

Readiness Proposal

**with Central American Bank for Economic Integration (CABEI) for the
Republic of Nicaragua**

26 February 2022 | Capacity Building and Strategic frameworks



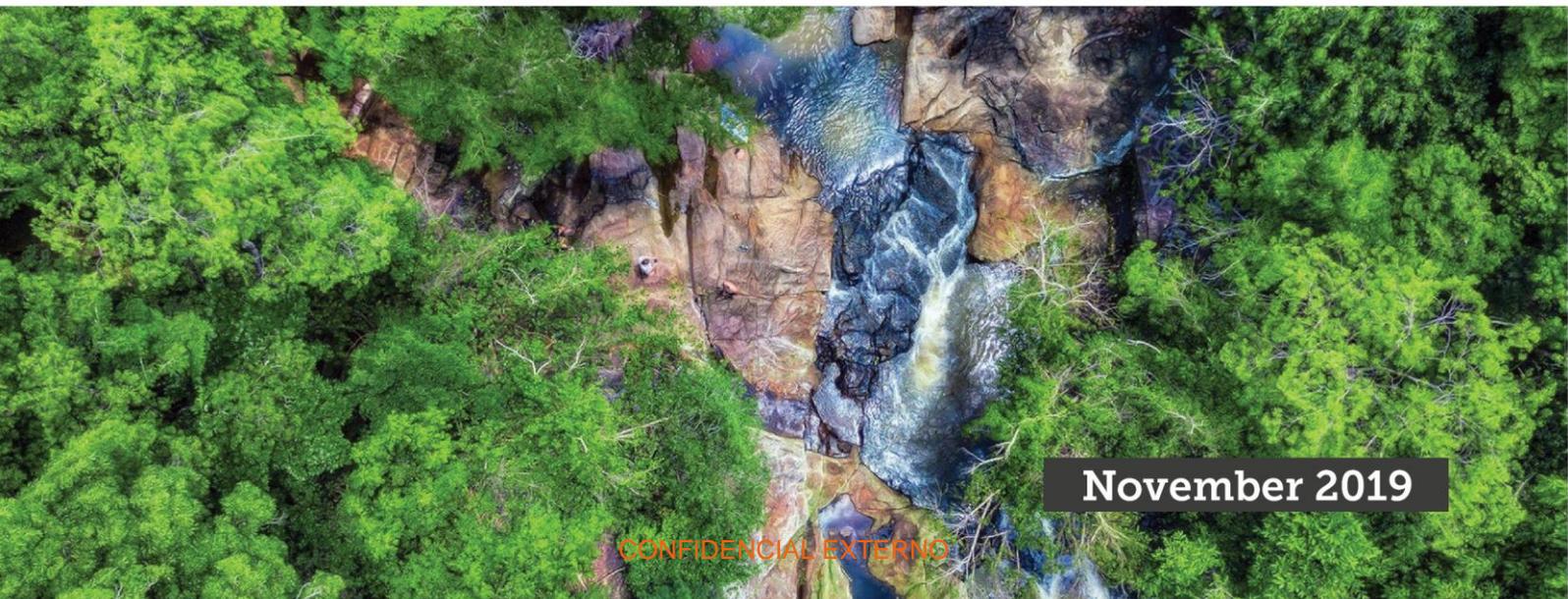
**GREEN
CLIMATE
FUND**

READINESS & PREPARATORY SUPPORT

PROPOSAL TEMPLATE



Proposal title:	Strengthening the financial system in the Republic of Nicaragua to support priority investments of the public and private sectors to meet the NDC commitments
Country:	Nicaragua
National designated authority:	Ministerio de Hacienda y Crédito Publico
Implementing Institution:	Central American Bank for Economic Integration (CABEI)
Date of first submission:	30 June 2021
Date of current submission / version number	19 November 2021 V.3



November 2019

CONFIDENCIAL EXTERNO

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Please be concise. If you need to include any additional information, please attach it to the proposal.

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Note: Environmental and Social Safeguards and Gender

Throughout this document, when answering questions and providing details, please make sure to pay special attention to environmental, social and gender issues, particularly to the situation of vulnerable populations, including women and men. Please be specific about proposed actions to address these issues. Consult Annex IV of the Readiness Guidebook for more information.

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When submitting the proposal, please name the file:
GCF Readiness -[Country]-[yyymmdd]

1. SUMMARY

1.1 Country submitting the proposal	<p>Country name: Nicaragua</p> <p>Name of institution representing NDA or Focal Point: Ministerio de Hacienda y Crédito Público</p> <p>Name of contact person: Bruno Gallardo P.</p> <p>Contact person's position: Designated Focal Point / Vice Minister General</p> <p>Telephone number: +505 22224462</p> <p>Email: bruno.gallardo@mhcp.gob.ni</p> <p>Full office address: Avenida Bolivar Frente a la Asamblea Nacional, Managua, Nicaragua</p> <p>Additional email addresses that need to be copied on correspondences: finanzasclimaticas@mhcp.gob.ni</p>
1.2 Date of initial submission	30 June 2021
1.3 Last date of resubmission	19 November 2021
1.4 Which institution will implement the Readiness and Preparatory Support project?	<p><input type="checkbox"/> National designated authority</p> <p><input checked="" type="checkbox"/> Accredited entity</p> <p><input type="checkbox"/> Delivery partner</p> <p>Name of institution: Central American Bank for Economic Integration (CABEI)</p> <p>Name of official: Miguel Méndez</p> <p>Position: Head Partnerships & International Cooperation</p> <p>Telephone number: +504-2240 2206</p> <p>Email: mmendez@bcie.org</p> <p>Full office address: Boulevard Suyapa, Tegucigalpa, Honduras</p> <p>Additional email addresses that need to be copied on correspondences: avilar@bcie.org</p>
1.5 Title of the Readiness support proposal	Strengthening the financial system in the Republic of Nicaragua to support priority investments of the public and private sectors to meet the NDC commitments
1.6 Type of Readiness support sought	<p><input checked="" type="checkbox"/> I. Capacity building</p> <p><input checked="" type="checkbox"/> II. Strategic frameworks</p> <p><input type="checkbox"/> III. Adaptation planning</p> <p><input type="checkbox"/> IV. Pipeline development</p> <p><input type="checkbox"/> V. Knowledge sharing and learning</p>

Version number V.4

1.7 Brief summary of the request

In 2019, Nicaragua adopted its National Policy on Mitigation and Adaptation to Climate Change (NPMACC). With this policy, the country has established its framework to respond to climate change, which is already affecting the country. Within this context, the objective of this readiness proposal is to strengthen the capacity of key institutions in the country to implement the policy and the country work program with GCF and to guide investments in a low-emissions economy and a society resilient to climate change. *Ministerio de Hacienda y Crédito Público* (MHCP), in its role as NDA, and the regulatory institutions of the financial system will be the primary beneficiaries of the technical assistance. The gaps that this readiness proposal addresses relate to the inadequate capacity in MHCP to properly administer and assess its portfolio of projects and the monitoring of climate finance (outputs 1.1.1 and 1.1.2). Regarding the regulatory institutions of the financial system, the readiness effort will focus on integrating climate finance considerations into regulations and processes with the aim of generating additional financing, including from private sector sources, to respond to climate change in the country (output 1.1.3).

The NPMACC sets out the principal objectives and institutional arrangement for the national response to climate change. However, the NPMACC does not define any specific set of actions or investments to achieve a higher degree of resilience to climate change while safeguarding the economic sustainability of the country. For this reason, an overall Green Growth Strategy (GGS), based on the NPMACC and the NDC, will be developed as part of the 2020 readiness grant. The GGS will focus on the strategic vision and direction of a few key sectors for achieving climate change resilience, over a planning horizon out to the year 2050. The proposed readiness support activities will expand the GGS through the development of detailed sector plans for three priority sectors identified in the NDC (outputs 2.2.1 – 2.2.4).

This readiness proposal is complementary to the readiness proposals that were approved in 2018 and 2020 with the Inter-American Development Bank (IDB) and Central American Bank for Economic Integration (CABEI) as delivery partners, respectively. Given that those readiness activities have not yet finished implementation, the current proposal has been carefully designed to provide complementarity to both readiness grants, for instance through thematic extension of capacity strengthening in the NDA office. Additionally, Nicaragua has been using its own resources and support from international organizations – such as the United Nations Framework Convention on Climate Change (UNFCCC), IDB, the Global Environment Facility (GEF), the World Bank (WB) and the Forest Carbon Partnership Facility (FCPF) – to advance the development of an enabling environment to address climate change impacts and the design of instruments for climate finance management. Reference emission levels, measurement, reporting and verification (MRV) systems, environmental and social safeguards and national communications have been developed through the National Forest and Climate Change Strategy to Combat Poverty in Nicaragua (ENDE REDD+) project, with support from FCPF and the WB; the national strategy on Land Degradation Neutrality 2030 was developed with support from the UNFCCC, and IDB supported the development of a user's manual for the development for GCF project proposals. In 2020, the GEF approved two projects for Nicaragua, focused on the development of the 4th National Communication to the UNFCCC and on institutional strengthening in the forestry and agriculture sectors. Also in 2020, the NDC Partnership selected Nicaragua as one beneficiaries of the Climate Action Enhancement Package (CAEP) support, which is focused on updating the initial NDC of Nicaragua. The current proposal is designed to be complementary to these initiatives.

Under the framework of the National Response System to Climate Change, relevant stakeholders present and discuss the requirements for institutional strengthening and the establishment of methodologies and tools to facilitate the implementation of the National Policy on Mitigation and Adaptation to Climate

Change, involving MHCP, as NDA for GCF, the Ministry of Environment and Natural Resources (MARENA), as lead entity to respond to climate change, and other agencies of the public sector, private sector entities and academic institutions. These discussions have informed the development of this readiness proposal.

MHCP and the regulatory institutions of the financial system, principally the Central Bank of Nicaragua (CBN) and the Superintendency of Banks and Other Financial Institutions (SIBOIF), are the main direct beneficiaries of the proposed readiness activities; most of the activities will involve staff from these institutions and the institutional strengthening is focused on these institutions as well.

1.8 Total requested amount and currency

USD 748,282

1.9 Implementation period

18 months

1.10 Is this request a multiple-year strategic Readiness implementation request?

- Yes
 No

1.11 Complementarity and coherence of existing readiness support

- Yes
 No

This proposal is complementary to GCF readiness grants approved in 2018 and 2020 through IDB and CABEL, respectively. It builds on those earlier readiness grants, specifically with regards to the strengthening of MHCP, the NDA, and the further development of the Green Growth Strategy.

The previously approved readiness grants have not yet finished implementation. This current proposal has therefore been carefully designed to complement the initial readiness grants, without overlaps and avoiding dependencies between these initiatives.

Nicaragua is the beneficiary of five other readiness grants which are described in the following section.

2. SITUATION ANALYSIS

Background

Due to its geographical position, Nicaragua is exposed to various events linked to natural climatic variability, such as the ENSO (El Niño-La Niña) phenomenon, the Pacific Monsoon systems, and hurricanes, among others, which generate significant threats of drought, flood, landslides, water deficit, and loss of crops, forests and homes. All these phenomena respond to climate change, which manifests itself in Nicaragua with a warmer climate and a deficit of precipitation. Due to economic, social, cultural and environmental factors, Nicaragua is highly vulnerable to the threats generated by climate variability and climate change, which implies significant losses and damage to human and economic lives annually.

In this context, the Government of Nicaragua bases its climate change policy on promoting economic and social development, through the protection of the most vulnerable sectors of the population, through a model of direct work with families and communities, creating capacities, knowledge and behaviors that allow the population to confront and recover from all risks to disasters, through a flexible economic model in the productive sector, to face the challenges of economic development, job creation and poverty reduction.

Policy context

Nicaragua has a comprehensive regulatory and policy framework for addressing climate change, among which is the **National Policy on Mitigation and Adaptation to Climate Change (NPMACC)** which aims to establish a strategic national reference framework to develop a set of guidelines and that their actions allow mitigating the causes of climate change and confront the challenges of adaptation, through capacity building on climate change and its impacts in key institutions of government, civil society and the private sector. The objectives of the NPMACC are as follows:

- Economic development plans shall be responsive to considerations of climate change, with focus on mitigation and adaptation;
- Climate change action shall be complementary to the management of the risk of disasters;
- Innovation and efficient use of resources shall be promoted;
- Ecosystem-based approaches shall be employed;
- Gender equity shall be guaranteed in climate change actions;
- The entire population shall participate in the response to climate change, following the established model based on communities and households;
- Economic, social environmental and climate suitability of all actions shall be evaluated;
- Public and private sectors shall collaborate in financing climate action;
- The rights of original communities and indigenous peoples shall be respected, and their sustainable use of resources shall be prioritized;
- Education at all levels will incorporate climate change topics in the curriculum.

The NPMACC defines the following priority areas for climate action:

- Development of low-emission, climate-resilient agriculture;
- Implementation of a low-emission energy strategy, adaptable to climate change;
- Accelerate the development of low-emission urban housing, adapted to climate change;
- Development of climate-resilient infrastructure;
- Use and conservation of ecosystem services to facilitate a low-emission climate-resilient economic development;
- Conservation, restoration and rational use of forest resources, including plantations;
- Promote knowledge, research, finance and information on mitigation of and adaptation to climate change, including the modernization and strengthening of observation system for early warning.

To operationalize the guidelines on climate change, the **National Response System to Climate Change (NRSCC)** has been established, which is coordinated by the Ministry of Environment and Natural Resources (MARENA) with the participation of the Ministries with jurisdiction in this matter, public sector organizations, technical institutes, universities and the private sector. The following institutions participate in the NRSCC:

- Ministry of Environment and Natural Resources (MARENA)
- Ministry of Finance and Public Credit (MHCP)
- Ministry of Foreign Affairs
- Ministry of Energy and Mines
- Ministry of Health
- Ministry of Education
- Nicaraguan Institute for Geographic Studies
- Nicaraguan Institute for Agricultural Technology
- National Forest Institute
- Nicaraguan Institute for Municipal Strengthening
- Private Secretary for National Policies of the Presidency of the Republic
- Secretary for the Development of the Caribbean Coast of the Presidency of the Republic
- National Council of Universities
- Private sector representatives

A key objective of the NRSCC is to unlock international climate finance to support Nicaragua in realizing the objectives of the NPMACC and implementing the priority areas for climate action, noting that the Government lacks the financial resources to do this effectively without external support. Currently, Nicaragua does not have a medium to long-term strategy to guide investments in low-emission sustainable development. The development of a GGS, based on the NPMACC, through an intensive process of stakeholder consultations and complying with international commitments such as the NDC and key international agreements such as the Paris Agreement and

the Regional Strategy on Climate Change, will allow the Government of Nicaragua to direct its efforts and resources towards a future with a low-emissions sustainable economy and a healthy and safe population. The GGS will set a vision and specific targets that align with the NPMACC, to guide the development of programs and specific investments to achieve the targets of the NDC and sustainable economic development for the country.

The NPMACC builds on and is complementary to the following key policies currently in effect:

Policy	Objectives	Relationship to this proposal
National Policy on the Sustainable Development of the Forestry Sector of Nicaragua	Encouraging the creation of financing mechanisms and the development of economic instruments for the growth of value chains that use and sustainably manage the nation's forest ecosystems.	Sectoral Plan for the GGS. The BioCLIMA project (financed by GCF, FP146) is supporting this policy.
National Forest and Climate Change Strategy to Combat Poverty in Nicaragua (ENDE-REDD+)	Reducing greenhouse gas (GHG) emissions caused by deforestation and forest degradation; conservation and enhancement of forest carbon stocks; and contribute to the protection of Mother Earth against climate change. At the same time, the Strategy should help improve the quality of life of Nicaraguans, the resilience of ecosystems in the face of climate change and improve financial flows to the environmental and forestry sector with a view to improving their national and international positioning and competitiveness.	The National REDD+ Strategy can serve in structuring the low-emission land-use sectoral approach for the GGS. Care will be taken to avoid overlaps between this readiness project and ENDE REDD+.
Universal Declaration of the Common Goods of the Earth and Humanity	Commitments are made to establish production and consumption patterns that guarantee the vitality and integrality of Mother Earth, develop the sustainable use of available clean energies, and implement initiatives, projects for adaptation to climate change and sustainable management of forests.	The Universal Declaration is one of the overarching directives of the Government. The operations of MHCP and other institutions involved in the response to climate change are guided by the Declaration. The Declaration is thus generally guiding the implementation of this readiness project.
Regional Convention on Climate Change	The Convention provides that the States, according to their capacities, implement national programs and take measures to ensure climate conservation within and outside their jurisdiction.	The sectoral plans to be developed for the GGS (outcome 2.2) should align with the regional strategies such that synergies can be achieved.
Program for the Conversion of the Livestock Sector	Convert livestock farms towards integrated silvopastoral models to increase the productivity of meat and milk production by at least 20%. It reinforces the development of sustainable livestock by improving productivity in all the productive indices of the sector to guarantee the national consumption of its derivatives and export quotas.	This Program is already supported through the BioCLIMA project (financed by GCF, FP146).

In implementing climate actions, gender equity, the rights of indigenous peoples and the participation of the entire population are guaranteed in climate change actions, being three of the key objectives of the NPMACC. This inclusive approach is applied throughout the implementation of the activities in this proposal. In all activities gender balance will be maintained and where monitoring data is collected it will be done so on a sex-disaggregated basis. Similarly for indigenous people, consultations on the basis of free, prior and informed consent will be conducted, aligned with the Universal Declaration of the Common Goods of the Earth and Humanity. Socially and economically disadvantaged groups will be included in consultations and activities where relevant. All of these conditions will be passed on to procured parties implementing activities, as the case may be.

In conclusion, the regulatory and institutional framework is in place to plan and undertake a comprehensive strategy focused on a climate-resilient economic development that will result in a low-carbon society with minimal exposure to the threats of climate change.

Barriers and problem statement

The challenge for the Government, however, is to make effective use of the domestic arrangements, with two main barriers limiting progress:

- Institutional capacity, including that of the staff, is lacking with specific reference to (i) understanding the threats and impacts of climate change and how to respond to these threats through policies and programs; (ii) practical knowledge and skills of project development and assessment tools necessary for defining interventions;
- Financial capacity for the required interventions. Nicaragua has a limited fiscal space to support the investments required to build resilience against climate change. International climate finance will be sought to complement the domestic financial resources, for which capacity needs to be built in the key institutions of the Government, with specific reference to MHCP and the regulatory institutions of the financial system.

The problem statement for the current proposal is that **“Nicaragua currently lacks the institutional capacity to define actions and the financial resources to implement these actions to meet the targets of its NDC”**.

The current readiness proposal is targeted specifically to overcome these two barriers and address the identified problem through strengthening the capacities of MHCP, the NDA to the GCF, and the regulatory institutions of the financial system. As such, the readiness support will directly support the capacity to implement the NPMACC. The readiness proposal will also develop sectoral plans under the GGS for the priority sectors identified in the NDC.

Previous readiness support

The country has requested support from the GCF to strengthen climate finance management capacities that contribute to creating a resilient society with a low GHG economy. To date, Nicaragua has received the following support under the readiness programme:

- **IDB: "Improving Nicaragua's Climate Governance Framework"** which seeks to consolidate ongoing efforts to establish a solid national climate governance framework using GCF access as a model to access climate finance on favorable terms; integrate the process of developing concept notes for solid projects, full financing proposals from the public and private sectors; and identifying the existing obstacles that block the flow of climate finance to the country. The current proposal extends the planned activities through enhancing the scope of the institutional strengthening (e.g. extended climate finance monitoring) and through flanking capacity development (e.g. gender policy, ESS assessment). Given that the IDB-supported readiness activities have not yet started, care has been taken to ensure complementarity and to avoid overlap and dependencies. (USD746,217, not yet started)
- **Pricewaterhouse Coopers (PwC): "Support for the assessment of accreditation gaps and an action plan for the Ministry of the Environment and Natural Resources"**. The objective was to work towards the accreditation process to strengthen the institutional capacity of MARENA to formulate, access and manage GCF resources. (USD36,626, finished)
- **FAO: “Dialogue of Indigenous Peoples of Latin America and the Caribbean”** sought to strengthen the integration of the interests and priorities of indigenous peoples in project proposals submitted to the GCF. This readiness grant is not directly related to the current proposal but the enhanced communication processes within and among indigenous peoples may be expected to strengthen the consultations for the current proposal. This readiness grant is regional in scope but was proposed and financed by Nicaragua through its readiness annual allocation. (USD150,674, finished)

- **FAO: “Improving hydrometeorology and climate information systems for better investments in climate change in Nicaragua”** which aims to improve national capacities throughout the value chain of hydrometeorology and climate information to achieve the final objective: informed decision-making that leads to increased resilience and reduced risk. This readiness grant is not directly related to the current proposal, although it will support the analyses and assessment of climate finance proposals presented to MARENA and MHCP for financing through international climate funds. (USD800,000, under implementation)
- **UNEP: “Advancing a regional approach to e-mobility in Latin America”** is a regional readiness grant whose aim it is to identify and address the main barriers for electric mobility by providing the necessary assessments, capacities and financing alternatives to accelerate adoption of electric mobility technology. This readiness grant is not directly related to the current proposal, but it will provide critical information to MARENA and MHCP when presented with proposals for e-mobility to be financed through public resources or international climate funds. (USD 2 million for 10 countries, under implementation)
- **UNEP: “Increasing the ambition of NDCs and climate finance in Central America”**. Regional readiness grant that aims to strengthen the technical, institutional and operational capacity of the Governments of Nicaragua, Honduras, El Salvador, the Dominican Republic and Guatemala in the fulfillment of their NDC ambitions, through a national strengthening and regional coordination, enabling conditions and stakeholder involvement. The outputs from this readiness grant will inform the further NDC development and the key strategic directions of the priority mitigation sectors in the GGS (USD1,250,000 over five countries, under implementation)
- **CABEI: "Strengthening national policies and structures to access climate finance in the Republic of Nicaragua"** seeks to strengthen the capacities of MHCP, in its role as NDA for GCF; close gaps in MARENA's capabilities, to be considered as a Direct Access Accredited Entity (DAE), both are directly linked to the IDB and PwC readiness grants. Additionally, a GGS will be developed, and three concept notes for GCF-1, 2020 - 2023. The current readiness proposal builds directly on this readiness grant through further strengthening of the NDA and the development of sector-specific plans for the GGS. (USD750,000, under implementation)

Main objectives of this readiness proposal

The current readiness request for 2021 is complementary to the readiness grants already approved, deepening or expanding the previous activities, but focusing on the financial system and the investments necessary to fulfill the commitments of the NDC. Detailed sector plans will be drawn up for the GGS, responding to the priorities presented in the NDC published in preparation for COP-26. The main objectives of this readiness proposal are presented below:

NDA Strengthening

Building on the readiness activities of previous years, this proposal will address three important aspects to strengthen MHCP's ability to carry out its responsibilities as NDA to the GCF:

- **Secure handling of documents.** The documents handled by the NDA - internal, communications with the GCF, project documents, bids, etc. - have to be handled securely to ensure their permanence and confidentiality. A document management system will be established on a dedicated server, with five workstations to access and manage documents and monitor workflow according to Ministry regulations and agreements with the GCF. *(Output 1.1.1 in the logical framework)*
- **Strengthen the legal capacity in the teams of the General Directorate of Public Credit and Directorate of Legal Counsel** to negotiate and manage legal agreements for international financing for climate change, with the GCF and other funds. Despite the high knowledge and experience of the team with legal assessments, there is a lack of direct experience with the formats and formulations of common legal agreements in the international arena. Specific training on this topic will enhance the NDA's ability to quickly and accurately analyze and negotiate legal agreements. *(Output 1.1.1 in the logical framework)*
- **Establish a procedure to analyze government policies for their ability to attract external financing for climate change action.** Most public sector entities have a basic knowledge of climate change and its impacts on Nicaraguan society but lack capacity to incorporate climate change into the entities' programs. The NRSCC is the leading mechanism for building capacity on climate change in general. This activity will complement the effort of the NRSCC, identifying sources of financing outside the public budget, both from the private sector at the national and international level and from multilateral financial entities, ensuring greater availability of resources to implement the government's priorities for climate change action. Given that this procedure will be applied continuously, it will ensure that emerging policies and programs are properly analyzed for their potential to attract climate finance. As a side effect, this will

help ensure that the GCF country programme remains up-to-date relative to emerging government priorities over the coming years. (*Output 1.1.2 in the logical framework*)

Strengthening the capacity of the regulatory institutions of the financial system

The two main regulatory institutions of the Nicaraguan financial system are the CBN and the SIBOIF. These two key institutions have limited access to knowledge about climate change, the interventions proposed to counter the impacts of climate change, and the mechanisms for financing investments from international sources or from the private sector at the national level.

This activity will complete an inventory of the regulations and procedures of these institutions to identify barriers and gaps. The activity will also prepare an action plan to create capacity to facilitate the financing of investments in mitigation and adaptation to climate change.

In addition, this activity will strengthen the capacities of the regulatory institutions of the financial system through a training program for the staff of the institutions regarding financing investments in climate change. Together, the activities will ensure greater availability of financial resources for investments that counter the impacts of climate change, including for projects promoted by the private sector.

These activities are complementary to the activities included under outcome 5.2, “Crowding-in private sector investments”, of the 2018 readiness grant. Whereas the 2018 readiness activities focus on challenges and opportunities as felt from the private sector perspective, the current activity will focus on challenges and opportunities in the financial system. Following implementation of both sets of activities, the financial system should be more accommodating of private sector participation in projects supported with climate finance.

(*Output 1.1.3 in the logical framework*)

Sectoral plans for the Green Growth Strategy

The readiness grant supported by CABI and approved in 2020 will develop a draft GGS for the country for the period to the year 2050. That effort focuses on the overall strategy and country-level conditions and processes. The draft GGS will set the principal strategic context which all sectors in the country should refer to, with economic and financial analysis for priority sectors. The GGS is currently being developed, following the OECD guidance on GGS development.¹ Specifically, the following activities will be undertaken in the development of the draft GGS:

- Analysis and compilation of government policies that are relevant to green, inclusive growth
- Establish a consultation framework methodology that includes the key elements of a GGS within the context of Nicaragua. The key GGS elements comprise as a minimum:
 - A description of an economic model that promotes a paradigm shift towards economic growth decoupled from environmental impacts (reducing GHG emissions, pollution, inefficient resource use and biodiversity loss), including fiscal incentives (e.g. taxes and subsidies)
 - A policy framework that supports green economic growth
 - A model for expanding economic macro indicators (e.g. GDP) with natural capital accounting
 - Industrial restructuring processes to direct current economic activity towards a green development model
 - Social and economic equity considerations, aligned with the Constitution and the NPMACC
- Extensive and society-wide stakeholder consultations, using the consultation framework methodology, to sensitize all stakeholders to green growth and to seek their inputs and suggestions on the overall direction of the economic and social development of Nicaragua. The consultation has to reach out to all relevant stakeholders, including the private sector, indigenous peoples and socially and economically disadvantaged groups.
- Conduct an institutional mapping exercise and capacity needs assessment
- Build green finance knowledge and capacity of financial sector stakeholders
- Establish a formal procedure for evaluating the results of green finance measures and proposing improvements to policymakers
- Undertake an analysis of and report on the economic, financial and fiscal implications of implementing the GGS:

¹ <https://www.oecd.org/greengrowth/>

- Global economic and financial analysis for all economic sectors of the country, with specific attention to the priority sectors of the NDC², out to 2050
- Conduct a barrier analysis for private sector financing
- Propose changes to the tax system, including subsidies and other financial incentives, to foster green economic development
- Analyse the overall contribution of the priority sectors in fulfilling the mitigation commitments by 2030 under the NDC
- Draft the GGS for the period 2023 – 2050, including proposed legislation and policy updates, on the basis of the stakeholder consultations and the economic, financial and fiscal analyses.

Given the very initial stage of the implementation of this activity under the 2020 readiness grant, there are currently no tangible results on this activity. It is nevertheless imperative that the follow-up activity be initiated as soon as possible considering that its targets are relative to the NDC mitigation commitments, which have a delivery date of 2030. The current proposal will therefore further specify the GGS with the development of three sectoral plans for the first decade of the GGS, corresponding to priority sectors identified in the NDC presented to the UNFCCC.³

- Plan for the **energy sector**, with detailed definition of investment projects that contribute to achieving the goals of the NDC: increase the percentage of electricity generation through renewable energy sources to 60% by 2030.
- Plan for the **industrial processes and product use sector**, with detailed definition of investment projects that reduce the consumption of fluorinated gases considered in the Kigali amendment to the Montreal Protocol for the period until 2030: development of a strategy for the use of natural refrigerants with low global warming potential, which would have an impact on the industrial sector, particularly the subsector of refrigeration services.
- Plan for the **forest management and land use change sector**, with detailed definition of investment projects that contribute to achieving the goals of the NDC for the period up to 2030: promote agro-ecological production, permanent shade-tolerant crops resistant to the impacts of climate change, as well as the reduction of extensive livestock practices and reforestation/afforestation in abandoned lands that allow conserving the carbon sinks.

For each sector, a detailed plan will be developed with the climate rationale in terms of mitigation potential and social and economic co-benefits, a SWOT analysis, identification of barriers and gaps, identification of opportunities and a list of priority interventions with an economic and financial analysis.

The sectoral plans are complementary to the draft GGS being developed through the 2020 readiness grant. Whereas the overall GGS is focusing on national policies and priorities, broad sectoral analyses and potential green development pathways, stakeholder consultations throughout society, and economic, financial and fiscal implications of the GGS, the sectoral plans will draw up detailed investment plans for the first decade of the GGS. The current activity could therefore be considered as an action plan for the first stage of the implementation of the GGS.

While certain aspects of the draft GGS are relatively straightforward (e.g. a possible policy target of a net-zero emissions economy by 2050) and not crucial to the development of the sectoral plans under the current readiness request (because the emissions targets are already defined in the NDC), other elements can have a more profound impact. For instance, changes in the fiscal system of the country may have a profound impact on investment decisions, but it is unlikely that the Government and Parliament will decide on any such changes until all relevant information is available to them (including on sectors not currently included in the priority sectors of the GGS) and without extensive debate. To counter this risk, the sectoral plans will include an analysis of impacts on investment opportunities under the current fiscal regime and various scenarios of fiscal structures aimed at promoting green inclusive growth.

(Outputs 2.2.1 – 2.2.4 in the logical framework)

² The 2020 readiness grant precedes the updated NDC. As indicated in the 2020 readiness request, the sectors to be included in the GGS drafting will be aligned with the updated NDC, which implies that the transportation sector is no longer a priority and that reducing ozone-depleting substances under the IPPU sector is prioritized instead.

³ These are the mitigation targets of the NDC. The adaptation targets will be addressed through the National Adaptation Plan, for which a funding proposal will be submitted to GCF later this year.

3. LOGICAL FRAMEWORK

Outcomes	Baseline	Targets	Outputs	Activities (brief description)	Deliverables
1.1: Country NDAs or focal points and the network/ systems that enable them to fulfil their roles, responsibilities and policy requirements are operational and effective	Previously approved readiness proposals are establishing basic capacity for project management The NRSCC, which is the apex government body dealing with the response to climate change and of which MHCP is a member, is operational but requires MHCP to access climate finance to be effective MHCP is lacking adequate capacity to access climate finance	The NDA has processes in place to originate impactful project proposals, aligned with the NDA targets and the country work program, to secure financing of projects to respond to climate change with domestic and external resources: <ul style="list-style-type: none"> Enhanced administrative and legal capacity Strengthened financial system to consider climate change finance 	1.1.1: Administrative and legal capacity of the NDA strengthened to maintain a portfolio of projects to address climate change	1.1.1.1: Establish a secure document management system in the NDA offices	1.1.1.a: IT system to securely manage documents 1.1.1.b: Five (5) workstations for NDA staff to access the document management system
			1.1.2: Procedure to analyze the priorities of the Government for their potential to attract climate finance established and operations manual available	1.1.1.2: Train 15 staff in the Dirección General de Crédito Público and the Dirección de Asesoría Legal of MHCP to negotiate and manage legal agreements associated with international climate finance	1.1.1.c: Training materials, developed by the trainer 1.1.1.d: Pre- and post-training survey of participating staff from MHCP to verify completion of the training and on their knowledge of legal agreements associated with international climate finance, disaggregated by gender, to be included in the activity report
				1.1.2.1: Establish a procedure to analyze Government priorities in all departments and their capacity to attract external climate financing and integration of these priorities in the project origination pipeline ⁴ through: <ul style="list-style-type: none"> Development of an operations manual for interaction with other departments on identification and characterization of investments that could attract climate finance Develop an internal procedure to interact with other departments 	1.1.2.a: Internal procedure and operations manual to interact with other departments and identify and analyze government priorities

⁴ The 2018 readiness established a basic NOL procedure (result 1.2) and an institutional web site for the NDA (product 2.0.2). The 2020 readiness extends this work and consolidates stakeholder engagement in the processes (objective 2). This current readiness proposal ensures that the proposal selection process is informed by the priorities of the entire government.

Outcomes	Baseline	Targets	Outputs	Activities (brief description)	Deliverables
				<ul style="list-style-type: none"> Validation of the procedure by the NRSCC and other stakeholders 	
				1.1.2.2: Train 30 staff in MHCP in a full-day workshop on the purpose and use of the procedure	1.1.2.b: Training materials, developed by the consultant 1.1.2.c: Pre- and post-training survey of participating staff from MHCP to verify completion of the training and on their capacity to identify and analyze government priorities, disaggregated by gender, to be included in the activity report
			1.1.3: Strengthened capacity in the regulatory institutions of the financial system to attract international climate finance and crowd-in domestic private sector investments ⁵	1.1.3.1: Identify options to consider climate change finance from the domestic private sector and international sources in the financial system	1.1.3.a: Report on the analysis of the financial system with an action plan to accommodate climate finance from the domestic private sector and international sources 1.1.3.b: Manuals for internal guidelines on integrating climate finance in the financial system, including reference to environmental and social safeguards to ensure equal access to climate finance for vulnerable groups and gender equity
				1.1.3.2: Conduct a one-day workshop for staff in the regulatory organizations of the financial system and the private sector (100 pax) on accommodating climate finance in the financial system	1.1.3.c: Workshop materials, developed by the consultant 1.1.3.d: Workshop report, including pre- and post-workshop survey of participating staff in CBN and SIBOIF to verify completion of the workshop and on their knowledge of climate finance from the domestic private sector and

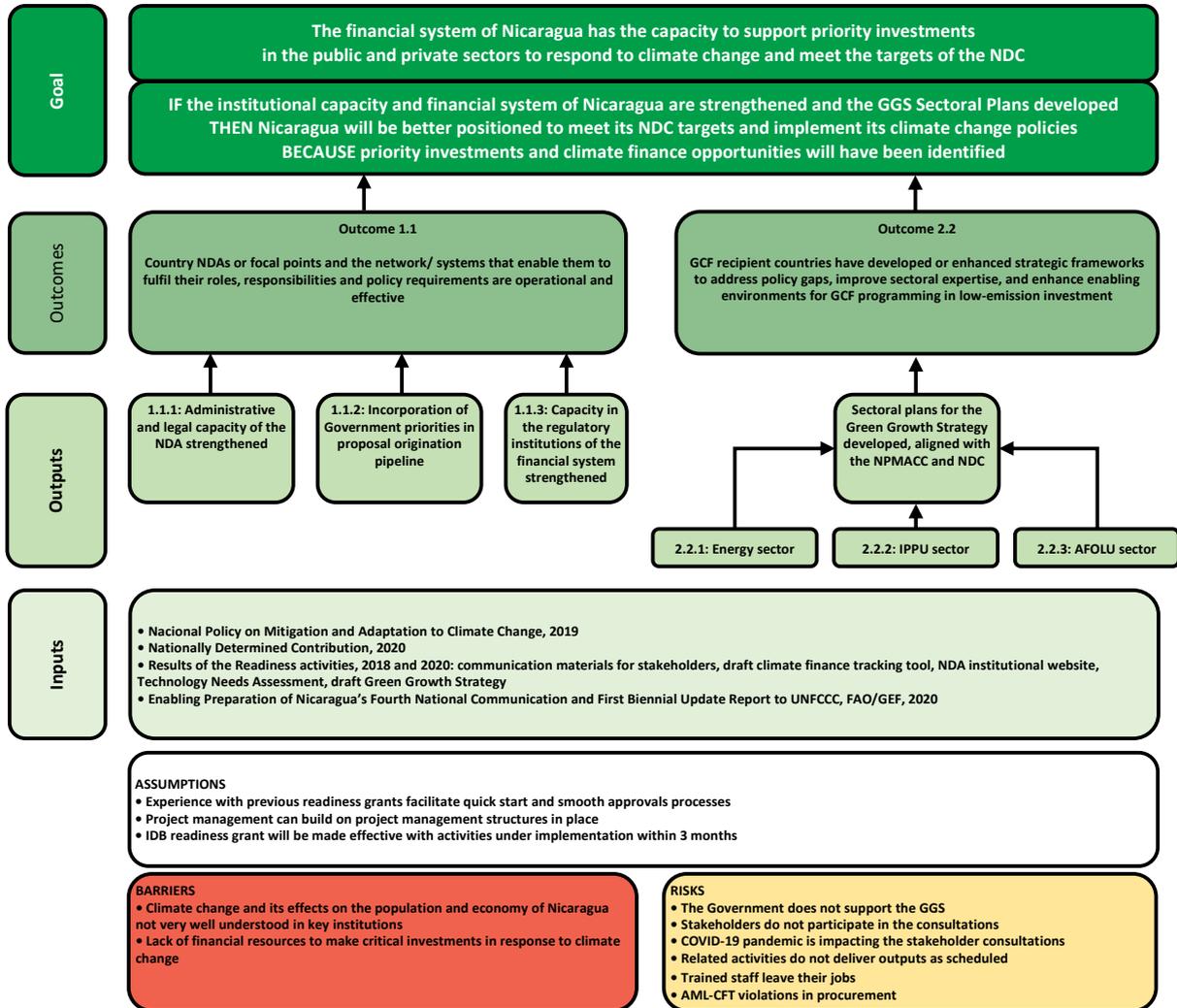
⁵ Based on the 2018 readiness (activity 5.2.1 “Market and regulatory study to assess barriers and opportunities for private sector involvement in three (3) priority sectors, as identified in the NDC and country programme”) and the 2020 readiness (activity 1.1.3 “Strengthened capacity to monitor and prioritize investments in climate change resilience using domestic and external resources”)

Outcomes	Baseline	Targets	Outputs	Activities (brief description)	Deliverables
					international sources, disaggregated by gender, to be included in the activity report (deliverable 1.1.3.a)
2.2: GCF recipient countries have developed or enhanced strategic frameworks to address policy gaps, improve sectoral expertise, and enhance enabling environments for GCF programming in low-emission investment	Nicaragua has a number of relevant policies, the most relevant being the NPMACC, but there is no overall strategy aimed at long-term carbon neutrality. A draft Green Growth Strategy is under development. There are no strategic sectoral plans for climate-related investments available.	Three (3) sectoral plans as part of the GGS, aligned with the NPMACC and the NDC, developed for three priority sectors and validated by the NRSCC	2.2.1: Plan for the energy sector, with detailed definition of investment plans in the period to 2030 that contribute to achieving the NDC targets, submitted to the NRSCC for validation	2.2.1.1: Develop the sectoral plan for the energy sector, through: <ul style="list-style-type: none"> • Literature review and other relevant research on best international practices • Develop a methodology for stakeholder engagement • Identification of all relevant stakeholders and engagement with them to understand strengths and weaknesses of the current energy system, preferences for renewable options, and capacity development needs • Development of an economic model for the energy sector that promotes a paradigm shift to green economic development, aligned with the NDC and other national policies and priorities • Identification of priority investments for the energy sector to achieve the NDC targets by 2030 and set the country on a course towards a green economic development • Design and implementation of a study that provides detailed information on economic, financial and fiscal aspects of the proposed investment plans. 	2.2.1.a: Sectoral plan for the implementation of the GGS for the energy sector, including a detailed description of each of the elements described in the activity

Outcomes	Baseline	Targets	Outputs	Activities (brief description)	Deliverables
			<p>2.2.2: Plan for the IPPU sector, with detailed definition of investment plans in the period to 2030 that reduce the consumption of fluorinated gases considered in the Kigali Amendment to the Montreal Protocol, submitted to the NRSCC for validation</p>	<p>2.2.2.1: Develop the sectoral plan for the IPPU, through engagement with all relevant stakeholders in industrial and domestic refrigeration, specifically from the private sector, research and definition of investment plans based on best international practices through:</p> <ul style="list-style-type: none"> • Literature review and other relevant research on best international practices • Develop a methodology for stakeholder engagement • Identification of all relevant stakeholders and engagement with them to understand uses of fluorinated gases, preferences for alternatives, and capacity development needs • Identification of priority investments for the IPPU sector to achieve the NDC targets by 2030 • Design and implementation of a study that provides detailed information on economic, financial and fiscal aspects of the proposed investment plans. 	<p>2.2.2.a: Sectoral plan for the implementation of the GGS for the IPPU sector, including a detailed description of each of the elements described in the activity</p>
			<p>2.2.3: Plan for the AFOLU sector, complementary to the ENDE REDD+ Program, with detailed definition of investment plans in the period to 2030 that contribute to achieving the NDC targets, submitted to the NRSCC for validation</p>	<p>2.2.3.1: Develop the sectoral plan for the AFOLU sector, through:</p> <ul style="list-style-type: none"> • Literature review and other relevant research on best international practices and domestic experiences through the ENDE REDD+ Program • Develop a methodology for stakeholder engagement 	<p>2.2.3.a: Sectoral plan for the implementation of the GGS for the AFOLU sector, aligned with the ENDE REDD+ Program, including a detailed description of each of the elements described in the activity</p>

Outcomes	Baseline	Targets	Outputs	Activities (brief description)	Deliverables
				<ul style="list-style-type: none"> • Identification of all relevant stakeholders and engagement with them to understand strengths and weaknesses of the current AFOLU sector, preferences for sustainable options, and capacity development needs • Development of an economic model for the AFOLU sector that promotes a paradigm shift to green economic development, aligned with the NDC and other national policies and priorities • Identification of priority investments for the AFOLU sector to achieve the NDC targets by 2030 and set the country on a course towards a green economic development • Design and implementation of a study that provides detailed information on economic, financial and fiscal aspects of the proposed investment plans. 	
			2.2.4: Sectoral plans for the GGS endorsed by national stakeholders	2.2.4.1: Conduct a two-day national workshop for 200 participants from all stakeholder groups to present the sectoral plans of the GGS	2.2.4.a: Workshop report with survey of participants on the sectoral plans for the GGS and their support for the proposed investment plans, with results disaggregated by gender

4. THEORY OF CHANGE



The identified barriers of institutional and financial capacity to identify climate change threats and potential solutions, and the opportunities in the international financial markets to attract financing for investment plans lies at the heart of the outputs to constitute outcome 1.1 of this proposal. The NDA needs strengthening of its administrative capacity to implement the Country Programme and manage a growing pipeline of proposals and portfolio of projects. Output 1.1.1 support this administrative capacity through better document management that enables more efficient teamwork and more consistent communication with external stakeholders. Building the legal capacity to handle international financial contracts is an integral part of the institutional strengthening at MHCP, the host ministry of the NDA.

Directly related to the institutional capacity barrier is the limited knowledge of climate change and its institutional response framework in ministries and other agencies that do not have a direct mandate in responding to climate change. Given that building this capacity is going to take substantial time and resources, this proposal through output 1.1.2 builds capacity in MHCP to support other ministries and agencies to identify opportunities for climate finance to defray the additional cost of building resilience into government development and investment project.

Nicaragua's financial system has had relatively limited exposure to international finance and the experience of the private sector with climate finance is virtually absent. Output 1.1.3 builds critical capacity to enable the financial system to fully engage in the international climate finance markets and leveraging financing with private sector contributions.

There are some risks associated with these activities, particularly related to the resolve of the government to commit to the developments and investments necessary and the retention of staff in key positions. The readiness grant will ensure that mitigating measures are in place to enable individual activities to go forward and demonstrate their merit. Given that Nicaragua's financial system is under increased monitoring for AML-CFT issues, international financial entities may be wary to invest in Nicaragua. While it is outside of the scope of this readiness grant to deal with this situation, other than to ensure that no improprieties take place with the funds entrusted to it, the potentially complicated financing strategy must be acknowledged.

Jointly, these three outputs strengthen the institutional and financial capacity of MHCP and other government agencies and the private sector to define and implement climate change investments effectively and efficiently.

While Nicaragua has a number of high-level visionary policies related to climate change, in particular the NPMACC, there is currently no strategic plan that comprehensively addresses the high-level objectives laid down in the NPMACC. The development of the GGS overall strategy in the readiness grant approved in 2020 is a great leap forwards in this regard. The current proposal will build on that initial effort and prepare three sectoral plans, each corresponding to a key sector identified in the NDC having a mitigation target for 2030 (outputs 2.2.1 – 2.2.3). These sectoral plans will be presented to the relevant stakeholders for endorsement (output 2.2.4) prior to being sent to the NRSCC for formal adoption. These outputs jointly provide the strategic framework for climate-related investments for this decade.

The outcomes jointly deliver the goal of this proposal, which is to build institutional capacity in the government, the financial system and the private sector to attract financing to support investment in a green, resilient economy.

Nicaragua has a number of policies in place for economic development, environmental management and climate change. Due to the economic situation that the country is facing, financial resources for economic development and countering the impacts of climate change are lacking. In the NDC 2018, a number of priority areas for mitigation and adaptation projects are identified and the NPMACC 2019 similarly identifies a number of priority areas for climate action. Through the 2020 readiness grant, this high-level context is operationalized, specifically through the development of a draft for a comprehensive GGS (Outcome 2.2). That Strategy, however, requires institutional strengthening to enable the Government to implement the elements of the Strategy. The capacities of MHCP, as NDA to the GCF, and the regulatory institutions of the financial system are critical to access international climate finance through GCF and other climate finance funds (Outcomes 1.1). Having delivered the outcomes, the stated goal of **“The financial system of Nicaragua has the capacity to support priority investments in the public and private sectors to respond to climate change and meet the targets of the NDC”** will have been achieved.

The readiness proposal relates to two of the objectives of the Readiness Programme:

1. **Institutional strengthening** - MHCP, as NDA, will receive technical support to strengthen its capacities in specialized functions for the programming of investments to respond to climate change and the monitoring of projects during their execution. This will allow MHCP to improve the implementation of national policies for sustainable development and respond to the country's commitments at the international level, for example, as set out in the NDC.

The readiness support will strengthen the capacity of the regulatory institutions of the financial system of Nicaragua, specifically the Central Bank of Nicaragua (CBN) and the Superintendency of Banks and Other Financial Institutions (SIBOIF), to ensure greater availability of financial resources for investments that counter climate change and its impacts, including for projects promoted by the private sector.

With the capacities of the MHCP and the regulatory institutions of the financial system strengthened, the Government of Nicaragua will be better prepared to access international assistance to face climate change and respond to the needs of the Nicaraguan people.

2. **Strategic frameworks** - Nicaragua is currently in the process of developing a medium and long-term strategy to guide investments in low-emissions sustainable development. The development of the Green Growth Strategy, based on the NPMACC, through an intensive process of consultations and complying with international commitments such as the NDC and key international agreements such as the Paris Agreement and the Regional Climate Change Strategy, will allow the Government of Nicaragua to direct its efforts and resources towards a future with a sustainable economy without GHG emissions and a healthy and safe people. Based on the guiding threads of the Strategy, with the current readiness support, three detailed sector plans will be developed, identified in the NDC as priority sectors. The sector plans will define the investments necessary to mitigate climate change and comply with the commitments of the NDC.

5. BUDGET, PROCUREMENT, IMPLEMENTATION AND DISBURSEMENT PLAN

5.1 Budget plan

Please complete the Budget Plan in Excel using the template available in the [Library](#) page of the GCF website.

5.2 Procurement plan

Please complete the Procurement Plan in Excel using the template available in the [Library](#) page of the GCF website. For goods, services, and consultancies to be procured, please list the items, descriptions in relation to the activities in section 2, estimated cost, procurement method, relevant threshold, and the estimated dates. Please include the procurement plan for at least the first tranche of disbursement requested below and provide a full procurement plan for the entire duration of the implementation period if available at this stage.

5.3 Implementation Plan

Please complete the Implementation Plan in Excel using the template available in the [Library](#) page of the GCF website.

5.4 Disbursement schedule

Please specify the proposed schedule for requesting disbursements from the GCF. For periodicity, specify whether it's quarterly, bi-annually or annually only.

Readiness Proposal that requires a bilateral Grant Agreement

- Please include an indicative disbursement table showing the expected amounts to be requested and keep to multiples of USD 5,000.
- The first disbursement *amounting* USD 675,000 will be transferred upon approval of the readiness request and effectiveness of the Grant Agreement;
- The second disbursement *amounting* USD 73,282 will be made upon submission of a completion report and financial report, in form and substance acceptable to the Fund, including an audited expenditure statement.

6. IMPLEMENTATION ARRANGEMENTS AND OTHER INFORMATION

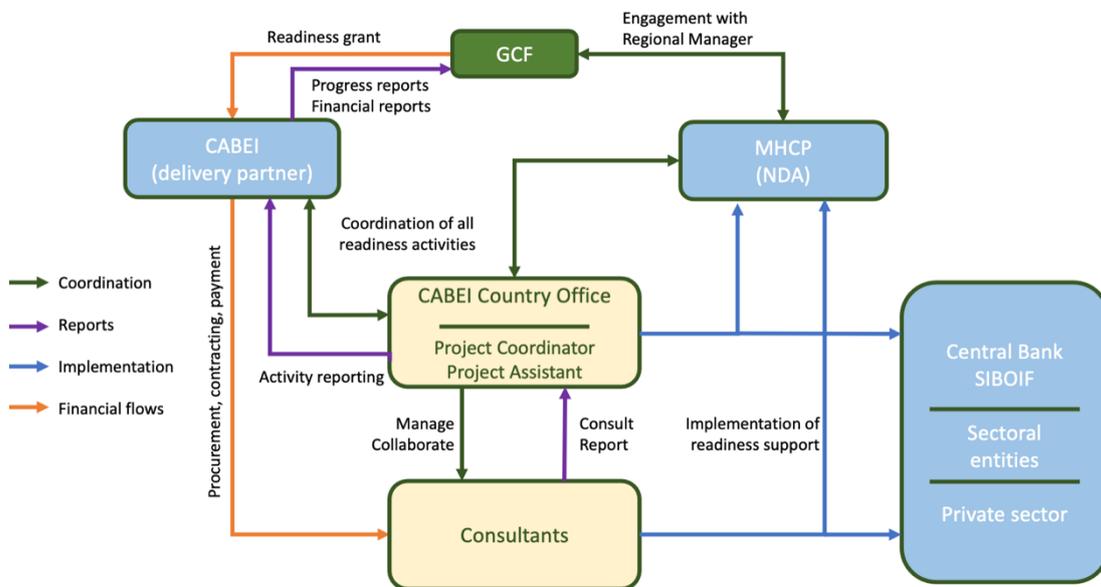
6.1 Implementation arrangements

Please describe how implementation arrangements will be made and how funds will be managed by the NDA and/or the Delivery Partner.

CABEI will be the delivery partner to implement the readiness project for the NDA of Nicaragua. CABEI has extensive experience working with government entities in Nicaragua and has the capacity and resources to implement the project efficiently and smoothly. CABEI has specialized work units for the implementation of projects, including fiduciary management, a solid procurement process, and monitoring and evaluation of activities, among others. CABEI will manage all the resources of the GCF and will be in charge of the tenders for individual consultancies and consulting companies.

For the implementation of the activities, the CABEI Country Office in Nicaragua will host the consultants, with a Project Coordinator and a Project Assistant as a permanent team. The consultants will receive directions and instructions from CABEI to guide implementation of the project and to comply with GCF requirements. The Project Coordinator is in charge of the daily activities, including consultations and coordination with CABEI and MHCP, coordination of activities with individual consultants and / or consulting companies, and the implementation and delivery of the expected results.

Most of the activities will be implemented through consulting companies or individual consultants. Four work packages will be opened for public tendering to consultant companies and three individual consultants – including the Project Coordinator and Project Assistant – will be recruited. All consultants coordinate their activities with the Project Coordinator. This organization of work is expected to allow activities to be implemented with a minimum of procedures and with maximum transparency and efficiency. The relationship between the counterparts is graphically presented in the diagram below.



6.2 Implementation and execution roles and responsibilities

Please briefly describe how the activities will be implemented and outputs delivered by project staff and consultants.

CABEI has a professional organization with extensive experience of more than 60 years at the regional level in formulating and implementing projects. Specialized units in the Bank will support the project with specific functions such as procurement, fund management and monitoring. CABEI will be responsible for overall financial management and procurement of goods and services under this proposal and all such financial management and procurement will be compliant with the Bilateral Grant Agreement to be entered into between GCF and CABEI, and with the rules and regulations of CABEI. CABEI staff will coordinate regularly with the NDA and the Project Coordinator to ensure that the implementation of the project proceeds according to plan and in compliance with GCF policies, CABEI policies and national policies and regulations.

The following collaborators will be contracted through public procurement to implement the project:

Type	Role	Qualifications	Rate (USD/day)
National consultant	<p><u>Project Coordinator</u> Lead role: The Project Coordinator is in charge of the daily management of the project. The Coordinator is the main link between MHCP and CABEL. His/her main responsibilities additionally include managing the implementation of activities through consultants, interacting with other stakeholders, preparing project reports, and monitoring implementation and delivering the expected results.</p> <p>Supporting role: In addition, the Coordinator will substantively contribute to all outputs to ensure that the consultants produce deliverables that are fully aligned with the overall project, including other consultants and previous readiness work. This includes, inter alia, participating in meetings with senior government officials, meeting with the consultants to discuss work (planning, scheduling), participation in stakeholder engagements, participation in workshops, review of draft reports, etc.</p>	The Coordinator will have an advanced academic degree and extensive work experience in Nicaragua in senior roles, including with government entities and will have a deep understanding of civil society actors and the private sector.	200
National consultant	<p><u>Project Assistant</u> The Project Assistant is in charge of the administrative management of the project, ensuring that the project is implemented according to the proposal and the legal agreement. He/She will support the Project Coordinator in his/her activities and facilitate the activities of consultants. The Assistant collects all the necessary base information for the reports, including project monitoring.</p>	The Assistant will have an academic qualification and at least 5 years of work experience in Nicaragua in project management and implementation.	100
International consultant	<p><u>Legal Expert</u> (activity 1.1.1.2) International consultant to build capacity in MHCP on the critical elements and negotiation of legal agreements for international climate finance. Minimum experience of 10 years in multilateral development banks and/or international funds, with in-depth knowledge of legal systems in Nicaragua or Latin America.</p>	The consultant must hold an internationally recognized degree in Law and (be eligible to) practice Law.	750
National or regional consulting firm	<p><u>Public sector governance</u> (output 1.1.2) National or regional consulting firm specializing in public administration and climate change, with an estimated 4 man-months of time commitment, to develop a procedure to analyze government priorities for their potential to attract international climate finance.</p>	The consulting firm must demonstrate a minimum of three similar, successfully completed assignments and continued operation over the past five years with an annual turnover three times the value of the contract for at least three years.	500
National or regional consulting firm	<p><u>Financial system expert</u> (output 1.1.3) National or regional consulting firm specializing in financial system administration and climate change, with an estimated 5 man-months of time commitment, to undertake an analysis of the financial system to identify challenges and barriers and to develop an action plan to remove the challenges and barriers and make the</p>	The consulting firm must demonstrate a minimum of three similar, successfully completed assignments and continued operation over the past five years with an annual turnover three times the value of the contract for at least three years.	500

	financial system more accommodating of international climate finance and private sector participation.		
International consulting firm in association with a national consulting firm	Green Growth Strategy (outputs 2.2.1 – 2.2.3) International consulting firm, in association with a national consulting firm, to undertake the sectoral assessments and develop sectoral plans for the Green Growth Strategy. The consultant will undertake all tasks related to the development of the sectoral plans, including tasks such as stakeholder consultations, workshops, facilitation, logistics and reporting. The consultant will also participate in the national workshop (output 2.2.4).	The international consulting firm must demonstrate a minimum of three similar, successfully completed assignments and annual turnover of at least three times the value of the full contract for at least three years in the past five years. The national consulting firm must demonstrate a track record of at least five years in similar projects focused on stakeholder consultations, economic and financial analysis, climate change and policy development.	500

When under contract, the consultants are formally based in the Project Office and working under the direction of the Project Coordinator. The consultants will be hired after a procurement process managed by CABEL and the quality control of the work and the results produced are shared between CABEL and the Project Coordinator.

6.3 Risks and mitigation measures

Please include a set of identified risks and mitigation actions for each. Please utilize the risk table below that identifies the probability of a given risk occurring and the entity that will manage the risk. Please refer to Part III Section 6.3 of the Readiness Guidebook for further information on how to complete this section.

Risk category	Specific risk(s) / Risk(s) description	Probability of occurrence (low, medium, high)	Impact level (low, medium, high)	Mitigation action(s)	Entity(ies) responsible to manage the risk(s)
Government approval	Delays in approval of activities (e.g. procurement)	Low	Medium	MHCP and CABEL will proactively plan for all relevant Government agencies to commit to smooth project implementation	MHCP CABEL Project Coordinator
Government approval	The GGS is not approved	Low	Low	The sectoral plans can be developed and used independently from the GGS and reference the NDC exclusively. The Government, however, is supportive of the idea to develop the GGS.	MHCP

Risk category	Specific risk(s) / Risk(s) description	Probability of occurrence (low, medium, high)	Impact level (low, medium, high)	Mitigation action(s)	Entity(ies) responsible to manage the risk(s)
Stakeholder engagement	Relevant stakeholders in civil society and the private sector do not engage in the consultations	Low	Medium	<p>The project will actively engage with the stakeholders. MHCP will secure the participation of government agencies</p> <ul style="list-style-type: none"> • Identification of the roles of the key stakeholders in the development of activities; • Use of the Nicaraguan Climate Change Management System platform to promote and motivate stakeholders to actively participate in this Readiness project. 	Project Coordinator MHCP
Procurement	The RfPs do not attract a sufficient number of high-quality proposals that fit within the budget	Low	High	CABEI will activate its network in the region to identify potential consultants and solicit their bids	CABEI
Health	COVID-19 may resurface, limiting human interaction	Medium	Medium	Activities will use virtual means where possible	Project Coordinator MHCP
Related activities	Other readiness grants do not deliver the outputs as scheduled, in particular the draft GGS	Low-medium	Medium	The sectoral studies can be designed to have their own vision and strategic framework, relative to the NDC rather than the GGS	Project Coordinator MHCP

Risk category	Specific risk(s) / Risk(s) description	Probability of occurrence (low, medium, high)	Impact level (low, medium, high)	Mitigation action(s)	Entity(ies) responsible to manage the risk(s)
Sustainability	Trained staff is transferred out of or leaves their jobs	Medium	Low-medium	All training materials are to be delivered by the consultants and these will be made accessible digitally by the NDA and relevant host institutions such that new staff can be trained	Project Coordinator MHCP
Finance	Occurrence of money laundering, terrorist financing and prohibited practices	Low	High	All financial transactions will be scrutinized by the delivery partner early on such that any improprieties can be caught and resolved	CABEI MHCP

6.4 Monitoring

The logical framework of the project describes the baseline situation and the targets to be reached for each outcome. The terms of reference for consultants shall have the same information, but with more details and in reference to the implementation schedule. Consultants will be required to prepare reports describing the progress in producing the expected results.

The Project Assistant, under the supervision of the Project Coordinator, collects the information provided by the consultants, maintains the database for monitoring, and prepares draft monitoring reports. The Project Coordinator has the final responsibility for monitoring and ensuring that the implementation timeline is adhered to. A MEAL approach will be applied to ensure that early signals of interest emanating from monitoring of activities are fed back into the implementation of the activities to remedy deficiencies and optimize performance.

The CABEI team specialized in monitoring will assist the project in monitoring activities.

Monitoring is an ongoing process during project implementation. A report will be prepared semi-annually by the Project Coordinator, in compliance with the monitoring arrangements with the GCF. The report shall include a section on lessons learned, knowledge management, and process improvement. The monitoring of the project will be conducted in accordance with the Bilateral Grant Agreement to be entered into between GCF and CABEI.

6.5 Other Relevant Information

In January 2021, MHCP requested the support of CABEL in the process of formulating and submitting a proposal to the Readiness window, whose main objective is the strengthening of the capacity of public entities to mobilize climate finance to counter the impacts of climate change. The activities that will be carried out with this contribution from the GCF will complement the efforts that Nicaragua has been making with the support of CABEL to address the effects of climate change, and in particular the process of formulating proposals to channel resources from the GCF to the country.

The project activities will strengthen MHCP's capacities to maintain an investment portfolio to respond to and overcome the threats of climate change, closely aligned with the Nicaraguan NDC. Simultaneously, the project will improve on the understanding of the public sector on climate change and options to finance investments to adapt to climate change and mitigate its depth.

Sustainability of the activities

All the consultants will be required to work closely with staff from MHCP and other institutions to ensure that knowledge is transferred to the institutions, with targeted training sessions associated with the relevant activities. MHCP already has procedures in place to capture these lessons and to ensure that the contributions of the consultants will remain available post project. The consultants are required to submit training materials, all basic data collected, full reports of analyses and stakeholder interactions, and other relevant information. These materials will therefore remain available to all relevant staff in MHCP and other relevant institutions after readiness support completes.

The sustainability of the readiness activities is largely implicit in that the capacity of MHCP is strengthened to enable this Ministry to effectively implement the country work programme. Policies on various key areas, such as financial management, legal assessment and administrative procedures, will be developed and manuals for their implementation provided to staff. All materials produced by the readiness grant will be made available internally to all relevant staff, and through the NDA portal for external stakeholders.

MHCP will assume maintenance costs of all equipment procured for it, during project implementation and thereafter for the usual life of the equipment.

The action plan for the strengthening of the regulatory institutions of the financial sector will be implemented by the relevant institutions using their own resources. Since the action plan will largely be policy-focused, it is not expected that this will create a significant budgetary burden.

On the basis of the GGS, three sectoral plans will be developed that will guide planning of investments with the objective of meeting the targets of the NDC. Considering that the priority investments are not known until after the sectoral plans have been developed and endorsed by the relevant stakeholders, it is impossible at this time to indicate who will implement them and with what resources. Investments in the energy sector are expected to be very capital-intensive, while investments in the AFOLU and IPPU sectors may be expected to require fewer resources. Nicaragua will use the sectoral plans in the GGS to develop its strategy for seeking international climate finance, among other financing options, over the coming decade.

With the adoption of the National Policy on Mitigation and Adaptation to Climate Change in 2019, the Government has indicated its long-term commitment to responding to climate change, with MHCP playing a key role in its implementation. This readiness support will enable the Ministry to effectively lead on the implementation of the National Policy.

Relationship between the NDA and the Delivery Partner

Nicaragua is one of the five founding member countries of CABEL since 1960. MHCP is the government entity that manages the relationship of the Nicaraguan Government with CABEL, through the Public Credit Directorate. In this sense, the relationship between the NDA and CABEL is 60 years old, and recently in the period 2010-2020, CABEL's sovereign public sector loan portfolio with Nicaragua has a volume of USD 3.2 billion.

It is important to mention that in Nicaragua, in order for each ministry or executing agency to make use of a CABEL loan, they must first request MHCP to arrange financing with CABEL, and it is the MHCP that directs the financing request to CABEL on behalf of the Republic of Nicaragua. Therefore, any request from the different ministries, or public entities that require financing from CABEL, must first obtain approval from the MHCP. The MHCP, in accordance with the financing needs, the levels of public indebtedness and the budget of the Republic of Nicaragua, decides whether the program / project that is the object of the request is officially submitted to CABEL.

Procurement of goods and services will follow the procurement guidelines of CABEL as delivery partner. The guidelines specifically prohibit contract award to any person or entity listed on the UN Sanctions List or the World Bank sanctions list. CABEL has an AML-CFT policy that conforms to international standards – the policy can be consulted [here](#)

https://www.bcie.org/fileadmin/bcie/espanol/archivos/novedades/publicaciones/normativas/POLITICA_PARA_LA_PREVENCION_DE_LAVADO_DE_ACTIVOS_DEL_BANCO.pdf (in Spanish).

All readiness activities will be covered under CABEL's policy for complaints and whistle-blowers. Complaints and reports are initially mediated locally and may be scaled up for arbitration to CABEL's corporate complaints mechanism. The means of complaint can be found locally in each country.. Full details on the procedures are available online to the general public at <https://www.bcie.org/acerca-del-bcie/medios-de-denuncias/>.

In such a way, that no individual or entity that is listed on any UN Security Council sanctions list will be involved in any manner related with the project. It is important to highlight that according to our internal policies (AML Policies – Know Your Customer, Know Your Provider), we acknowledge the UN Security Council sanctions list.

The primary responsible individuals including the Integrity and Compliance Office personnel, must carry out a due diligence, assuring the existence of support documentation, the analysis carried out and its results, including the signature of the person who made the evaluation and its date.

Also, CABEL uses Sentinel (World Check) for the screening of all counterparties. We use Google in order to review our direct counterparties and PEPs. Additionally, CABEL has implemented a swift sanctions screening to monitor all incoming and outgoing CABEL transactions.

CABEL, observing and complying with its fiduciary duty in the international financial system, has implemented measures to safeguard its operations, such as:

- Continuous media monitoring to be able to identify operations that could be affected by sanctions risk and, consequently, generate the pertinent internal actions.
- Isolation of sanctioned relationships and their involvement in CABEL's operations.
- Enhanced due diligence controls for updating the Affidavits and signature records, verifying the non-involvement of sanctioned persons, including the signatories and/or delegations.
- Changes in the executing agency, beneficiary, guarantor, or administrator of the funds so that they are not under the direct control of sanctioned persons.
- Implementation of Contractual provisions for the Prevention of Money Laundering, Terrorism Financing, Integrity and Sanctions have been implemented in CABEL contracts.
- Special training for the staff, with the aim that they can identify sanctions risk in CABEL's operations.

To avoid any possible conflicts of interest deriving from the delivery partner's role as an accredited entity, the prioritization of investments and projects in the context of this readiness grant, will be made through a broad consultation process with relevant stakeholders, including other potential implementing entities. The final validation of these priorities will be carried out through the countries' own relevant coordination mechanism and institutional arrangements, with the participation of other government agencies, as well as representatives from civil society and private sector as the NDA deems relevant, to ensure chosen priorities are fully aligned with national plans and strategies and adequately includes inputs from consulted stakeholders.