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ANNEX

of the Commission Implementing Decision on the financing of the annual action plan in favour of Nicaragua for 2021

Action Document for the Recovery of the cocoa value chain in Nicaragua programme (NICACAO)

ANNUAL PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plans/measures in the sense of Article 23 of NDICI-Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	NICACAO CRIS number: NDICI LA/2021/43295 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	Yes, TEI for Nicaragua “Green recovery, sound water management and a resilient agriculture” Spain, Germany, Luxembourg, Italy, and France
3. Zone benefiting from the action	The action shall be carried out in the North and South Caribbean Coast Autonomous Regions of Nicaragua (RACCN & RACCS) and the departments of Matagalpa, Jinotega and Rio San Juan.
4. Programming document	Nicaragua, Multiannual Indicative Programme (MIP) 2021-2027
5. Link with relevant MIP(s) objectives/expected results	The action falls mostly in MIP 2021 -2027 priority 2- Inclusive and Sustainable Economic Growth while also contributing to priority 1- Climate change adaptation/mitigation It contributes directly to the action line 3 Resilient agriculture: Support to modernisation and climate sensitive value chains with potential for transformation and economic development
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	MIP 2021 – 2027 Priority Area 2: Inclusive and Sustainable Economic Growth/ SO 1. To make value chains with potential for economic recovery and social inclusion and female empowerment more inclusive and climate sensitive. Under TEI Green recovery, sound water management and a resilient agriculture. Priority Area 3: Resilient agriculture/Support to modernisation and climate sensitive value chains with potential for transformation and economic development.
7. Sustainable Development Goals (SDGs)	Main SDG : SDG 2 – achieve food security and promote sustainable agriculture (2.3, 2.4) Other significant SDGs <ul style="list-style-type: none"> • SDG 1 – End poverty

	<ul style="list-style-type: none"> • SDG 5 – Achieving gender equality and empowering women and girls • SDG 8 (8.4) – Decent work and economic growth • SDG 9 - Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation • SDG 12 - Responsible consumption & production • SDG 13 – Take urgent action to combat climate change and its impacts • SDG 15 – Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss 			
8 a) DAC code(s)	31162 Industrial crops/export crops: 52.2 % 15170 Women's rights organisations and movements, and government institutions: 30.4 % 43073 Food safety and quality : 17.4%			
8 b) Main Delivery Channel	AECID - 21 <i>United Nations Industrial Development Organisation - 41123</i>			
9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Biodiversity <input checked="" type="checkbox"/> Education <input type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
11. Internal markers and Tags:	Policy objectives	Not targeted	Significant objective	Principal objective

	Digitalisation @ Tags: digital connectivity digital governance digital entrepreneurship job creation digital skills/literacy digital services	<input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Connectivity @ Tags: transport people2people energy digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Migration @ (methodology for tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities (methodology for marker and tagging under development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	14.020140 – Cooperation with Latin America Total estimated cost: EUR 13,300,000 Total amount of EU budget contribution EUR 13,000,000 The contribution is for an amount of EUR 13,000,000 from the general budget of the European Union for 2021 This action is co-financed in joint co-financing by: Agencia Española de Cooperación Internacional (AECID) for an amount of EUR 300,000			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing ¹	Indirect management with AECID and United Nations Industrial Development Organisation (UNIDO)			

1.2. Summary of the Action

Although Nicaragua has faced three consecutive years of economic contraction, the most recent projections indicate that 2021 will be a positive-growth year. The socio-political crisis sustained since 2018 has had a strong impact on the economy, reducing formal jobs and increasing migration flows. In 2020, the COVID 19 pandemic deepened the crisis further, and during this time, agriculture, mining and remittances remained the key motors of the economy. In Nicaragua, agriculture remains a key sector for contributing to several SDGs such that – even during the economic recessionary period from 2018 to 2020 – the agricultural sector continued to grow, in contrast to the sharp decline of all other pillars of the economy. Reports on greenhouse gases highlight the fact that the main sources of greenhouse gas emissions are related to land use, land use change and forestry. Nicaragua's economy relies heavily on the exploitation of its natural resources and agricultural products. Promoting a transition to a greener agriculture will not only benefit food production, but also contribute to reaching the NDCs goals.

¹ Art. 27 NDICI

Nicaragua as a country aims to increase the proportion of fermented and certified cocoa it produces. The Overall Objective (Impact) of this action is to help recover the economic dynamism, environmental sustainability and climate resilience of the cocoa value chain in Nicaragua. The Specific Objective (Outcome) of this action is to develop and transform the cocoa value chain in Nicaragua along quality and environmental standards, and climate resilience with the engagement of populations living in vulnerable situations, particularly women and youth (women and men) and indigenous and afro descendant communities in rural areas.. The proposed action will focus on (i) Strengthening the capacities of small and medium cocoa producers for environmental sustainability and better productivity through incentives for renewing, rehabilitating and increasing their plantations through training, technological innovation and improvement of genetic base material (ii) Strengthening capacities for cocoa processing, circular economy and business management, for post-harvest management, transformation, and business management, and (iii) Promoting deforestation-free supply chains and developing a product traceability system for smallholder women and men farmers. All activities will target women and youth, particularly those located in rural areas, as well as indigenous and afro descendent communities. The action will benefit the cocoa sector, which includes 10,200 small producers and their families, and is linked to 23,000 direct jobs. Cocoa production in Nicaragua is concentrated in three key geographical clusters: the North Caribbean Autonomous Region (RACCN), the axis Matagalpa -Jinotega – Waslala, and the axis El Rama – Río San Juan.

The proposed action - NICACAO - is part of the TEI Green Recovery, Priority Area 3: Resilient agriculture/Support to modernisation and climate sensitive value chains with potential for transformation and economic development. It identifies support to green value chains as a vehicle for achieving both objectives. Switzerland is already active in this field and Spain has confirmed its participation in the development and implementation of this action. The action is well-integrated in the priorities of the MIP 2021 – 2027: it falls mostly under priority 2- “Inclusive and Sustainable Economic Growth” while also contributing to priority 1- “Climate change adaptation/mitigation”. In response to the acute economic crisis currently affecting the country, it will enable the EU to advance human development priorities and target inequalities by working with groups living in the most vulnerable situations, namely rural indigenous and afro descendant women and youth, in the least developed areas of the country. Considering the current challenging socio-political context, the action will seek to work directly with civil society and the private sector, while creating the foundations for possible guarantees/blending interventions in the medium/long term if circumstances allow.

NICACAO is aligned with the new European Consensus on Development specifically with the priorities of protecting the environment, managing natural resources and tackling climate change and inclusive and sustainable growth and jobs. It will contribute mainly to the SDG 2 – achieve food security and promote sustainable agriculture (2.3, 2.4), and to other SDGs 1, 5, 8 (8.4), 9, 12, 13 and 15. It contributes to the Gender Action Plan III (2021-2025), especially to the thematic objective “Addressing the challenges and harnessing the opportunities offered by the green transition”.

2. RATIONALE

2.1. Context

Nicaragua has faced three consecutive years of economic contraction, however, the most recent projections indicate that 2021 will be a positive growth year². The socio-political crisis sustained since 2018 has had a strong impact on the economy, reducing formal jobs and increasing migration flows. In 2020, the COVID 19 pandemic deepened the crisis further, and during this time, agriculture, mining and remittances remained the key motors of the economy. 2021 is an electoral year, and all indications suggest that the government will seek to consolidate its authoritarian hold on power, through a series of legal and electoral reforms as well as repression at all levels. EU and Member States will need to adapt their development cooperation portfolios to the different post-election scenarios. In this context, a high degree of flexibility will be required to take advantage of potential opportunities and/or to respond to possible crises.

Following years of democratic and governance decline, the protests of April 2018 and the Government’s heavy-handed response triggered a violent socio-political crisis that laid bare what had been a gradual build-up of the population’s grievances. The confrontations brought to the front the authorities’ definitive shift towards authoritarianism, characterised by an unprecedented escalation of repression. The crisis had and continues to have significant economic repercussions for all, and particularly the Nicaraguans living in the most vulnerable situations.

² CEPAL by July 2021 projects a positive growth in about 2.0 % for 2021 and 1.8 % for 2022.

During 2019 and 2020 the situation continued to worsen, further narrowing down the limited space for civil society, media, human rights activists and any opposition to the regime, as shown by the recent adoption of legislation aiming at increasing the government's grip on the population's civil and political rights. With elections planned in 2021, the EU Delegation (EUD) carried out a conflict analysis to inform the MIP and to ensure all actions are conflict sensitive and can bring about positive change in the most likely scenarios. As EU direct cooperation with the government is almost inexistent at this point, this action will support civil society and the private sector directly, while coordinating technical aspects with relevant public instances.

The “cautious approach” adopted by the EU since April 2018 is still relevant: while keeping its humanitarian assistance to those most in need, it provides support to the Nicaraguan population in accessing their rights, including economic, social and democratic, and in weathering the economic and political hardship. The approach includes direct implementation by selected international partners and additional safeguards to ensure that project resources are used strictly for project activities, limiting visibility and favouring joint actions with Member States. Simultaneously, and in line with its fundamental values, the EU has reinforced its support to civil society organizations in the country, despite an increasingly restrictive space marked by recently adopted legislation targeting CSOs. NGOs and CSOs have so far managed to continue operating with international support, but it remains paramount that the EU continue to help defend and preserve their current limited operating space.

Nicaragua's geographical position makes it vulnerable to natural hazards, droughts, hurricanes, earthquakes, and volcanic activity. As mentioned above, the EU will take into account different possible scenarios before, during and after elections in 2021, including the increasingly restrictive environment for cooperation actors, in order to ensure the action is designed in a conflict sensitive manner and following the recommendations of the conflict analysis. Moreover, the EUD and its implementing partners will develop a strong risk identification and mitigation strategy.

In Nicaragua, agriculture is a key sector for contributing to several SDGs such that – even in the current economic recessionary period from 2018 to 2020 – the agricultural sector continued to grow in contrast to the sharp decline experienced by all other pillars of the economy. Reports on greenhouse gases highlight the fact that the main sources of greenhouse gas emissions are related to land use, land use change and forestry. Nicaragua's economy relies heavily on the exploitation of its natural resources and agricultural products. Promoting a transition to a greener agriculture will not only benefit food production, but also contribute to reaching the NDC goals. Nicaragua as a country aims to increase the proportion of fermented and certified cocoa it produces. There are several positive factors associated to this goal: higher international prices, an alternative crop in coffee areas affected by higher temperatures and, significant environmental benefits (green coverage, water infiltration).

Organic cocoa production is a climate change adaptation and mitigation alternative since cocoa can become a substitute crop in those areas in which the coffee production is affected by higher temperatures. Cocoa production systems can make an important contribution to biodiversity as cocoa trees are often planted under the shade of the forest canopy. The crop has the potential to contribute to the fight against deforestation, if promoted as an alternative livelihood source in zones near protected areas and other forests. The action will pay particular attention to avoid potential re-bound effects and perverse incentives to establish new cocoa plantations within protected areas or other high-value ecosystems, including forests. It also provides environmental services by capturing CO₂ and releasing O₂. Cocoa is a key crop for water harvest and infiltration, as well as environmental restoration of degraded areas and can thus play an important economic and environmental role. According to the Ministry of Agriculture, 86.2 percent of cocoa producers own less than 2.1 hectares, and they are concentrated (98 percent) in the departments of Matagalpa, Jinotega, Río San Juan, and the North (RACCN) and South (RACCS) Caribbean Coast Autonomous Regions. The Caribbean Coast Autonomous Regions, Jinotega and Río San Juan are areas with high levels of rural poverty, poor nutrition in children, adolescents and women, and there are large gaps in access to education across all educational levels. Most of the country's indigenous and afro-descendant communities are concentrated in RACCN.

Nicaragua supplies cocoa to several regions around the world, including Central America, USA, Europe and Asia. As far as Europe is concerned, Germany, Belgium, and The Netherlands are key markets using fermented cocoa as a raw material. Italy, France, Hungary, Lithuania and the Czech Republic are emerging markets with potential to increase volume in next years. In the case of Germany, Ritter Sport has invested in Nicaragua not only in collecting and exporting infrastructure, but also in plantations. Europe is also a key market for fermented organic cocoa in fair trade niches, where the price differential is up to 40 – 50 % higher with respect to the price of conventional cocoa.

Nicaragua's public policy framework for cocoa includes the National Strategy for Promoting Fine or Flavour Cocoa Exports 2020-2023. This strategy is focused on post-harvest management, transformation and value added, access to competitive markets and innovation to climate adaptation. This action is aligned with those priorities, focusing on traceability along the value chain. It will also contribute to the National Plan for Poverty Reduction and Human Development 2021 - 2026, in key action lines such the development of the Caribbean Autonomous Regions through economic development with emphasis on climate change, and the development of a sustainable agricultural sector.

The EU, together with its MS, is becoming a partner of reference in the area of inclusive and sustainable economic growth, with a strong link to climate change adaptation and mitigation. Building on decades of investments in the water sector and more recently food security and community resilience, this action will consolidate the EU's position in supporting Nicaraguans living in the most vulnerable situations and consolidating the nexus with its humanitarian interventions.

The action is well-integrated into the priorities of the MIP 2021 – 2027: the action falls mostly under priority 2- “Inclusive and Sustainable Economic Growth” while also contributing to priority 1- “Climate change adaptation/mitigation”. In response to the acute economic crisis currently affecting the country, it will enable the EU to advance human development priorities and target inequalities by working with those living in the most vulnerable situations, namely rural indigenous and afro descendant women and youth, in the least developed areas of the country. Considering the current challenging context in the country, the action will seek to work directly with civil society and the private sector, while creating the foundations for possible guarantees/blending in the medium/long term. Regional efforts for economic integration and trade, also offer valuable potential complementarity to this action, and a possible entry point for future engagement at government level.

NICACAO is aligned with the European Consensus for Development, specifically with its priorities of protecting the environment, managing natural resources and tackling climate change and inclusive and sustainable growth and jobs. It will contribute to SDGs 1, 2 (2.3, 2.4), 5, 8 (8.4), 9, 12, 13 and 15. The EU Farm to Fork Strategy provides the main policy context for a transition towards a sustainable, inclusive and green production and consumption system, in line with the objectives of the European Green Deal. In Nicaragua, it is an appropriate framework to address the bottlenecks along the food value chains. Lastly, it will also consolidate the EU's leadership in promoting gender equality and social inclusion, in full alignment with the European Consensus for Development and the transformative approach of the GAP III, while contributing to SDG 5 (gender equality).

2.2. Problem Analysis

Nicaragua has faced three consecutive years of economic contraction (2018, 2019, and 2020). The socio political crisis sustained since 2018 has affected the services sector, reducing formal jobs (by 24.1%) and increasing migration flows. In 2020, the COVID 19 pandemic deepened the crisis in the service sector, and during this time, agriculture, mining and remittances were the key motors for the economy. The cocoa value chain is a key opportunity for reaching sustainable rural development. Nicaragua's potential for cocoa production is up to 350,000 hectares nationwide. Implementing agroforestry systems based on cocoa, fruits and forest, would generate 100,000 tons of cocoa for exports, with a value of USD 157 million.

Nicaragua is strategically positioned to increase its market share of the fine and flavour cocoa markets. The International Cocoa Organization (ICCO) recognizes Nicaragua as 80 % fine and flavour cocoa since 2019. It is an area with low levels of cadmium. There is a supply-side limitation: Ritter Sport and other large firms demand larger volumes of fermented and certified cocoa. Cocoa is also a crop for promoting adaptation to climate change: both large firms (with access to large plantations) and local organizations, such as cooperatives, associations or small female-led initiatives, are pursuing adaptation practices. Thus, cocoa is a crop with high potential for business, social inclusion, and environmental gains.

Despite its potential, the cocoa value chain in Nicaragua faces several constraints such as low productivity, several layers of intermediation, low quality and no certifications. There are structural limitations that hamper changes in the current cocoa value chain dynamic: limited or insignificant access to services such as credit, technical assistance, and business management. It is necessary to increase the size of cooperatives and promote inclusive processes of training on productive techniques, bio-inputs, and organizational and administrative issues. It is also necessary to carry out diagnostic studies on flavonoids, cadmium in soils, and flavour and genetic characterization in order to access health-related markets and establish options for traceability.

In November 2020, two major hurricanes (ETA and IOTA) hit Nicaragua in the Caribbean and North-Centre territories, causing substantial damages in agricultural and forestry areas. According to the Food and Agriculture Organization (2020), the hurricanes damaged 130,000 hectares of agriculture, including coffee (4,834 ha) and cocoa (2,451 hectares and 2,577 smallholders). In addition, the National Commission for Cocoa Promotion reported damages to post-harvest operations, particularly in the drying and storage centres, affecting the transformation process. The National Commission for the Cocoa's damage assessment amounted to USD 58.4 million, related to the reduction of private investment, in terms of area of cocoa (2,525 ha, around USD 41.4 million), processing infrastructure (USD 3.1 million), and reduction of access to credit (USD 13.5 Million). Finally, cocoa exports were reduced by 37.2 percent in terms of volume, when compared to the previous period (November 2019-January 2020 vs. November 2020 – January 2021). The negative effect of the sustained social and economic crisis, combined with the damage caused by the two hurricanes cannot be reversed in the short term, since recovering key crops such as coffee and cocoa requires at least four years.

Cocoa production represents a key option for economic reactivation, social inclusion, women's empowerment and environmental sustainability. Women participate in all steps of the cocoa value chain. However, their contribution often becomes invisible behind the "family" label, leaving men, who usually own the land, as official producers in the statistics. This is one of the main reasons why women see their access to financial services and technical assistance restricted. Notwithstanding, women play a key role in guaranteeing the quality in the harvesting and post-harvest processes and carry out, almost exclusively, all transformation activities. Value chain projects targeting small-holder female farmers in Nicaragua have shown a positive impact on improving diet quality (although food use was analysed only at household level and not at individual level) as well as on some dimensions of women's empowerment (with significant gains on leadership). However, it has also increased women's time demand on agricultural work at the expense of other activities, which highlights the unequal distribution of work between men and women, and the need to change this structural gap.

On the other hand, rural youth require economic opportunities and skills training to allow them to progress, while contributing to local development and becoming agents of change. While cocoa-producing areas suffer from a lack of trained personnel in matters related to cocoa production and processing, young people often choose to migrate in search of education and work opportunities not available in their communities. Technical training offered in rural areas does not correspond to productive needs. To some extent, cooperatives supply these needs, but in a limited and insufficient way.

Exporting to the EU requires meeting minimum residues, ochratoxine and cadmium standards, which demands strengthened local capacities for ex-ante controls. Non-EU countries must incorporate the updated EU Sanitary and phytosanitary standards to their control system. Traceability is a private demand for accessing niche markets as a way to ensure the fine and flavour category, which guarantees higher prices than the commodity one. Traceability is also a main step for establishing origin denomination schemes. Since 2020, private companies are also demanding evidence of COVID-19 precautionary measures and labour standards (ILO). The National Commission for Cocoa Promotion has already made small investments for meeting some of these requirements in order to maintain and even expand exports to the European markets, but further investments are necessary to increase volume and number of beneficiary producers. The implementation of the Association Agreement includes support for Central American countries to meet European market requirements.

The Team Europe Initiative (TEI) Green Recovery stresses as priority actions the promotion of climate change mitigation and adaptation and resilient agriculture and promotion of agrobiodiversity as part of the Farm to Fork Strategy. It identifies support to green value chains as a vehicle for achieving both objectives. Switzerland is already active in this field and Spain has confirmed its participation in the development and implementation of this action, including with EUR 300,000 in 2021 and possible further funding in the following years. The commitment of the EU's contribution to the Team Europe Initiatives foreseen under this annual action plan will be complemented by other contributions from Team Europe partners. It is subject to the formal confirmation of each respective partners' meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise the EU action may continue outside a TEI framework.

The main stakeholders of the action are: i) rights-holders' representatives: cocoa producers and farmer organizations that collect, transform and commercialize grains and chocolate. ii) rights-holders: women producers, who tend to be landless and relegated to traditional secondary roles, and their organizations. Indigenous and afro descendent communities in the Caribbean, which have the worst development indicators and have been traditionally neglected

by both government and cooperation efforts, will also be targeted. Youth will be prioritised across components and particularly for skills development. iii) Academia is also a key actor for the genetic fingerprints and flavour mapping, guaranteeing sustainability of the action (expected output 1.3).

- In the North Caribbean Coast, UNIDO reports working directly with 1,320 producers from Siuna, Bonanza, Rosita, and Tasba Pri 1 and II, producing around 470.1 metric tons of dry cacao. There are also eight key cooperatives³ collecting, fermenting and processing cocoa. This organizations includes 352 members, 22.4 % of them are women.
- AECID reports around 6,968 producers producing around 213.1 metric tons of dry cacao from the municipalities of the departments of Matagalpa⁴, Jinotega⁵ and the municipality of Waslala. In this territory, AECID identifies 15 key cooperatives and associations⁶ with a total of 3,548 members, 23.6 % women.

The action will be implemented through indirect management with AECID and UNIDO.

The Spanish Agency for International Development Cooperation (AECID) is an official agency of an EU Member State, with more than 30 years of experience implementing official aid for development. Along this period AECID has covered several areas including access to basic services such as drinkable water, education, health and security. It also promoted water governance at rural communities, gender equality, and humanitarian aid in response to natural disasters, environmental sustainability and economic development.

Nicaragua is the third country in importance for the Spanish official aid, implementing several mechanisms including Spanish autonomous regions cooperation, academic exchange programmes, scholarships, debt swaps and Spanish NGOs. Experience working with CSOs, international, national and at community level is a key element for this action. AECID provides a platform for supporting CSO organizations at local level, covering the departments of Matagalpa, Jinotega, and Rio San Juan, working on cacao, water management and climate change. This platform includes NGOs working on strengthening cooperatives on governance and business management, agriculture ecological production and food security, technological schools in the field for cocoa production, technical training of technicians and local promoters, seed management, collecting and post-harvest techniques for basic grains and cocoa. It has also experience on cocoa certification of 855 producers with Rainforest Alliance and UTZ, certification of 112 organic cocoa producers, and 45 women with hand-made certification products.

UNIDO is the United Nations specialized agency of industrial development for poverty reduction, inclusive globalization and environmental sustainability. UNIDO's mandate is to promote and accelerate inclusive and sustainable industrial development (ISID) in developing countries and economies in transition. With this mandate, the Organization carries out two core functions: (i) as a global forum, it generates and disseminates industry-related knowledge; (ii) as a technical cooperation agency, it implements projects through providing technical support and policy advice. The relevance of ISID, as an integrated approach to all three pillars of sustainable development, is recognized by the 2030 Agenda for Sustainable Development and the related Sustainable Development Goals (SDG). UNIDO's mandate is fully recognized in SDG 9, which calls to "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation".

In Nicaragua, since 2006 UNIDO has been working on the Cocoa Value chain. Since 2015 it implements actions in the Caribbean communities in the context of the PROCACAO project. This project, supported by the Swiss cooperation, implements a business-driven approach linking production, processing, and market access. UNIDO has a local office in Siuna, North Caribbean Coast, and a technical team with experts to train smallholder organizations on finances, marketing and cocoa production. This technical team also includes a network of agricultural technical experts working inside the organizations. UNIDO works with 1,320 producers and eight organizations located in the municipalities of Bonanza, Siuna, Rosita and three indigenous territories: Sikilta, Sauni Bas and Tasba Pri. Its experience in several areas of the value chain (production, transformation, good manufacturing practices, quality management, fermentation protocols, SPS and traceability) brings an important source of knowledge, technology, global experience and expertise highly relevant to the action.

³ COOPESIUNA, COMUVEMAR, COMBEDIOS, COMUSASC, COACAN, COMUCOR, COAMULCOB, COMULBAN

⁴ Waslala, La Dalia, Rancho Grande, Rio Blanco, Matiguas, San Ramon and Muy Muy

⁵ Jinotega, El Cuá, San José de Bocay, Wiwilí and Ayapal.

⁶ CacaoNica, Nueva Waslala, CAPRAWAS, Asociacion de Madres, APROMUWA, INTEWAS, CacaoJoven, Flor de Dalia, Jorge Salazar, Bernardino Diaz, Rios de Agua Viva, Francisco Manzanares, La Campesina, Flor de Pancasan, and Hermandad Campesina.

3. DESCRIPTION OF THE ACTION

3.1. Objectives and Expected Outputs

The Overall Objective (Impact) of this action is to help recover the economic dynamism, environmental sustainability and climate resilience of the cocoa value chain in Nicaragua.

The Specific Objective (Outcomes) of this action is

1. To develop and transform the cocoa value chain in Nicaragua along quality and environmental standards, and climate resilience with the engagement of populations living in vulnerable situations, particularly women and youth (women and men) and indigenous and afro descendant communities in rural areas.

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are

- 1.1 Strengthened capacities of small and medium cocoa producers' for environmental and climate sustainability and better productivity;
- 1.2 Strengthened capacities for cocoa processing, circular economy and business management;
- 1.3 Promotion of deforestation-free supply chains and product traceability system developed for smallholder producers.

Expected Output 1.1 Strengthened capacities of small and medium cocoa producers for environmental and climate sustainability and better productivity.

This component will seek to help recover and increase the production of cacao on plantations/farms in the short-term, while also seeking to have positive environmental, social (decent jobs) and nutritional impacts in the medium and long term. The restoration of cocoa plantations is an opportunity to establish multi strata diversified agroforestry arrangements, promoting biodiversity and the management of cocoa varieties adapted to changing climatic conditions.. The action will promote the renovation of 3,900 hectares, distributed as follows: 2,900 hectares in Caribbean Coast communities and 1,000 hectares in Matagalpa, Jinotega and Rio San Juan. Based on PROCACAO's results, in the Caribbean Coast this renovation process has the potential to result in an increase of cocoa production from 716 metric tonnes up to 1,950 metric tonnes per year, and the capture of 61,740 tonnes of CO₂ annually, and around 740,880 tonnes of CO₂ in 12 years. This process is also a key opportunity to increase the density of cocoa plantations and improve the genetic varieties of plants and their resilience. Other potential activities include introducing climate-smart methods of cultivation and diversification, digitalization and green recovery. Decent jobs will be developed and sustained during the whole process. Finally, additional food/vegetable plants (such as plantain trees) may be introduced on cocoa plantations in order to promote more diverse and nutritious sources of food for home consumption. The baseline study should be a window for review and adjust these goals as needed.

Expected Output 1.2 Strengthened capacities for cocoa processing, circular economy and business management

This component will support organizations that transform cocoa with artisan technology, to either increase their transformation capabilities and/or improve quality standards, alongside decent work conditions, by implementing a comprehensive value chain approach. In the North Caribbean Coast, there are around 54 cocoa organizations, in which women participate in several roles. Women's average participation on these organizations is around 40 %. It will also support cocoa organizations in order to improve their transformation process, either for fermentation, chocolate and derivatives, by implementing the circular economy approach, promoting environmental and quality standards, and promoting green jobs and decent work for youth and women. Lessons learned from previous initiatives highlight the importance of also promoting good governance and administrative management in order to ensure sustainability. NICACAO will strengthen around 30 cocoa organizations in the Caribbean Coast Autonomous regions, and promote life skills education, administrative and financial management training, women's empowerment and nutritional education. A specific fund will be established to stimulate the production of improved artisan chocolate by female entrepreneurs. The baseline study should be a window for review and adjust these goals as needed.

Expected Output 1.3 Promotion of deforestation-free supply chains and product traceability system developed for smallholder producers

Nicaragua's international market strategy is focused mainly on niche markets of fine or flavour cocoa; therefore traceability, residues and sanitary and phytosanitary standards, organic, global gap and fair-trade certification are fundamental for earning premiums. These include the forthcoming EU legislative measures to ensure products imported

into the EU are “deforestation free” and businesses’ duty of care as regards social and environmental measures. Activities will include capacity building for exporting to EU, including the training of producers, organizations, exporters, and transformers.

Finally, this component will support the implementation phase of a traceability system complementing efforts by universities, large private sector organisations and smallholder organizations, focusing on the inclusion of indigenous and afro descendant communities located in the Caribbean Coast regions, female-run farms and producers, and youth, using innovative approaches and/or digital alternatives for traceability. Traceability is a key basis of the intervention that could be extended in the future through blending and/or guarantees to support the investments required.

3.2. Indicative Activities

Start-up activities:

- Carrying out a gender analysis and mainstreaming plan for each component.
- Designing a gender sensitive monitoring system, including revision of the indicator matrix, including the Human Rights and climate change approaches.
- Implementing a Baseline study.
- Free, prior and informed consent of indigenous communities.

Activities related to Output 1.1

- Promote the restoration of cocoa plantations with multi strata and diversified agroforestry arrangements, promoting biodiversity, adequate densities, and multi-clonal and certified genetic material, and considering resilience to changing climatic conditions.
- Promote the maintenance of existing biodiversity and training for reduce chemical agricultural products or promote organic cocoa production.
- Promote the inclusion of food and nutritional alternatives in cocoa plantations.
- Promote carbon market participation as an alternative, taking advantage of renovation and new cocoa areas for integrating forest species in the cacao plantation.
- Explore digital solutions that can be integrated into the cocoa production process.
- Promote the production and commercialization of cocoa with indigenous and afro descendant communities, implementing the free, prior and informed consent of indigenous communities.

Activities related to Output 1.2:

- Explore social and technical innovations for integrating a circular economy approach in the cocoa value chain
- Strengthen women’s organizations on governance and business management topics.
- Promote technologies for improving quality, sanitary and residues monitoring and control in the cocoa value chain.
- Improving collecting and fermentation infrastructures for smallholder’s organizations.
- Implementing a capitalization fund for women’s initiatives of cocoa transformation.
- Awareness raising and sensitization actions towards women’s empowerment and new masculinities.
- Provision of technical training on cocoa production and transformation-related activities for youth, and promotion of employment and entrepreneurship opportunities.

Activities related to Output 1.3.

- Carry out diagnostic studies for a fine and flavour cocoa traceability system.
- Support the implementation phase of a traceability system complementing efforts by universities, large private sector organisations and smallholders’ organizations.
- Promote innovation and /or use of digital solutions for traceability.
- Determine parameters to be captured by the traceability system with regards to quality, safety and sustainability/environment, and upgrade and scale-up the integrated quality management system for cacao cooperatives.
- Strengthen cocoa smallholders’ organizations for exporting to EU, including through the training of producers, organizations, exporters, and transformers on traceability.
- Promotion of deforestation-free supply chains

3.3. Mainstreaming

Environmental Protection & Climate Change

The Climate Risk Assessment (CRA) screening concluded that this action has no or low risk (no need for further assessment). This is a category C project. Organic cocoa production is a climate change adaptation and mitigation option, since cocoa has the potential to contribute to the fight against deforestation; it also provides environmental services by capturing CO₂ and releasing O₂. Cocoa is also a key crop for water harvest and infiltration. Maintenance and restoration of existing biodiversity, together with the introduction of certified cocoa varieties that are expected to be climate-resilient together with food crops will support agrobiodiversity. The introduction of principles of green economy and environmental labelling have the potential to reduce contaminants in the environment, both at plantation and transformation sites with better health working conditions.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as **G1**. This implies that the action will be specifically aimed to reduce gender gaps and to promote women's economic and social empowerment, addressing both structural causes of gender discrimination and its direct effects, with impact on women's opportunities to access resources and benefits of cocoa production activity. Cocoa production represents a key option for economic reactivation, social inclusion, women's empowerment and environmental sustainability. Women participate in all steps of the cocoa value chain and will be targeted by the action across results, together with youth.

Human Rights

The action will be implemented in areas of Nicaragua with high levels of rural poverty, where most indigenous people and afro descendants live. NICACAO will cover the North Caribbean Coast Autonomous Region linked with Matagalpa and Jinotega, which are territories that host Chorotega, Miskito and Mayagna indigenous communities, surrounding the BOSAWAS natural reserve. The project will also cover the South Caribbean Coast Autonomous Region, linked with Rio San Juan, and the Afro-descendant communities, mainly Garifuna and the Indio-Maiz Natural Reserve. The inclusion of indigenous and afro descendant organizations and authorities entails free, prior and informed consultation; consideration of ancestral practices and knowledge and the use of languages and customs of these peoples will guide the work within the framework of respect for cultural identity. The action builds on humanitarian interventions in areas that were severely affected by hurricanes in 2020. The design of the action is informed by an assessment of indigenous and afro descendant communities' current situation, needs and priorities, undertaken by the delegation in 2020/21. The action will respect the five working principles of the human rights-based approach: respect to all rights, participation, non-discrimination, transparency and accountability.

Conflict Sensitivity

The action has been designed with a conflict sensitive lens and informed by the recent conflict analysis. Conflict considerations have been taken into account for the selection of target groups, regions and implementing partners (stakeholder analysis). The action will reflect the different regional dynamics, existing governance levels and their different dimensions and seek to promote cultural change working with genuine community representatives. It recognises the importance of working with men in the empowerment of women and youth. Role of local actors such as the church and private sector will be factored into the strategy. A risk identification and mitigation strategy has been developed as part of the formulation process.

Other considerations if relevant

This action will support the development of the private sector and farm cooperatives working with local CSOs. The selection of communities, cooperatives and beneficiaries will be done in a conflict sensitive manner; there will be coordination with local authorities in the targeted areas, including traditional indigenous and afro descendant governance structures and representatives. Cooperatives that benefited from the Swiss Cooperation project in the Caribbean Coast region will be a starting point to identify options for women, youth, and indigenous communities' inclusion. All relevant actors will be involved in the design, formulation, and implementation and monitoring in different capacities

3.4. Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
RISKS RELATED TO	Natural hazards	High	High	Identify alternative routes/areas and develop a contingency plan. UNIDO is

THE EXTERNAL ENVIRONMENT				already implementing a disaster response in the Caribbean area. UNIDO will establish an early warning system for climate-related hazards.
RISKS RELATED TO THE EXTERNAL ENVIRONMENT	Macroeconomic instability in Nicaragua due to low investment, and jobs reduction.	Medium	High	Enhance smallholders' capabilities for business management and strengthen business to business relationships with cocoa exporters/importers. Support producers' life skills.
RISKS RELATED TO THE EXTERNAL ENVIRONMENT	The government distances itself from EU Cooperation in the case of further sanctions	Medium	High	The implementation of the action foresees two ways of reaching beneficiaries: UNIDO as UN agency, and CSOs by AECID's grants. Coordination with government offices will be done mostly through implementation partners and complemented as required by the EUD
RISKS RELATED TO THE EXTERNAL ENVIRONMENT	Dynamics related to the COVID 19 Pandemic	Medium	High	Partners will implement a prevention protocol for all activities. Systematic monitoring and adjustment of timeline and chronogram.
RISKS RELATED TO THE EXTERNAL ENVIRONMENT	Dynamics related to Chocolate demand and prices in Europe	Low	Medium	Implementing agricultural contract, based on certification, traceability and niche markets would guarantee "price bands" protecting cocoa producers
RISKS RELATED TO PLANNING, PROCESSES AND SYSTEMS	Migration Flows	High	High	Design economic alternatives and a capitalization fund for women and youth.
RISKS RELATED TO PLANNING, PROCESSES AND SYSTEMS	Underestimation of the differentiated impacts and effects on women and men, girls and boys	Medium	High	Gender as main consideration in design and implementation of each component. Integrating gender equality in the monitoring system of the programme.
RISKS RELATED TO PLANNING, PROCESSES AND SYSTEMS	Conflicts in indigenous territories due to land occupation	Medium	High	Free, prior and informed consent of indigenous communities will be established, endorsement of legitimate indigenous authorities to work. Dedicated monitoring using local capacities.

Lessons Learnt:

Key lessons learned from previous initiatives and a recently conducted value chain analysis highlight that women's contributions to the production, transformation, and commercialization tend to be invisible. Another important lesson is the need to ensure that a higher proportion of income from the sales cocoa is passed from cooperatives directly onto the farmers, so that they can be stimulated to make climate-smart agricultural investments. To guarantee better income for households it is necessary to focus on the dynamic of price transmission between cooperatives and producers. Finally, while up to now certifications tended to be based on private requirements (Global Gap, UTZ, Organic, and FLO), issues of food safety and residues will need to be taken into account for exportation, particularly if exported to Europe.

3.5. The Intervention Logic

Nicaragua is the highest cocoa beans exporter in Central America⁷, and the cocoa value chain is a key option for achieving sustainable rural development. 7,000 metric tonnes of cacao are produced annually, with 30.7 % of this production exported to Europe and the USA as fermented and certified fine and flavour cocoa for niche markets. The

⁷ RIKOLTO (2019) Cocoa Value Chain in Guatemala, El Salvador, Honduras and Nicaragua: A regional Outlook. RIKOLTO – Swiss Development Cooperation

remaining 69.3 % is commercialized as raw (without fermentation) and sold either throughout Central America or domestically. It is expected that by 2022, Nicaragua's total cocoa production would triple, in order to meet the production needs of large companies like Ritter Sport and EXPASA.

A strategic goal for Nicaragua is to maintain its status of producer of fine and flavour cocoa. In order to do so, it is fundamental to characterise clones and breeds in every climate area and organoleptic attributes. It is also important to differentiate from commercial circuits and areas for bulk cocoa. A second strategic goal is to increase productivity, through clonal combinations and arrangements, higher plantation densities, and appropriate management of soil fertility and cocoa diseases. A third goal will be to improve quality, based on adequate protocols for fermentation, monitoring parameters related to food safety, residues and certifications. Strengthening smallholders and women's organizations as well as working conditions (decent jobs) will be a significant milestone for ensuring sustainability, as will be strengthening organisations that provide services to their members and with stable commercial relationships with exporters and industry.

The proposed action will focus on (i) Strengthening the capacities of small and medium cocoa producers for environmental sustainability and better productivity, with a focus on the economic empowerment of women, youth and indigenous and afro descendent peoples in targeted rural areas, through incentives for renewing, rehabilitating and increasing their plantations and training, technological innovation and improvement of genetic base material (ii) Strengthening the capacities of women and youth for cocoa processing, circular economy and business management, focusing in particular on indigenous and afro descendent communities in targeted rural areas, for post-harvest management, transformation, and business management, and (iii) Promoting deforestation-free supply chains and developing a product traceability system for smallholder farmers, particularly those located in rural areas and indigenous and afro descendent communities, women and youth.

Output 1.1 is focused on recovery, densities, diversification and technology for increasing productivity. This component also addresses issues related to nutrition, gender and indigenous communities' inclusion, and the use of bio-inputs for sustainable practices and recycling alternatives. Certifications (FLO, Organic, UTZ, Global Gap), and traceability would facilitate access to niche markets.

Organisation is a key element for certifications and cocoa transformation, including implementing fermentation protocols. Output 1.2 is focused on the transformation link, improving quality, business management, gender equality and governance. This is a key element for achieving the required standards in order to export, including to Europe, and to take full advantage of the EU-Central America Association Agreement. This component will also promote women and youth empowerment through a capitalization fund for landless and/or urban women's initiatives for transforming cocoa. The capitalization fund will include new and existing initiatives in every territory: Caribbean, Matagalpa-Jinotega, and Rio San Juan.

Output 1.3 is focused on research for completing information for a fine and flavour cocoa traceability system. It will also address issues related to parameters such as quality assurance, safety, sustainability and differentiation of cocoa in international markets. Finally, it will explore digital solutions related with climate information for smallholder farmers and promoting deforestation-free supply chains. Traceability includes activities both under production and transformation.

This action builds upon the experiences of two projects: CacaoNica, implemented by a French cooperative on the one hand, and the PROCACAO programme, financed by Swiss Cooperation (COSUDE). Both projects work along the cacao value chain to complement the efforts of both private and public investments aiming to guarantee the economic inclusion of populations living in vulnerable situations, particularly women and youth. Nevertheless, this action's approach is different from that of PROCACAO. While COSUDE placed an important role on public institutions (in terms of infrastructure, regulations, research, technical assistance), this action will place the burden of those roles on the private sector, CSOs and academia. This action will complement actions implemented by UNIDO, in the context of PROCACAO, aimed to enhance productivity and competitiveness of the cocoa production in the North Caribbean Coast Autonomous Region. NICACAO will support in particular producers whose crops were affected by last year's ETA and IOTA hurricanes, which will require at least four years to fully recover. This action will also seek to ensure multi-country and regional approaches where possible, coordinating as appropriate with other actions being implemented through the Central American Integration System (SICA) and in neighbouring countries.

3.6. Logical Framework Matrix

PROJECT MODALITY (3 levels of results / indicators / Source of Data / Assumptions - no activities)

Results	Results chain (e): Main expected results (maximum 10)	Indicators (e): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	To help recover the economic dynamism, environmental sustainability and climate resilience of the cocoa value chain in Nicaragua	1. Average annual income from cocoa production for smallholders reached with EU support disaggregated by sex and ethnic group. 2. Total production (metric tons) of fermented dry cocoa produced by smallholders reached with EU support disaggregated by sex and ethnic group	1 TBD 2 TDB	1. 15 % Increment 2 30 % Increment	1 Base line and Final evaluation survey 2 Base line and Final evaluation survey	<i>Not applicable</i>
Outcome 1	1. Developed and transformed the cocoa value chain in Nicaragua along quality and environmental standards, and climate resilience with the engagement of populations living in vulnerable situations, particularly women and youth (women and men) and indigenous and afro descendant communities in rural areas.	1.1 Average productivity (yield kg/ha) for smallholders reached with EU support disaggregated by sex and ethnic group. 1.2 Number of new certified (organic/UTZ/Fair Trade/Global Gap) cocoa farms reached with EU support.	1.1 305.4 Kg/ha 1.2 TBD 1.3 TBD	1.1 by 2025 Increment 40 % 1.2 70 % of farms in the project with at least a certification 1.3: 35 %.	1.1 Base line and Final evaluation survey. 1.2 Systematization, Evaluation reports	Macroeconomic stability, mainly in terms of inflation. CSOs keep functioning despite the new dynamic of government deep control. Agriculture still plays a key role for income and food access for rural families. No mayor drop of Fermented Cocoa prices No major natural disaster destroy cocoa plantations.
Output 1 related to Outcome 1	1.1 Strengthened capacities of small and medium cocoa producers' for environmental and climatic sustainability and better productivity	1.1.1 Number of smallholders reached with EU supported interventions aimed to increase their sustainable production, access to markets and/or security of land	1.1.1 0 1.1.2 0	1.1.1 3, 100, 40 % women 1.1.2 TBD 1.1.3 TBD	1.1.1 Monitoring /Systematization, Evaluation reports	Niche market demand for fermented cocoa is stable.

		<p>disaggregated by sex, age and ethnic group**</p> <p>1.1.2 Number of Micro, Small and Medium Enterprises applying Sustainable Consumption and Production practices with EU support disaggregated by sex, age and ethnic group**</p> <p>1.1.3 Number of smallholders practising sustainable agriculture with EU support disaggregated by sex, age and ethnic group</p>	1.1.3 0		<p>1.1.2 Monitoring /Systematization, Evaluation reports</p>	<p>COVID 19 Pandemic do not increase their effects at local and national level.</p> <p>Political stability allows working with indigenous communities for coordination and implementing actions.</p> <p>Women, and male producers are open to invest in sustainable agriculture.</p>
Output 2 related to Outcome 1	1.2 Strengthened capacities for cocoa processing, circular economy and business management	<p>1.2.1 Number of initiatives created/strengthened by women related to cocoa processing disaggregated by age and ethnic group.</p> <p>1.2.2 Number (or percentage) of youth and women trained or certified on business and quality, recycling, and organizational areas with EU support disaggregated by sex and ethnic group*</p> <p>1.2.3 Number of recycling initiatives (water, bio-inputs, bio-waste, cocoa processing –waste water) implemented by women and youth reached with EU support disaggregated by sex and ethnic group</p>	<p>1.2.1 TBD</p> <p>1.2.2 TBD</p> <p>1.2.3: TBD</p>	<p>1.2.1: TBD</p> <p>1.2.2: TBD</p> <p>1.2.3 TBD</p>	<p>1.2.1 Monitoring /Systematization, Evaluation reports</p> <p>1.2.2 Monitoring /Systematization, Evaluation reports</p>	<p>Women are willing to start or improve their economics initiatives.</p> <p>There are options for implementing recycling initiatives in large scales</p> <p>Migration flows are relatively low for rural youth</p>

Output 3 related to Outcome 1	1.3 Promotion of deforestation-free supply chains and product traceability system developed for smallholder producers.	1.3.1 Number of smallholder farmers who apply traceability system with EU support disaggregated by sex, age and ethnic group 1.3.2 Number of smallholder farmers trained on traceability system with EU support disaggregated by sex, age and ethnic group 1.3.3 Number (or percentage) of producers utilizing the climate early warning system for production	1.3.1 TBD 1.3.2 TBD 1.3.3: 0	1.3.1 TBD 1.3.2 TBD 1.3.3 at least 70 % of beneficiaries	1.3.1 Monitoring /Systematization, Evaluation reports 1.3.2 Monitoring /Systematization, Evaluation reports 1.3.3 Monitoring /Systematization, Evaluation reports	Prices for fermented cocoa are stables. There is good internet access for digital solutions
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4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

In order to implement this action, it is not envisaged to conclude a financing agreement with the partner country.

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of adoption by the Commission of this Financing Decision.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3. Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures⁸.

4.3.1. Indirect Management with a Member State Organisation

This action may be implemented in indirect management with the Spanish Agency for International Development Cooperation (AECID). This implementation entails:

- Procuring external experts for a gender analysis and technical assistance for mainstreaming Outputs 1.1, 1.2 and 1.3, covering all territories of the programme;
- Procuring the baseline and end-line study covering all territories of the programme, which includes disaggregated indicators;
- Implementing actions through CSOs for Outputs 1.1 and 1.2 in the departments of Matagalpa and Rio San Juan;
- Implementing research actions for Output 1.3;
- Implementing a gender sensitive monitoring system;
- Procuring external experts for systematization of experiences and results, Mid-term review, and Final Assessment;
- Procuring external audit services for the programme.

The envisaged entity has been selected using the following criteria: this agency has vast experience working with NGOs/CSOs already present in the target areas, as well as in water management with local committees and on issues related to climate change. It also supports cocoa value chains initiatives in other Latin-American countries, thus, it can mobilize technical expertise. As part of the TEI, AECID has allocated EUR 300,000 to the project in its 2021 budget, focused on start-up activities.

In case the envisaged entity would need to be replaced, the Commission's services may select another replacement entity using the same criteria. This criteria are related to experience working with NGOs/CSOs in Nicaragua, addressing issues related with climate change, and mobilisation of technical expertise. If the entity is replaced, the decision to replace it needs to be justified.

⁸ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

4.3.2. Indirect Management with an International Organisation

This action may be implemented in indirect management with the United Nations Industrial Development Organization (UNIDO). This implementation entails:

- Implementing actions for Output 1.1 in the North Caribbean Coast Autonomous Region of Nicaragua, focusing on the affected areas by hurricanes IOTA and ETA and expanding new cocoa areas with indigenous communities.
- Implementing actions for Output 1.2 in the North Caribbean Coast Autonomous Region of Nicaragua, promoting cocoa processing initiatives, improving cocoa processing, quality and compliance and circular economy options with indigenous communities, focusing on the inclusion of women and youth (women and men).
- Implementing actions for Output 1.3 in order to set in place a traceability system to improve parameters such as quality assurance, safety, sustainability and differentiation of cocoa in international markets.
- Implementing a gender sensitive monitoring system.

The envisaged entity has been selected using the following criteria: this agency has vast experience working in the Cocoa Value Chain in several countries, including Nicaragua's Caribbean Coast Autonomous regions, along with indigenous communities, including organizational skills, response to natural disasters (Felix 2009, IOTA/ETA 2020), cocoa production and market access in a 15 years' period (2006 – 2021). Its structure includes personnel, offices and equipment in the Caribbean territories.

In case the envisaged entity would need to be replaced, the Commission's services may select another replacement entity using the same criteria. These criteria are related to experience working in Caribbean territories, with a physical unit in the field, monitoring and implementing quality, residues and food safety systems, promoting access to the cocoa international markets. If the entity is replaced, the decision to replace it needs to be justified.

4.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)	AECID contribution (amount in EUR)	TOTAL (amount in EUR)
Output 1. Strengthened capacities of small and medium cocoa producers' for environmental sustainability and better productivity, with a focus on the economic empowerment of women, youth and indigenous communities in targeted rural areas, composed of	6 000 000.00	300 000.00	6 300 000.00
Indirect management with AECID	2 500 000.00	300 000.00	2 800 000.00
Indirect management with UNIDO	3 500 000.00	-	3 500 000.00
Outputs 2. Strengthened capacities of women and youth for cocoa processing, circular economy and business management, focusing in particular on indigenous communities in targeted rural areas, composed of	3 700 000.00	-	3 700 000.00

Indirect management with AECID	2 100 000.00	-	2 100 000.00
Indirect management with UNIDO	1 600 000.00	-	1 600 000.00
Outputs 3. Promote of deforestation-free supply chains and product traceability system developed for smallholder farmers, particularly those located in rural areas and indigenous communities, women and youth. composed of	2 000 000.00	-	2 000 000.00
Indirect management with AECID	1 400 000.00	-	1 400 000.00
Indirect management with UNIDO	600 000.00	-	600 000.00
Evaluation – cf. section 5.2 Audit – cf. section 5.3	350 000.00	N.A.	350 000.00
Contingencies	105 450.00	N.A.	105 450.00
Indirect management with AECID	56 500.00	N.A.	56 500.00
Indirect management with UNIDO	48 950.00	N.A.	48 950.00
Fees	844 550.00	N.A.	844 550.00
Indirect management with AECID	445 550.00	N.A.	445 550.00
Indirect management with UNIDO	399 000.00	N.A.	399 000.00
Totals	13 000 000.00	300 000.00	13 300 000.00

4.6. Organisational Set-up and Responsibilities

The project will be implemented under the framework of the AECID V Master Plan, related to the contribution to the Agenda 2030 and SDGs. It will also contribute to the Country Partnership Framework (MAP) Spain – Nicaragua for promoting actions and inclusiveness, sustainability and equity, focused on women, and improving economic opportunities for the Nicaraguan citizen. In the case of UNIDO this action is pertinent with its Medium-Term programme Framework 2022-2025.

A Programme Steering Committee (PSC) and a Programme Technical Committee (PTC) will be established. The PSC will be in charge of strategic decisions and it will approve the global and annual operational plans, the base line, the annual interim reports and the final reports. The PSC will be comprised of representatives from AECID, UNIDO and the EU Delegation and will ensure global coherence and overall effectiveness in achieving the expected results. The PTC will be in charge of coordination of activities, monitoring, and preparing the required documents for the PSC.

UNIDO has a field presence in the country including the Office in Managua and Field Offices in the North Caribbean Coast Autonomous Region (Siuna). While the Managua Office will provide strategic leadership and coordinate procurement, human resources, and other processes related to communication with public stakeholders, field offices will oversee implementation and operational tasks. UNIDO will establish a project coordination unit, including a gender expert.

AECID has presence in the country including the Office in Managua. AECID will sign financing agreements with INGOs and technical institutions that will be responsible for implementing the activities under the project. AECID will retain control of the delegation during the implementation of the Action tasks and ensure that ex ante and post necessary checks are performed to ensure sound financial management of EU funds. AECID will establish a project coordination unit, including a gender and youth expert.

AECID will implement several types of activities related to the programme: basic studies by external experts, such as base line, gender and environmental studies, midterm and final evaluation. It will also promote research activities related with genetic, flavonoids and cocoa flavours national maps, and digital solutions for adaptation to climate change. In territories, Matagalpa, Jinotega and Rio San Juan, AECID will promote actions by a consortium of NGOs and local actors.

Both, AECID and UNIDO will directly procure goods and services under its procurement and financial policies and procedures, which are consistent with the EU's procedures.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5. PERFORMANCE MEASUREMENT

5.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

Both monitoring and evaluation should take into account how the programme is being implemented from a gender sensitive rights-based approach and in particular regarding its five principles: 1) all rights are applied, 2) participation and access to the decision-making process, 3) non-discrimination and equal access, 4) accountability and access to the rule of law and, 5) transparency and access to information.

During the first year of implementation, AECID and UNIDO will implement the gender analysis and the baseline study, which will in turn inform the design of the monitoring system. The setting up of the monitoring system will be ensured through the following steps in the start-up phase:

- Review, extension, and adaptation of the matrix of indicators, ensuring sex- and age disaggregated data is included and, design and implementation of the monitoring system;
- Implementing a gender analysis and other studies related to sustainability, applying a rights base approach;
- Conducting the baseline and end-line study, in order to complete information for indicators of outcomes related to income, productivity, recycling initiatives, digital solutions, and human capital actions.

In the implementation phase, AECID and UNIDO will guarantee technical and management support for enhancing institutional performance, management of the monitoring system, analysis of monitoring data and production of periodic monitoring reports.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.2. Evaluation

Having regard to the nature of the action, a mid-term and final evaluation(s) will be carried out for this action or its components via independent consultants contracted by the implementing partners. The mid-term evaluation will be carried out for learning purposes, in particular with respect to improving or adjusting the initial intervention model and formulate the exit strategy. The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this action is closely related with the promotion of environmental and social sustainable economic growth. The team will include gender, indigenous communities and human rights experts. The Commission will participate in the steering of the evaluations and validate the final reports.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on

the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.