

The political context was characterized by the Sandinista political party (FSLN) assuming the Government on January 10th for a 5 year period after winning the national elections with a reduced majority (38%). Since the presidential inaugural act held in the National Assembly, the new Government showed a strong inclination to redefine new forms of governance, in particular, their relationship with the donor community (Budget Support Group/BSG; Donor Roundtable/DRT and International Financial Institutions/IFIs) focusing their efforts and political discourse on what they call "national appropriation" in lieu of "empowerment" as stated in the PD reflecting Nicaragua's repositioning within that process. That is, they want to stay within the countries that lead the process promoting national interests instead of a perceived Paris-led agenda. This decision opened a different type of relationship that needed special dialogue and guidance with and from the national authorities and between cooperation and donors. During its first year, the new Government implemented around 50 to 60 percent of the National Budget.

External cooperation: In line with the shifting focus of the new Government, Nicaragua's foreign relations have significantly changed resulting in the addition of non-traditional cooperation into the national scenery, which to date has remained at bay with the PD processes and donor coordination mechanisms. The most notorious of these changes in Nicaragua's external relations configuration has been the strong relationship with Venezuela's foreign assistance with oil, electrical plants, a very incipient construction of a crude processing refinery with Iran's participation and other commercial agreements. The withdrawal of Sweden and soon UK's DFID cooperation respond to the realignment of these countries' ODA towards other regions.

Economic context: The economy decelerated its annual growth down to 2.8% due to under-execution of public investment, the practical standstill of the private construction sector and the frequent and extended interruptions of electricity and water services in the entire country, which also significantly affected project execution and even governmental functioning hours were cut down by half. Nicaragua expanded its external commercial relations to the ALBA initiative but remained within the DR-CAFTA agreements. Keeping the macro-economic stability has been an important issue for the new Government although a 16.5 % inflation rate (the highest in CA) is cause of concern that can be partially attributed to raising oil prices despite Venezuela's assistance in that domain. Therefore, in addition to the social sector priorities that will be contained in the Government's soon to be released National Human Development Plan reflecting its MDGs orientation (UNS "MDGs Politization Campaign" initiative), namely attention to poverty, water, health, education and small impoverished producer empowerment and capitalization, the energy issue will be a determinant of the Government successes within an extremely tight national budget (1.5 billion).

On the social context, on 4 September, the country was hit by a devastating force 5 hurricane (Felix) in the poorest and least accessible region, the North Atlantic Autonomous Region (RAAN) and later in October by unusually damaging floods in the North and Pacific Region that triggered a Leptospirosis epidemic. These factors need to be taken in account in order to fully understand the challenges and efforts that were required to implement the statutory and extraordinary tasks that emerged in 2007 at the levels of the UNCT, the Donor Roundtable and the Office of the Resident Coordinator (ORC).

An important set of positive outcomes needs to be highlighted, the country made a proposal for the new programme with the IMF that includes special reference to the achievement of the MDG's with a concrete set of indicators (UNS "MDGs Politization Campaign initiative"); has agreed a new programme with the Inter-American Development Bank (IADB), the European Commission (EC) and the UNDAF with the United Nations System (the first one to be formulated and aligned with the Government's priorities).

Note should also be taken that within the first semester, the Government was able to respond to 13 pending Human Rights reports (UNS "Action 2" project) owed by the former administrations and was accepted as a member of the UN Human Rights Council. The reports' recommendations follow-up implementation will be a major issue for the UNCT in 2008.

1. Highlights on progress in UN Reform i) Efforts to align with national development process: The alignment process was planned to coincide with the departure of the former Government for the CCA and the beginning of the new administration (FSLN on 10 January 2007) for the UNDAF. Thanks to the advances in H&A in the country, the whole cooperation with the support of the UNS, is fully harmonized with national priorities and is today the major thrust and focus of the donor community. The ORC reasserted its role as permanent Technical Secretariat of the Global and Donor's RT, holding a unique and strategic position and, therefore, facilitating the alignment process between the UNS and Government, but also between the cooperation members themselves. Both the donor community and the Government have a growing appreciation of this essential ORC activity in Nicaragua.

ii) Support to the national government in the preparation, implementation, and/or revision of comprehensive MDG-based national development strategies: The "MDGs Politization Campaign initiative" to formulate the CCA with all political parties and Presidential candidates' inputs bore fruit in 2007. The UNCT was, thus, able to discuss with the new Government upon a solid formerly agreed platform early during the year. Moreover, the UNDAF was also structured with the MDGs as later were the IMF programme and National Human Development Plan which will be released in the upcoming Global Round Table (February 2008).

iii) Progress UNCT is making in support to national partners' endeavors towards capacity development and aid effectiveness: In support to the Government, the ORC and UNCT formulated an analytical report assessing the UNS effectiveness on capacity development. Furthermore, on the wake of force 5 hurricane Felix emergency, the President solicited the UNCT to

insert itself into the Autonomous North Atlantic Region (RAAN) Government structure in order to provide a safety net and gradual capacity development for its response to the devastating emergency and further on for the reconstruction and development phases as well, until a strengthened Autonomous Regional Government will emerge. This is a unique direct relationship that has been achieved with an Autonomous Government that represents mainly Miskito and Sumo-Mayagna indigenous people. That outcome was feasible thanks to the reputation and legitimacy achieved by the UNS through quality programme implementation in the most remote area of the country and the existence of a Field UN House for the UNCT in that region.

iv) Experiences with Joint Programmes and HACT: The UNCT, through the ORC, has firmly established, after its validation in 2007, a programme for the "MDGs Territorialization" starting with MDG #1. Some 29 domestic UNVs are already fielded in the 54 poorest municipalities. Approximately 21 more domestic UNVs will be added to those communities by mid year. They are trained under the leadership of local authorities to map, coordinate and promote participation and good citizenship for the eradication of chronic malnutrition (27% incidence among primary school going children!) and the collective achievement of the MDGs. The initial phase is financed through UNCDF and UNDP funding. The programme will be greatly enhanced in 2008 with the completion of a UNCT Joint Programme that complements the Government's "Zero Hunger" initiative that hands out a "Productivity Bonus" to peasant women consisting of live stock.

Also, a special Joint Programme with the UNS, WB and the Global Development Learning Network is bearing fruit with the official launch of the Knowledge for Development Center at the end of the first quarter. The Center's data forecasts a bright future: initial financial analysis shows that in the 9 first months of operation it collected 70% of the annual expenses through user fees. Further expansion should, therefore, be studied for its Managua location on view of its utilization increase to respond to the MDG-F Windows, capacity development programme focus training domestic UNVs, as well as, the significant growth of non-UN users (Government, Universities, private sector and cooperation agencies)

Special mention should be made that the UNCT presented proposals to all the MDG-F "Windows" that were opened for competition and are funded by the Spanish Government through a UNDP Trust Fund. Nicaragua is the only country and UNCT that achieved the approval for funding to all four Concept Notes by the selection committee totaling 39.5 million USD. These Windows will be a critical and integral component of the recently formulated UNDAF.

Another noteworthy Joint Programme experience is the Child Friendly and Health Schools Initiative (CFHSI). The CFHSI is aligned with the Nicaraguan National Education Plan 2001-2015 and the FRESH initiative carried out worldwide. It is a Nicaraguan model that uniquely brings together the Child-Friendly model promoted by UNICEF throughout the world, and the Healthy School model promoted by WHO. WFP also participates in support of school canteens and child nutrition. It is currently being implemented in 287 schools in 11 departments that are predominantly in rural regions with very high poverty rates and large sectors of the child population traditionally excluded from the school system.

Regarding HACT progresses, the ExCom Agencies have completed the macro and micro evaluations with the Government and will be operating under this modality for the new UNDAF programmes starting 1st of March.

Finally, a major UNCT coordination achievement is exemplified by the UN immediate response to the hurricane Felix emergency that hit Nicaragua on 4th September and the coherence it developed and sustained during the still on-going process of early rehabilitation that will end in March. Several novel approaches and strategies were generated in order to be able to respond efficiently to one of the most remote regions of Central America inhabited by indigenous populations with 80% of them living in extreme poverty, 16% in poverty and only 4% above the poverty line! The UNETE emergency team was activated two days before the hurricane hit land and the UN House in Bilwi, the North Atlantic Autonomous Region (RAAN) capital, was able to host our operations that were enhanced with the creation of a UNETE RAAN (UNICEF, WFP, FAO, PAHO/WHO, UNFPA, UNV and UNDP) in view of the lack of communications with the region and the extreme complex logistical issues to be resolved on site. The UN was the first to offer assistance to the regional and local authorities facilitating cash to the Civil Defense and Regional Government staff to guarantee fuel for transportation and subsistence food for the first field rescue missions. Strong logistical coordination support was provided on site by WFP and UNDP with the national and local authorities.

The OCR, as Technical Secretariat and the current Donors Round Table (RT) President (Canada) convoked extraordinary meetings to foster coordination and coherence amongst bilateral and multilateral cooperation. It is important to note, that in the framework of the Donor RT, the UN has fostered greater coordination with South-South cooperation through the incorporation of GRULAC countries in this mechanism ex ante and particularly during the emergency response. The HC started coordinating activities with the national emergency response entity (SINAPRED) before, during and after the hurricane touched ground and kept periodic communications with both UNETE Managua and UNETE RAAN, establishing a "Coordination Room" in Managua's main UN building where the UNCT and UNETE Managua held its meetings. Moreover, at the request of the Government, the ORC with UNDP created a Situation Room for the Governor's office in the RAAN. Daily SITREPS were issued and a 39.5 million USD Flash Appeal (FA) was ready in ten days time in close coordination with the Donor RT. The OCR collected information generating a Donor's Support Matrix to hurricane Felix emergency: the Flash Appeal received 9.5 million from CERF and a total of 19.5 million from bilateral donors. In total, with in kind and financial contributions, it is estimated that the RAAN received 36.5 million USD for the emergency response and early rehabilitation phase. Ninety percent of the FA funds have been already implemented by the UNCT. Because of previous UNCT track record, OCHA estimated that there was no need to activate a UNDAC team to assist in the early coordination activities, this proved to be true and the team could be deployed to other sites in the region instead. Furthermore and in line with the advanced coordination practices among donors and UNS in Nicaragua, and the growing links with GRULAC, the ORC in its Donor RT Secretariat role served as liaison between the Dominican Republic's Embassy and the donors (and the donors' capitals) during the emergency situation in that country, where the donor's presence is limited.

On the 25 and 26 of June, the High-Level Regional Conference on System-Wide Coherence for LAC was held in Managua. The ORC and the UNCT had a strong and critical support to this strategic event and helped achieve a consensus amongst the very diverse country positions that was expressed in the "Managua Consensus Document". The substance agreed upon can be summarized that the LAC countries believe that the UN reform is necessary but with the caveats of decisive national

empowerment and recognition of their diversities towards international assistance and cooperation. The meeting was attended by Sally Fegan-Wyles, DGO, Regional Directors from UNICEF, UNFPA and PAHO and Senior Regional Managers from UNDP and other UN Organizations.

Between the 4 and 9 of November, the CONCASIDA (Central American HIV/AIDS) Conference was held in Managua. The UN HQ level was represented by Dr. Peter Piot from UNAIDS and the Princess Mette-Marit from Norway and the regional level by UNICEF, WFP, UNFPA, Regional Directors and Senior Managers from PAHO and UNDP. The UNICEF lead HIV/AIDS Thematic Group had a substantive role in the organization of activities and their intricate logistics. In extremis, a very relevant and nationally aired meeting with the presidential couple was able to be organized by the OCR and the MOFA. The event was evaluated by participants, authorities and UN Senior Management as a success. The UNCT coordination, coherence and commitment were key for achieving this result in a conservative environment towards the HIV/AIDS pandemic.

Summary on progress towards UNDAF outcomes

2. Highlights on progress towards UNDAF Outcomes The CCA formulated through an in-house capacity development and careful participatory process reflecting Human Rights based analysis was published and launched as the first official event of the Government with the international and donor community. The new UNDAF was prepared with the participation of the new national actors and officially signed after completion of the ExCom's CPAPs, that is, in December 2007. Early UNDAFs were not operational in Nicaragua; nonetheless significant progresses were made towards the MDGs achievements that are substantively reflected in national, donor community and UNS agreements, programmes and financial support (see p. #1). The new UNDAF's content and structure is totally focused on MDGs achievement, its strategic lines components are: i) Democratic Governance and the Rule of Law for the Practice of Human Rights and the Construction of Citizenship; ii) Reduction of Multiple Inequities, Poverty, Hunger and Malnutrition to Achieve Human Sustainable Development (MDG #1); iii) Guarantee Social Rights for the Achievement of the MDGs and the Millennium Declaration (MDGs #2 to 6); iv) Protection of the Environment and Risk Management for Sustainable Human Development (MDG #7) and v) Strengthening of National Capacities for the Establishment of a National Information System that Ensures the Monitoring and Evaluation of the MDGs. The Human Development Index improved steps in the countries' ranking although the poverty indicators have only improved one point in the last five years amidst political crisis of a conservative government. Within the UNDAF formulation, the Government requested the UNS to lead two programmatic SWAPS: i) the priority support and general coordination for the cooperation assistance for the Caribbean Coast Autonomous Regions (RAAN and RAAS) development and ii) the priority support and general assistance coordination for the National Statistical System. A first important outcome was the creation of the INIDE (National Institute for Development Information) and the publication of the 2005 complete Census results including the National Household Survey (MECOVI) and the Public Health National Survey (ENDESA).

A major agreement initiated in 2007 was signed with the National Assembly to foster the pairing of legislative Commissions with UNCT Agencies to formulate public policies that will facilitate the MDG's acceleration and achievement. This commitment includes the four political blocks (bancadas) represented in the Parliament and the Executive Commission.

The Human Rights Thematic Group: A most important addition to the UNCT at the end of 2007 was a Human Rights Advisor under the sponsorship of OHCHR, Geneva and the Action 2 award to the ORC. A major thrust to the UNS support for the MFA's HR Unit will be a main activity in 2008 to achieve compliance and concrete results in favor of HR in Nicaragua. A HR Thematic Group was conformed and a HR communication week strategy implemented with the Communications Thematic Group and the UNCT. As a result, all principal media outlets were discussing relevant HR issues during December. Follow-up to the HR Reports submitted and due for this year will be an important activity for 2008 as well as rendering operational the UNDAF and CPDs HR components into concrete results for the people in the field.

The MDGs Coordination & Territorialization Unit: To coordinate MDGs at operational level in the territories between Government at all levels, donors, multilaterals, IFIs and the UNS and taking into account the success achieved with the four MDG-F Windows and the start of the new UNDAF programming cycle, the ORC strengthened the Coordination and Territorialization Unit funded through the Joint UNCDF/UNDP Programme for the MDG #1 acceleration in 54 municipalities. Therefore, it added to the Unit Coordinator an M&E Officer with strong emphasis in poverty indicators, statistics and DevInfo and an MDG-F Windows Manager. This Unit will be a key factor for the coherence of UNCT-UNDAF activities at all levels to achieve the MDGs at local level.

The Gender Thematic Group: In the Gender equity front much work was done in order to mitigate the consequences of the Penal Code's therapeutic abortion article annulment and to support the new Government in its presentation of the CEDAW Report in January. The process of finalization of the Action Plan for Gender Equality was halted due to the change in Government. Nevertheless, the Government elaborated a draft Gender Policy and 12 strategic lines that include certain elements of the previous policy papers. Note should be made of significant advances in the health and agriculture SWAPS where the gender perspective has been included in the Terms of Reference of the Mid-term Review of the Five-Year Plan. The Gender Theme Group (GTG) embarked, during 2007, in several challenges, such as: i) a Joint Programme on Gender with a central theme on participation and gender responsive national and local budgeting for the achievement of MDG #3 (F-MDG Widow); ii) to raise awareness on gender equality and gender based violence the GTG organized two inter-agency events in the framework of the International Women's Day and the International Day for the Elimination of Violence Against Women.

The HIV/AIDS Thematic Group: In addition to the time and effort consuming CONCASIDA event lead by the HIV/AIDS Thematic Group (p. #3) in support to the Government and the National Commission (CONISIDA) many significant progresses were achieved to contain the spread of the disease and promote its prevention, some of those are: i) targets on universal access to prevention, care, treatment and support services for HIV in 2010 established and public funds for diagnosis and services for PLW AIDS assigned; ii) the Plan for the Epidemiological Surveillance of HIV and the Epidemic Response M&E System formulated including technical staff training for the use of Country Response to Information System

(CRIS); ii) 95 out of the 153 municipalities offer now HIV rapid testing; pregnant women's access to PMTCT services has improved in 8 prioritized departments and in the Caribbean Coast (RAAN and RAAS) increasing rapid testing from 3.5% in 2005 to 43% in 2007; all women diagnosed with HIV received ARV for the prevention of vertical transmission and iv) children in 758 primary schools and 606 secondary schools received life skills education for the prevention of HIV. Despite the apparent good progress, the lack of reliable HIV data is a mayor cause of concern.

UNETE coordination of humanitarian/natural disasters operations: In addition to responding with quality and efficiency to the Felix hurricane emergency in the RAAN and to the damaging floods in the Northeastern region, the UNETE was extremely active during the whole year with support from OCHA and the UNDP UNETE coordinator. Most relevant activities and outcomes are: i) Humanitarian Forum formulated and approved (the first sub-regional component is being held next week in the RAAN); ii) UNCT emergency contingency plan was updated and approved; iii) two major flood and hurricane drills were supported with SINAPRED (Nicaragua Emergency Disaster Prevention and Response) in the RAAN and RAAS before the rainy season; iv) the UNETE was trained in EDAN-TD, information management, Sphere project and UNETE equipment purchased for all its members and iv) the National Contingency Plan on Avian Flu was formulated in addition to the Health Ministry, the Agricultural Ministry and the UNCT Plans.

Communication and Advocacy Thematic Group: in addition to the regular consultation with the political parties and principal national actors in the press this Thematic Group facilitates briefings and support to the RC and Representatives of the expanded UNCT and IFIs, some of its activities formulated in 2007 are: i) first phase of TV and radio spots on the MDGs produced; ii) a resource mobilization strategy is being designed for communications campaign financial support; iii) a documentary is under preparation highlighting UN System contributions with the Government to reduce Climate Change and the massive publication of the Water ABC (including the 2007 HDR executive summary) for distribution in schools across the country. As an extraordinary effort, the group was instrumental in producing daily SITREPs during both emergencies and a bimonthly electronic bulletin.

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Key aspects of the proposed 2008 workplan

3. Key aspects of the proposed 2008 Workplan: Major challenges are included in the 2008 UNCT Workplan. Its formulation was made through a collegial participatory process that prioritized the following main issues for the UNCT: 1. Successfully implement the HACT and FASE mandate starting in February; 2. Gradually launch the new UNDAF Joint Programmes that is, the 4 MDG-F Windows and three other UN new Joint Programmes with the maximum internal and external coordination in

order to achieve effective coherence with national counterparts, donors and IFIs. For that purpose, the permanent strengthening of the MDG Coordination Territorialization Unit is a priority. The strengthening of INIDE's DevInfo capacity and its use dissemination throughout the UNCT Agencies will be an important tool to complete in 2008. Furthermore, it will be vital to complete with Government the information collection on MDGs achievement indicators to report at the GA's mid-term review. 3. Focus on Human Rights compliance, HIV/AIDS and Gender Equity national capacity development; 4. Focus UNCT MDGs coordination in the Caribbean Coast as per Government mandate; 5. Mobilize the national authorities, the donor community and the UNCT itself in a campaign for action to reduce Climate Change in Nicaragua, protecting the environment and greening our premises and use of energy; 6. Focus on the National Statistical System SWAP with the donor community and the INIDE; 7. Permanently establish the Humanitarian Forum before the Hurricane Season begins, hold an earthquake simulation exercise in Managua; 8. Increase utilization, strategically develop the knowledge agenda, continue improving the quality of the offerings and expand regular services to the Caribbean Coast and other remote locations of the UN System/WB/GDLN Joint Knowledge for Development Centre (Centro de Conocimiento para el Desarrollo) that was inaugurated in 2007. 9. Start construction work for the UN House expansion including UNFPA offices and other non-resident agencies; 10. Focus on better formalization of Common Services in Managua and UN Houses in the Caribbean Coast; Significantly improve UN staff security in the field and offices

Recommendations

4. Recommendations: A delicate issue that is being raised, by both the actual Government and much of the cooperation and donor community in Nicaragua, is the inappropriate definition of the 12 Paris Indicators to accurately assess progress in H&A in LAC. The support that we will provide at HQ, Regional and National levels to the Accra Conference on Aid Effectiveness will be critical to reinsert Nicaragua in the Paris Declaration leadership it had before.

Nicaragua is not a UN reform pilot country but nonetheless it is a well advanced and early pilot on H&A in LAC. We also believe that we have creatively interpreted and implemented the idea of "delivering as one", not only in paper but at the programmatic and field levels including for donor and cooperation coordination and coherence in complex emergencies. Certainly, many good lessons need to be learned from Country Offices that also have significantly advanced in distinct and unique ways as we are doing.