatisfied demand for family planning among women with partners in the 20-24 age group from 19.7% in 1998	19.7 (1998)	...	18.9	
Nicaragua's inappropriate use of natural resources and environmental degradation makes the population more vulnerable to ecological risks	Implement National Strategy for Sustainable Development	Have the National Strategy for Sustainable Development implemented by 2005	Increase the share of women of childbearing age accessing reproductive healthcare services to 23% by 2005 from 21% in 1999 (an annual average increase of 14,000 women of childbearing age during 2000-2005 period) ¹⁴	21.0	21.0	22.0	22.0	23.0	23.0	23.0	Have a sustainable development strategy implemented by year 2005
			Introduce an education program on population for students in public schools as well as a non-formal program by 2002. [See also maternal mortality]	Introd use	Done	
			Published and implemented policy and environmental action plan	...	...	Approved	...	...	...	...	Have a sustainable development strategy implemented by year 2005
			Approve the Forestry and Development Law	...	...	...	Approved	...	...	...
			Approve the Fisheries Law	...	...	...	Approved	...	...	...
			Approve the Biodiversity Law	...	...	...	Approved	...	...	...	...

Annex 3: PRSP, matrix of goals, targets and intermediate indicators

Matrix of Goals, Targets and Intermediate Indicators

Current situation	National Goals	National Targets Year 2005	Intermediate Indicators	1999	2000	2001	2002	2003	2004	2005	International Targets Year 2015
27% of poor children under five years old suffer from chronic malnutrition, as well as 37.5% of extremely poor, as compared to 9.4% of the non-poor children.	Reduce chronic malnutrition	Reduce chronic malnutrition in children under 5 to 16% in 2004 ^a from 19.9% in 1998	Reduce chronic malnutrition in children under 5 to 17.9% in 2001 and 16% in 2004 from 19.9% in 1998	19.9 (1998)	...	17.9	...	...	16.0	...	Reduce chronic malnutrition to 7% by 2015 ^a
35% of the overall population has no access to potable water and 16% have no access to safe water. The percentages among extremely poor households in rural areas are considerably higher, 77% lack potable water and 40% lack safe water.	Increase access to water and sanitation	Increase national coverage of water to 75.4% from 66.5% in 1999 Increase access to safe water and sanitation in rural dispersed areas to 51.5% from 39% in 1999 ^b	Annual average increase of national potable water coverage by 1.4 percentage point per year during 2000-2005 Annual average increase of 2.4 percentage points in access to safe water in rural dispersed areas during 2000-2005 ^b	66.5	68.1	69.5	71.0	72.4	73.9	75.4	Increase to 100% national water coverage ^a
94.8% of the population living in urban areas has access to sanitation. In contrast, 70% of the rural population has access to sanitation.		Increase national access to sanitation to 88% in 2004 from 84.1% in 1998 ^b 11) Increase access to sewerage in urban areas to 44.1% from 33.6% in 1999 ^b	Increase national access to sanitation by 4 percentage points during 2000-2004 ^b Annual increase of 1.7 percentage point in share of urban population with access to sewerage ^c	84.1 (1998)	...	85.0	...	...	88.0	...	Increase to 95% national access to sanitation ^a
19% of Nicaragua's population over 10 years old is illiterate and illiteracy rate among extreme poor is 41%.	Reduce illiteracy rate	Reduce illiteracy rate to 1.6% by 2004 from 19% from 1998 ^b	Decrease illiteracy rate by 3 percentage points by 2004 as measured by LSMS ^b Increase mean years of schooling among the 10-19 age group to 5.0 years in 2004 ^a from 4.6 years in 1998	19.0 (1998)	...	18.5	...	...	18.0	...	Decrease illiteracy rates to 10% ^a

^a Annex VI defines poverty-related outlays.

^b This indicator includes only elementary school classrooms constructed, rehabilitated and/or replaced.

^c Past population data of expected pregnancies and deliveries was usually calculated yearly by MINSA; recently these have been calculated as average for the next five years.

^d The low 1999 coverage stems from a shift from 3 dosage DPT to a 5 dosage approach in that year.

Annex 3: PRSP, matrix of goals, targets and intermediate indicators

- ⁵ Measured by Living Standard Measurement Survey (LSMS) scheduled for 2001 and 2004.
- ⁶ Achieving these levels is partly dependent on the increase of water and sanitation services.
- ⁷ Measured by Demographic and Health Survey (DHS) 2001 and 2005.
- ⁸ Increase the share of women of childbearing age accessing reproductive healthcare services to 25% by 2005 from 21% in 1999 (an annual average increase of 14,000 women of childbearing age during 2000-2005 period) is an intermediate indicator which affects two national goals: (1) reduce maternal mortality rate; and (2) increase access to reproductive healthcare services.
- ⁹ National target.
- ¹⁰ Increase access to safe water and sanitation in rural dispersed areas is an intermediate indicator, which crosses four national goals: (1) reduce infant mortality rate; (2) reduce mortality of children under five; (3) increase access to water; and (4) increase access to sanitation.
- ¹¹ Sanitation includes sewerage and latrines.
- ¹² Increasing access to sewerage in urban population is an intermediate indicator, which affects three national goals: (1) reduce infant mortality rate; (2) reduce mortality rate of children under five; and (3) increase access to sanitation.

ANNEX 4: THE FOUR PILLARS OF THE PRSP

A. Broad-based economic growth and structural reform.

The objective is to have 4.2% economic growth over the next five years, equivalent to 1.6% in per capita terms. With a particular emphasis on growth of the rural economy, but also expected growth in urban services, light industry and the activity of free zones. Promote growth through prudent and coherent fiscal and monetary policies, privatisation of some of the remaining state utilities (water, electricity, telecommunications, port services), ongoing reform of financial system, overhaul of state pension system, addressing land ownership issues and modernising regulatory frameworks. Specific measures in favour of the rural economy will include investment in rural infrastructure (roads, water, housing, electricity and telecommunications), agricultural technology programmes directed at poor producers, and various marketing, training and standardisation initiatives.

B. Investment in the human capital of the poor.

The objective is to bring about a major improvement in the coverage, quality, and integration of public education, health, nutrition, and population services, mainly in rural areas. In education, new and rehabilitated schools, scholarships for most at-risk students and double shifts in some schools should help to increase educational coverage and reduce dropout rates. Also, a more relevant educational curriculum, combined with better-trained teachers, should improve the poor's productivity and lives. With regard to health, the aim is to have more and better-staffed health posts focusing on integrated services, as well as to better disseminate information on preventive health and nutrition.

C. Better protection for vulnerable groups (those affected by natural disasters and those with physical or family problems).

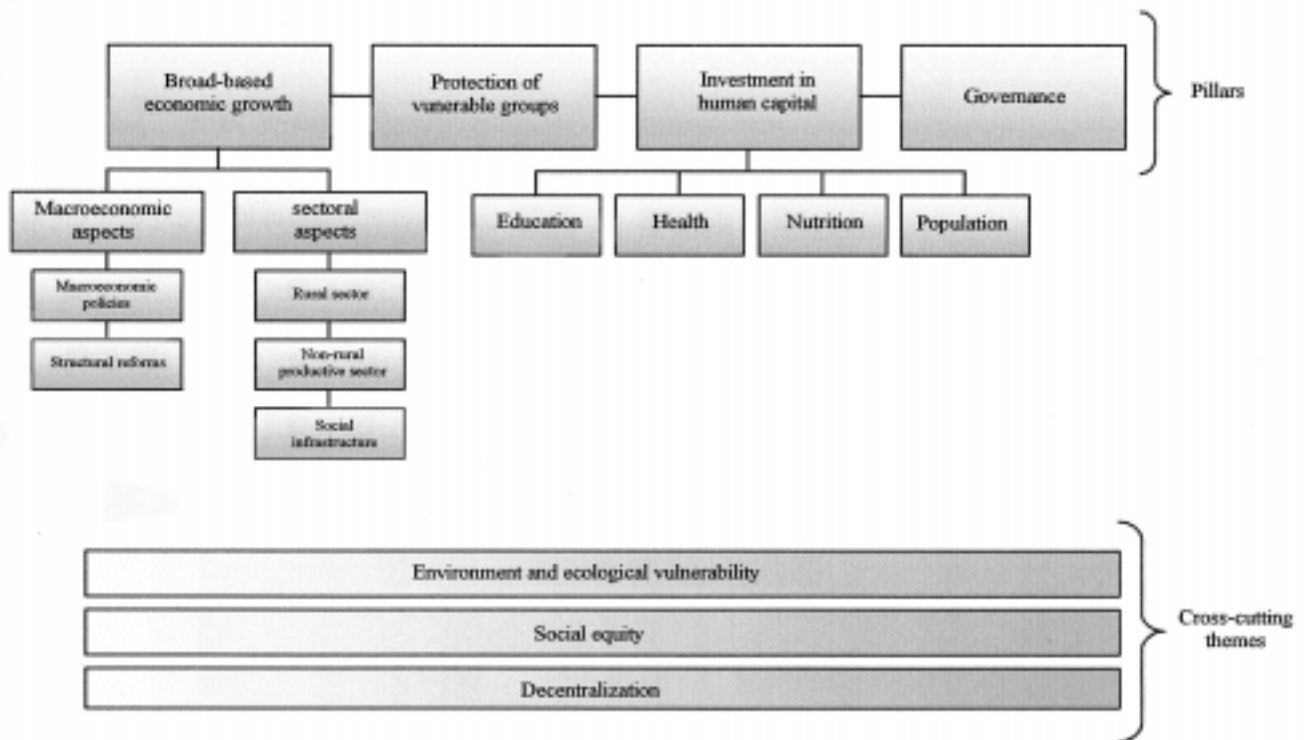
This pillar is designed to produce a short-term increase in the poor's capacity to access the public services. New programmes will link direct financial incentives to more intensive and better education and health practices by the poor. The approach will also require strengthening relevant public institutions and developing a greater understanding of the poor's vulnerabilities, which should allow and better targeting and consolidation of assistance programmes. Finally, there is to be a steady transfer of some responsibilities to local governments, where both responsiveness and understanding to the vulnerable poor is strongest.

D. Good governance and institutional development.

This pillar comprises in the first place new legislation to cover issues such as: access to government information, extension of modern public procurement practices throughout the public sector, standardisation of the local and national services, modernisation of the penal code and judicial procedures, modernisation of the Comptroller Generals Office, improvement of land registries and modernisation of various productive sectors. There will also be initiatives to train judges, regulators and other public servants, which will be complemented by restructuring obsolete procedures and even institutions. The ultimate goal is to ensure not only a transparent and honest government, but also one that can use the tools of modern technology more effectively to assist Nicaragua's poor.

Annex 4: Scheme of the four pillars and the crosscutting issues (following)

**STRENGTHENED ECONOMIC GROWTH AND POVERTY REDUCTION STRATEGY
POLICY ACTIONS**



ANNEX 5: EC COOPERATION WITH NICARAGUA: FINANCIAL COMMITMENTS

Annex 5.1 : Cooperation with Nicaragua : financial commitments

budget lines	Title	1998	1999	2000	2001(*)	TOTAL
B7-2000	Food security	21.972.428	206.644			22.179.072
B7-210 & B-219	ECHO	6.460.000	6.050.000	2.960.000	875.000	16.345.000
B7-3012 & B7-5078 & B7-5230 & B7-7030 & B7-7090	Democratization			274.422	998.915	1.273.337
B7-310	Financial and technical cooperation	24.493.000	10.900.000	5.000.000	5.599.275	45.992.275
B7-5010 & B7-6000	NGO Cofinancing	4.051.535	4.574.536	5.649.714	12.639.646	26.915.431
B7-2040 & B7-212 & B7-3020 & B73120B	Refugees	2.500.000	460.000			2.960.000
B7-5076 & B7-313	Rehabilitation		33.505.000	11.815.000	25.600.000	70.920.000
TOTAL		59.476.963	55.696.180	25.699.136	45.712.836	186.585.115

(*) approved or planned

Source: CRIS (AIDCO)

Annex 5: EC Cooperation with Nicaragua (following)

Annex 5.2 : NICARAGUA Disbursements 1998 - 1999 - 2000 - 2001(*)

Budget line	Description	Disbursements during 1998	Disbursements during 1999	Disbursements during 2000	Disbursements during 2001	Total 1998 - 1999 - 2000 - 2001
B72010	Food aid products, support operations and storage	992.951	1.720.820	16.493.697	5.812.212	25.019.680
B72020	Food aid, transport and distribution	236.118	45.778	644.133	4.259	930.288
B72100	ECHO, food aid, emergency, disasters and crisis	1.685.202	900.503	1.675.200	393.253	4.654.157
B72120	ECHO uprooted people	6.870.680	0	0	0	6.870.680
B73100	Financial and technical cooperation	12.361.532	8.365.174	15.941.965	11.570.845	48.239.515
B73110	Economic cooperation	0	0	0	0	0
B73120	Aid to uprooted people	0	2.207.176	1.093.716	378.324	3.679.216
B73130	Rehabilitation and reconstruction	0	6.974.512	5.842.332	7.656.938	20.473.782
B76000	NGO co-financing	3.246.313	4.235.068	4.128.709	3.190.679	14.800.769
B76201	Tropical forests	44.287	531.449	214.987	37.696	828.419
B76210	Drug abuse	79.532	36.064	10.755	0	126.351
B76212	AIDS	0	0	0	0	0
B76410	Rehabilitation and reconstruction	1.079.857	0	0	0	1.079.857
B76430	Decentralized cooperation	0	0	0	0	0
B77030	Democracy and Human Rights	6.796	0	0	872.311	879.107
TOTAL		26.603.268	25.016.544	46.045.493	29.916.517	127.581.822

(*) 28/11/2001

ANNEX 6: FOREIGN OFFICIAL DEVELOPMENT ASSISTANCE

Nicaragua: External Cooperation – Disbursements 1997 – 2000 (‘000 US\$)

SOURCES/MODALITY AND TYPE OF RESOURCES	1997	1998	1999	2000	TOTAL	ANNUAL AVERAGE
BILATERAL	270,898.3	213,674.1	267,197.7	257,044.8	1,008,814.9	252,203.7
GRANTS	219,969.1	180,436.6	203,790.0	234,712.4	838,908.1	209,727.0
LOANS	50,929.2	33,237.5	63,407.7	22,332.4	169,906.8	42,476.7
MULTILATERAL	179,337.5	279,213.3	287,534.4	235,044.7	981,129.9	245,282.5
GRANTS	53,469.8	60,272.8	79,515.8	61,671.2	254,929.6	63,732.4
LOANS	125,867.7	218,940.5	208,018.6	173,373.5	726,200.3	181,550.1
TOTAL	450,235.8	492,887.4	554,732.1	492,089.5	1,989,944.8	497,486.2
GRANTS	273,438.9	240,709.4	283,305.8	296,383.6	11093,837.7	273,459.4
LOANS	176,796.9	252,178.0	271,426.3	195,705.9	896,107.1	224,026.8
UNTIED AID	71,296.2	160,915.4	116,621.1	27,726.4	376,559.1	94,139.8
GRANTS	21,476.2	33,015.4	42,060.0	0.0	96,551.6	24,137.9
LOANS	49,820.0	127,900.0	74,561.1	27,726.4	280,007.5	70,001.9
TIED AID	378,939.6	331,972.0	438,111.0	464,363.1	1,613,385.7	403,346.4
GRANTS	251,962.7	207,694.0	241,245.8	296,383.6	997,286.1	249,321.5
LOANS	126,976.9	124,278.0	196,865.2	167,979.5	616,099.6	154,024.9

Note : NGO cooperation non included

Sources : General Directorate of Management of SREC and BCN

Drawn up by the Direction for Analysis and Statistics of the SREC

Date: May 2001

Annex 6.2: Foreign Official Development Assistance

Nicaragua: External Cooperation – Disbursements 1997 – 2000

GRANTS AND LOANS

('000 US\$)

Nº	MODALITY/ DONORS	1997	1998	1999	2000*	TOTAL 1997-2000	ANNUAL AVERAGE	PERCENTAGE 1997-2000
19	BILATERAL	270,898.3	213,674.1	267,197.7	257,044.8	1,008,814.9	252,203.7	50.7
1	JAPAN	68,658.9	27,912.7	20,092.6	59,402.2	176,066.4	44,016.6	8.85
2	USA	41,055.3	27,949.2	38,207.0	64,707.0	171,918.5	42,979.6	8.64
3	REP. DE CHINA (TAIWAN)	36,095.1	20,000.0	63,462.0	26,525.3	146,082.4	36,520.6	7.34
4	SWEDEN	20,433.0	14,756.2	27,931.1	26,827.0	89,947.3	22,486.8	4.52
5	DENMARK	20,562.0	21,789.0	17,151.6	18,838.0	78,340.6	19,585.2	3.94
6	GERMANY	19,738.4	22,573.4	11,487.4	19,407.1	73,206.3	18,301.6	3.68
7	SPAIN	17,577.8	20,493.3	13,666.8	8,043.31	59,781.2	14,945.3	3.00
8	NETHERLANDS	9,768.1	9,633.6	21,661.0	12,018.1	53,080.8	13,270.2	2.67
9	NORWAY)NORWAY	11,612.0	9,429.4	6,697.0	2,291.8	30,030.2	7,507.6	1.51
10	FINLAND	6,870.6	6,630.1	8,143.6	6,483.4	28,127.7	7,031.9	1.41
11	SWITZERLAND	4,713.2	10,302.0	7,866.7	2,048.1	24,930.0	6,232.5	1.25
12	VENEZUELA	4,998.3	9,667.3	3,533.0	0.0	18,198.6	4,549.7	0.91
13	ITALY	2,588.4	5,050.4	6,925.0	435.0	14,998.8	3,749.7	0.75
14	LUXEMBOURG	2,346.7	2,568.9	3,784.1	5,226.3	13,926.0	3,481.5	0.70
15	CANADA	2,366.1	2,431.0	4,505.8	2,083.8	11,386.7	2,846.7	0.57
16	AUSTRIA	1,514.4	1,950.0	4,430.0	1,252.0	9,146.4	2,286.6	0.46
17	UNITED KINGDOM	0.0	0.0	5,262.2	343.9	5,606.1	1,401.5	0.28
18	FRANCE	0.0	537.6	2,390.8	1,103.4	4,031.8	1,008.0	0.20
19	PUERTO RICO	0'0	0.0	0.0	9.1	9.1	2.3	0.00
21	MULTILATERAL	179,337.5	279,213.3	287,534.4	235,044.7	981,129.9	245,282.5	49.3
1	WORLD BANK	50,478.2	104,800.0	120,274.9	87,443.6	362,996.7	90,749.2	18.24
2	BID	73,249.0	112,314.0	84,664.8	69,833.6	340,061.4	85,015.4	17.09
3	UNION EUROPEAN	23,421.1	23,950.1	29,422.5	36,158.0	112,951.7	28,237.9	5.68
4	WFP	4,626.3	13,947.7	23,830.9	9,174.1	51,579.0	12,894.8	2.59
5	UNDP	7,020.5	2,471.3	5,251.5	5,322.2	20,065.5	5,016.4	1.01
6	OPS/WHO	4,000.7	5,348.3	5,630.9	3,293.8	18,273.7	4,568.4	0.92
7	FDN	1,213.0	2,556.0	1,103.0	7,968.6	12,840.6	3,210.2	0.65
8	UNICEF	1,160.4	3,248.1	6,063.3	2,318.2	12,790.0	3,197.5	0.64
9	IFAD	1,562.8	2,834.7	2,643.8	4,408.1	11,449.4	2,862.4	0.58
10	UNFPA	4,124.4	2,572.2	2,249.4	1,077.8	10,023.8	2,506.0	0.50
11	OPEC	3,954.8	497.8	942.1	3,719.6	9,114.3	2,278.6	0.46
12	IICA	1,314.5	1,358.6	957.6	905.5	4,536.2	1,134.1	0.23
13	UNCDF	47.2	718.1	2,234.3	1,475.0	4,474.6	1,118.7	0.22
14	FAO	1,233.8	1,049.8	709.1	600.4	3,593.1	898.3	0.18
15	CATIE	803.9	687.4	0.0	0.0	1,491.3	372.8	0.07
16	ILO	405.2	378.9	400.0	293.6	1,477.7	369.4	0.07
17	IOM	303.6	134.6	409.7	67.9	915.8	229.0	0.05
18	UNIDO	62.0	0'0	232.4	615.71	910.1	227.5	0.05
19	UNESCO	126.0	242.1	488.5	0.0	856.6	214.2	0.04
20	OAS	55.9	50.4	0.0	331.6	437.9	109.5	0.02
21	AIEA (OIEA)	174.2	53.2	25.7	37.4	290.5	72.6	0.01

* : The payments of year 200 are registered to the month of December (Provisional)

Sources : MCE / SCE / MINREX / SREC Y BCN

Drawn up by the Direction for Analysis and Statistics of the SREC

Date: May 2001

Annex 6.3: Foreign Official Development Assistance

Nicaragua: External Cooperation – Disbursements 1997 – 2000

GRANTS AND LOANS

('000 US\$)

N°	MODALITY / DONORS	1997	1998	1999	2000*	Total 97-2000	Annual Average	PERCENTAGE (97-2000)
	GRANTS	273,438.9	240,709.4	283,305.8	296,383.6	1,093,837.7	273,459.4	55.0
8	BILATERAL	219,969.1	180,436.6	203,790.0	234,712.4	838,908.1	209,727.0	42.2
1	JAPAN	68,658.9	27,912.7	20,092.6	59,402.2	176,066.4	44,016.6	8.8
2	USA	41,055.3	27,949.2	38,207.0	64,707.0	171,918.5	42,979.6	8.6
3	SWEDEN	20,433.0	14,756.2	27,931.1	26,827.0	89,947.3	22,486.8	4.4
4	DENMARK	20,562.0	21,789.0	17,151.6	18,838.0	78,340.6	19,585.2	3.9
5	GERMANY	13,233.0	19,994.5	10,665.5	15,763.9	59,656.9	14,914.2	3.0
6	NETHERLANDS	9,768.1	9,633.6	21,661.0	12,018.1	53,080.8	13,270.2	2.7
7	SPAIN	11,604.0	19,804.2	13,666.8	7,251.2	52,326.2	13,081.6	2.6
8	NORWAY	11,612.0	9,429.4	6,697.0	2,291.8	30,030.2	7,507.6	1.5
9	SWITZERLAND	4,713.2	10,302.0	7,866.7	2,048.1	24,930.0	6,232.5	1.3
10	FINLAND	3,418.9	6,327.9	8,143.6	6,483.4	24,373.8	6,093.5	1.2
11	REP. DE CHINA (TAIWAN)	6,095.1	0.0	6,262.0	9,325.3	21,682.4	5,420.6	1.1
12	ITALY	2,588.4	5,050.4	6,925.0	435.0	14,998.8	3,749.7	0.8
13	LUXEMBOURG	2,346.7	2,568.9	3,784.1	5,226.3	13,926.0	3,481.5	0.7
14	CANADA	2,366.1	2,431.0	4,505.8	2,083.8	11,386.7	2,846.7	0.6
15	AUSTRIA	1,514.4	1,950.0	4,430.0	1,252.0	9,146.4	2,286.6	0.5
16	UNITED KINGDOM	0.0	0.0	5,262.2	343.9	5,606.1	1,401.5	0.3
17	FRANCE	0.0	537.6	538.0	406.3	1,481.9	370.5	0.1
18	PUERTO RICO	0.0	0.0	0.0	9.1	9.1	2.3	0.0
18	MULTILATERAL	53,469.8	60,272.8	79,515.8	61,671.2	254,929.6	63,732.4	12.8
1	EUROPEAN UNION	23,421.1	23,950.1	29,422.5	36,158.0	112,951.7	28,237.9	5.7
2	WFP	4,626.3	13,947.7	23,830.9	9,174.1	51,579.0	12,894.8	2.6
3	UNDP	7,020.5	2,471.3	5,251.5	5,322.2	20,065.5	5,016.4	1.0
4	OPS/WHO	4,000.7	5,348.3	5,630.9	3,293.8	18,273.7	4,568.4	0.9
5	UNICEF	1,160.4	3,248.1	6,063.3	2,318.2	12,790.0	3.2	0.6
6	IDB	4,581.0	4,062.0	1,610.0	0.0	10,253.0	2,563.3	0.5
7	UNFPA	4,124.4	2,572.2	2,249.4	1,077.8	10,023.8	2,506.0	0.5
8	IICA	1,314.5	1,358.6	957.6	905.5	4,536.2	1,134.1	0.2
10	FAO	1,233.8	1,049.8	709.1	1,475.0	4,467.7	1,116.9	0.2
9	UNCDF	47.2	718.1	2,234.3	600.4	3,600.0	900.0	0.2
11	CATIE	803.9	687.4	0.0	0.0	1,491.3	372.8	0.1
12	ILO	405.2	378.9	400.0	293.6	1,477.7	369.4	0.1
13	IOM	303.6	134.6	409.7	67.9	915.8	229.0	0.0
14	UNIDO	62.0	0.0	232.4	615.7	910.1	227.5	0.0
15	UNESCO	126.0	242.1	488.5	0.0	856.6	214.2	0.0
16	OAS	55.9	50.4	0.0	331.6	437.9	109.5	0.0
17	AIEA (OIEA)	174.2	53.2	25.7	37.4	290.5	72.6	0.0
18	IFAD	9.1	0.0	0.0	0.0	9.1	2.3	0.0
	LOANS	176,796.9	252,178.0	271,426.3	195,705.9	896,107.1	224,026.8	45.0
6	BILATERAL	50,929.2	33,237.5	63,407.7	22,332.4	169,906.8	42,476.7	8.5
1	REP. DE CHINA (TAIWAN)	30,000.0	20,000.0	57,200.0	17,200.0	124,400.0	31,100.0	6.3
2	VENEZUELA	4,998.3	9,667.3	3,533.0	0.01	18,198.6	4,549.7	0.9
3	GERMANY	6,505.4	2,578.9	821.9	3,643.2	13,549.4	3,387.4	0.7
4	SPAIN	5,973.8	689.1	0.0	792.1	7,455.0	1,863.8	0.4
5	FINLAND	3,451.7	302.2	0.0	0.0	3,753.9	938.5	0.2
6	FRANCE	0.0	0.0	1,852.8	697.1	2,549.9	637.5	0.1
5	MULTILATERAL	125,867.7	218.9	208,018.6	173,373.5	726,200.3	181,550.1	36.5
1	WORLD BANK	50,478.2	104,800.0	120,274.9	87,443.6	362,996.7	90,749.2	18.2
2	IDB	68,668.0	108,252.0	83,054.8	69,833.6	329,808.4	82,452.1	16.6
3	FDN	11213.0	2,556.0	1,103.0	7,968.6	12,840.6	3,210.2	0.6
4	IFAD	1,553.7	2,834.7	2,643.8	4,408.1	11,440.3	2,860.1	0.6
5	OPEC	3,954.8	497.8	942.1	3,719.6	9,114.3	2,278.6	0.5
	TOTAL	450,235.8	492,887.4	554,732.1	492,089.5	1,989,944.8	497,486.2	100.0

* : The payments of year 200 are registered to the month of December (Provisional)

Sources : MCE / SCE / MINREX / SREC Y BCN

Drawn up by the Direction for Analysis and Statistics of the SREC

Date: May 2001

Annex 6.4: Foreign Official Development Assistance

Nicaragua: External Cooperation Disbursements by sectors and sub-sectors 1997 – 2000

GRANTS AND LOANS

('000 US\$)

SECTOR/SUB-SECTOR	1997	1998	1999	2000*	TOTAL 1997-2000	ANNUAL AVERAGE	PERCENTAGE 1997-2000
PRODUCTIVE SECTOR 1/	111.327,4	99.256,4	127.051,4	120.002,5	457.637,7	114.409,4	23,0%
farming	47.093,6	37.259,4	71.731,1	71.356,7	227.440,8	56.860,2	11,4%
industry	9.837,9	13.935,0	31,6	362,0	24.166,5	6.041,6	1,2%
mines					0,0	0,0	0,0%
fishing	474,4	656,1	509,4	532,9	2.172,8	543,2	0,1%
natural resources	10.902,5	13.604,9	16.588,3	22.000,7	63.096,4	15.774,1	3,2%
various productive	43.019,0	33.801,0	38.191,0	25.750,2	140.761,2	35.190,3	7,1%
ECONOMIC INFRASTRUCTURE	68.221,3	89.382,8	85.846,3	92.080,4	335.530,8	83.882,7	16,9%
energy	20.631,5	10.013,9	7.717,9	5.857,1	44.220,4	11.055,1	2,2%
transport and communication	45.989,7	49.774,6	53.804,5	78.941,7	228.510,5	57.127,6	11,5%
telecommunications	92,0	14,3	58,9	7.281,6	7.446,8	1.861,7	0,4%
ports	0,0	0,0	17.200,0	0,0	17.200,0	4.300,0	0,9%
various economic infrastructure	1.508,1	29.580,0	7.065,0	0,0	38.153,1	9.538,3	1,9%
SOCIAL	174.729,4	142.183,7	178.146,2	204.027,9	699.087,2	174.771,8	35,1%
education	28.906,6	23.464,8	32.628,0	48.589,6	133.589,0	33.397,3	6,7%
health	31.300,0	35.084,5	31.524,1	33.053,6	130.962,2	32.740,6	6,6%
water and sanitation	48.613,4	11.854,8	18.081,6	28.761,1	107.310,9	26.827,7	5,4%
social programmes	48.231,8	52.970,2	54.015,5	79.860,3	235.077,8	58.769,5	11,8%
municipal projects	12.623,3	14.771,0	19.919,0	7.707,8	55.021,1	13.755,3	2,8%
culture	1.477,2	1.055,5	976,3	1.466,6	4.975,6	1.243,9	0,3%
housing	669,4	1.352,4	6.655,4	1.814,3	10.491,5	2.622,9	0,5%
various social	2.907,7	1.630,5	14.346,3	2.774,6	21.659,1	5.414,8	1,1%
FINANCIER	69.656,2	136.133,4	128.262,6	40.653,0	374.705,2	93.676,3	18,8%
OTHER SECTORS 2/	26.301,5	25.931,1	35.425,6	35.325,7	122.983,9	30.746,0	6,2%
GENERAL TOTAL	450.235,8	492.887,4	554.732,1	492.089,5	1.989.944,8	497.486,2	100,0%

* : The payments of year 200 are registered to the month of December (Provisional)

1/ including the programmes handled by the PNDR / IDR.

2/ Including the capacity building and modernisation of the State

Drawn up by the Direction for Analysis and Statistics of the SREC

Date: May 2001

Annex 6-5: sectoral repartition of Official Development Assistance in 1999 (source: OECD) in millions US\$

	ALL Donors -Total	Austria	Belgium	Denmark	Finland	France	Germany	Italy	Netherlands	Spain	Sweden	United Kingdom	EU Members -Total	Canada	Japan	Norway	Switzerland	United States	IDB Sp.Fund	IFAD	IDA	UNDP	Multilateral	Total
I. SOCIAL INFRASTRUCTURE & SERVICES	273,56	2,86	2,06	11,08	5,12	0,29	30,4	0,94	1,82	15,76	0,87	0,87	72,09		39,43	12,6	6,1	64,4	11,55		65,7	1,7	78,95	37,19%
<i>I.1 Education</i>	<i>98,86</i>	<i>0,29</i>	<i>1,39</i>		<i>0,63</i>	<i>0,14</i>	<i>1,55</i>		<i>0,34</i>	<i>5,17</i>	<i>0,02</i>		<i>9,53</i>	<i>4,79</i>	<i>1,63</i>		<i>7,8</i>	<i>9,4</i>		<i>65,7</i>		<i>75,1</i>	<i>13,44%</i>	
<i>I.11 Education – Level Unspecified</i>	<i>17,56</i>	<i>0,02</i>	<i>0,63</i>		<i>0,63</i>		<i>0,01</i>			<i>1,98</i>	<i>0,02</i>		<i>3,29</i>		<i>0,37</i>		<i>4,5</i>	<i>9,4</i>				<i>9,4</i>		
<i>I.12 Basic Education</i>	<i>76,41</i>		<i>0,68</i>				<i>0,02</i>			<i>1,93</i>			<i>2,63</i>	<i>4,79</i>	<i>0,28</i>		<i>3</i>			<i>65,7</i>		<i>65,7</i>		
<i>I.13 Secondary Education</i>	<i>2,26</i>					<i>0,01</i>	<i>0,79</i>			<i>0,62</i>			<i>1,42</i>		<i>0,83</i>									
<i>I.14 Post-Secondary Education</i>	<i>2,63</i>	<i>0,27</i>	<i>0,08</i>			<i>0,13</i>	<i>0,73</i>		<i>0,34</i>	<i>0,64</i>			<i>2,19</i>		<i>0,14</i>		<i>0,3</i>							
<i>I.2 Health – Total</i>	<i>46,78</i>	<i>1,37</i>	<i>0,27</i>			<i>0,05</i>	<i>0,14</i>	<i>0,64</i>	<i>0,41</i>	<i>2,49</i>	<i>0,1</i>		<i>5,46</i>	<i>8,4</i>	<i>0,12</i>		<i>32,8</i>						<i>6,36%</i>	
<i>I.21 Health – General</i>	<i>1,23</i>		<i>0,22</i>				<i>0,1</i>	<i>0,58</i>	<i>0,01</i>	<i>0,19</i>			<i>1,11</i>		<i>0,12</i>									
<i>I.22 Basic Health</i>	<i>45,55</i>	<i>1,37</i>	<i>0,05</i>			<i>0,05</i>	<i>0,03</i>	<i>0,06</i>	<i>0,41</i>	<i>2,29</i>	<i>0,1</i>		<i>4,35</i>	<i>8,4</i>			<i>32,8</i>							
<i>I.3 Population Programmes</i>	<i>6,25</i>		<i>0,01</i>		<i>0,9</i>				<i>0,02</i>				<i>0,93</i>		<i>1,28</i>		<i>4,04</i>						<i>0,85%</i>	
<i>I.4 Water Supply & Sanitation</i>	<i>42,51</i>						<i>9,5</i>		<i>0,13</i>	<i>0,25</i>	<i>0,01</i>		<i>9,89</i>	<i>26,04</i>	<i>1,28</i>	<i>5,3</i>							<i>5,78%</i>	
<i>I.5 Government & Civil Society</i>	<i>34,4</i>		<i>0,19</i>	<i>10,54</i>	<i>0,81</i>				<i>0,55</i>	<i>0,7</i>	<i>0,74</i>	<i>0,55</i>	<i>14,08</i>		<i>5,62</i>	<i>0,8</i>	<i>10,96</i>	<i>2,15</i>			<i>0,8</i>	<i>2,95</i>	<i>4,68%</i>	
<i>I.6 Other Social Infrastructure & Services</i>	<i>44,76</i>	<i>1,21</i>	<i>0,19</i>	<i>0,54</i>	<i>2,79</i>	<i>0,11</i>	<i>19,21</i>	<i>0,3</i>	<i>0,38</i>	<i>7,16</i>		<i>0,33</i>	<i>32,2</i>	<i>0,2</i>	<i>2,67</i>		<i>8,8</i>				<i>0,9</i>	<i>0,9</i>	<i>6,09%</i>	
<i>I.61 Employment</i>	<i>3,29</i>		<i>0,13</i>						<i>0,07</i>	<i>0,13</i>			<i>0,33</i>		<i>0,76</i>		<i>2,2</i>							
<i>I.62 Housing</i>	<i>2,49</i>	<i>0,01</i>					<i>0,21</i>		<i>0,15</i>	<i>2,11</i>			<i>2,49</i>											
<i>I.63 Other Social Services</i>	<i>38,99</i>	<i>1,19</i>	<i>0,06</i>	<i>0,54</i>	<i>2,79</i>	<i>0,11</i>	<i>19</i>	<i>0,3</i>	<i>0,16</i>	<i>4,92</i>		<i>0,33</i>	<i>29,39</i>	<i>0,2</i>	<i>1,9</i>		<i>6,6</i>				<i>0,9</i>	<i>0,9</i>		
II ECONOMIC INFRASTRUCTURE & SERVICES	103,51			27,64		0,01	0,01	0,09		0,1	0,21		28,05		5,7	3,86			50		15,90		65,90	14,07%
<i>II.1 Transport & Storage</i>	<i>83,33</i>			<i>27,64</i>									<i>27,64</i>		<i>5,7</i>				<i>50</i>				<i>50,00</i>	<i>11,33%</i>
<i>II.2 Communications</i>	<i>15,97</i>					<i>0,01</i>							<i>0,01</i>		<i>0,06</i>						<i>15,90</i>		<i>15,90</i>	<i>2,17%</i>
<i>II.3 Energy</i>	<i>1,96</i>						<i>0,01</i>	<i>0,09</i>		<i>0,1</i>			<i>0,2</i>		<i>1,76</i>								<i>0,27%</i>	
<i>II.4 Banking & Financial Services</i>	<i>0,21</i>										<i>0,21</i>		<i>0,21</i>										<i>0,03%</i>	
<i>II.5 Business & Other Services</i>	<i>2,04</i>														<i>2,04</i>								<i>0,28%</i>	

III PRODUCTION SERVICES	64,11	1,67	0,21	13,18	0,14	0,03	0,49	0,02	0,5	1,97	0,1	3,54	21,85	0,68	7,02	5,85		5,5		14,2	9,00		23,20	8,72%	
<i>III.1 Agriculture – Forestry – Fishing</i>	<i>59,43</i>	<i>1,25</i>	<i>0,21</i>	<i>13,18</i>	<i>0,14</i>		<i>0,49</i>	<i>0</i>	<i>0,5</i>	<i>1,96</i>	<i>0,1</i>		<i>17,84</i>	<i>0,12</i>	<i>7,02</i>	<i>5,75</i>		<i>5,5</i>		<i>14,2</i>	<i>9,00</i>		<i>23,20</i>	<i>8,08%</i>	
<i>III.11 Agriculture</i>	<i>48,98</i>	<i>0,86</i>	<i>0,19</i>	<i>12,82</i>	<i>0,14</i>		<i>0,49</i>		<i>0,5</i>	<i>1,8</i>	<i>0,05</i>		<i>16,86</i>	<i>0,12</i>	<i>7,02</i>	<i>5,28</i>		<i>5,5</i>		<i>14,2</i>			<i>14,20</i>		
<i>III.12 Forestry</i>	<i>9,85</i>	<i>0,39</i>		<i>0,36</i>							<i>0,05</i>		<i>0,79</i>			<i>0,06</i>					<i>9,00</i>		<i>9,00</i>		
<i>III.13 Fishing</i>	<i>0,6</i>		<i>0,03</i>							<i>0,16</i>			<i>0,19</i>			<i>0,41</i>									
<i>III.2 Industry – Mining – Construction</i>	<i>4,66</i>	<i>0,42</i>				<i>0,02</i>				<i>0,01</i>		<i>3,54</i>	<i>4</i>	<i>0,57</i>		<i>0,1</i>								<i>0,63%</i>	
<i>III.21 Industry</i>	<i>1,12</i>	<i>0,42</i>				<i>0,02</i>				<i>0,01</i>			<i>0,46</i>	<i>0,57</i>		<i>0,1</i>									
<i>III.22 Mining</i>	<i>3,54</i>											<i>3,54</i>	<i>3,54</i>												
<i>III.3 Trade & Tourism</i>	<i>0,01</i>									<i>0,01</i>			<i>0,01</i>											<i>0,00%</i>	
<i>III.31 Trade</i>	<i>0,01</i>									<i>0,01</i>			<i>0,01</i>												
IV MULTISECTOR / CROSSCUTTING	75,65	1,5	0,13	1,3	1,83	0,05	0,61	0,15	8,6	2,37			16,56	0,04	1,12	1,97		55,96						10,29%	
<i>IV.1 General Environment Protection</i>	<i>4,79</i>			<i>1,3</i>	<i>1,49</i>			<i>0,01</i>		<i>0,61</i>			<i>3,42</i>	<i>0,04</i>		<i>0,03</i>		<i>1,3</i>						<i>0,65%</i>	
<i>IV.2 Women In Development</i>	<i>0,72</i>		<i>0,13</i>				<i>0,03</i>			<i>0,29</i>			<i>0,45</i>			<i>0,26</i>								<i>0,10%</i>	
<i>IV.3 Other Multisector</i>	<i>70,14</i>	<i>1,5</i>		<i>0,34</i>	<i>0,05</i>	<i>0,58</i>	<i>0,14</i>	<i>8,6</i>	<i>1,48</i>				<i>12,69</i>		<i>1,12</i>	<i>1,67</i>		<i>54,66</i>						<i>9,54%</i>	
V. NON ALLOCABLE	218,66	36,03	2,08	0	15,67	1,33	3,99	6,33	20,65	31,5	37,32	1,8	156,71		13,17	0,39	0,7	44,6				3,10	3,10	29,73%	
<i>V.1 COMMODITY AID/ GEN. PROG. ASS.</i>	<i>40,89</i>							<i>1,65</i>		<i>1,28</i>			<i>2,93</i>		<i>13,17</i>			<i>24,79</i>				<i>0,00</i>	<i>0,00</i>	<i>5,56%</i>	
<i>V.11 Structural Adjustment (with IBRD/IMF)</i>	<i>13,17</i>														<i>13,17</i>									<i>1,79%</i>	
<i>V.12 Food Aid excluding Relief Food Aid</i>	<i>27,4</i>							<i>1,65</i>		<i>0,96</i>			<i>2,61</i>					<i>24,79</i>						<i>3,73%</i>	
<i>V.13 Other General Programme & Commodity Ass.</i>	<i>0,32</i>									<i>0,32</i>			<i>0,32</i>											<i>0,04%</i>	
<i>V.2 ACTION RELATING TO DEBT</i>	<i>79,11</i>	<i>35,8</i>			<i>15,67</i>	<i>1,33</i>		<i>4,61</i>	<i>20,65</i>				<i>78,07</i>					<i>1,05</i>						<i>10,76%</i>	
<i>V.3 EMERGENCY ASSISTANCE</i>	<i>94,06</i>	<i>0,08</i>	<i>2,04</i>				<i>2,49</i>	<i>0,07</i>		<i>30,09</i>	<i>36,96</i>	<i>1,8</i>	<i>73,53</i>			<i>0,23</i>	<i>0,7</i>	<i>18,76</i>				<i>0,84</i>	<i>0,84</i>	<i>12,79%</i>	
<i>V.31 Relief Food Aid</i>	<i>20,53</i>						<i>1,77</i>						<i>1,77</i>					<i>18,76</i>							
<i>V.32 Non-Food Emergency and Distress Relief</i>	<i>73,53</i>	<i>0,08</i>	<i>2,04</i>				<i>0,72</i>	<i>0,07</i>		<i>30,09</i>	<i>36,96</i>	<i>1,8</i>	<i>71,76</i>			<i>0,23</i>	<i>0,7</i>					<i>0,84</i>	<i>0,84</i>		
<i>V.4 ADMINISTRATIVE COSTS OF DONORS</i>	<i>0,18</i>	<i>0,05</i>								<i>0,13</i>			<i>0,18</i>											<i>0,02%</i>	
<i>V.5 SUPPORT TO NGO'S</i>	<i>0,14</i>	<i>0,1</i>	<i>0,04</i>										<i>0,14</i>											<i>0,02%</i>	
<i>V.6 UNALLOCATED/UNSPECIFIED</i>	<i>4,28</i>						<i>1,5</i>				<i>0,36</i>		<i>1,86</i>			<i>0,16</i>						<i>2,26</i>	<i>2,26</i>	<i>0,58%</i>	
VI. TOTAL - all sectors	735,5	42,1	4,5	53,19	22,8	1,7	35,5	7,5	31,6	51,7	38,5	6,2	295,2	0,7	66,5	24,7	6,8	170,5	61,6	14,2	90,6	4,8	171,2	100,00%	

ANNEX 7: COOPERATION OF EU MEMBER STATES WITH NICARAGUA

COUNTRY	TYPE OF STRATEGY	VALIDITY	OBJECTIVES OR FOCAL SECTORS (Poverty reduction through...)	PRINCIPAL PROJECTS/PRIORITIES
Belgium			<ul style="list-style-type: none"> • Education • Research 	<ul style="list-style-type: none"> • Technical assistance • Emergencies for natural disasters • Strengthening to democracy
Denmark	Strategy of the Country, Denmark with Nicaragua	1998-2002	<ul style="list-style-type: none"> • Support for the productive sectors • Reconstruction of the infrastructure • Democratisation through decentralisation and support for the public inst. • Sustainable development of the natural resources 	<ul style="list-style-type: none"> • Agriculture • Transport • Environment and sustainable management of the natural resources
Germany	Assistance strategy, Germany with Nicaragua Technical assistance (through GTZ, DED & CIM) financial assistance (through de KfW)		<ul style="list-style-type: none"> • Economic growth especially in the rural area • Promotion of the human capital, social network • Strengthening of the democratic institutions 	<ul style="list-style-type: none"> • Modernisation of the State • Promotion of the economy and employment • Sustainable exploitation of the natural resources • Supply of water/sewer system
Greece				

Spain	<p>Country strategy, Spain with Nicaragua.</p> <p><i>Convenio de Cooperación Cultural, Educativa y Científica</i></p> <p><i>Convenio Básico de Cooperación técnica</i></p> <p><i>Acuerdo Complementario General de Cooperación del Convenio Básico de Cooperación Técnica de 20 de diciembre de 1974</i></p>	<p>En vigor: 29 de junio de 1992</p> <p>En vigor: 9 de julio de 1975</p> <p>Firma: 26 de abril de 1989</p>	<ul style="list-style-type: none"> • Fair and sustainable development • Consolidate democracy, strengthening the State of Law, through institutional development, decentralisation of the administration, defence and promotion of human rights and fundamental freedoms, stimulating of the social participation • Lasting and sustainable economic growth accompanied by measures that permit the regeneration of the economic network and that facilitate the inclusion of Nicaragua into the worldwide markets and globalisation. 	<ul style="list-style-type: none"> • Cover of basic social needs • Investment in the human being • Infrastructure and promotion of the economic network • Environment • Social participation, institutional development and good government
France			<ul style="list-style-type: none"> • Tourism • Health • Cultural matters • Scientific matters • Technical matters • Education 	
Ireland			<ul style="list-style-type: none"> • Strengthening of human rights • Support for group vulnerable 	<ul style="list-style-type: none"> • NGO co-financing

Italy	Agreement of Cooperation, Italy with Nicaragua		<ul style="list-style-type: none"> • Promotion of sustainable development • Satisfaction of the basic needs and total realisation of human rights • Promotion of development opportunities for women • Defence of the rights of childless and adolescence • Reconstruction, stabilisation and development in the situations of crisis and emergency • Conservation and valuation of cultural and environmental heritage 	<ul style="list-style-type: none"> • Capacity building • Social, economic and cultural growth of civil society, with emphasis also in the overcoming of the technological divergences • Promotion of an economic self-development with particular attention to the small and medium-sized local enterprises, to co-operatism, social business and to mutualism. • the government responsible for the migratory flows • the reduction and the cancellation of the external debt of the Countries co-operating and the just introduction in international trade
Luxembourg	Framework Agreement	2000-	<ul style="list-style-type: none"> • Health • Drinking water • Sewage 	<ul style="list-style-type: none"> • Education and health • Infrastructure projects (drinking water and sanitation systems) • Post-Mitch reconstruction
Netherlands	Development aid	1999	<ul style="list-style-type: none"> • Fight against the poverty • Governance • Environment • Gender & Health • Small and Medium-sized enterprises • Rural development 	<ul style="list-style-type: none"> • Small-scale fishing • Environment • Rural development

Austria	Agreement of Technical Cooperation, Austria with Nicaragua	1986-	<ul style="list-style-type: none"> • Economic and social development of Nicaragua • Agriculture • Trade 	<ul style="list-style-type: none"> • Safeguarding jobs and enhancing competitiveness of small and medium-scale producers • Promoting access to education, basic health care and drinking water.
Portugal				
Finland	Cooperation agreements, Nicaragua	1999-2003	<ul style="list-style-type: none"> • Strengthen democracy • Sustainable development of the natural resources and environment • Energy infrastructure • Education • Health • Support for the vulnerable groups 	<ul style="list-style-type: none"> • Promotion of social equality • Promotion of democracy and human rights • Reduction in the general threats with support for the developing countries so that they may solve environmental problems
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 State of Law • Good Government / Good Governance • Support for economic reforms • Development of the social sectors • Economic growth in the rural sector • Urban sector/local development

				<ul style="list-style-type: none"> • Support for the production of statistical data, analysis and other processes that encourage the training of public opinion
The United Kingdom	Regional Strategy for Central America	1999-	<ul style="list-style-type: none"> • Strengthening government work to the benefit of poor • Social inclusion • Economic management to the benefit of poor 	<ul style="list-style-type: none"> • Health/AIDS • Pro-growth for the poor • Good Government / Good Governance • Social violence

ANNEX 8: COHERENCE OF EC COOPERATION WITH THE STRATEGY OF THE NICARAGUAN GOVERNMENT

Cooperation in the framework of the ERCERP												
Pillars of the ERCERP	Pillar I Large basic economic growth					Pillar II Protection of vulnerable groups	Pillar III Investment in human capital				Pillar IV Governance	
sub-axes of the ERCERP	Macro-economic aspects		Sectoral aspects				Education	Health	Nutrition	Population		
	Macro-economic policies.	Structural reforms	Rural sector	Non-rural productive sector	Social infrastructures							
Priority axes of the EC cooperation	Regional Integration	Reform of the agricultural policy	Socio-economic development in the rural areas Reform of the agricultural policy		Socio-economic development in the rural areas	Development economic partner in the rural areas	Investment in the human resources	Investment in the human resources			Support for the governance and consolidation of democratic	Statistics Support for the governance and consolidation of democracy
Instruments and sources of financing	Participation to the reduction of the debt MoU (5) – Economic Cooperation	MoU (1) – rural environment	MoU (1) –gives the premises in rural environment MoU (2) –ord. of the rural property Food security		MoU (1) –gives the premises in rural environment PRRAC	MoU (1) –gives the premises in rural environment PRRAC	MoU (3) – supports to the educational sector PRRAC	PRRAC		MoU (5) – contingencies	MoU (4) – supports to the govern. and to civic security	MoU (4) – supports to the govern. and to civic security

Decrease in the risks the ERCERP

ANNEX 9: POLICY MIX

1. Trade:

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 our 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 its fight against drugs through autonomously granting market access to EU markets via the special GSP
- to support Central American countries' integration into the world economy by implementing their existing WTO commitments as well as 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 document, in particular with regard to the economic co-operation section, is fully in line with the achievement of these objectives. However, for the second item, there is some concern among Central American countries that the short period of renewal of the GSP regulation acts as a disincentive to longer-term investments in the region.

2. Common Agriculture Policy (CAP)

The Treaty of Rome in 1957 contained provision for a "*Common Agricultural Policy*" (CAP). This policy 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. Many changes to the CAP were made, modifying price policy, restricting market intervention, regulating output and introducing a system to control spending on agriculture. Measures were added to stimulate development in rural areas. By 1992 an important overhaul of the CAP took place which involved: reduction of support prices, adjustment of market management to restore market balance, and more assistance was provided for social and environmental measures. Concerning its external dimension, those changes focussed on the next enlargement of the Union, the global economy and the need to implement WTO commitments.

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. But Nicaragua is no more a banana exporter. In addition, the CAP has also influenced meat and sugar markets.

3. Sanitary and phytosanitary control Policy – consumers protection

In its external dimension, the Community policy in this sector aims to assure 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 perceived, by some third countries,

or economic sectors, as a measure of non-tariff trade protection, that prevents the access of some products – mainly agricultural - to the European markets.

At the same time, some Central American countries have raised concerns about 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.

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, supplying trade and investments and favouring the investments of the companies of the EU abroad. This policy is compatible with the present strategy both in the bilateral and the regional context.

5. Competition policies

The interest of applying 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 among economic operators that may 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 service market. Likewise, the EU takes part in multilateral co-operation 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.

This policy is compatible with the present strategy since interventions promoting its aims policies are included, in particular in the regional context.

6. Research and development policy

In the EC, international co-operation in this area is covered by the Fifth Framework Programme (FP5) through two principal axes:

- an international co-operation dimension for each research programme, included in the FP5, that contributes to the solution of common or general problems.
- A specific international programme third countries and regions, including Central America.

Under the 5th Framework Programme, a number of 9 projects have been concluded involving Nicaragua. The training and mobility programmes for researchers included in the EC Framework Programme are also compatible with the aims of the present strategy.

7. Environmental policy

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

- Objectives and principles included in the 6th Community Environment Action Programme (6EAP, 2002-2011): climate change, depletion of natural resources and the loss of bio-diversity, participation in the discussions and negotiations on forest related issues³⁰.

³⁰ In line with the EC communication on "Forests and Development: the EC approach" (COM1999 (554)).

- To encourage Central America to implement its international commitments under the different multilateral environmental agreements, notably:

- the Biodiversity Convention, Cartagena Protocol of Biosafety,
- Climate Change Convention,
- the Kyoto Protocol,
- Stockholm Convention of Persistent Organic Pollutants
- the Rotterdam Convention on the Prior Informed Consent Procedure for certain hazardous chemicals and pesticides in international trade.

These objectives are compatible with the present strategy both at national and regional level in particular in the view of the fact that environment is one of the main crosscutting issues of sustainable development mainstreamed into the co-operation strategy.

8. Conflict prevention

In its communication on conflict prevention (April 2001), the Commission announced its intention to focus its co-operation programmes more clearly on addressing root causes of conflict in an integrate manner. In this context, the Commission will seek to incorporate specific conflict prevention (or resolution) measures into its various sectoral programmes.

A first analysis of potential sources of conflict in Nicaragua has put in evidence several problems which could be sources of conflict: corruption, relative weakness of the judicial system, important poverty levels and inequalities (also at regional level) as well as an over-dependence on coffee (sector in deep economic crisis) and beef exports. The conflict prevention policy is fully compatible with the Country Strategy Paper.

9. Justice and home affairs:

The instruments put into place by the EC in its relations with Central America to fight against drugs are coherent with the objectives of the present strategy.

The current policy concerning immigration could have an impact on the development of Nicaragua and some Central American countries due the extreme importance of remittances from immigrants in hosting countries in the macro-economic equilibrium (remittances represent near ¼ of the PIB). 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.

10. Information Society

The main objectives pursued by co-operation with Latin America in the Information Society field are the following:

1. Promoting the development of an inclusive Information Society in those countries and fighting the digital divide within and between countries and regions and, in such, contributing for the economic and social development of Latin American countries;
2. Fostering the integration of Latin American countries in the global Information Society;
3. Promoting European industrial interests in Latin America by creating a favourable environment for the EU Information Society stakeholders in the region, notably by promoting in the region efficient regulatory and policy frameworks, as well as open and global standards;
4. Reinforcing technological co-operation in the field of Information Society, in particular through the European Union Framework Programme for RTD;

Those objectives are compatible with the regional strategy and in such with the national strategy.

ANNEX 10: THE REGIONAL PROGRAMME FOR THE RECONSTRUCTION OF CENTRAL AMERICA (PRRAC)

Hurricane Mitch, which struck Central America in October 1998, must be one of the worst natural disasters that ever hit the region. The total number of people killed or unaccounted for is around 10.000. The hurricane affected at least a quarter of the total population of the countries concerned. Material damage has been put at US\$5.5 billion, equivalent to 10% of the region's GDP.

As short-term response to the disaster, a considerable amount (worth around €99 million) of logistical, humanitarian and financial aid arrived in the region in the days following the disaster. ECHO and Food and Security aid resources and co-financing via NGOs were the immediate instruments of response display by the Commission services.

As mid-term response, foreseen funds from the different indicative programmes have been reprogrammed and the European Development Bank has withdrawn part of the debt of the countries for a value of €65 million.

Following a formal request by the Council and the European Parliament in 1998 with medium-term rehabilitation in mind, the Commission launched the Regional Programme for the Reconstruction of Central America (PRRAC). Funding was set at €250 million, to be committed between 1999 and 2002 and to be implemented within eight years from 2001. This programme is addressed to Honduras, Nicaragua, El Salvador and Guatemala which were the most affected countries by the hurricane. This programme was build up taking into account the National Plans of the divested countries which were presented at the Consultative group for the Reconstruction and Transformation of the Region held in Stockholm on 25-28 May 1999 and on the principles of the Stockholm Declaration.

The programme's overall objectives are to help rehabilitate and re-equip the education, sanitation, public health and housing systems in the areas of Central America that were hardest hit by Hurricane Mitch, as well as to strengthen management capacity in these sectors, and support the establishment of more sustainable structures. All of this has the aim to contribute to reinforce the process of transformation at mid-term of the region which was launched at the Stockholm Consultative Group

Nicaragua should benefit from €84 million. On this basis 14 projects have been identified which mainly includes:

- rehabilitation and improvement of basic water supply and sanitation systems;
- rehabilitation and improvement of primary healthcare system in particular by increasing care facilities, supplying equipment and drugs/vaccines and reinforcing local epidemiological monitoring committees and strengthening of Ministries and other bodies responsible for planning and implementing public health policy, as local authorities and grassroots bodies working in the sector;
- environment including risk prevention;
- rehabilitation and improvement schools (with an emphasis on primary and rural schools) including capacity building,

The quality of technical and vocational education will be improved by teacher training and innovation in the technological and production spheres in order to help cope with the consequences of the hurricane

In addition, a fund of €13 million has been set up to finance local initiatives promoted by civil society to improve health, sanitation, education, training, environmental protection and strengthen socio-cultural and organisational development. These operations will be implemented in urban or rural intervention areas covered by the Programme in the each of the four recipient countries.

Because of the exceptional nature of this Programme, the European Commission has decided to set up a special administrative entity for it. This would entail the Commission having full and direct responsibility for implementation of the Programme, accompanied by devolution of its management to a special unit set up at the Commission Delegation in Managua.

End 2001, €166 million have been committed and €8,4 million have been paid of which €70.0 million and €4,1 million have been dedicated to Nicaragua.