

ADMINISTRATION AGREEMENT

between

THE NORDIC DEVELOPMENT FUND

and

THE INTER-AMERICAN DEVELOPMENT BANK

regarding

**Central America - Adaptation to Climate Change
in Honduras and Nicaragua**

THIS ADMINISTRATION AGREEMENT is entered into between the Nordic Development Fund (“NDF”), and the Inter-American Development Bank (the “Bank”) (together referred to as the “Parties”, and individually either of them, a “Party”).

WHEREAS, the Bank has designed Project RG-X1110 titled, “Central America - Adaptation to Climate Change in Honduras and Nicaragua” (the “Project”), as described in the attached Project Document (the “Project Document”);

WHEREAS, NDF has agreed to support the execution of the Project by providing a project specific grant contribution to be administered by the Bank; and

WHEREAS, the Bank is prepared to receive and administer the contribution funds to be made available by NDF.

NOW, THEREFORE, the Parties hereby agree as follows:

TRANSFER AND MANAGEMENT OF FUNDS

1. NDF will make available to the Bank a contribution of EUR500,000 (five hundred thousand euros) (the “Contribution”) to be administered by the Bank to finance the Project.
2. The Contribution will be solely for the purposes indicated in the Project Document. Any material deviations from the objectives and activities of the Project described in the Project Document will require NDF’s written approval.
3. Following the signature of this Administration Agreement by the Parties, NDF shall, subject to Article 12 below, transfer the Contribution to the Bank in one single installment, upon the Bank’s written request. The Contribution will be deposited in an account indicated by the Bank in writing. Upon receipt of such deposit, the Bank will convert the amount of the Contribution into United States dollars and will deposit them into an account held by the Bank in said currency for the administration of the Contribution (the “Account”).
4. The Bank will administer the Contribution in accordance with the provisions of this Administration Agreement and the Bank’s applicable policies and procedures, including those applicable for third party resources administered by the Bank. The Bank will exercise the same care in the discharge of its functions, as described in this Administration Agreement, as it exercises with respect to the administration and management of its own affairs and will have no further liability to NDF in respect thereof.
5.
 - a) The Contribution will be accounted for separately from the Bank’s assets, and will be administered separately from other contributions received by the Bank, but may be commingled with other contributions from NDF.
 - b) The Bank may freely exchange the Contribution funds into other currencies as may facilitate their administration and disbursement. The Bank will not be responsible for foreign exchange risk in the receipt, conversion or administration of Contribution funds. Any adverse impacts of potential foreign currency fluctuations

during the implementation period shall be discussed by the Parties and appropriate remedial measures and amendments shall be negotiated if necessary. Notwithstanding the foregoing, neither NDF nor the Bank shall be obliged to contribute any additional funds as a result of any foreign currency fluctuations.

- c) Pending disbursement in connection with the Project, the Bank may at its discretion invest and reinvest the resources of the Contribution, following the Bank's investment policies, procedures and practices. Income earned from such investment and reinvestment shall be credited to the Account and returned to NDF, upon request from NDF or when the Account is closed, whichever occurs later.
6. To assist in the defrayment of the administrative costs in relation to the Contribution, the Bank will charge and retain a fee equal to five percent (5%) of the total amount of the Contribution, which may be withdrawn by the Bank from the Contribution. In addition, the Bank may also use the resources of the Contribution to cover the costs charged to the Bank related to the maintenance and transactions of the Account.

IMPLEMENTATION

7. The Bank's policies and procedures will be applicable to any relevant operational, financial and fiduciary aspects of the Project, including the procurement of goods, works, and consulting and other services, carried out with the Contribution, as required by the different components of the Project. Further, NDF accepts that:
- a) the resources of the Contribution will be completely untied; and
 - b) the consultancy services financed with the Contribution may be provided and executed by companies, specialized institutions or individuals from any Bank member country.
8. The Bank shall inform NDF of any review missions undertaken by it related to the Contribution and provide to NDF a report setting out the main findings or results of such mission. The Bank shall invite NDF to join any Project review missions, including supervision missions and the mid-term review during the implementation of the Project and upon its completion. NDF shall be responsible for its own costs and obtaining any official approvals that may be required with respect to participation in any Project review missions.
9. NDF will not be responsible for the activities of any person or third-party engaged by the Bank as a result of this Administration Agreement, nor will NDF be liable for any costs incurred by the Bank in terminating the engagement of any such person.

REPORTING AND AUDIT

10. The Bank shall provide NDF with:
- a) reports on implementation of the activities funded under the Contribution and other reports and information as NDF may reasonably request concerning the progress of the Project that the Bank can provide in its normal course of business, and ii) promptly, no later than six months following the completion of the Project, a final Project report;

b) at least semi-annually non-audited activity or financial reports of the Project, as such reports are provided by the Project's executing agency to the Bank, pursuant to the technical assistance or financing agreement entered between the executing agency and the Bank and, ii) promptly, and no later than six months from financial closure of the Project, a terminal financial report showing the receipts, income and expenditures under the Account and the remaining balance, if any. The Bank may provide a copy of any audited reports of the Project available to the Bank; and

c) should NDF require an external audit of the Account, NDF shall request the Bank for such an external audit in writing upon completion of the Project. The cost of this audit shall be charged against the Account, provided funds are available after settlement of all expenditures related to the Project. Alternately, upon agreement by NDF and the Bank the cost of such external audit shall be paid separately by NDF.

CONSULTATIONS, AMENDMENTS, TERMINATION AND DISPUTE SETTLEMENT

11. As soon as possible upon completion of the Project, the Bank shall return to NDF any remaining uncommitted Contribution funds, including, if applicable, any income from investment or reinvestment in accordance with Article 5(c) above, unless otherwise agreed to in writing by the Parties.
12. NDF acknowledges that the Bank's commitment to use the Contribution as contemplated herein shall be subject to the Bank's formalization of all internal approvals necessary for the Project and/or the Project Document, and the Bank acknowledges that NDF's disbursement in accordance with Article 3 above is subject to such internal approvals.
13. The Bank shall endeavour to maximize opportunities to highlight the identity of NDF's contribution to the Project (e.g., through related signage, documentation and public information about the activities, including the use of NDF's logo), and invite NDF representatives to participate in key events related to the Project. NDF shall be responsible for its own costs with respect to any participation in such events.
14. a) The Bank shall inform NDF promptly of any condition which significantly interferes, or threatens to interfere, with the performance by the Bank of its commitments under this Administration Agreement.

b) The Bank shall notify and consult with NDF whenever the Bank identifies a major change of scope in relation to any activities financed under the Contribution. If any such changes occur, which in the opinion of the Bank or NDF impairs significantly the developmental value of the Project, NDF and the Bank shall consult on measures to resolve the problem and possible courses of action. In the event of such changes, NDF, however, may decide to terminate this Administration Agreement or agree with the Bank on an amendment thereof.
15. The offices responsible for coordination of all matters and receiving any notice or request in writing in connection with this Administration Agreement or the Project will be the following:

a) For the Bank:

Inter-American Development Bank
1300 New York Avenue, NW
Washington, D.C. 20577
UNITED STATES OF AMERICA
Attention: Marguerite S. Berger
Chief, Grants and Co-financing Management Unit
Vice Presidency for Countries (VPC/GCM)
Tel.: ++ 202-623-1774
Fax: ++ 202-623-3171
E-mail: vpc-gcm@iadb.org

b) For NDF:

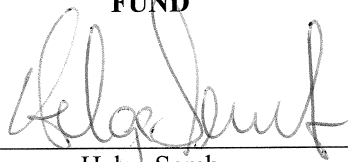
Nordic Development Fund
P.O Box 185, Fabianinkatu 34FIN - 00171 Helsinki
FINLAND
Attention: Helge Semb
Managing Director
Tel.: +358 618 002
Fax: + 358 9 622 1491
E-mail: info.ndf@ndf.fi

16. This Administration Agreement will come into force on the date of its signature by each of the Parties and shall remain in full force and effect until the date on which the Contribution has been fully disbursed by the Bank and all activities financed under the Contribution shall have been completed as set out in the Project Document. Estimated date of completion is stated in the Project Document.
17. If at any time either Party determines that the purposes of this Administration Agreement can no longer be effectively or appropriately carried out either Party may give notice of termination of this Administration Agreement. Such termination shall enter into effect three (3) months after notice has been received, subject to the settlement of any outstanding obligations made prior to the notice being received. In the event of termination by either Party, both Parties shall cooperate to ensure that all arrangements made hereunder are settled in a fair and orderly manner. Upon termination the Bank shall return the Contribution funds to NDF in accordance with Article 11 above.
18. The Parties may amend any provision of this Administration Agreement in writing.
19. Subject to consultation with the other Party and their respective policies and procedures with respect to the disclosure of information, the Parties may make this Administration Agreement publicly available.
20. Nothing in this Administration Agreement may be construed as creating an agency relationship between the Parties.


21. The Parties acknowledge and agree that the Contribution constitutes the sole source of financing for the Project. Notwithstanding, the Administration Agreement will be considered joint financing for purposes of the provisions of the "Cooperation Agreement between the Nordic Development Fund and the Inter-American Development Bank for the Cofinancing of Programs and Projects", amended and restated as of January 26, 2010 (the "NDF-IDB Cofinancing Agreement"). For the avoidance of doubt, the provisions of NDF-IDB Cofinancing Agreement will apply to this Administration Agreement, except that in the event of conflict, the provisions of this Administration Agreement will prevail.
22. The Parties will seek to settle amicably any disputes that may arise from or relate to this Administration Agreement.

IN WITNESS WHEREOF, the Nordic Development Fund and the Inter-American Development Bank, each acting through its duly authorized representative, have signed this Administration Agreement in two (2) original counterparts in the English language as of the dates indicated below.

**NORDIC DEVELOPMENT
FUND**

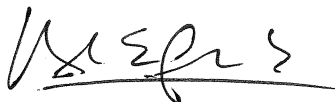
15.09.2011 

Helge Semb
Director

15.9.2011 
Date: _____

Leena Klossner
Deputy Director

**INTER-AMERICAN
DEVELOPMENT BANK**



Bernardo Guillamon
Advisor,
Office of Outreach and Partnerships

Date: 9/1/11



Proposal

Knowledge and Capacity Building Products (KCP)

Research & Development

I. General Information

KCP Title:

Case Studies of adaptation to Climate Change IWRM Practices in HO & NI

OPUS Number:

RG-X1110

Date of Proposal:

5/25/2011

Linked to project:**Team Leader / Unit:**

MIRALLES-WILHELM, FERNANDO R. - INE/WSA

Peer Reviewer 1:

NETTO, MARIA

Peer Reviewer 2:

ARDILA, SERGIO

Joint Proposal:

Proposed amount, without counterpart in USD equivalent (enter whole number only): USD 694,900
Must match total of budget table on section VI, and of OPUS

Proposed amount including counterpart (if applicable) in USD equivalent: USD 694,900

Proposed Fund:

Nordic Development Fund (NDF)

Unit of Technical Responsibility:

INE/WSA

Unit of Disbursement Responsibility:

INE

Execution:

Bank

Letters of Request available (or equivalent)

No

Doc# (IDBdocs):**Non-objection available:**

No

Doc# (IDBdocs):

Execution period: 18 months Disbursement period: 18 months Required Start Date: 9/1/2011

Please provide justification why the Bank is the Executing Agency:

This is a Bank-originated KCP, aimed at developing a set of adaptation case studies that can be used as a reference tool for similar interventions in other Bank member countries and regions. It is important that knowledge in the area of water resources and adaptation to climate change is cultivated in the Bank, and this KCP offers a clear opportunity to do so. The execution of this KCP will provide a learning, knowledge transfer and data gathering opportunity for Bank staff involved in water resources and adaptation to climate change, which is a new area of work that the Bank (and particularly the WSA division) has engaged in recently. Therefore, it is deemed critical that this KCP is Bank-executed.

Beneficiary Countries:

HONDURAS, NICARAGUA

Beneficiary entity:

N/A

Sector: WATER AND SANITATION

II. KCP Type

Origination

Originated in Bank: KCP is the result of initiatives generated within the Bank.

These initiatives may include deepening the Bank's knowledge in new subjects, interpreting new economic and social phenomena, generating new databases and diagnostic tools, or organizing a seminar, workshop, a regional policy dialogue, training, a publication.

Scope

Forward-looking purpose:

Demand for this KCP serves a longer-term, forward-looking purpose that may require the accumulation of new knowledge and experience. These products usually require a longer deployment time.

III. Alignment of the KCP proposal with IDB's Institutional Priorities (GCI9).

5. Protecting the Environment and Responding to Climate Change Environment

3.1 Explain how the knowledge produced with this KCP will be used (policy advice, operations, as input for programming and strategy documents, input for other KCPs:

Knowledge on practicable adaptation measures to climate change impacts such as sea level rise (HO) and increased severity of hydrological extremes (NI) will be used by the Bank for the following purposes:

- (a) provide policy advice to institutions in the water and sanitation sector in HO and NI on implementation of these adaptation measures;**
- (b) identify potential Bank operations in these countries (and other Bank member countries with similar climate change adaptation issues) that can be derived from the adaptation measures developed in this project;**
- (c) as input for in-country sector programming (e.g., WSA sector notes) and country strategies for HO and NI.**

3.2 Explain the strategy and resources that will be devoted to promoting the use of the knowledge produced :

This KCP will produce two case studies on adaptation that can be used as learning tools to promote a climate change adaptation strategy in the WSA sector throughout the LAC region, mainly focusing on Central America. The strategy followed to develop these case studies is to focus each of them on a specific climate induced problem that is expected to be found in Central America: (i) SLC: Sea Level Change (Case Study for Honduras), and (ii) increased hydrologic extremes: rates and intensity (Case Study for Nicaragua). For resources, we plan to produce a technical publication that is widely disseminated in the region, as well as an outreach campaign in the form of workshops to be conducted here in the bank (for self-learning) and at locations in the case study countries.

IV. OBJECTIVES, EXPECTED RESULTS AND ACTIVITIES (Maximum 4 pages)

4.1 Describe the knowledge gap that this KCP intends to close:

The few previous KCPs and other TCs at the Bank in climate change as it related to the water sector have been focused on the development of background information (e.g., hydroclimatic data) and mitigation (in the case of operators in the WSA sector). However, the Bank does not have yet documented cases of adaptation to climate change for any of its client operators and river basin organizations. Through development of two case studies for defining adaptation measures and practices, this KCP Project will contribute to close this gap in knowledge both at the Bank and with our clients in Central America, mainly by new lessons learned product of this KCP.

Specifically, more knowledge in the Bank (and its clients) is required to: (i) analyze effects of climate change on water resource vulnerability; (ii) define (in a quantitative and comparative fashion) adaptation measures as a response to these effects; and (iii) reduce the uncertainty in terms of time (when) and space (where) these effects and measures will be most urgent (prioritization).

4.2 Describe how the question(s) asked relate to earlier literature on this subject (including any lessons learned from previous similar KCPs):

Adaptation to climate change in key economic sectors, such as water, has quickly been emerging over the few past years as a priority item worldwide. In the water sector in particular, one of the deficiencies that has been identified is the existence of documented cases of adaptation for different types of climate-induced problems. Within the Bank, we have recently begun to work on adaptation projects in sectors using technical cooperations, but there is a need to move beyond the theory to practice and implementation, which is the

focus of this KCP. This approach is supported by literature on the adaptation field, which has identified case studies in practicable adaptation measures in water resources management as an area of need.

4.3 State the KCP objectives:

The principal objective of the proposed KCP is to support the process of increasing climate change adaptation capacity in communities in Central America (sea level change impacts in HO, and increased hydrologic extremes in NI), with a focus on laying out the foundation for future investments in water resources management adaptation and vulnerability reduction in the region.

Specific objectives of this project focus on representative areas in Honduras (La Ceiba) and Nicaragua (Managua) to illustrate the impacts of climate change on water resources management that can be expected, and the corresponding adaptation measures that can be implemented as a response to reducing vulnerability to climate change. The approach to be followed is the development of a set of two case studies from which wider-reach regional recommendations can be drawn in terms of: (i) identifying vulnerabilities, impacts of climate change and practicable adaptation measures, and (ii) the identification of specific project concepts for potential future investment loans.

The first case study (sea level change in HO) was selected to study the impacts of climate change caused sea level change on the availability of water resources in coastal areas (e.g., flooding, salinity intrusion) in an active socioeconomic location (La Ceiba). This KCP will be used to design local and targeted adaptation measures to these impacts that can be implemented (e.g., dikes, salinity barriers, water reuse systems and policies).

The second case study (increased hydrologic extremes in Nicaragua) was selected to study the impacts of climate change induced occurrence and intensity of rainfall events (e.g., flash flooding, extent and duration of inundation) in a large populated area (Managua). This KCP will be used to design local and targeted adaptation measures to these impacts that can be implemented (e.g., improved drainage techniques, early warning systems and policies).

4.4 State the KCP expected results:

The IADB has recognized that its activities in the countries of the Latin America and Caribbean (LAC) region have a significant potential of being affected by climate change. This is particularly the case of projects in the area of water and sanitation (WSA) that are currently in execution and planning stages in different countries. Most adaptation experiences in the water sector that are in existence today have been developed at a global scale, but not many exist locally (e.g., at the basin scale). This poses a challenge of developing on-the-ground knowledge that deepens the Bank's expertise on adaptation to climate change in the water sector and aid in its effort to define policies and better practices in adaptation at the regional and country levels. This is specifically applicable to countries in the Central America subregion.

The proposed KCP project will enable the Bank to achieve the following outcomes:

- (1) Arrive at specific experiences of adaptation projects from which to draw lessons learned of climate change adaptation practices in the case of impacts of sea level change (HO) and increased hydrologic extremes (NI).**
- (2) These experiences will provide input and background for the establishment of improved reduction of vulnerability to climate change in water resources in HO and NI in the two case study locations.**
- (3) The documentation and dissemination of these experiences will contribute to increased knowledge on adaptation in WSA projects in HO and NI, and at a wider regional scale.**

4.5 Provide a description of the main outputs and related activities expected to be carried out:

OUTPUTS

- 1. Development of two case studies of adaptation to climate change, one based in Honduras (sea level change) and the other based in Nicaragua (increased hydrologic extremes).**
- 2. Definition of appropriate practicable adaptation measures for both case studies.**
- 3. Quantification of the impact such adaptation practices so that these actions can be recognized explicitly (differentiating the project implementation with and without adaptation) and prioritized as potential required investments.**
- 4. Conceptualization (pre-feasibility) of two specific investment projects in adaptation to climate change, one in Nicaragua and the other in Honduras, based on the implementation of these two case studies.**

5. Capacity-building workshops in adaptation to climate change to public sector entities (decision-makers), academia, water utilities, urban, industrial, NGOs, farmers, ecosystem conservation and environmental local groups, construction residential enterprises, and public agricultural entities, and other stakeholders in Honduras and Nicaragua, as well as the rest of the Central America Region.

6. Bank Publication documenting the two case studies results (Technical Note).

ACTIVITIES

Activity 1: Development and implementation of two case studies of adaptation to climate change, consisting of the development of adaptation measures in two case studies, one based in Honduras (sea level change) and the other based in Nicaragua (increased hydrologic extremes).

Activity 2: Conceptualize, at the pre-feasibility level, two specific investment projects in adaptation to climate change (one in Nicaragua and another in Honduras) that address the problems and gaps identified in Activity 1. This conceptualization will include an estimate of investment amounts and schedules at a level of detail that is sufficient for preliminary loan preparation at the IDB.

Activity 3: Capacity-building workshops in adaptation to climate change will be prepared and delivered to Bank staff, public sector entities (decision-makers), academia, water utilities, urban, industrial, NGOs and other stakeholders in Honduras and Nicaragua, as well as the rest of the Central America region.

Activity 4: Document the case study applications as a Bank publication (Technical Note).

4.6 Describe the methodological approach to be used in the development of the activities and the type of data sources which might be used. Be as specific as possible.

METHODOLOGY

Activities 1-2: The location in Honduras is proposed at the northern coast city of La Ceiba, where impacts of SLC are expected to affect water supply aquifers, coastal erosion rates and surface water bodies, as well as sensitive ecosystems and relatively important existing commerce (Puerto Cortes is the biggest port in Honduras and the only deep sea port), tourism and fisheries industries. The location in Nicaragua is proposed in the Lake Managua basin, which is the major populated center in the country (> 1M hab), with water supply and pollution issues due to the presence of vulnerable water bodies (e.g., lake Managua) and infrastructure. We will incorporate the use of a micro-watershed approach coupled with the updated land use plan in Managua and soil conservation techniques in the watershed. The definition of appropriate practicable adaptation actions and quantify the impact of such adaptation practices so that these actions can be recognized explicitly (differentiating the project implementation with and without adaptation) and prioritized as required investments: the effect of adaptation practices in each of the two case studies will be assessed using a pre-post approach to define the specific contribution of climate change impacts (positive and negative), corresponding adaptation plans, and supporting policies that are shown to be cost-effective in the medium to long terms. In the case of La Ceiba in Honduras, adaptation practices that can be envisioned include improved vegetation coverage to diminish impacts of storm surges and flash flooding, and recharge basins for water storage and as saltwater barriers. In the case of Managua in Nicaragua, early monitoring/warning systems, lake regulation schedules, and infrastructure improvements are potential adaptation measures.

Activity 3: The aim is to organize and carry out 2 workshops in each country (HO and NI) for capacity building related to this project, and 1 presentation at IDB headquarters in Washington. These workshops will cover the preparation of adaptation projects according to the effects of climate change to support policies directed at topics such as: (i) the availability of water resources, (ii) management of flooding risks, (iii) improvements to infrastructure (economic, financial, technical), (iv) institutional arrangements and strengthening, and (v) financial resources required for adaptation investments in the region. Workshop participants will include farmers, water utilities, ecosystem conservation and environmental local groups, construction residential enterprises, and public agricultural entities.

Activity 4: This comprises the release of the developed adaptation experiences as a Bank publication, as well as active dissemination of the results of this project in visible outlets (conferences, links to widely use water and climate web sites and others).

DATA SOURCES

For climate input into the definition of adaptation measures, we will use available regional downscaling of existing climate models and information (e.g., non-stationary analysis of hydrologic time series data). We will complement this data with information of water and sanitation utilities in the region, IDB publications and data banks, as well as references in the scientific literature. Other successful experiences and lessons learned worldwide, as well as

information from other IDB projects in the region for development of adaptation plans and integrated models of climate change and water resources will be considered.

4.7 Identify the main audience or expected users of knowledge generated or disseminated by this KCP

The main audience for the products of this KCP are practitioners and decision-makers in the water sector of Honduras and Nicaragua, and other client countries, mainly in Central America Region. These include managers and operators of water utilities, basin councils, NGOs, industrial users of water, regulators in country/state/municipal agencies, as well as IDB staff.

4.8 Specify provisions for quality peer review of this KCP (ex. anonymous reviewers, Studies Committee)

**(a) Peer Review: the Technical Note proposed will be reviewed by at least 2 anonymous reviewers. We have included this peer review component in the budget for this KCP.
(b) A multi-sectorial team from WSA, ECC and RND has been assembled for this project to provide interdisciplinary oversight to the development of the 2 case studies, which combine activities and issues that pertain to water and sanitation, climate change and natural resources, respectively.**

4.9 Additional technical information

If necessary, in an appendix please provide further technical details that you consider relevant to evaluate the technical quality of this KCP. Appendix Doc#(IDBDocs):

V. KCPs RESULTS FRAMEWORK. Main Outcomes and Outputs.

5.1 Results Matrix:

Please, in the first column fill in each outcome indicator with the relevant outputs. You can use the table of indicators here attached.

| Results Matrix | | | | | | | | | |
|--|---------|----------|------|---------|--------|---------|--------|--------------------------|-------------|
| | Unit | Baseline | | Year 1 | | Year 2 | | Expected Completion Date | Data Source |
| | | Value | Year | Planned | Actual | Planned | Actual | | |
| OUTCOME 1: Lessons learned of climate change adaptation practices in the case of impacts of sea level change (HO) and increased hydrologic-extremes (NI) | | | | | | | | | |
| • Output1: Case Study Developmnet | 1 | 0 | 2011 | 1 | | 1 | | 7/1/2012 | See (8) |
| • Output 2: Definition of adaptation measures | 1 (set) | 0 | 2011 | 1 | | 1 | | 9/2/2012 | |
| • Output 3: Quantification of impacts of adaptation measures | 1 | 0 | 2011 | 1 | | 1 | | 9/2/2012 | |
| OUTCOME 2: Improved reduction of vulnerability to climate change in water resources in HO and NI. | | | | | | | | | |
| • Output 4: Pre-feasibility conceptualization of two investment projects | 1 | 0 | 2011 | 1 | | 1 | | 12/2/2012 | |
| OUTCOME 3: Increased knowledge on adaptation in WSA projects in HO and NI | | | | | | | | | |
| • Output 5: Capacity-building workshops | 1 | 0 | 2011 | 2 | | 2 | | 2/1/2013 | |
| • Output 6: Bank publication (Technical note) | 1 | 0 | 2011 | 0 | | 1 | | 3/1/2013 | |

Note: Please note that this outcome and output indicators will be the input for the PMR and will be monitored in the Quarterly Business Review.

VI. BUDGET (*):

6.1 Budget should be presented by outputs or groups of outputs (for example: three publications, three conferences, seminars or workshops; one database; one survey; two training courses), and the relevant activities. Total available funds from counterpart sources should be reported. Use whole numbers only.

| Costs | Project Cost – IDB Financing | | | | | Counter-part Resources | Other Financing |
|---|------------------------------|---------------------------|--------|---------------|---------|------------------------|-----------------|
| | Year 1 | | Year 2 | Total request | | | |
| | Consult. | Travel (consultants only) | Other | | | | |
| Activities | 590,000 | 70,000 | 0 | 0 | 660,000 | 0 | 0 |
| • (1) Case Study development | 330,000 | 20,000 | | | 350,000 | | |
| • (2) Pre-feasibility investment projects | 150,000 | 10,000 | | | 160,000 | | |
| • (3) Capacity building workshops | 60,000 | 10,000 | | | 70,000 | | |
| • (4) Bank Publication (Technical Note) | 20,000 | 20,000 | | | 40,000 | | |
| (5) Monitoring and Evaluation | 30,000 | 10,000 | 1,800 | | 41,800 | | |
| | | | | | | | |
| Sub-total | 590,000 | 70,000 | 1,800 | 0 | 661,800 | 0 | 0 |
| Administrative Fee @ 5% (*) | | | | | 33,100 | | |
| Total | 580,000 | 70,000 | 0 | 0 | 694,900 | 0 | 0 |

Approximate value of in-kind counterpart

(*)Resources of this KCP project to be received from NDF will be provided to the Bank through a Project Specific Grant (PSG). A PSG is administered by the Bank according to the "Report on COFABS, Ad-Hocs and CLFGS and a Proposal to Unify Them as Project Specific Grants (PSGS)" (Document SC-114). As contemplated in these procedures, and in the "Cooperation Agreement between Nordic Development Fund and Inter-American Development Bank for the Cofinancing of Programs and Projects, dated as of October 2, 1994, amended and restated as of January 26, 2010" (Article IV, Section 6), the commitment from NDF will be established through a separate administrative arrangement. Under such arrangement, the resources for this project will be administered by the Bank and the Bank will charge an administrative fee of five percent (5%) of the contribution, which is duly identified in the budget of this [KCP]."

6.2 Describe the source and type of counterpart resources

N/A

6.3 Types of Consultants: Firms or individuals and main activities/outputs:

| Type: Individual or Firm (if available) | Nationality (if available) | Estimated Cost | Main Activities / Outputs |
|---|----------------------------|----------------|---|
| Firm | N/A | 550,000 | Case Study development, adaptation practices and specific projects definition, as well as workshops and publication |

VII. Bank costs:

For the Bank's internal purposes, please provide information in Bank costs associated with the execution of this KCP:

7.1 Bank staff participation in KCP:

| Staff Name | Bank Unit | FTEs |
|-------------------------------|-----------|------|
| MIRALLES-WILHELM, FERNANDO R. | INE/WSA | 0.1 |
| MUNOZ CASTILLO, RAUL | INE/WSA | 0.1 |
| NUQUES, CYNTHIA M. | INE/WSA | 0.05 |

VIII. Risks:

Fill-out the KCP's Environmental Screening and Classification using this link to the [Environmental Screening and Classification Toolkit](#). Then save it in IDBDOCS and record its number in the box below (*):

36196780

8.1 Implementation Risks:

The capacity building and dissemination component (II) is critical to minimize the risk to future implementability of the developed adaptation practices case studies by the Bank's clients and associated institutions (governmental, private and the general public). For this, we have proposed an intensive dissemination campaign consisting of 4 workshops and the publication of a Bank Technical Note. Also, to avoid the risk to future implementability of the proposed adaptation measures and practices defined by the two case studies, the KCP includes the conceptualization of two specific projects in adaptation and climate change, including an estimation of investments amounts and schedules. In the pre-feasibility conceptualization activity, we will specify executing agencies with a strong institutional capacity, as with any intervention in member countries, governmental and other stakeholders will be engaged in the project components in both Nicaragua (e.g., MARENA, Alcaldía de Managua, ENACAL, INETER) and Honduras (e.g., Alcaldía, SERNA, Autoridad Portuaria, Turismo). A written commitment can be established with the executing agencies identified for the investment projects identified. Finally, with the active involvement of the IDB throughout the project, and the political support associated with its contribution to the overall multi-donor program via the influential CCAD, project risk assessed to be minimal.

8.2 Please identify key environmental and social risks and impacts, and the strategy to address them:

The KCP aims to ensure both environmental and social risks mitigation. We will develop the workshop agendas with a broad-based consultation of environmental and social actors in both case study locations (La Ceiba and Managua) so that their concerns are incorporated into the definition of recommended adaptation measures. In this way, the development will result in net social and environmental benefits.

IX. Coordination with other MDBs

9.1 Summarize collaboration or coordination with other MDBs, donors and other strategic partners (if any):

X. Monitoring and evaluation plan.

Fill-out the KCP's Development Effectiveness Matrix (DEM) using this link to the R&D [DEM template](#). Then save it in IDBDOCS and record its number (*): 35836978

10.1 Summarize the basic elements of the Monitoring and Evaluation plan, including key activities and associated budget:

(a) Peer Review: the Technical Note proposed will be reviewed by at least 2 anonymous reviewers. We have included this peer review component in the budget for this KCP.

(b) During the proposed capacity building workshops, the participants will have a chance to evaluate the facilitators and presenters. We have included this component in the budget for this KCP.

(c) During the proposed capacity building workshops, the participants will be involved in hands-on exercises, which will be evaluated by IADB staff. The participants will receive feedback on these exercises as a result of this evaluation. We have included this component in the budget for this KCP.

(d) The two case studies proposed in this KCP have been designed to illustrate how different adaptation measures can be used to establish, define and/or modify adaptation policies related to water resources management as affected by climate change. These case studies will be translated into workshop exercises which will be carried out using participatory methods, where participants in a workshop/meeting/negotiation can propose scenarios/measures/alternatives, and these are analyzed in-situ to obtain results that can be discussed and agreed upon. This contributes to build consensus rapidly and effectively between individuals or groups who have differences or disagreements.

(e) The monitoring of output and outcomes indicators included in PMR and Result Matrix seeks ensure the quality of the this KCP development.

(f) The IDB team for this project execution and responsible for monitoring the work of the consultants who are contracted for the project, will be drawn for multiple specialist in water resources, climate change, natural resources and development to ensure an inter-sectorial approach that can be readily implemented and structured into a strategy for further investments.

10.2 Exceptions to Bank policies:

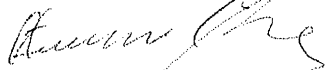
N/A

10.3 Contractual Clauses:

N/A

10.4 Terms of Reference Doc#(IDBDOCS):

APPROVAL



Federico Basañes
División Chief
Water and Sanitation Division, INE/WSA