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Report No: PAD4307

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF

US\$80 MILLION

TO THE

REPUBLIC OF NICARAGUA

FOR THE

HURRICANES ETA AND IOTA EMERGENCY RESPONSE PROJECT

January 6, 2021

Urban, Resilience and Land Global Practice  
Latin America and Caribbean Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective December 21, 2020)

Currency Unit = Nicaragua Cordoba (NIO)

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NIO 34.60 = US\$1

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## FISCAL YEAR

January 1 - December 31

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## ABBREVIATIONS AND ACRONYMS

CABEI	Central American Bank for Economic Integration
CCA	Climate Change Adaptation
CE	Citizen Engagement
CERC	Contingent Emergency Response Component
COVID-19	Coronavirus Disease 2019
CCRIF SPC	Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company
CPF	Country Partnership Framework
DRM	Disaster Risk Management
DRR	Disaster Risk Reduction
E&S	Environmental and Social
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
ESMF	Environmental and Social Management Framework
ESS	Environmental and Social Standards
FCPF	Forest Carbon Partnership Facility Carbon Fund
FM	Financial Management
GBV	Gender Based Violence
GDP	Gross Domestic Product
GFDRR	Global Facility for Disaster Reduction and Recovery
GoN	Government of Nicaragua
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
IDA	International Development Association
IMF	International Monetary Fund
INIDE	National Institute of Development Information ( <i>Instituto Nacional de Información de Desarrollo</i> )
IFR	Interim Financial Reports
IPADs	Indigenous Peoples and Afro-Descendants
IPADP	Indigenous Peoples and Afro-Descendants Plan
IPF	Investment Project Financing
IRR	Internal Rate of Return
LMP	Labor Management Procedures
LIDP	Local Innovation Development Plans
MHCP	Ministry of Finance and Public Credit ( <i>Ministerio de Hacienda y Crédito Público</i> )
M&E	Monitoring and Evaluation
NGO	Non-Governmental Organization
NPV	Net Present Value
PDO	Project Development Objective
PIC	Project Interinstitutional Committee
PMU	Project Management Unit

POM	Project Operations Manual
PPSD	Project Procurement Strategy for Development
RACCN	North Caribbean Autonomous Region ( <i>Región Autónoma de la Costa Caribe Norte</i> )
RACCS	South Caribbean Autonomous Region ( <i>Región Autónoma de la Costa Caribe Sur</i> )
RAP	Resettlement Action Plan
RETF	Recipient-executed Trust Fund
SCD	Systematic Country Diagnostic
SEP	Stakeholder Engagement Plan
SIGAF	Integrated Financial Management System ( <i>Sistema Integrado de Gestion Financiera</i> )
SINAPRED	National System for Disaster Prevention, Mitigation and Response ( <i>Sistema Nacional para la Prevención, Mitigación y Atención de Desastres</i> )
UIFR	Unaudited Interim Financial Report
UN	United Nations
UNOPS	United Nations Office for Project Services



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DATASHEET

**BASIC INFORMATION**

Country(ies)	Project Name		
Nicaragua	Hurricanes Eta and Iota Emergency Response Project		
Project ID	Financing Instrument	Environmental and Social Risk Classification	Process
P175878	Investment Project Financing	High	Urgent Need or Capacity Constraints (FCC)

**Financing & Implementation Modalities**

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input checked="" type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
22-Jan-2021	31-Mar-2025

Bank/IFC Collaboration

No

**Proposed Development Objective(s)**

The Project Development Objective is to support Nicaragua’s emergency response and restoration of services and economic activities in critical sectors in the Project area.



**Components**

Component Name	Cost (US\$, millions)
Component 1: Recovery, rehabilitation, and resilient reconstruction	69,000,000.00
Component 2: Livelihood recovery	10,000,000.00
Component 3: Monitoring, evaluation and audit of the Project	1,000,000.00

**Organizations**

Borrower:	Republic of Nicaragua
Implementing Agency:	Ministry of Finance and Public Credit (Ministerio de Hacienda y Credito Publico (MHCP) United Nations Office for Project Services (UNOPS)

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	80.00
<b>Total Financing</b>	80.00
<b>of which IBRD/IDA</b>	80.00
<b>Financing Gap</b>	0.00

**DETAILS**

**World Bank Group Financing**

International Development Association (IDA)	80.00
IDA Credit	80.00

**IDA Resources (in US\$, Millions)**

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
<b>Nicaragua</b>	80.00	0.00	0.00	80.00
National PBA	80.00	0.00	0.00	80.00



<b>Total</b>	<b>80.00</b>	<b>0.00</b>	<b>0.00</b>	<b>80.00</b>
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**INSTITUTIONAL DATA**

**Practice Area (Lead)**

Urban, Resilience and Land

**Contributing Practice Areas**

Climate Change

**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

<b>Risk Category</b>	<b>Rating</b>
1. Political and Governance	● Moderate
2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Moderate
6. Fiduciary	● Moderate
7. Environment and Social	● High
8. Stakeholders	● Substantial
9. Other	● Moderate
10. Overall	● Substantial

**COMPLIANCE**

**Policy**

Does the project depart from the CPF in content or in other significant respects?

Yes  No



Does the project require any waivers of Bank policies?

[ ] Yes [✓] No

**Environmental and Social Standards Relevance Given its Context at the Time of Appraisal**

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
Cultural Heritage	Relevant
Financial Intermediaries	Not Currently Relevant

**NOTE:** For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

**Legal Covenants**

Sections and Description

Schedule 2. Section I. A.1. Institutional Arrangements. Without limitation to the provisions of Section 3.01, the Recipient, through MHCP, and with the assistance of UNOPS, shall carry out the Project in accordance with the Financing Agreement, the Implementation Agreement and the Project Operations Manual, and for this purpose, the Recipient, through MHCP, shall maintain, throughout Project implementation, a Project Management Unit (“PMU”) with a structure, staff, functions, responsibilities and adequate resources as set forth in the Project Operations Manual, all acceptable to the Association.



Sections and Description

Schedule 2. Section I. A.3. Institutional Arrangements. To facilitate Project implementation, the Recipient, through MHCP, shall establish and thereafter maintain through Project implementation, the Project Interinstitutional Committee (“PIC”), comprised of, inter alia, representatives from the Office of the President of the Recipient, Relevant Sectoral Entities, and representatives from the regional governments. The PIC shall be responsible for the review of the annual Project work plan, facilitate adequate multi-sectoral and cross-agency coordination, monitor the progress of Project implementation, and make recommendations to improve Project implementation as required, all pursuant to the POM.

Sections and Description

Schedule 2. Section I. B.1a. Implementation Agreement. To facilitate UNOPS’s assistance in carrying out the Project, and without limitation to the provisions of Section 3.01 of the Financing Agreement, the Recipient, through MHCP, shall enter into an agreement (“Implementation Agreement”) between the Recipient, through MHCP, and UNOPS, under terms and conditions approved by the Association, including the obligation of UNOPS to: hire, as soon as possible but no later than fifteen (15) days from the Effective Date (unless the Recipient, in consultation with the Association, and after consideration of the reasons for the delay, establishes a later date for the purpose of this Section), and thereafter maintain throughout Project implementation adequate staff and resources, including a Project manager, a financial management specialist, a procurement specialist, an environmental specialist, a social specialist, and an occupational health and safety specialist, all satisfactory to the Recipient and the Association, as set forth in the POM and the ESCP.

Sections and Description

Schedule 2. Section I. D.2. Environmental and Social Standards. Without limitation upon paragraph 1 of schedule 2, Section 1.D.1 of the Financing Agreement, the Recipient, through the MHCP, shall, and shall cause UNOPS to, ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Association.

Sections and Description

Schedule 2. Section I. D.5. Environmental and Social Standards. The Recipient, through MHCP, shall, and shall cause UNOPS to, establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.

Sections and Description

As part of the Environmental and Social Commitment Plan (ESCP) (referred to in Schedule 2. Section I.D.2 of the Financing Agreement) the following instruments will be developed, consulted, and disclosed within the specified timeframes, namely: (a) an E&S Management Framework (ESMF) within 60 days of project effectiveness; (b) a Stakeholder Engagement Plan (SEP) within 30 days of project effectiveness (a draft of which has already been developed during preparation and disclosed on December 24, 2020; (c) Labor Management Procedures (LMP) within 60 days of project effectiveness; (d) a Resettlement Policy Framework (RPF) within 60 days of project effectiveness; and (e) an Indigenous Peoples and Afro-Descendants Plan (IPADP) within 30 days of project effectiveness.

Sections and Description



Schedule 2. Section I. A.2. Institutional Arrangements. Without limitation to the provisions of Section 5.03 of the General Conditions, throughout Project implementation, the Recipient shall allocate sufficient funds to the budget of the PMU to ensure its ability to carry out the Project and support compliance by the Recipient of its obligations under this Agreement.

**Conditions**

Type	Description
Effectiveness	Article 4.01. (a). The PMU has been established and is operational in a manner and with a structure, staff, functions, responsibilities and adequate resources (including a Project manager, financial management specialist, procurement specialist, environmental and social officer) as set forth in the Project Operations Manual, all acceptable to the Association.
Effectiveness	Article 4.01. (b). The Implementation Agreement has been executed and is in effect.
Effectiveness	Article 4.01. (c). The Project Operations Manual has been prepared and adopted by the Recipient, through MHCP, in a manner satisfactory to the Association.



## I. STRATEGIC CONTEXT

### A. Country Context

- Between November 1 and 18, 2020, two consecutive hurricanes, Eta and Iota, hit and damaged Central America, with an impact magnitude comparable to that of Hurricane Mitch in 1998.** Nicaragua, along with Honduras and Guatemala, bore the brunt of the impact. Both hurricanes developed slowly in the western Caribbean Sea and made landfall at nearly the same location south of Bilwi, Nicaragua, as Category 4 (Eta) and 5 (Iota) hurricanes, with catastrophic impacts stretching from southern Mexico to northern Colombia. In Nicaragua<sup>1</sup>, over 3 million people were exposed to the devastating effects of the hurricanes, with 160,597 evacuated, 59,964 in shelters, and 21 dead.
- The Nicaragua Systematic Country Diagnostic (SCD)<sup>2</sup>, conducted in 2018, found that the country's vulnerability to natural hazards is a key constraint in its development.** Nicaragua is highly vulnerable to major geophysical and hydro-meteorological events, including earthquakes, hurricanes, floods and drought, which threaten its economic stability and the safety and well-being of its population. Nicaragua is classified as a country at highest risk of climate-related and other disasters from natural hazards; and is in the high-risk group for earthquakes, floods and epidemics, and in the medium-risk group for drought and hurricanes.<sup>3</sup> In terms of disaster-related economic impacts, between 1994 and 2013, hydro-meteorological disasters in Nicaragua were associated with annual losses of US\$301.75 million, equivalent to an annual loss of 1.71 percent of its Gross Domestic Product (GDP).<sup>4</sup>
- After steady annual growth between 2011 and 2017, Nicaragua's economy has faced challenges over the last three years that have affected the country's capacity to respond effectively to shocks.** After showing sustained annual growth between 2011 and 2017, the real GDP contracted by 3.9 percent in 2019 (following a decline of 4.0 percent in 2018) owing to a deterioration in aggregate demand, strong fiscal consolidation, and the effects of the sociopolitical context. Inflation increased to 5.4 percent in 2019 (compared with 4.9 percent in 2018) due to tax measures adopted to partially offset revenue reduction and due to limited access to international financing. From 2018 to 2019, the Nicaraguan authorities eased monetary and financial sector policies to manage the economic effects of these challenges. The Government of Nicaragua (GoN) adopted a package of tax and pension reforms in the first quarter of 2019 aimed at reducing the deficit from 4.1 percent of the GDP in 2018 to an estimated 1.3 percent of GDP in 2019. In October 2019, the GoN announced a reduction in the exchange rate crawl from 5 to 3 percent to signal a commitment to low inflation. The crawl was further reduced to 2 percent in December 2020. The real GDP is projected to contract by 5.9 percent in 2020<sup>5</sup>, bringing the cumulative loss of real output over the past three years to 13.1 percent; it is projected to recover slowly to 1.1 percent by 2021.<sup>6</sup>
- The impact of the Coronavirus Disease 2019 (COVID-19) pandemic has long-term effects on productivity, income growth, and social cohesion.** The ongoing COVID-19 pandemic has affected Nicaragua's economic situation and

<sup>1</sup> The most affected areas were the North Caribbean Autonomous Region (*Región Autónoma de la Costa Caribe Norte* - RACCN), South Caribbean Autonomous Region (*Región Autónoma de la Costa Caribe Sur* - RACCS), and the departments of Matagalpa, Jinotega, Nueva Segovia, Rivas and Carazo.

<sup>2</sup> Report: 116484-NI

<sup>3</sup> Data obtained from the INFORM Risk Index, a global, open-source risk assessment for humanitarian crises and disasters. 2020.

<sup>4</sup> *Hydrometeorological and Climate Services Modernization Plan for Nicaragua*. World Bank. 2019.

<https://www.gfdr.org/en/publication/hydrometeorological-and-climate-services-modernisation-plan-nicaragua>

<sup>5</sup> According to the Central Bank of Nicaragua, the Nicaraguan economy showed an annual average growth of 5.3 percent between 2011 and 2017, and the nation's real GDP is projected to contract by 2.5 to 3 percent in 2020.

<sup>6</sup> *Nicaragua*. World Bank. 2020. <http://pubdocs.worldbank.org/en/515431582655262438/mpo-nic.pdf>



the health of its population. The pandemic, combined with the socioeconomic context, has contributed to the further loss of jobs and an increase in poverty which may, in turn, affect Nicaragua's indicators in education, nutrition, and health. Official statistics put COVID-19 cases at 5,887 (as of December 12, 2020) with 162 deaths. Although the GoN has not officially implemented a lockdown, it is putting in place proactive measures to face the pandemic without closing the economy. The effects of COVID-19 may worsen the situation of people living in public shelters due to the hurricanes, given that a substantial number are expected to remain in the shelters into 2021.

5. **Poverty in Nicaragua<sup>7</sup> continues to have a spatial dimension, with the Central and Caribbean regions lagging other regions.** The 2005 Population and Housing Census<sup>8</sup> indicated that the Caribbean Region is inhabited by 58 percent (about 253,589 people) Indigenous Peoples and Afro-descendants (IPADs) of which 40 percent live in the North Caribbean Autonomous Region (*Región Autónoma de la Costa Caribe Norte – RACCN*) and 18 percent in the South Caribbean Autonomous Region (*Región Autónoma de la Costa Caribe Sur – RACCS*). Based on the 2005 census and poverty map produced by the National Institute of Development Information (*Instituto Nacional de Información de Desarrollo – INIDE*), the RACCN and the RACCS had the highest incidence of extreme poverty,<sup>9</sup> reported to be 70.9 percent and 63.1 percent respectively. Combined with conditions of marginalization and food security, IPADs populations are especially vulnerable if exposed to external shocks.

6. **Nicaraguan women, particularly those living in rural areas, are more susceptible than men to disaster-related impacts due to pre-existing gender gaps and inequalities in access to health, social protection, productive resources, economic opportunities, voice, and agency.** Nicaragua has made significant progress in reducing the gender gap, improving its ranking from 90th in 2007 to 5th in 2019 (out of 153 countries), according to the World Economic Forum's Global Gender Gap Index.<sup>10</sup> However, with limited access to economic opportunities, Nicaraguan women in rural areas tend to hold unstable employment, are more likely to have informal work arrangements, and lack decent working conditions.<sup>11</sup> Although Nicaragua's vulnerable male population<sup>12</sup> decreased from 44.6 percent in 2005 to 35 percent in 2017, the vulnerable female population increased slightly, from 46.7 percent to 46.9 percent during the same period.<sup>13</sup>

### Situation of Urgent Need of Assistance

7. **The hurricanes generated cataclysmic impacts and the ensuing destruction and damage of critical public infrastructure, private housing, crops, and fisheries.** Roughly one-third of Nicaragua's GDP is closely linked to its natural resource base through the agriculture, timber, and fishery sectors.<sup>14</sup> Eta's effects on the Caribbean coast were exacerbated by Iota; while housing and infrastructure suffered major damage following Eta, the impacts in some departments were intensified by Iota. Critical sectors such as transportation, housing, health, education, water and sanitation, agriculture, and fisheries were greatly affected. Some forest and mangrove areas as well as coastal habitats suffered extensive damage.<sup>15</sup> The impacts of Eta and Iota are particularly detrimental given the affected areas (RACCN

<sup>7</sup> The proportion of poor households living below the international poverty line of US\$3.2/day (2011 purchasing power parity, PPP) is forecasted to increase from 13.1 percent in 2019 to 15 percent in 2020. This would add more than 130,000 people into poverty by the end of the current year.

<sup>8</sup> The 2005 Census is currently the only official source of information with data at the national level.

<sup>9</sup> This percentage represents the number of extreme poor as a proportion of the total population.

<sup>10</sup> *Global Gender Gap Report*. World Economic Forum. 2020. [http://www3.weforum.org/docs/WEF\\_GGGR\\_2020.pdf](http://www3.weforum.org/docs/WEF_GGGR_2020.pdf)

<sup>11</sup> *ILOSTAT database*. International Labour Organization (ILO). 2019. <https://ilostat.ilo.org>

<sup>12</sup> In this context vulnerability refers to vulnerable employment, which it is often characterized by inadequate earnings, low productivity and difficult conditions of work that undermine workers' fundamental rights.

<sup>13</sup> *ILOSTAT database*. International Labour Organization (ILO). 2019. <https://ilostat.ilo.org>

<sup>14</sup> *Climate Change Risk Profile Nicaragua*. USAID. 2017.

<sup>15</sup> Approximately 3,152,360 hectares of forest were exposed to Eta and Iota, including 44 natural reserves, of which 17 were in the area



and RACCS) have the highest incidence of poverty and malnutrition RACCS, which are the were those with the highest incidence of poverty and malnutrition and the lowest level of education and health in Nicaragua<sup>16</sup>. In addition to the economic effects, Nicaragua is also severely affected by the decrease in tourism revenues and remittances, the compound effects of COVID-19, Eta, Iota, and the “cold phase” of the El Niño-Southern Oscillation<sup>17</sup>, known as la “La Niña”. In this context, downward income mobility has become a concern, and a significant portion of the population is now at risk of falling into poverty due to the combined impact of economic shocks and disasters from natural hazards.

8. **Although the timely activation of government institutions allowed for a rapid response to Hurricanes Eta and Iota, the magnitude of their impact, combined with the long and intense rainy season and the COVID-19 pandemic, has depleted local and sectoral institutions as well as emergency preparedness and response systems.** On November 2, 2020, the GoN, through the National System for Disaster Management and Prevention (*Sistema Nacional para la Prevención, Mitigación y Atención de Desastres – SINAPRED*),<sup>18</sup> declared a red alert for the RACCN and RACCS, due to the imminent impact of Hurricane Eta. On November 13, SINAPRED declared a red alert due to the imminent impact of Hurricane Iota in the same area. The red alert declarations activated sectoral and territorial institutions, allowing for the execution of the departmental, regional, municipal, and sectoral contingency plans to respond to both hurricanes.

## B. Sectoral and Institutional Context

9. **Nicaragua has taken important steps in the last decade to incorporate disaster risk management (DRM) and climate change adaptation (CCA) into its urban and sectoral development policies and has also implemented numerous policies for emergency and disaster response and disaster risk reduction (DRR).** SINAPRED facilitated the creation of a comprehensive National Disaster Response Plan, which was formally approved in 2008. In coordination with the public and private sectors, SINAPRED is responsible for: (a) preventing and mitigating risks; (b) responding to emergencies; and (c) rehabilitating areas affected by disasters. The system is coordinated by the Executive Secretariat of SINAPRED; its operational arm is coordinated by the National Operative Committee; and its technical/scientific arm is coordinated by the Nicaraguan Institute for Territorial Studies (*Instituto Nicaragüense de Estudios Territoriales – INETER*). The system’s regional, departmental, and municipal committees are presided over by provincial governors and mayors. Through SINAPRED, Nicaragua has been a regional pioneer in instituting a policy and legal framework that facilitates a comprehensive, multi-sectoral approach to DRM.

10. **Nicaragua’s DRM system includes participatory institutional structures, which have proven essential for effective disaster response.** The system includes a social structure (including the representation of IPADs, and other minority ethnic communities) as well as an institutional structure (including all government institutions with common objectives and contingency plans). Permanent organization and management processes have been maintained to ensure that the population is prepared and better organized to face emergencies and disasters, including climate-induced shocks such as floods or drought. The country conducts four large-scale exercises each year to evaluate and improve the quality of its plans.

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most heavily impacted. About 1,185,820 hectares of exposed forest cover were lost along with 1.05 million tons of carbon dioxide equivalent (CO<sub>2</sub>) capture. In addition, about 2,594 hectares were reported to be at risk of surface water contamination due to flooding.

<sup>16</sup> Nicaragua SCD- Report: 116484-NI. 2017

<sup>17</sup> ENSO is an irregular periodic variation in winds and sea surface temperatures over the tropical eastern Pacific Ocean, affecting the climate of much of the tropics and subtropics.

<sup>18</sup> Regulated by Law 337 (enacted in 2000 and updated in 2014).



11. **The hurricanes disproportionately affected IPADs and women.** The most affected areas were the RACCN, the RACCS, and the departments of Matagalpa, Jinotega, Nueva Segovia, Rivas and Carazo, with an IPADs population of 58 percent. These areas experienced extreme flooding and damage to housing and fisheries infrastructure, the communities' main sources of income. Experience of past events shows that emergencies due to disasters compound existing gender inequalities. The consequent adverse impacts include disruptions to their health and well-being, food security and nutrition, and livelihoods, as well as increases in domestic violence.<sup>19</sup> Women are often the only source of household income, through work in low-skilled or informal sector jobs that will be disrupted in the foreseeable future due to destruction, economic displacement and limited mobility.

12. **The GoN is mobilizing funds for the emergency response and to fast-track the country's recovery, but the needs are significant.** Preliminary estimates as of December 2020 indicate total damages and losses of US\$742.6 million, or approximately 6.2 percent of Nicaragua's GDP, with widespread effects across sectors. The GoN has focused its emergency response efforts on addressing the needs for shelter and basic nutrition; it anticipates expenditures for an extended period due to the heavy damage and pervasive flooding of dwellings due to the floods that followed the storms. As a result, the GoN will need to continue providing food, shelter, and relief supplies for the foreseeable future. In parallel, the GoN will need a multisector investment program to address damages. In the transport sector, this includes rehabilitation of the road network, bridges, intermunicipal land transportation, markets, and municipal docks. In the water and sanitation sectors, basic repairs have been completed, but resources will be required to complete restoration of the systems. Therefore, in response to the hurricanes, the GoN has requested a multi-pronged financing package from the World Bank and other multilaterals.

### C. Relevance to Higher Level Objective

13. **The proposed Project is aligned with the World Bank Group's FY18-22 Country Partnership Framework (CPF) for Nicaragua, discussed by the World Bank's Board of Executive Directors on March 15, 2018.**<sup>20</sup> It builds on the recommendations of the 2018 SCD for Nicaragua, which identified the country's vulnerability to natural hazards as a key constraint to its development. Specifically, the proposed Project will contribute to Pillar 3 of the CPF "Improving Institutions for Resilience and Sustainability" by supporting the key sectors and communities affected by Hurricanes Eta and Iota, and facilitating climate-resilient reconstruction. The proposed Project is aligned with the GoN's responsibilities and priorities in CCA as well as with the SINAPRED and the objectives of the National Disaster Response Plan.

14. **The proposed Project will also contribute to the World Bank's twin goals, as well as its Climate Change Action Plan (2016–2020) and its Gender Equality Strategy (2016–2023).** Disasters in Nicaragua are likely to disproportionately affect the poor, IPADs, and women. The proposed Project will contribute to reducing extreme poverty and will boost shared prosperity by enabling rapid recovery and reconstruction through the integration of "building back better" principles, as well as ensuring the climate resilience of infrastructure, continuity of services, and reduction of disruptions in jobs and productivity. Additionally, it will enhance action toward resilience to climate change that does not leave anyone behind (Climate Change Action Plan Priority III, high-impact area IV) by focusing on the poorest and most vulnerable segments of the population, people living in extremely vulnerable areas, including women, children and IPADs. The proposed Project is aligned with Objective 2 of the World Bank's Gender Strategy (Removing constraints for more and better jobs) by promoting women's labor force participation, improve their access to productive assets, and restore the incomes of women in the artisanal fishing sector.

<sup>19</sup> *Gender Equality and Women's Empowerment in Disaster Recovery. Disaster Recovery Guidance Series.* World Bank. 2020. <http://hdl.handle.net/10986/33684>

<sup>20</sup> Report No. 123026-NI, dated February 12, 2018



15. **The proposed Project is aligned with the World Bank Group’s COVID-19 pandemic Response Approach Paper “Saving Lives, Scaling-Up Impact and Getting Back on Track.”** At the outbreak of COVID-19, the recently approved Nicaragua COVID-19 Response Project (P173823) aims to save the lives threatened by the virus during the relief stage. In line with the Approach Paper, the COVID-19 Response Project finances immediate health related needs by provisioning necessary equipment and supplies to provide care to COVID-19 cases and protect health care workers. The proposed Project focuses on the compound risk of the hurricanes and supports the objectives of Pillar 2 (Protecting Poor and Vulnerable Groups) and Pillar 4 (Strengthening Policies, Institutions, and Investments for Rebuilding Better) of the Approach Paper by providing emergency support to IPADs through the resilient rehabilitation of critical infrastructure and housing, and the restoration of services in critical sectors.

## II. PROJECT DESCRIPTION

### A. Project Development Objective

#### Project Development Objective (PDO) Statement

16. The PDO is to support Nicaragua’s emergency response and restoration of services and economic activities in critical sectors in the Project area.

#### PDO Level Indicators

17. The key indicators for tracking progress toward the PDO are as follows:

- Affected population who have benefitted from emergency disaster recovery activities under the Project (number; disaggregated by gender and IPADs)
- Affected population with restored services in critical sectors supported by the Project (number: disaggregated by gender and IPADs)
- Beneficiaries of housing rehabilitated or rebuilt, in accordance to climate and disaster-resilient standards, as part of the Project. (number; disaggregated by gender and IPADs)
- People who have their income restored as a result of the Project’s support to critical economic activities. (number, disaggregated by gender and IPADs)

### B. Project Components

18. **Activities will focus on the Northern Caribbean coast, which includes some of the areas heavily affected by Hurricanes Eta and Iota.** The Project area has been defined as those areas affected by the compound impacts of the two hurricanes in the RACCN and RACCS as further defined in the Project Operations Manual (POM). The GoN and the World Bank may agree to expand the Project area to include additional affected areas with direct impacts on connectivity and access to services in the original Project area. The proposed Project has three components:

#### Component 1: Recovery, rehabilitation, and resilient reconstruction (US\$69 million)

##### Subcomponent 1.1: Emergency disaster recovery (US\$1.6 million)



19. **The GoN's emergency recovery efforts focus on measures to alleviate and mitigate the impacts of the two hurricanes on the affected population.** This subcomponent will finance expenditures for emergency disaster recovery of affected populations, including immediate repair and clean-up of selected critical infrastructure. A list of eligible expenditures under this subcomponent will be specified in the POM, subject to prior review and no-objection by the World Bank. They are likely to include, *inter alia*, fixing minor water damage, painting, replacing flooring, minor roof repairs, plumbing and electric repairs, and the purchase of safety equipment.

#### **Subcomponent 1.2: Rehabilitation and reconstruction of selected critical infrastructure (US\$30 million)**

20. **During disasters, the continued operation of critical public infrastructure is key to efficient response and recovery.** A significant number of roads, bridges, and public buildings were heavily damaged and/or destroyed after the passage of Eta and Iota. This subcomponent will finance the rehabilitation and reconstruction of selected critical infrastructure, including: (a) conducting any necessary engineering assessments for these works; (b) supporting demolition and debris removal, as applicable; (c) taking measures to restore critical services and use of selected critical infrastructure, as needed;<sup>21</sup> and (d) preparing the technical specifications and acquiring the necessary equipment to resume the provision of critical public services, as needed<sup>22</sup>. The operation will support investments that: (a) maximize climate co-benefits; and (b) are resistant to climate-induced events such as floods, storm surges, and landslides by using design standards that increase asset resilience to higher hazard intensity levels (including the enforcing of building code legislation or updating its provisions, when necessary). Where relevant, selected investments will include appropriate energy efficiency measures. Detailed climate-resilient and inclusive design criteria will be included in the POM.

21. **As reconstruction needs far exceed the financing available under this subcomponent, the GoN will provide a prioritized list of public infrastructure in need of rehabilitation or reconstruction, which will be subject to the World Bank's prior review and no-objection.** Prioritization will be determined using participatory approaches involving the affected populations and adapted to the cultural needs and specific realities of the concerned groups (as described in the Project's environmental and social (E&S) instruments). This approach will be used to: (a) identify damage and criticality levels to ensure that the structures made most vulnerable by Eta and Iota are prioritized for safety; (b) emphasize sectoral relevance to focus investments on service delivery needs; (c) prioritize the repair and rehabilitation of partially damaged infrastructure as an alternative to new construction, to ensure efficiency with limited public funds; and (d) ensure that climate change mitigation opportunities and adaptation as well as E&S risks are duly considered so that investments will enhance resilience, will not cause or increase the risk of significant negative environmental or social impacts, and will leverage opportunities for inclusive development.

#### **Subcomponent 1.3: Rehabilitation and reconstruction of selected resilient housing and community-level social infrastructure<sup>23</sup> (US\$37.4 million)**

22. **The resilient recovery of housing and community-level social infrastructure for those affected by both hurricanes is a priority-need for overall recovery after the events.** This subcomponent will finance the rehabilitation and

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<sup>21</sup> Measures include, *inter alia*, general sanitary (i.e. social distancing measures), accessibility (i.e. signaling, ramps, pedestrian crossing) and risk reduction/protection measures (i.e. establishing of evacuation routes, slope stabilization, flood proofing).

<sup>22</sup> This component includes, *inter alia*, energy generators, vehicles, information technology equipment, safe equipment.

<sup>23</sup> Community infrastructure primarily refers to small scale basic structures built at the community level that are critical for sustenance of lives and livelihoods of the population living in a community. These are low-cost small-scale infrastructures built over time through community-led initiatives according to the needs and aspirations of the community population. *Post-Disaster Needs Assessments Guidelines Volume B. Community Infrastructure*. GFDRR. 2017. <https://www.gfdrr.org/en/publication/post-disaster-needs-assessments-guidelines-volume-b-1>



reconstruction of selected housing units and community-level social infrastructure in the Project area to make them safer, including, *inter alia*: (a) conducting any necessary engineering assessments and designs; (b) supporting demolition and debris removal, as applicable; and (c) taking measures to restore critical services and usage of said selected structures, as needed. Housing reconstruction will consider the specific and various needs of the population, traditional designs, the application of construction standards, and current and future safety conditions. It is also expected to draw on experiences from the Hurricane Felix recovery and reconstruction process. In addition, in the context of COVID-19, the proposed Project will finance the design of temporary housing to reduce the time spent by the population in shelters or temporary housing conditions. The works under this subcomponent will be complemented by functional upgrades and climate-resistant designs, including energy efficiency features where relevant, enforcing building code legislation to increase the resilience of the housing to climate-related risks.

23. **The prioritization process for this subcomponent will include participatory approaches involving the affected populations and their representatives**, which will be adapted to the cultural needs and realities of specific groups (as described in the Project’s E&S instruments). These approaches will be critical for strengthening links between communities and local and central governments and will help promote an inclusive and resilient recovery response. The proposed Project will encourage contractors to utilize local labor to the greatest extent possible, and to ensure the participation of women, including in non-traditional activities such as construction. The criteria for selecting housing beneficiaries and investments in community-level social infrastructure will be further detailed in the POM.

#### **Component 2: Livelihood recovery (US\$10 million)**

24. **This component will focus on restoring the livelihoods of affected communities and families** through support to the restoration and improvement of the socioeconomic conditions of eligible beneficiaries through the provision of equipment, supplies and training. Activities will focus on the artisanal fishing sector, with beneficiaries selected based, to the extent possible, on existing local innovation development plans (LIDPs)<sup>24</sup> and other selection criteria to be detailed in the POM. The GoN will prioritize beneficiaries based on participatory approaches with affected populations and their representatives, adapted to the specificities and cultural realities of specific groups (as described in the Project’s E&S instruments). The approach, eligibility criteria, a positive list of eligible expenses, as well as coordination and implementation mechanisms will be further detailed in the POM. This component will also contribute to advancing the objectives of the “Action Plan for Women in Artisanal Fishing in Nicaragua”<sup>25</sup> by restoring the incomes of women in the artisanal fishing sector.

#### **Component 3: Monitoring, evaluation, and audit of the Project (US\$1 million)**

25. This component will finance: (a) the audit of the Project; and (b) the monitoring and evaluation (M&E) activities of the Project, including, *inter alia*, the development of baselines as needed to measure project results, a final evaluation of the Project, rapid impact assessments, technical audits, and independent inspections.

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<sup>24</sup> The proposed Project will use of the approach/operational instruments developed under the Nicaraguan Caribbean Coast Food Security Project (P148809), including the LIDPs. The LIDPs support small formal and informal groups of organized farmers and fishermen to improve their productivity.

<sup>25</sup> *Action Plan for Women in Artisanal Fishing in Nicaragua*. Nicaraguan Institute of Fisheries and Aquaculture (*Instituto Nicaragüense de la Pesca y Acuicultura- INPESCA*). 2019. <http://www.inpesca.gob.ni/images/Plan%20Accion%20Mujeres%20Pesca%20Acuicultura.pdf>



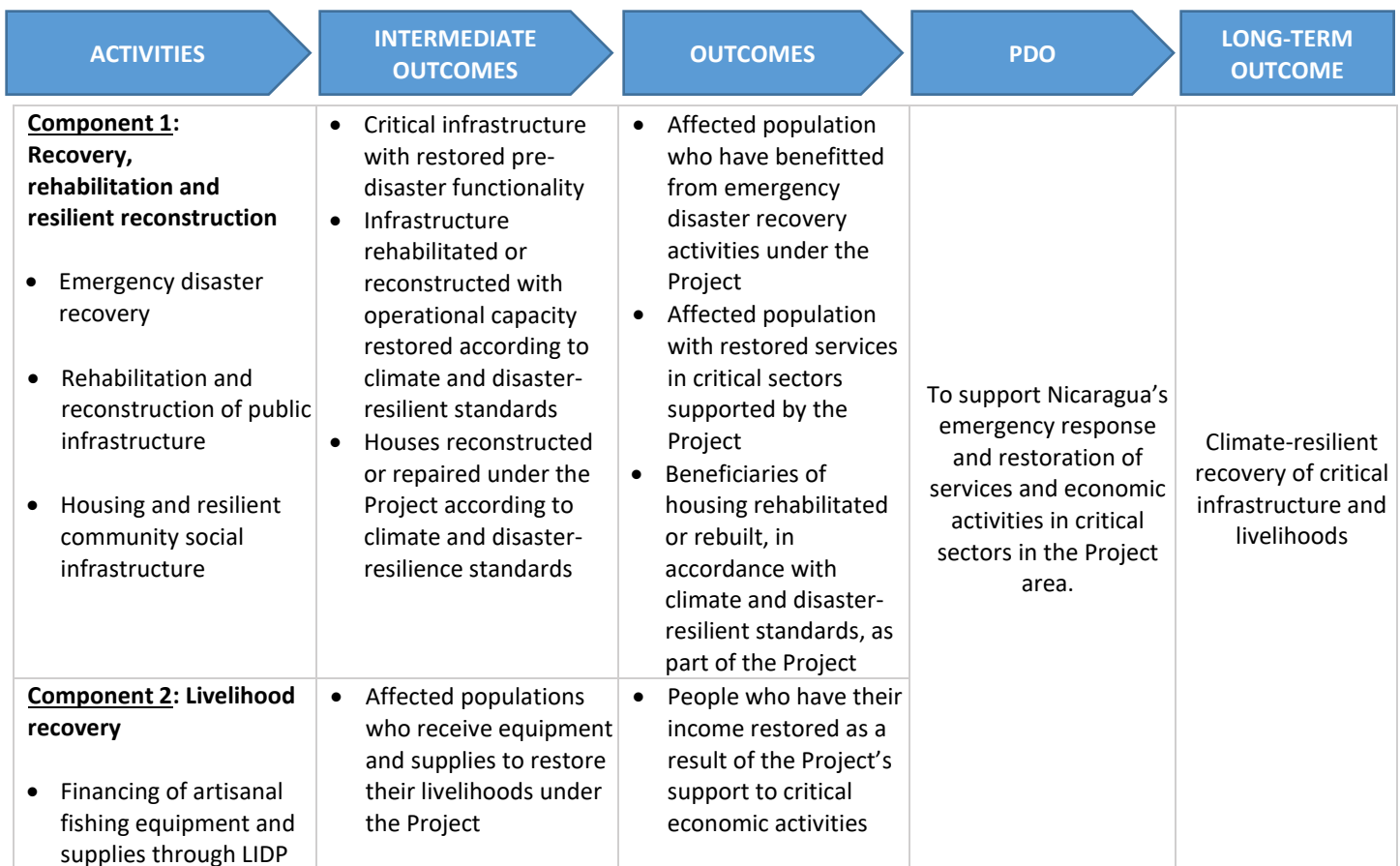
C. Project Beneficiaries

26. The proposed Project will target populations within the Project area (RACCN and RACCS)<sup>26</sup> affected by Hurricanes Eta and Iota, who will benefit: (a) indirectly from emergency disaster recover activities, estimated to be at least 80,000; (b) indirectly from the rehabilitation and reconstruction of critical infrastructure and restoration of services, estimated to be at least 195,000 inhabitants; (c) directly from housing rehabilitated or rebuilt in accordance with climate and disaster-resilient standards estimated to be at least 17,500 beneficiaries (about 3,500 families); and (d) directly from the restoration of income as a result of Project support to critical economic activities, estimated to be at least 800 people. Criteria for the selection of investments and beneficiaries will be further detailed in the POM.

D. Results Chain

27. To develop the results chain for the proposed Project, a theory of change approach was adopted and is illustrated in Figure 1.

Figure 1 – Results Chain



<sup>26</sup> The RACCN targeted population is located in eight municipalities (with a population of 510,052), and the RACCS targeted population considered under the Project is located in two municipalities (with a total population of 22,304). *Nicaragua National Census*. INIDE.2005



analysis and a positive list.				
<b>Component 3: Monitoring, evaluation, and audit of the Project</b>	<ul style="list-style-type: none"> <li>Grievances registered related to delivery of project benefits that are addressed and/or incorporated into the Project where applicable</li> </ul>			

**Critical assumptions:** (a) Local suppliers of goods, works and services are able to meet the demands of the emergency response and early recovery activities; (b) transportation to/from the affected areas has been re-established at a minimum, and remote communities are reachable; (c) adequate coordination mechanisms are in place among the implementing agency, technical agencies, regional governments and local communities; (d) alternative methods for participatory approaches and data collection are available to ensure effective implementation and monitoring; (e) procurement processes advance smoothly and have adequate market response; and (f) no other emergencies causing significant damages (i.e. forest fires, another hurricane) occur during implementation.

**E. Rationale for World Bank Involvement and Role of Partners**

28. **The proposed Project will fill a critical financing gap for emergency recovery and restoration of services.** First, it provides much-needed financing to critical sectors and economic activities in areas affected by the hurricanes. Second, the proposed Project builds on the World Bank’s decades of experience in hurricane recovery and resilience, specifically, the emergency recovery assistance provided after Hurricane Mitch in 1998, an event which devastated Central American countries, and after Hurricane Felix 2007, which caused significant impacts on people, livelihoods, and infrastructure. In the Caribbean, the World Bank is currently involved in several programs for reconstruction and recovery from the 2017 hurricanes Irma and Maria.

29. **Recovery and reconstruction needs associated with Hurricanes Eta and Iota far exceed the GoN’s ability to respond.** The US\$742.6 million preliminary post-disaster damage assessment does not fully capture the unfolding nature of the events and their effects on other sectors, including natural capital. Therefore, this estimate is likely to increase. Early response measures taken by the GoN include the activation of the Contingent Emergency Response Component (CERC) under existing World Bank portfolio, payouts from the catastrophe risk insurance policies purchased from the Central America and Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRIF SPC)<sup>27</sup>, financing from the Central American Bank for Economic Integration (CABEI), the International Monetary Fund (IMF), and the Inter-American Development Bank (IDB).

30. **The proposed Project is critical to support the GoN’s response to the disaster and has the potential to bring in further co-financing.** As part of the current efforts to mobilize funds<sup>28</sup> to address the impacts of the COVID-19 pandemic and to cover the hurricanes response financing gap, the GoN has received financing from the CABEI (US\$300 million for economic reactivation and social protection), the IMF (US\$180 million to support the COVID-19 response), and the IDB

<sup>27</sup> CCRIF SPC is a segregated portfolio company owned, operated, and registered in the Caribbean. It limits the financial impact of catastrophic hurricanes, earthquakes, and excess rainfall events on Caribbean and—since 2015—Central American governments by quickly providing short-term liquidity when a parametric insurance policy is triggered. Nicaragua financed the policy premiums with proceeds from the Nicaragua Catastrophe Risk Insurance Project (P149895).

<sup>28</sup> Humanitarian response to the hurricanes includes US\$500,000 of non-reimbursable financial cooperation from CABEI, emergency relief goods (tents, sleeping pads, water purifiers) provided by the Government of Japan through the Japan International Cooperation Agency (JICA), and US\$100,000 provided by the United States for food and other relief items, including hygiene kits and blankets.



(US\$35 million to support the hurricanes response), with each institution focusing on specific sectors. Efforts will also be made to coordinate with the Nicaragua COVID-19 Response Project (P173823, US\$20 million), World Bank-financed projects in relevant sectors, and other projects financed by development partners.

#### **F. Lessons Learned and Reflected in the Project Design**

31. **The proposed Project incorporates lessons learned from the World Bank's involvement in multisector post-disaster recovery and reconstruction as well as the World Bank's operational program in Nicaragua.** The proposed Project draws on experience from the Croatia Earthquake Recovery and Public Health Preparedness Project (P173998), the Mozambique Cyclone Ida and Kenneth Emergency Recovery and Resilience Project (P171040), the Comoros Post-Kenneth Recovery and Resilience Project (P171361), and the Bangladesh Emergency Multisector Rohingya Crisis Response Project (P167762). On risk financing, the World Bank worked with the GoN to successfully implement the Central America and Caribbean Catastrophe Risk Insurance Project (P149670) and the Nicaragua Catastrophe Risk Insurance Project (P149895), as highlighted below.

32. **Simplified objectives and limited scope improve the efficiency of emergency recovery operations.** A key lesson from the Nicaragua Hurricane Felix Emergency Recovery Project (P108974) is that in low-capacity contexts, such as the RACCN and RACCS, emergency operations should focus on prioritizing recovery activities and setting realistic recovery goals. While Nicaragua's recovery needs are significant, the proposed Project was designed to have a limited scope for improving its efficiency by focusing on: (a) providing immediate financial support to ongoing recovery activities; (b) supporting the recovery, rehabilitation, and resilient reconstruction (including community-level infrastructure) and housing; and (c) recovering livelihoods.

33. **Taking advantage of existing implementation arrangements facilitates an effective emergency response.** Implementation arrangements for emergency operations should be straightforward and pragmatic while remaining responsive to country circumstances. The implementation arrangements for the proposed Project build on the recent design of the proposed Nicaragua COVID-19 Response Project (P173823), with the GoN working with the United Nations Office for Project Services (UNOPS) as the implementing agent. With more than 30 years of specialized experience, UNOPS is a central procurement resource in the United Nations (UN) system and has a solid record of implementing infrastructure projects. As part of these arrangements, the Ministry of Finance and Public Credit (*Ministerio de Hacienda y Credito Publico* - MHCP), through a Project Management Unit (PMU), will: (a) oversee the implementation of Project activities; and (b) establish and manage the Project Interinstitutional Committee (PIC) to ensure the participation of regional governments and relevant sector ministries and government entities in project implementation.

34. **Partnership and community-based approaches in identifying priority investments increase ownership and accountability.** Promoting community-based approaches is essential for an effective and sustainable reconstruction process. The proposed Project will offer communities the opportunity (including through their participation in the PIC) to identify priorities among local interventions that will directly impact the lives of affected populations. Through participatory processes, the proposed Project will also ensure that women, IPADs, people with disabilities and other vulnerable groups are included throughout implementation.

35. **Geographical connectivity reduces implementation and operational challenges.** Previous experiences in the Nicaragua's northern Caribbean region have demonstrated the challenges of delivering infrastructure works in the area due to connectivity, environmental, and market/procurement conditions. Therefore, the proposed Project will consider extending interventions to additional areas only when damages in those areas have a direct impact on transport connectivity and improved access to services in the targeted municipalities in RACCN and RACCS.



36. **Effective M&E in emergency operations is key to ensure the achievement of goals set in the recovery plan.** As part of the Hurricane Felix Emergency Recovery Project economic variables were included as part of the key outcome indicators, complementing the focus on reconstruction and rehabilitation indicators typically used in emergency operations. Although the introduction of socio-economic variables is key for a comprehensive recovery, this requires additional effort and resources to ensure that related activities are fully completed and evaluated. The proposed Project will ensure that M&E guidelines are agreed to and included in the POM. Training for the implementing agency should also focus on mainstreaming M&E into the day-to-day project administration.

### III. IMPLEMENTATION ARRANGEMENTS

#### A. Institutional and Implementation Arrangements

37. **The GoN will be responsible for overall project implementation through the PMU housed in the MHCP, while UNOPS will act as the implementation agent for the proposed Project.** Due to the extensive impact of two hurricanes and the need to speed up recovery to ensure the wellbeing of the population, the GoN will contract UNOPS as an implementing agent for the proposed Project. UNOPS has strong project management capacity, robust engineering capacity, a track record of working closely with the GoN, demonstrated experience in collaborating with the World Bank, and a good understanding of the World Bank's requirements related to procurement and Financial Management (FM).

38. **UNOPS will act as an implementation agent for the GoN and is not the direct recipient of International Development Association (IDA) funding.** As such, the proposed implementation arrangements do not require any waivers or exceptions from IDA policies. UNOPS will: (a) support the MHCP's PMU, with inputs from the PIC, to identify eligible investments and beneficiaries under the proposed Project (as outlined in the Project's E&S instruments and based on the eligibility and prioritization criteria to be detailed in the POM); (b) carry out the procurement of works, goods, and services required under the Project; (c) administer funds and maintain separate accounting records in accordance with its own financial regulations, rules, policies and procedures; (d) prepare periodic progress reports; (e) develop and implement the Project's E&S instruments, including participatory planning processes and consultations; and (f) provide periodic Unaudited Interim Financial Reports (UIFRs) to the World Bank on the use of funds. Upon completion of all activities and payments, it will also provide a consolidated certified financial report on the use of the funds and the offset of any undocumented balances and any uncommitted balance to be refunded. The POM will include details on the function of UNOPS as outlined in an implementation agreement to be signed between the GoN and UNOPS.

39. **The PMU within the MHCP will be responsible for managing the contract with UNOPS and providing implementation oversight.** The PMU will have full technical, administrative, and FM oversight of project activities and will be responsible for the technical quality and site supervision of the works. The MHCP will finance the operating expenses of the PMU with their own resources and will hire and/or appoint any additional necessary technical staff needed in the PMU to carry out oversight activities. The PMU's composition will be detailed in the POM and will be subject to the World Bank's review and no-objection.

40. **The signing of the Implementation Agreement between the MHCP and UNOPS will be a condition of effectiveness of the Financing Agreement.** The Implementation Agreement will be subject to the World Bank's prior review; it will delegate to UNOPS the responsibility for project implementation, including, *inter alia*, the procurement of works, goods, and services; disbursement and FM; and implementation of E&S Standards (ESS). As per the provisions of the Implementation Agreement, Credit proceeds will be disbursed by the World Bank (as per the request of the MHCP,



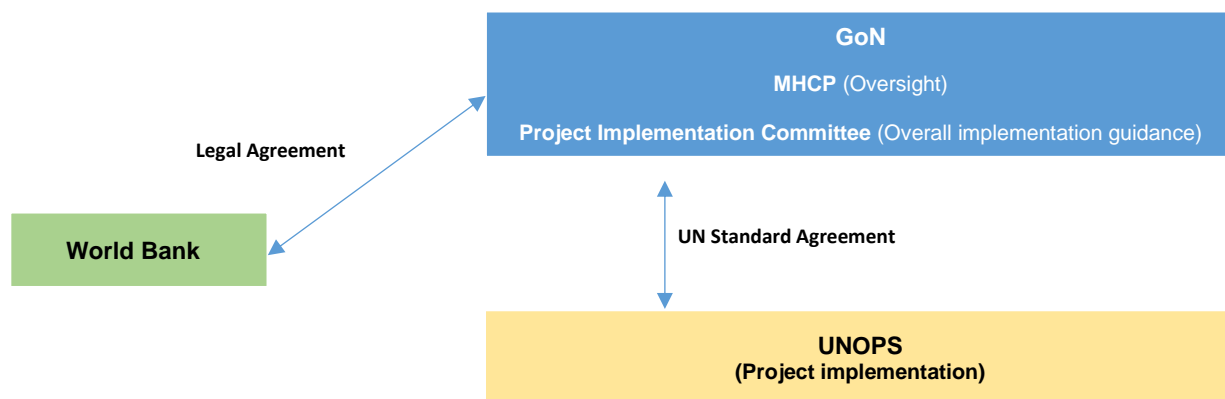
through the PMU) to UNOPS via a dedicated UN Account (indirect financing). UNOPS will report to the MHCP on the use of Credit proceeds as set forth in the Implementation Agreement. Coordination mechanisms between UNOPS and the MHCP will be further detailed in the POM. The MHCP will submit to the World Bank the requests for advances to the UN Account and will also be responsible for documenting those advances through the World Bank’s Client Connection system.

41. **The MHCP, through the PMU, will be responsible for ensuring that UNOPS meets its obligations**, while UNOPS will be responsible for fiduciary compliance and compliance with ESS. Based on progress and the financial reports submitted by UNOPS to the MHCP, the latter will be responsible for documenting to the World Bank the use of advances made to the UN Account.

42. **The PIC will provide advice to the PMU.** The PIC will comprise representatives of relevant sector institutions, a representative from the President’s office, and representatives from the regional governments (including representation of IPADs communities). The PIC’s main responsibility will be to review the annual project work plan, facilitate adequate multisectoral and cross-agency coordination, monitor the progress of implementation, and make recommendations to improve implementation as required. The composition and responsibilities of the PIC will be further detailed in the POM.

43. **The MHCP, through the PMU, will prepare a POM to be adopted prior to effectiveness, detailing the work flow, methods and procedures for project implementation, including:** (a) administration and coordination arrangements, and placement of necessary and qualified human resources for project implementation; (b) responsibilities for M&E in accordance with the Results Framework (RF); (c) FM guidelines and procedures; (d) anticorruption and antifraud measures; (e) roles and responsibilities of various agencies and stakeholders for implementation; (f) eligibility and prioritization criteria for the selection of eligible investments and beneficiaries; and (g) coordination mechanisms between the Recipient (through the MHCP and UNOPS).

Figure 2. Implementation Arrangements



## B. Results Monitoring and Evaluation Arrangements

44. **M&E will be carried out by the MHCP, through the PMU, based on the indicators included in the Results Framework (RF) of the Project.** Accordingly, the PMU will: (a) collect, consolidate and report on project performance data, including physical and financial progress and social and environmental monitoring; and (b) provide periodic information on intermediate project results and progress toward higher-level outcomes (as per the RF). The reports will



also include data on grievances and resolutions to enable timely corrective action. Specifically, the MHCP, through the PMU, will be responsible for reviewing project-related information provided by UNOPS and preparing and submitting the corresponding reports to the World Bank. The reporting requirements for UNOPS will be further detailed in the Implementation Agreement.

### C. Sustainability

45. **Infrastructure and resilient housing.** The proposed Project will adopt a “building back better” approach to rehabilitation and reconstruction of damaged infrastructure and housing. The sustainability of infrastructure investments will be ensured by using improved engineering standards—in accordance with national building codes, engineering norms and construction regulations, and international best practices—and expert engineering technical assistance, technical audits, and on-site construction monitoring support, to improve the long-term climate resilience of the public infrastructure and housing.

46. **Institutional and financial sustainability.** UNOPS’s technical and implementation experience, combined with the coordination and oversight role of the MHCP’s PMU and coordination of the PIC, is expected to improve the GoN’s capacity to carry out rehabilitation and reconstruction efforts. The fiscal effects of disasters require significant capital expenditures for repairing and reconstructing damaged infrastructure. By making the Project-supported investments more resilient to adverse natural events, and putting in place a more systematic, coordinated approach to rehabilitation and recovery, the proposed Project will also help to reduce the GoN’s contingent liabilities and improve its ability to respond to future disaster from natural hazards.

47. **Culturally responsive designs with traditional, and preferably, locally available materials.** The rehabilitation and reconstruction of community-level infrastructure will follow a community-based process, using culturally appropriate designs and local workers and contractors to the extent possible. Efforts will be made to ensure that women and other potentially vulnerable groups, including people with disabilities, are included among the workers and that their work is guided by experienced forepersons and other skilled professionals. Training will be provided to skilled laborers and communities to ensure compliance with recommended building practices and technical requirements. It is expected that this process will be replicated across other affected regions. Intense local involvement in the rehabilitation and reconstruction process should help ensure the sustainability of the improved hazard-resistant techniques promoted under the proposed Project.

## IV. PROJECT APPRAISAL SUMMARY

### A. Technical, Economic and Financial Analysis

#### Technical Analysis

48. **During implementation, a prioritization process will be undertaken, based on criteria to be defined in the POM. Potential investments will be screened for eligibility based on:** (a) the level of damage, sector relevance, and the likely economic, financial, E&S impacts of restoration; and (b) the results of a participatory and inclusive process with will involve regional governments and representatives of IPADs communities, among others. In addition, technical designs for the prioritized investments will include, to the extent possible, climate-smart investments and ensure measures such as energy efficiency and adaptation to climate events such as flooding, and landslides. The proposed Project aims to provide the GoN with the necessary resources and technical assistance to prepare and implement an efficient



recovery/rehabilitation plan. Hence, it was designed in an expedited manner to allow for immediate response, with significant flexibility. The procedures for the selection of investments and necessary World Bank no-objections will be further detailed in the POM.

49. **Reconstruction versus replacement.** The technical approach will consider rehabilitation of structures whenever technically and financially feasible. Where the condition of the existing building does not allow for structural strengthening, the proposed Project will consider demolition and reconstruction, which will be undertaken when the cost of strengthening the infrastructure approaches its replacement cost. The evaluation of the replacement value will include all costs associated with reconstruction at today’s standard and codes, including the costs of demolition of the existing building.

50. **Non-eligible investments.** There will be no land acquisition or involuntary resettlement under the proposed Project.<sup>29</sup> All buildings and infrastructure will be reconstructed in situ within the bounds of existing building footprints or on available collectively owned or publicly owned land. All buildings and land require documentation of ownership as a condition of eligibility, to be detailed in the POM.

51. **Disaster and climate change resilience.** The proposed Project will promote the “building-back-better” approach, which comprises improvements in design standards, construction quality, functionality, and the incorporation of climate change mitigation and adaptation measures, as appropriate. The integration of disaster risk and climate change considerations into the design of infrastructure investments under Component 2 will enhance the resilience of infrastructure to future disaster and climate risks and help protect people’s lives, livelihoods and assets, contributing to the GoN CCA efforts.

### Economic and Financial Analysis

52. **The economic assessment indicates that the proposed interventions are economically viable and beneficial.** The results of the economic analysis<sup>30</sup> conducted during project preparation are summarized in Table 1, with a focus on Component 2. Several options have been considered, including different discount rates. Using a 4 percent discount rate, as recommended for IDA countries<sup>31</sup>. analysis shows a baseline internal rate of return (IRR) of 16.14 percent and a net present value (NPV) of approximately US\$86.25 million indicating that valuation at 6 and 8 percent discount rates would still be economically viable. Due to the urgent nature of the operation, the estimations are based on a simplified and preliminary economic analysis of the proposed Project.

**Table 1. Summary of Economic Analysis**

	IRR (percentage)	NPV (US\$ million)		
		Discount rate		
		4	6	8
Baseline	14.39	86.25	51.03	29.82

<sup>29</sup> Except for cases of economic displacement or temporary reallocation further detailed in Section IV.D.

<sup>30</sup> Investment cost is equal to US\$69 million, which comprises component 1 of the proposed project and includes a 5 percent UNOPS fee, and is distributed during the 4 years of the proposed Project with proportions of 10 percent for the first year, 3 percent for the second and third years, and 20 percent for the fourth year. Benefits are calculated as the (avoided) losses corresponding to the social and infrastructure sectors, and 90 percent of the total damages of these sectors to reflect the potential gain from rehabilitation and reconstruction of building assets.

<sup>31</sup> *Risk-Adjusted Discount Rates in Economic Analysis of Investment Projects.* World Bank.2017.



Sensitivity Analysis

(a) 2 years delay in benefits	9.84	67.59	32.89	12.18
(b) 10 percent increase in investment costs	12.06	74.02	40.94	21.10
(c) 10 percent decrease in benefits	11.70	65.00	35.44	17.72
(d) both (a) and (b)	8.49	55.36	22.80	3.46
(e) all: (a)+(b)+(c)	7.01	35.98	9.02	-6.87

53. **Under Component 2, the proposed Project benefits will be derived from the restoration of livelihood activities.** LIDPs prepared and implemented under the completed Nicaraguan Caribbean Coast Food Security Project (P148809) had a positive financial impact on family incomes and employment in productive activities. This emergency has a reduced scope focusing on short term interventions that support livelihood stabilization. Based on the interventions under the Food Security Project, the interventions under this component are anticipated to be financially viable and beneficial.

54. **There is a clear rationale for public intervention in the aftermath of a disaster.** Some interventions are focused on housing reconstruction, a private good, but the economic and social benefits of housing justify GoN involvement, especially for poor households that have no access to insurance or other means for recovery. The rehabilitation/reconstruction services will be financed by the GoN but implemented through the private sector and seek to employ local labor, leading to wider economic benefits for communities.

**B. Fiduciary**

**(a) Financial Management (FM) and Disbursement Arrangements**

**Internal Control**

55. **The POM will describe the internal control mechanisms to be put in place by the MHCP** to properly manage, control, and conduct oversight of the Implementation Agreement, including financial and technical reporting arrangements by the implementing agent, UNOPS, which will also be included in the Implementation Agreement. Though IDA Credit funds will be advanced to UNOPS (upon the request from the MHCP), the project is nonetheless registered in the National Budget. As such, the MHCP follows the National Budget Law and regulations to ensure that those funds are adequately executed, managed, and controlled and incorporated in the GoN’s institutional accounting and budget systems.

56. **The 2018–2019 UNOPS Audit<sup>32</sup> provides relevant information on the strengths and weaknesses of UNOPS observed by its external and internal auditors:** (a) the external auditor observed that, while UNOPS has procedures in place to evaluate its implementing partners, its enterprise risk management system does not systematically monitor their performance; and (b) UNOPS’s highly decentralized structure and dispersed bases of operations could pose a significant risk of fraud and corruption.

**Accounting and Financial Reporting**

57. **As set forth in the Implementation Agreement, UNOPS will maintain separate and identifiable accounting records,** which will be subject exclusively to its internal and external audit in accordance with its regulations and rules.

<sup>32</sup> UNOPS Audit. UN.2019. <https://www.un.org/en/auditors/board/auditors-reports.shtml>



UNOPS will submit to the MHCP's periodic UIFRs throughout the implementation of the proposed Project, using the reporting model to be included in the Implementation Agreement.

58. **The MHCP will prepare and submit semiannual interim financial reports (IFRs) to the World Bank** within 45 days after the end of each reporting period, along with the accounting records from which they are prepared. The IFRs will be reconciled with the information provided by UNOPS through the periodic UIFRs. Upon completion of all project activities and payments and as part of the final deliverable (Final Progress Report), UNOPS will submit to the MHCP and the World Bank a consolidated report on the use of funds for deliverables, showing offsets for any paid advances and any uncommitted balance to be refunded.

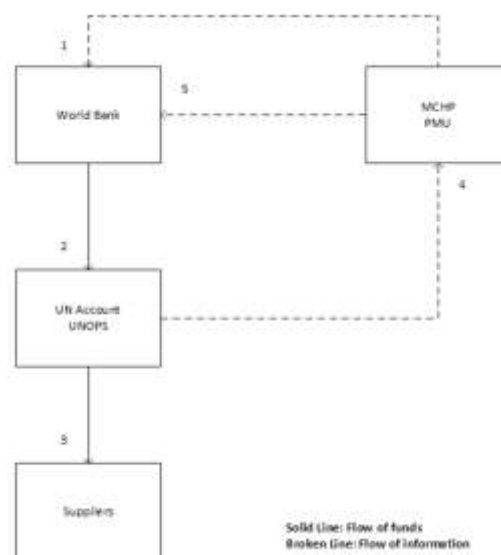
59. **The MHCP will maintain the Project's accounting records and transactions** through the Integrated Financial Management System (*Sistema Integrado de Gestion Financiera - SIGAF*), which allows for separate records for project funds.

### Flow of Funds and Disbursement

60. **IDA Credit funds will be advanced to UNOPS (advances to UN Account), and UNOPS will document executed funds to the MHCP, according to the Implementation Agreement.** The MHCP will submit the requests for advances to the UN Account as well as documentation of those advances to the World Bank, through the Client Connection system.

61. **Payments to UNOPS may be made through the UN Advances (with or without a UN Commitment) disbursement mechanism.** In case of a contract with a UN agency requiring a UN Commitment, an application for the issuance of an UN Commitment is to be submitted by the Recipient. Subsequent payments and documentation of expenditures under the contract must be made in accordance with both the Commitment Letter to be issued by the IDA and the contract between the Recipient and the UN agency. In case of a UN Advance without UN Commitment, documentation of the expenditure should be made once the final invoice is issued and should be based on the UN Financial Report.

Figure 3. Flow of Funds Diagram





1. The MHCP, through the PMU, submits a withdrawal application for an advance to the World Bank, based on the forecast of cash flows prepared by UNOPS (including cumulative contribution and payments, as well as forecasts of cash funds needed for the next period) to cover UNOPS's Work Plan.
2. The World Bank transfers the fund advances directly to the UN Account upon the request of the MHCP through Client Connection. UNOPS will issue an official receipt once the money is confirmed as deposited in its official bank account.
3. UNOPS will pay the suppliers directly from the UN Account.
4. UNOPS will report to the MCHP on the use of funds in the terms set forth in the Implementation Agreement.
5. The MHCP will provide documentation to the World Bank for the advances made to the UN Account.

**Notes:** Any unspent funds balance after the Project's closing (before the end of the disbursement deadline date) will be refunded directly to the World Bank, by UNOPS.

62. **Special purpose audit.** An independent external auditor will conduct a review of the internal control and verification procedures implemented by the MHCP, to ensure that the outputs and deliverables to be provided by UNOPS are completed satisfactorily and comply with the requirements of the Implementation Agreement, thereby providing assurance that the Credit funds have been used for the purposes intended. The terms of reference for this engagement will be reviewed by the World Bank's financial management specialist and will require the World Bank's no-objection. Details regarding the audit, including its periodicity, will be further specified in the POM.

63. **The residual FM Risk is assessed as Moderate.** Overall FM arrangements related to staffing, budgeting, financial reporting, internal control and internal auditing, flow of funds, and audits are deemed adequate to provide reasonable assurance on the proper use of project funds for achievement of the PDO. The main FM risk factors are as follows: (a) implementation challenges related to the COVID-19 pandemic outbreak, such as travel restrictions and reduced workforce availability; and (b) the internal control weaknesses revealed by the UNOPS 2018–2019 audit review, as cited in paragraph 55 of this document. To mitigate and manage these risks, the following measures will be implemented: (a) customizing the FM arrangements in the POM, as needed, to respond to project- and country-specific circumstances due to COVID-19 ; (b) promoting frequent FM supervision (including virtual supervision) of UNOPS and monitoring of its compliance with financial reporting requirements; (c) including detailed description of FM and disbursement arrangements in the POM; and (d) closely monitoring of UN Account activity and timely documentation of advances.

#### **(b) Procurement**

64. **Procurement for the proposed Project will be carried out in accordance with the World Bank's Procurement Regulations for Investment Project Financing (IPF)** Borrowers for Goods, Works, Non-Consulting, and Consulting Services, dated July 1, 2016, revised in November 2017 and August 2018. The proposed Project will be subject to the World Bank's Anticorruption Guidelines, dated October 15, 2006, revised in January 2011, and as of July 1, 2016.

65. **A Project Procurement Strategy for Development (PPSD) will be required, in accordance with the World Bank's Procurement Framework.** However, as per paragraph 12, Section III of the World Bank Policy on IPF for Situations of Urgent Need of Assistance or Capacity Constraints, a simplified PPSD is acceptable, and the procurement plan is deferred to the implementation phase. UNOPS's Implementation Agreement with the Recipient will include management of procurement and contracting processes. The procurement plan will be limited to procurement by UNOPS, which has the local capacity to coordinate with the GoN on procurement activities, including works, and the expertise to handle large-



scale procurement of goods, works, and services at the global level. The Implementation Agreement will be prepared and signed by the GoN and UNOPS using the World Bank’s Standard Form of Agreement with UN Agencies, which allows for procurement following UNOPS’s own procurement rules and regulations. The Implementation Agreement will be subject to the World Bank’s prior review. UNOPS will determine how suppliers will be selected and paid. The World Bank considers UNOPS’s procurement policies and procedures adequate.

66. **The major planned procurements include:** (a) materials and services required for the reconstruction of damaged critical infrastructure, including consulting services, as needed, for design and supervision; (b) detailed engineering assessments of damaged critical infrastructure; (c) immediate recovery activities; and (d) supplies and equipment to reestablish the livelihoods of affected populations.

67. **The residual risks related to procurement are Moderate.** resulting from: (a) potential delays due to UNOPS’s use of its own procurement procedures; and (b) potential delays due to the pandemic and mobility restrictions, including blockages in roads due to the hurricanes.

68. **Procurement risks will be mitigated through the following measures:** (a) the Implementation Agreement with UNOPS will require the no-objection of the World Bank, ensuring that necessary procurement provisions are included as needed; (b) UNOPS will exercise advance planning and appropriate delegation of authority and will make use of its local presence to expedite the procurement process, ensure compliance with agreed timelines, ensure prompt publication of contract awards, and oversee supervision of works; (c) UNOPS will use independent inspection agents to certify that works comply with the technical and designed specifications agreed with the MHCP; (d) the Implementation Agreement will stipulate that any unutilized advance payment will be paid back to the World Bank directly by UNOPS; and (e) the World Bank’s Standard Form of Agreement with UN Agencies includes appropriate covenants to deal with fraud and corruption.

**C. Legal Operational Policies**

	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

69. **An exception to the Notification Requirement of the World Bank’s Operational Policy - Projects on International Waterways (OP 7.50) has been granted.** The proposed Project’s rehabilitation and reconstruction activities may involve the use of waters of the Coco/Segovia and Negro Rivers, which are considered international waterways. Some of these works may include water-related infrastructure, such as water supply and sewage systems, which could eventually affect the waters and riparian communities of the above-mentioned rivers. Accordingly, OP 7.50 is triggered. Since the proposed Project is an emergency recovery operation processed in a situation of urgent need of assistance, the exact scope of the works will be identified during the early stages of project implementation in a manner acceptable to the World Bank. The proposed Project will not include construction of any new investments that use or risk polluting international waterways, therefore, the World Bank has assessed that: (a) the activities under the proposed Project will not adversely affect the quantity or quality of the water flowing in the international waterways in the targeted Project areas; and (b) the proposed Project will not be affected by other riparian’s possible water use, and so riparian notifications were not required. As such, an exception to the notification requirement was approved by the Regional Vice President on December 7, 2020.



## D. Environmental and Social

70. **The overall E&S risk profile for this proposed Project is considered High**, due to the potential environmental, social, health, and safety implications inherent to the potential scale, variety, number and remote/disperse geographies of the emergency recovery works to be financed under the proposed Project, as well as the country context and challenges to effective institutional coordination to adequately manage risks under the backdrop of the ongoing COVID-19 pandemic. The Project's key environmental risks and impacts are related to the civil works for the rehabilitation and reconstruction of high priority public and community-level infrastructure, as well as to the livelihood restoration activities of artisanal fisheries to be financed. Some of the Project's cross-cutting social risks relate to the exclusion of IPADs and other vulnerable groups, Gender Based Violence (GBV) and labor influx, involuntary resettlement, crime and violence and the potential of social discontent as demand for disaster assistance might surpass the project's capacity. Section VI. Key Risks provides further detail of E&S risks. This risk rating will be reviewed during implementation as more detailed information becomes available. The following ESS are applicable to the Project: ESS1 (Assessment and Management of Environmental and Social Risks and Impacts); ESS2 (Labor and Working Conditions); ESS3 (Resource Efficiency and Pollution Prevention and Management); ESS4 (Community Health and Safety); ESS5 (Land Acquisition, Restrictions on Land Use and Involuntary Resettlement); ESS6 (Biodiversity Conservation and Sustainable Management of Living Natural Resources); ESS7 (Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities); ESS8 (Cultural Heritage); and ESS10 (Stakeholder Engagement and Information Disclosure).

71. **The core Project instruments to assess and manage E&S risks and impacts will be prepared by the MHCP, through the PMU.** These instruments, which will be developed, consulted, and disclosed within the timeframes indicated below, will consist of: (a) an E&S Management Framework (ESMF) within 60 days of project effectiveness; (b) a Stakeholder Engagement Plan (SEP) within 30 days of project effectiveness (a draft of which has already been developed during preparation and disclosed on December 24, 2020<sup>33</sup>); (c) Labor Management Procedures (LMP) within 60 days of project effectiveness; (d) a Resettlement Policy Framework (RPF) within 60 days of project effectiveness; and (e) an Indigenous Peoples and Afro-Descendants Plan (IPADP) within 30 days of project effectiveness.<sup>34</sup>

72. **The ESMF will include E&S screening checklists for risk classification of site-specific project activities and scoping of site specific-level E&S Impact Assessments (ESIAs) and Environmental and Social Management Plans (ESMPs).** It will also include generic E&S management procedures/codes of practice, in line with the World Bank's Environmental and Social Framework (ESF) and the Environmental Health and Safety Guidelines, that can be quickly and easily adapted and tailored to specific site-specific project activities and incorporated into site-specific ESMPs and bid documents, covering, among other aspects: management of diverse construction impacts; occupational and community health and safety; COVID-19 transmission prevention and response; debris and hazardous materials management; worker camp management; GBV/ Social and Environmental Assessment (SEA) risk management procedures; worker's Code of Conduct; guidelines for universal access design in line with the E&S Standard on Community Health and Safety (ESS4); and measures to avoid/mitigate potential impacts on natural habitats. The ESMF will further detail institutional roles and responsibilities, monitoring and reporting requirements, an estimated E&S budget, and capacity building measures. Full implementation of E&S instruments, including site-specific ESIs and ESMPs, and monitoring and reporting on the same, is specified in the Environmental and Social Commitment Plan (ESCP) prepared for the proposed Project and disclosed on December 24, 2020.<sup>35</sup>

<sup>33</sup> Disclosed at the World Bank's [external site](#) and the MHCP's [website](#).

<sup>34</sup> The deadlines for finalization of core documents were not included in the Financing Agreement (FA) as these are already included in the ESMP, which is covered under the FA.

<sup>35</sup> Disclosed at the World Bank's [external site](#) and the MHCP's [website](#).



73. **Site-specific ESIA and ESMPs will be consulted and disclosed locally before proceeding with site-specific project activities, and those developed for higher risk site-specific project activities (as per criteria to be specified in the ESMF) will require prior review and approval by the World Bank.** Although the proposed Project is not expected to acquire land or lead to economic displacement given that the works will focus on existing damaged structures, the RPF will be used for cases of land-related impacts that lead to economic displacement or temporary relocation for priority infrastructure, including temporary land taking for contractors' camps and storage of equipment; relocation of encroachers due to site-specific project activities; and interruption and/or restriction of access to any business adjacent to site-specific project activities causing loss of income. Any Resettlement Action Plans (RAPs) will be consulted, submitted to the World Bank for prior approval, and disclosed. The IPADP will be prepared and informed by a baseline post-disaster assessment (preferably by an IPADs organization) within 30 days of project effectiveness, and will outline the commitments and mechanisms for IPADs, including socio-culturally relevant methodologies for participation in prioritization processes for infrastructure, and to promote the opportunities of job creation within the reconstruction efforts. To the extent possible, the IPADP will promote partnerships with IPADs organizations from the affected areas as partners to assess impacts and facilitate delivery of response and relief efforts.

74. **Effective and demonstrable Citizen Engagement (CE) will be central to project implementation.** Given the communication and engagement limitations posed by the post-disaster scenario and the COVID-19 pandemic, careful planning is needed to reduce any risk of exclusion of vulnerable groups. An indicator has been included in the results RF to measure effectiveness of citizen feedback mechanisms established under the proposed Project by measuring the percentage of grievances registered related to the delivery of project benefits that are addressed. As such, the proposed Project considers CE as a cross-cutting issue for all subcomponents and activities, particularly in activities related to infrastructure rehabilitation and reconstruction. These will follow, when possible, a community-based and owner-driven resilient approach and will engage communities early in project implementation. This is important for IPADs communities, which have been substantially affected by the two hurricanes. Initial conversations with IPADs leaders were conducted as part of the World Bank's due diligence, to assess the impacts of Eta and Iota and inform the proposed Project design, and will continue as part of project implementation. The SEP will ensure the participation of all stakeholders, to understand the needs of the affected populations, ensure transparency and coordination between government entities, the PMU, and communities, and receive feedback and grievances. The SEP will set out the nature and periodicity of stakeholder consultations and require regular beneficiary feedback surveys, which will be used to measure and improve CE. As part of the post-disaster response, informing and receiving feedback from citizens in real time can provide insight into how the crisis is affecting IPADs women and other vulnerable populations, enabling real-time course correction. A communications strategy will be embedded as part of the consultative and accountability processes, including the grievance redress mechanism (GRM).

75. **A robust GRM will be put in place by UNOPS to address concerns and complaints promptly and transparently with no cost or discrimination toward project-affected communities.** Implementing staff and local-level coordination structures will be oriented on their roles and responsibilities to address grievances, particularly around exclusion and manipulation of targeting and entitlements. Channels will be developed to allow for community M&E of site-specific project activities such as through social audits or citizen feedback platforms. All of these measures are expected to help deepen CE and reinforce community cohesion. The GRM is also expected to provide early warnings on emerging environmental, social, and health and safety, risks.

76. **The strengthening of technical and institutional capacity is an E&S priority. MHCP, with the support of UNOPS,**

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**will be responsible for the implementation and compliance of the ESF.** As part of the PMU, the MHCP will maintain an environmental and social officer. In addition, UNOPS will maintain full-time specialists to carry out the E&S management commitments under the proposed Project, including regular reporting to the World Bank; ensure the timely preparation of E&S checklists, ESIAAs, ESMPs, RAPs or abbreviated RAPs, if needed; and ensure that works that have physical impacts do not begin without the required Project's E&S instruments in place and the necessary E&S clauses in contract documents.

77. **Climate change.** Nicaragua is highly vulnerable to the impacts of climate change due to its geographic position along the path of Atlantic hurricanes, as well as high poverty levels, and production systems that are heavily dependent on natural resources. Nicaragua is also susceptible to other disasters from natural hazards including floods, drought and landslides, which are becoming more severe and frequent. The proposed Project will contribute to the GoN's climate change objectives and World Bank climate targets by generating climate co-benefits related to mitigation and adaptation. The proposed Project supports investments that maximize climate co-benefits with all investments designed to be resilient to climate-induced events by using best practice climate-resilient building standards. Where relevant, these co-benefits will be achieved by: (a) providing energy-efficient equipment, where relevant; (b) incorporating climate adaptation and resilience measures in the design of the works financed under the proposed Project, taking into account hydrometeorological and climate risks, such as flooding and other extreme weather events; and (c) applying and implementing building codes for climate-resilient infrastructure. Given the emergency nature of the proposed Project, short- and long-term climate change and disaster risk assessments will be carried out in the early phases of implementation to establish more robust co-benefits projection.

78. **Gender.** The World Bank Gender Strategy for 2016–2023<sup>36</sup> and the Global Facility for Disaster Reduction and Recovery (GFDRR) Gender Action Plan for 2016–2021<sup>37</sup> identify climate change and DRM as emerging areas that require a gender lens. They also highlight the importance of analyzing gender equality and women and girls' empowerment as the key to strengthening resilience. Both the Strategy and the Plan are aligned with the UN Sendai Framework for Disaster Risk Reduction 2015–2030,<sup>38</sup> which states, among its principles, that DRR requires gender, age, disability and cultural perspectives in all policies. In the case of Nicaragua, the 2018 SCD identified important but uneven progress in reducing gender disparities, with many outcomes still different between men and women. For example, there are still significant gaps in economic opportunities, with only 49.9 percent of women over 15 years of age participating in the labor force (2020),<sup>39</sup> and 82.4 percent of these working in the informal sector<sup>40</sup>. In line with the proposed Project's focus on restoring economic activities in critical sectors (focusing on the artisanal fisheries sector), it will provide organized women with equipment and supplies to restore their livelihoods under Component 2 to address this gender gap. The gender gap will be monitored with a specific indicator in the RF on the percentage of women receiving this benefit. Additionally, the proposed Project will include mechanisms to promote equal access and feedback from diverse population groups as well as improve data collection and awareness of gender-specific needs. The selected consultative and feedback mechanisms will be detailed in the POM and E&S documentation. The proposed Project will collect and use gender-disaggregated data to design and enhance social benefits and, where required, mitigate negative gender impacts. Throughout the

<sup>36</sup> World Bank Group Gender Strategy. GFDRR. 2016. <http://documents1.worldbank.org/curated/en/820851467992505410/pdf/102114-REVISED-PUBLIC-WBG-Gender-Strategy.pdf>

<sup>37</sup> Gender Action Plan. GFDRR. 2016. <https://www.gfdr.org/en/gfdr-gender-action-plan-2016-2021>.

<sup>38</sup> The Sendai Framework for Disaster Risk Reduction 2015-2030 (Sendai Framework) was the first major agreement of the UN's post-2015 development agenda, with seven targets and four priorities for action. It was endorsed by the UN General Assembly following the 2015 Third UN World Conference on Disaster Risk Reduction (WCDRR). <https://www.undrr.org/publication/sendai-framework-disaster-risk-reduction-2015-2030>

<sup>39</sup> World Bank Indicators. World Bank. 2020. <https://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS?locations=NI>

<sup>40</sup> World Bank Indicators. World Bank. 2020. <https://data.worldbank.org/indicator/SL.ISV.IFRM.FE.ZS?locations=NI>



consultation phase and implementation, the proposed Project will ensure that the needs of women, particularly heads of household, in terms of safety, hygiene, and employment opportunities are specifically addressed.

## V. GRIEVANCE REDRESS SERVICES

79. **Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to existing project-level GRMs or the World Bank's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaints to the World Bank's independent Inspection Panel which determines whether harm has occurred, or could occur, as a result of World Bank's non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and World Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate GRS, please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## VI. KEY RISKS

80. **The proposed Project's overall risk is assessed as Substantial driven by the key factors described below.**

81. **The proposed Project's technical design risk is Substantial.** The proposed Project will focus on emergency recovery as well as critical infrastructure rehabilitation and reconstruction, where the World Bank has a comparative advantage. However, given the proposed Project's short preparation time, most of the details of the Project's technical design will not be identified upfront but referred to in the POM. This poses certain risks: (a) technical design risks due to the emergency nature of the operation, which requires careful calibration between implementation speed and adequate prioritization; (b) the technical complexity of the Project will not be determined until investments are identified; (c) the analytical work available to inform the Project design, including climate-resilient options may be limited; and (d) cost and time assumptions can only be partially calibrated during preparation. These risks will be mitigated by: (a) including in the POM, transparent and streamlined mechanisms for the prioritization of beneficiaries and investments, based on participatory approaches, the participation of sectorial entities, and careful assessments of social and economic benefits; (b) ensuring that the technical designs incorporate cost benefit, low-maintenance and resilience considerations; (c) using existing analytical work and technical specifications developed by the GoN to the extent possible; and (d) involving relevant sectorial entities in the preparation of cost and time estimates to be included in the POM, with reasonable assumptions made to account for project area conditions and COVID-19 conditions (i.e. limited workforce and additional health protocols).

82. **The environmental and social risk rating is considered High.** Potentially significant environmental risks and impacts may include, *inter alia*: (a) diverse impacts on lands and land use, including on natural habitats or other sensitive landscapes, from debris clearing and disposal, earthworks, and works; (b) generation, management, and disposal of non-hazardous and hazardous solid wastes; (c) generation and discharge of wastewater; (d) sludge generation and disposal from potential water and sanitation works; (e) traffic risks; (f) risks from unsustainable fisheries practices and other unsustainable food security related practices; and (g) various health and safety risks to project workers and local communities, including from exposure to hazardous materials and wastes, worksites involving physically unstable settings such as landslide-prone areas or collapsing buildings, the risks of spread of COVID-19 and outbreaks of malaria,



dengue or other infectious diseases, and potential new natural hazards such as hurricanes, landslides, and floods.

83. Although the proposed Project will have both short and long-term beneficial social impacts, given the magnitude of the disaster and the contextual challenges that could frame response activities, the Project also poses several cross-cutting social risks, including: (a) possible exclusion of IPADs from disaster relief efforts due to historical barriers to access benefits, limited territorial connectivity, and lack of culturally sensitive engagements; (b) possible exclusion of vulnerable populations and groups whose interests are traditionally underrepresented, such as women, the elderly, youth, persons with disabilities, and sexual and gender minorities, if targeted strategies to ensure their engagement are not incorporated into the project design; (c) potentially inadequate management of Gender Based Violence (GBV) risks, which may be severely augmented during disaster contexts; (d) labor influx risks, despite project efforts to promote local hiring of community workers; (e) the potential for involuntary resettlement; (f) the presence of crime and violence during disaster response and reconstruction activities which can pose a threat to local communities and project workers and could hinder the implementation of site-specific project activities; (g) the intersection between the Hurricanes Eta and Iota disaster response with the ongoing COVID-19 health emergency, which poses significant health challenges particularly to those that are in shelters, and which has augmented underlying social risks such as discrimination, poverty, access to healthcare, limited job opportunities and others; and (h) potential social discontent if public demand for disaster assistance surpasses the GoN's response capacity.

84. The Project's E&S risks will be mitigated through: (a) the development, consultation, and application of a range of Project's E&S instruments, as detailed in Section IV, Part D of this document; (b) strengthening of E&S technical and institutional capacity by the MHCP maintaining an E&S officer, UNOPS maintaining full-time specialists to carry out the E&S management commitments under the proposed Project, including regular reporting to the World Bank and ensuring the timely preparation of Project's E&S instruments; (c) ensuring that works that have physical impacts do not begin without the required Project's E&S instruments in place and disclosed, and the necessary E&S clauses in contract documents; and (d) the implementation of a robust CE, GRM, and SEP to ensure the participation of all stakeholders, understand the needs of the affected populations, ensure transparency and coordination between government entities, and receive and address feedback and grievances.

85. **Stakeholder risks are Substantial.** Given the proposed Project's multidisciplinary nature and the involvement of multiple stakeholders, the interinstitutional coordination and cooperation of several players are necessary for achieving the PDO. Ministries and sector agencies in Nicaragua have not traditionally coordinated their efforts efficiently—a risk that is augmented in emergency contexts. Coordination with local non-governmental organizations (NGOs) is also a challenge due to the need to strengthen government–NGO relationships. There are also other stakeholders, including civil society organizations (CSOs) and political organizations and movements whose actions can positively or negatively affect the expected project outcomes if their interests are neither considered nor managed well. The COVID-19 pandemic poses an additional challenge for stakeholder engagement due to the need for exceptional health and safety measures and the ensuing limitations on carrying out traditional disaster response. The most heavily affected populations will face difficulties in accessing safe and sustained channels of communication, which will limit the establishment of comprehensive and inclusive consultations and dialogues during implementation. To mitigate these risks, the MHCP, through the PMU and with the support of UNOPS, will: (a) establish the PIC to include representatives of The PIC will comprise representatives of relevant sector institutions, a representative from the President's office, and representatives from the regional governments (including representation of IPADs communities) to facilitate adequate multisectoral and cross-agency coordination, monitor the progress of implementation, and make recommendations to improve implementation as required; (b) put in place the necessary mechanisms to ensure the adequate implementation of the Project's SEP, including measures such as diversifying means of communication, employing traditional channels of



communication and online communications tools; (c) establish effective CE and GRM mechanisms (adapted to project and country-specific situations) to ensure the inclusion of vulnerable stakeholders in relevant decision-making processes; and (d) design and implement a communications strategy embedded in the consultative and accountability processes.



**VII. RESULTS FRAMEWORK AND MONITORING**

**Results Framework**

**COUNTRY: Nicaragua**

**Hurricanes Eta and Iota Emergency Response Project**

**Project Development Objectives(s)**

The Project Development Objective is to support Nicaragua’s emergency response and restoration of services and economic activities in critical sectors in the Project area.

**Project Development Objective Indicators**

<b>Indicator Name</b>	<b>PBC</b>	<b>Baseline</b>	<b>End Target</b>
<b>To support Nicaragua’s emergency response</b>			
Affected population who have benefitted from emergency disaster recovery activities under the Project (Number)		0.00	80,000.00
of which are IPADs (Percentage)		0.00	75.00
of which are women (Percentage)		0.00	50.00
<b>To support Nicaragua’s restoration of services and economic activities</b>			
Affected population with restored services in critical sectors supported by the Project (Number)		0.00	195,000.00
of which are IPADs (Percentage)		0.00	75.00
of which are women (Percentage)		0.00	50.00
Beneficiaries of housing rehabilitated or rebuilt, in accordance to climate and disaster-resilient standards, as part of the Project		0.00	17,500.00



Indicator Name	PBC	Baseline	End Target
(Number)			
of which are IPADs (Percentage)		0.00	75.00
of which are women (Percentage)		0.00	50.00
People who have their income restored as a result of the Project's support to critical economic activities (Number)		0.00	800.00
of which are IPADs (Percentage)		0.00	75.00
of which are women (Text)		0.00	up to 50 percent

**Intermediate Results Indicators by Components**

Indicator Name	PBC	Baseline	End Target
<b>Recovery, rehabilitation, and resilient reconstruction</b>			
Rehabilitated or reconstructed infrastructure investments, in accordance to climate and disaster-resilient standards, with operational capacity restored (Text)		0.00	up to 50
Houses reconstructed or repaired, in accordance to climate and disaster-resilience standards, under the Project (Number)		0.00	3,500.00
<b>Livelihood recovery</b>			
People who receive equipment and supplies to restore their livelihoods under the Project (Number)		0.00	800.00
of which are IPADs (Percentage)		0.00	75.00
of which are women (Text)		0.00	up to 50 percent
<b>Monitoring, evaluation, and audit of the Project</b>			



Indicator Name	PBC	Baseline	End Target
Grievances registered related to delivery of project benefits that are addressed and/or incorporated into the Project, where applicable (Percentage)		0.00	100.00
of which are IPADs (Percentage)		0.00	75.00
of which are women (Percentage)		0.00	50.00

**Monitoring & Evaluation Plan: PDO Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Affected population who have benefitted from emergency disaster recovery activities under the Project	This indicator measures the number of affected population (disaggregated by IPADs and gender) who have benefitted from emergency disaster recovery activities under the Project The indicator will focus on measuring restored access as a result of immediate measures (6-12 months), such as repairs and clean-up of selected critical infrastructure. The end target accounts for about 10	Annual	Monitoring reports	Monitoring reports. Measurement methodology will be defined in the POM	MHCP with the support of UNOPS



	percent of the affected population in the Project area.				
of which are IPADs	This indicator measures the number of affected population (disaggregated by IPADs) who have benefitted from emergency disaster recovery activities under the Project The indicator will focus on measuring restored access as a result of immediate measures (6-12 months), such as repairs and clean-up of selected critical infrastructure. The end target accounts for about 10 percent of the affected population in the Project area. As a reference point, the IPADs population in the Project area is 58% (2005 Census).	Annual	Monitoring reports	Monitoring reports. Measurement methodology will be defined in the POM	MHCP with support from UNOPS
of which are women	This indicator measures the number of affected population (disaggregated by gender) who have benefitted from emergency disaster recovery activities under the Project The indicator will focus on	Annual	Monitoring reports	Monitoring reports. Measurement methodology will be defined in the POM	MHCP with support from UNOPS



	<p>measuring restored access as a result of immediate measures (6-12 months), such as repairs and clean-up of selected critical infrastructure. The end target accounts for about 10 percent of the affected population in the Project area. As a reference point, the female population in the Project area is 48% (2005 Census).</p>				
<p>Affected population with restored services in critical sectors supported by the Project</p>	<p>This indicator measures the number of affected population (disaggregated by IPADs and gender) with restored services in critical sectors supported by the Project. The indicator focuses on public benefits provided to the affected population to cater for essential needs such as transportation, electricity, water supply and irrigation primary education, primary health. The end target accounts for about 35 percent of the affected population in the Project area.</p>	<p>Annual</p>	<p>Monitoring reports</p>	<p>Monitoring reports. Measurement methodology will be defined in the POM</p>	<p>MHCP with support from UNOPS</p>



<p>of which are IPADs</p>	<p>This indicator measures the number of affected population (disaggregated by IPADs) with restored services in critical sectors supported by the Project. The indicator focuses on public benefits provided to the affected population to cater for essential needs such as transportation, electricity, water supply and irrigation primary education, primary health. As a reference point, the IPADs population in the Project area is 58% (2005 Census).</p>	<p>Annual</p>	<p>Monitoring reports</p>	<p>Monitoring reports. Measurement methodology will be defined in the POM</p>	<p>MHCP with support from UNOPS</p>
<p>of which are women</p>	<p>This indicator measures the number affected population (disaggregated by gender) with restored services in critical sectors supported by the Project. The indicator focuses on public benefits provided to the affected population to cater for essential needs such as transportation, electricity, water supply and irrigation primary education, primary health As a reference point, the female population in the</p>	<p>Annual</p>	<p>Monitoring reports</p>	<p>Monitoring reports. Measurement methodology will be defined in the POM</p>	<p>MHCP with support from UNOPS</p>



	Project area is 48% (2005 Census).				
Beneficiaries of housing rehabilitated or rebuilt, in accordance to climate and disaster-resilient standards, as part of the Project	This indicator measures the number of beneficiaries with resilient housing rehabilitated or rebuilt as part of the Project (disaggregated by IPADs and gender). The project estimates that about 3,500 housing units will be rehabilitated or rebuilt. The number of people per household for municipalities in the RAAN and RAACS is between 5 and 6. The estimates for the end target may need to be recalibrated as part of Project implementation.	Annual	Monitoring reports	Monitoring reports. Measurement methodology will be defined in the POM	MHCP with support from UNOPS
of which are IPADs	This indicator measures the number of beneficiaries with resilient housing rehabilitated or rebuilt as part of the Project (disaggregated by IPADs). The project estimates that about 3,500 housing units will be rehabilitated or rebuilt. The number of people per household for municipalities in the RAAN	Annual	Monitoring reports	Monitoring reports. Measurement methodology will be defined in the POM	MHCP with support with UNOPS



	and RAACS is between 5 and 6. The estimates for the end target may need to be recalibrated as part of Project implementation. As a reference point, the IPADs population in the Project area is 58%.				
of which are women	This indicator measures the number of beneficiaries with resilient housing rehabilitated or rebuilt as part of the Project (disaggregated by gender). The project estimates that about 3,500 housing units will be rehabilitated or rebuilt. The number of people per household for municipalities in the RAAN and RAACS is between 5 and 6. The estimates for the end target will need to be recalibrated as part of Project implementation. The estimates for the end target may need to be recalibrated as part of Project implementation. As a reference point, the female population in the Project area is 48% (2005 Census).	Annual	Monitoring reports	Monitoring reports. Measurement methodology will be defined in the POM	MHCP with support from UNOPS



<p>People who have their income restored as a result of the Project's support to critical economic activities</p>	<p>This indicator measures the number of people (disaggregated by IPADs and gender) who have their income restored as a result of the Project's support to critical economic activities. The indicator will focus on the economic activities and local livelihood systems restored (focusing on the artisan fisheries sector) as a result of the replacement of equipment and supplies.</p>	<p>Annual</p>	<p>Monitoring reports</p>	<p>Monitoring reports. Measurement methodology will be defined in the POM</p>	<p>MHCP with support from UNOPS</p>
<p>of which are IPADs</p>	<p>This indicator measures the number of people (disaggregated by IPADs) who have their income restored as a result of the Project's support to critical economic activities. The indicator will focus on the economic activities and local livelihood systems restored (focusing on the artisan fisheries sector) as a result of the replacement of equipment and supplies. As a reference point, the IPADs population in the Project area is 58%.</p>	<p>Annual</p>	<p>Monitoring reports</p>	<p>Monitoring reports . Measurement methodology will be defined in the POM</p>	<p>MHCP with support from UNOPS</p>



of which are women	This indicator measures the percentage of people (disaggregated gender) who have their income restored as a result of the Project’s support to critical economic activities. The indicator will focus on the economic activities and local livelihood systems restored (focusing on the artisan fisheries sector) as a result of the replacement of equipment and supplies. A baseline will be conducted to assess the participation of women in the artisan fisheries sectors and determine the final target indicators.	Annual	Monitoring reports	Monitoring reports. Measurement methodology will be defined in the POM	MHCP with support from UNOPS
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**Monitoring & Evaluation Plan: Intermediate Results Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Rehabilitated or reconstructed infrastructure investments, in accordance to climate and disaster-resilient standards, with operational capacity restored	This indicator measures the number rehabilitated or reconstructed infrastructure investments with operational capacity restored (in accordance to climate and disaster-	Annual	Monitoring reports	Monitoring reports. Measurement methodology will be defined in the POM	MHCP with support from UNOPS



	resilient standards). The final number of investment for the end target will be determined once the critical sectors are identified and the infrastructure investments under the Project identified.				
Houses reconstructed or repaired, in accordance to climate and disaster-resilience standards, under the Project	This indicator measures the number of houses reconstructed or repaired under the Project according to climate and disaster-resilience standards.	Annual	Monitoring reports	Monitoring reports. Measurement methodology will be defined in the POM	MHCP with support from UNOPS
People who receive equipment and supplies to restore their livelihoods under the Project	This indicator measures people (disaggregated by IPADs and gender) who receive equipment and supplies to restore their livelihoods under the Project.	Annual	Monitoring reports	Monitoring reports. Measurement methodology will be defined in the POM	MHCP with support from UNOPS
of which are IPADs	This indicator measures people (disaggregated by IPADs) who receive equipment and supplies to restore their livelihoods under the Project. As a reference point, the IPADs population in the Project area is 58%.	Annual	Monitoring reports	Monitoring reports. Measurement methodology will be defined in the POM	MHCP with support from UNOPS
of which are women	This indicator measures the percentage of people	Annual	Monitoring reports	Monitoring reports. Measurement	MHCP with support from



	(disaggregated by gender) who receive equipment and supplies to restore their livelihoods under the Project. A baseline will be conducted to assess the participation of women in the artisan fisheries sectors and determine final target indicators.			methodology will be defined in the POM	UNOPS
Grievances registered related to delivery of project benefits that are addressed and/or incorporated into the Project, where applicable	This indicators measures the percentage of grievances (disaggregated by IPADs and gender) registered related to delivery of project benefits that are addressed and/or incorporated into project where applicable.	Annual	Monitoring Reports	Monitoring Reports. Measurement methodology will be defined in the POM.	MHCP with support from UNOPS
of which are IPADs	This indicators measures the percentage of grievances (disaggregated by IPADs) registered related to delivery of project benefits that are addressed and/or incorporated into project where applicable. As a reference point, the IPADs population in the Project area is 58%.	Monitoring reports	Monitoring reports. Measurement methodology will be defined in the POM	Monitoring reports. Measurement methodology will be defined in the POM	MHCP with support from UNOPS
of which are women	This indicators measures the percentage of grievances (disaggregated by gender)	Annual	Monitoring reports.	Monitoring reports. Measurement methodology will be defined in	MHCP with support from UNOPS



	registered related to delivery of project benefits that are addressed and/or incorporated into project where applicable. The end target is consistent with project beneficiaries.			the POM.	
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## Annex 1: Implementation Arrangements and Support Plan

### COUNTRY: Nicaragua Hurricanes Eta and Iota Emergency Response Project

#### A. Implementation Arrangements

1. **The GoN will be responsible for overall project implementation through the PMU within the MHCP, while UNOPS will act as the implementation agent responsible for the implementation and overall project coordination, planning, fiduciary and ESS compliance, and monitoring.** To facilitate UNOPS's assistance in carrying out the proposed Project, the Recipient, through the MHCP, will enter into an Implementation Agreement with UNOPS, under terms and conditions approved by the World Bank. The PMU within the MHCP will be responsible for managing the Agreement with UNOPS, providing implementation oversight, and ensuring that UNOPS meets its obligations. The signing of an Implementation Agreement will be a condition of effectiveness of the Financing Agreement. The PIC will comprise representatives of relevant sector institutions, a representative from the President's office, and representatives from the regional governments (including representation of IPADs communities). The PIC will provide advice to the PMU and review the annual project work plan, facilitate adequate multisectoral and cross-agency coordination, monitor the progress of implementation, and make recommendations to improve implementation as required. All project implementation arrangements will be detailed in the POM, which will be prepared and adopted as a condition for project effectiveness.

2. **The role of the regional governments will be fundamental for the implementation of project activities.** The Autonomy Law (Law 28-1987) recognizes RACCN and RACCS as distinct socio-cultural and territorial entities, where the historical lands rights of IPADs and other ethnic communities are exercised. The communities of RACCN and RACCS elect their own governments and design and implement their own socio-economic and cultural development strategies and programs.

3. **The regional governments (both the RACCN and RACCS) are led by a Government Coordinator (also known as the Regional Governor) and a 45-member Regional Council.** Supporting the Regional Governor are an Executive Director and a Chief of Staff. Organizationally, the regional governments are comprised of 16 sector-specific and administrative secretariats. Communities in the region also have traditional institutions recognized by the Constitution and Autonomy Statute, such as communal councils, community assemblies, and the Territorial Assembly.

4. **The regional governments will have representation in the PIC, playing an important role, *inter alia*,** selecting investments and beneficiaries, monitoring project implementation progress, and making recommendations to improve project implementation as required. Specific coordination arrangements will be further detailed in the POM.

#### B. Implementation Support Plan and Resource Requirements

5. **The World Bank will provide implementation support to the PMU and the implementing agency.** This support will include: (a) monthly virtual implementation support missions; (b) periodic technical discussions and field visits by the World Bank; (c) monitoring the PMU and UNOPS reporting on implementation progress and achievement of results; (d) review of the quarterly FM reporting; and (e) review of the periodic updates of the procurement plan. The following actions have been agreed:



- (a) **Implementation Support Strategy.** Implementation support will be carried out through continuous policy dialogue and work in partnership with UNOPS and the PMU. The implementation support team will have continuous interaction with all the proposed Project’s stakeholders. This will include supporting the PMU in: (i) developing annual procurement plans; (ii) task planning and supervision of UNOPS; and (iii) coordination with other development partners.
- (b) **Fiduciary Support.** Procurement and FM support will be available as needed. Given the role of UNOPS as an implementing agency, this support should be streamlined.
- (c) **M&E and Learning.** The World Bank project team will support the PMU, as needed, in oversight of project implementation.
- (d) **Social and Environmental Standards.** The World Bank will have dedicated staff to oversee implementation and monitoring of the ESMPs, the SEP, and other relevant plans.
- (e) **Operational Support.** The World Bank’s implementation support team will ensure compliance with the agreements in place, as well as coordination with the clients and among World Bank team members.

**6. Tables 1.1 and 1.2 indicate the level of inputs and staffing needed to provide implementation support for the proposed Project.** The input and staff plans will be reviewed and adjusted regularly according to project needs and COVID-19 related restrictions and regulations. When allowed, it is envisioned that the World Bank team will resume field implementation support missions every six months, in addition to the existing presence of fiduciary experts in the World Bank’s country office. In the meantime, virtual support will be provided via teleconference, emails, etc.

**Table 1.1. Implementation Support Plan**

Time	Focus	Skills Needed	Partner Role
First 12–18 months	<ul style="list-style-type: none"> <li>• Provide support to PMU and UNOPS:               <ul style="list-style-type: none"> <li>- Successful start of the Project across all components</li> <li>- Technical designs, prioritization</li> <li>- FM systems functioning</li> <li>- Procurement</li> <li>- Establishment of M&amp;E system</li> </ul> </li> <li>• Monitor implementation of project activities</li> </ul>	All skills	<ul style="list-style-type: none"> <li>• Task team to support smooth start-up</li> <li>• Ensure the implementation of ESS are on track</li> <li>• Support PMU and UNOPS</li> </ul>
18–50 months	<ul style="list-style-type: none"> <li>• Ensure adequate implementation support of all aspects of the Project</li> <li>• Monitor implementation of project activities, including site visits</li> <li>• Support final evaluation and ICR</li> </ul>	All skills	<ul style="list-style-type: none"> <li>• Ensure safeguards are on track</li> <li>• Support PMU</li> <li>• Provide technical assistance</li> </ul>

**Table 1.2. Skills Mix Required**

<b>Skills Needed</b>	<b>Number of Staff Weeks</b>	<b>Number of Trips</b>	<b>Comments</b>
Task Team Leaders	40	10	International or field-based staff
Technical Specialist (DRM)	40	20	International or field-based staff
Technical Specialist (Transport)	25	5	International or field-based staff
Technical specialist (Housing)	20	5	International or field-based staff
Technical Specialist (Fisheries)	20	5	International or field-based staff
Technical specialist (Community engagement and gender aspects)	20	4	International or field-based staff
Environmental Specialist	20	5	International or field-based staff
Economist (M&E)	10	5	International or field-based staff
Social Specialist	20	Local travel as needed	STC Field-based staff
Procurement Specialist	50	Local travel as needed	STC Field-based staff
FM Specialist	20	Local travel as needed	STC Field-based staff
Country Office operational support	75	Local travel as needed	STC Field-based staff
Consultants for Infrastructure	50	Local travel as needed	STC Field-based staff
Consultants for Housing	50	Local travel as needed	STC Field-based staff
Consultant for Safeguards	75	Local travel as needed	STC Field-based staff
Consultant for Communications	75	Local travel as needed	STC Field-based staff



**Annex 2: Preliminary Damage Assessment of the Impacts of Hurricanes Eta and Iota**

**COUNTRY: Nicaragua**

**Hurricanes Eta and Iota Emergency Response Project**

1. **The areas that sustained the greatest impacts from the hurricanes were the RACCN, RACCS, and the departments of Matagalpa, Jinotega, Nueva Segovia, Rivas, and Carazo.** In Nicaragua, over 3 million people were exposed to the devastating effects of the hurricanes, with 160,597 evacuated, 59,964 in shelters, and 21 dead.

2. **The GoN reported a total of US\$742.6 million in damages and losses (US\$177.3 million in the private sector and US\$561.3 million in the public sector), or approximately 6.2 percent of its GDP.** The most affected sectors were:

- *Housing* (US\$126.2 million) – 5,818 houses were destroyed, 39,600 were damaged, and 105 remain at risk of collapse;
- *Health* (US\$16.6 million) – 2 regional, 3 departmental, and 10 primary hospitals were damaged, as well as 19 health centers, 45 health posts, and 5 maternity homes;
- *Education* (US\$41.0 million) – 261 schools were damaged, as well as 2 technology centers and 2 university campuses;
- *Environment* (US\$141.0 million) – Approximately 3,152,360 hectares of forest were exposed to Eta and Iota, including 44 exposed natural reserves, of which 17 were the in the area most heavily impacted. About 1,185,820 hectares of exposed forest cover were lost as well as 1.05 million tons of CO<sub>2</sub> capture. In addition, about 2,594 hectares were reported at risk of contamination of surface water due to flooding;
- *Fisheries* (US\$19.6 million) – A total of 404 artisanal vessels were destroyed and 81 vessels were damaged. There was one damaged fish farm, along with 21 damaged processing plants, 5 damaged industrial collection centers, 52 damaged artisanal storage centers, 28,967 damaged pieces of fishing equipment, and 133,353 damaged lobster pots;
- *Agriculture* (US\$20.3 million) – Estimated damage of cocoa (630.27 ha) and coffee (3407.97 ha), in addition to basic grains: beans (15,360.54 ha), corn (5,267.76 ha), rice (1,302.14 ha), and sorghum (486.45 ha). Additional losses were reported in nontraditional crops; and
- *Tourism* (US\$7.1 million) – More than 400 tourism companies were affected.

**Table 2.1. Summary Damage Assessment**

Sector	Damages (US\$)	Losses	Total (damages and losses) (US\$)		
			Private	Public	Total
<b>Total</b>	<b>621.4</b>	<b>121.2</b>	<b>177.3</b>	<b>565.3</b>	<b>742.6</b>
Social sector	181.7	6.0	126.2	61.5	187.7
Productive sector	23.4	25.6	48.9	-	48.9
Infrastructure	333.2	28.7	2.2	359.7	361.9
Environment	83.1	57.9	-	141.0	141.0
Humanitarian aid	-	3.0	-	3.0	3.0
<b>Percentage of GDP</b>	<b>5.2</b>	<b>1.0</b>	<b>1.5</b>	<b>4.7</b>	<b>6.2</b>
GDP	11,976.5				



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### Annex 3: Nicaragua Country Program Adjustments in Response to COVID-19

#### COUNTRY: Nicaragua

#### Hurricanes Eta and Iota Emergency Response Project

1. **Nicaragua’s economic performance and growth trajectory have been impacted by challenges over the last three years.** Two factors—the socio-political context which began in April 2018 and the COVID-19 pandemic in March 2020—have knocked Nicaragua off its relatively long trajectory of steady growth and poverty reduction. After showing sustained annual growth between 2011 and 2017, the real GDP contracted by 3.9 percent in 2019 (following a decline of 4.0 percent in 2018) due to a deterioration in aggregate demand, strong fiscal consolidation, and sanctions sparked by the sociopolitical context. Inflation increased to 5.4 percent in 2019 (compared to 4.9 percent in 2018), due to tax measures adopted to partially offset the reduction in revenues and limited access to international financing.

#### Impact of the COVID-19 pandemic

2. **The impact of the COVID-19 pandemic could lead to short to long-term effects on growth, livelihoods, and inequality and magnify Nicaragua’s vulnerability to disasters to natural hazards.** The spread of COVID-19 will additionally weigh on growth via decelerating remittance inflows, reduced export earnings, and self-imposed lockdowns by the private sector. The real GDP is projected to contract by 5.9 percent in 2020, depressing private consumption and investment. The fiscal deficit is projected to widen to 5.6 percent of the GDP in 2020 as authorities implement a COVID-related fiscal stimulus and the revenue base shrinks. A more pervasive and prolonged pandemic or an intensification of the domestic sociopolitical context could further lower projections. The pandemic has also exacerbated the levels of economic exclusion, generating significant handicaps for the most vulnerable population. Moreover, the country is vulnerable to disasters from natural hazards, adversely impacting the poor and most helpless. Hurricanes Eta and Iota made their landfall in Central America between November 3 and 18, 2020, causing flooding and significant economic losses in Nicaragua. Critical sectors such as transportation, housing, health, education, water and sanitation, agriculture, and fisheries were greatly affected in the RACCN, inhabited by a sizable number of IPADs. The effects of the COVID-19 pandemic may worsen the situation of people living in public shelters due to the hurricanes, given that a substantial number are expected to remain in the shelters into 2021.

#### Government’s Response

3. **In response to the pandemic, the GoN activated a “Containment Protocol for COVID-19”, established the National Inter-institutional and Inter-sectoral Commission and joined the Regional Contingency Plan “Central America United against the Coronavirus” and revised guidelines to strengthen epidemiological controls at all entry points into the country.** Although the GoN has not officially established a lockdown, stating that its largely informal economy could not withstand such measures, the public and private sectors have responded to the pandemic by taking some protective measures, including adopting flexible working arrangements, canceling events, and closing stores and restaurants.

#### World Bank Group Support for Responding to the Crisis

4. **The CPF for the Republic of Nicaragua for the Period FY18–22 is organized under three pillars and remains relevant:** (a) Investing in Human Capital Particularly for Disadvantaged Groups, (b) Enabling Private Investment for Job Creation, and (c) Improving Institutions for Resilience and Sustainability. The World Bank’s COVID-19 response is in line with the *COVID-19 Crisis Response Approach Paper*, which includes 4 pillars namely: Pillar I: Saving Lives; Pillar II: Protecting Poor and Vulnerable People; Pillar III: Ensuring Sustainable Business Growth and Job Creation; and Pillar IV:





<ul style="list-style-type: none"> <li>Improved business productivity and financial inclusion for urban and rural small and medium enterprises (SMEs) and female entrepreneurs</li> </ul> <p><b>Pillar III: Improving Institutions for Resilience and Sustainability</b></p> <ul style="list-style-type: none"> <li>Improved resilience to macro-economic volatility</li> <li>Improved natural resources management and reduced vulnerability to natural hazards</li> <li>Improved data availability and public sector management capacity</li> </ul>	<ul style="list-style-type: none"> <li>Education continuity and learning (Education RETF, CERCs)</li> </ul> <p><b>III. Ensuring Sustainable Business Growth and Job Creation:</b></p> <ul style="list-style-type: none"> <li>Increasing productivity of agriculture small producers</li> <li>Increasing agriculture market links - synergies with International Financial Corporation (IFC)</li> <li>Overall liquidity - micro finance <i>inter alia</i></li> <li>Rural infrastructure</li> </ul> <p><b>IV. Strengthening Policies, Institutions, and Investments for resilient and sustainable recovery:</b></p> <ul style="list-style-type: none"> <li>Water resource management: Rural water strategy</li> <li>Dry corridor strategy</li> <li>Move energy matrix to renewables</li> <li>Natural resources, FCPF</li> <li>Regional integration</li> </ul>	<p><b>(P175878)</b></p>
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**Selectivity, Complementarity, Partnerships**

6. **The World Bank remains committed to a fast and flexible response to COVID-19, utilizing all WBG operational and policy instruments and working in close partnership with the government and other agencies of international cooperation.** Grounded in “One Health,” which provides for an integrated approach across sectors and disciplines, the proposed World Bank Group response to COVID-19 includes emergency financing, policy advice, and technical assistance, building on existing instruments to support IDA/International Bank for Reconstruction and Development (IBRD)-eligible countries in addressing the health sector and broader development impacts of COVID-19.