

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC2582

Project Name	Caribbean Coast Food Security Project (P148809)
Region	LATIN AMERICA AND CARIBBEAN
Country	Nicaragua
Sector(s)	General agriculture, fishing and forestry sector (60%), Agro-industry, marketing, and trade (20%), Health (10%), Public administration- Agriculture, fishing and forestry (10%)
Theme(s)	Micro, Small and Medium Enterprise support (40%), Nutrition and food security (40%), Rural non-farm income generation (10%), Managing for development results (10%)
Lending Instrument	Investment Project Financing
Project ID	P148809
Borrower(s)	Government of Nicaragua, Ministry of Finance and Public Credit (MHCP)
Implementing Agency	Ministry of Family Economy (MEFCCA)
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	18-Oct-2014
Date PID Approved/ Disclosed	19-Oct-2014
Estimated Date of Appraisal Completion	30-Oct-2014
Estimated Date of Board Approval	30-Jan-2015
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Over the past years, Nicaragua has experienced steady, moderate economic growth of roughly 3.2 percent per year. Nonetheless, poverty reduction remains a major challenge. With a Gross National Income (GNI) per capita of US\$1,650 in 2012, the challenge over the longer term is to sustain higher growth rates to accelerate poverty reduction through sustainable improvements in productivity and consequently income growth across the population. Approximately 42 percent of the country's 6.0 million inhabitants still live below the poverty line and one out of every seven live in extreme poverty. In 2009, overall poverty in Nicaragua (measured per consumption under the LSMS) was 42.5 percent, compared to 48 percent in 2005. Extreme poverty likewise fell from 17 percent to 14.6 percent over the same period. Rural poverty reduction has been the driving force

improving these statistics, particularly in rural areas of the Caribbean Coast of Nicaragua, where extreme poverty fell 10 percentage points to 15 percent between 2005 and 2009.

Poverty in Nicaragua is largely rural and agricultural income is vital to poor households and to the country's economy. The rural poverty headcount in 2009 (63 percent) was more than twice that of urban poverty (26 percent). One in six rural households is extremely poor compared with one in twenty for urban areas. Rural households earn 60 percent of their income from agriculture, 27 percent from nonfarm activities, and 13 percent from transfers. Poverty for household heads working in agriculture is almost three times higher than for those in non-agricultural activities. Poverty and food insecurity is more severe in the center of the country and on the Caribbean Coast, despite their high economic potential, particularly for agricultural and forest activities. Comprising some 30 percent of exports (70 percent when including processed foods such as meat and sugar) and 18 percent of Gross Domestic Product (GDP), agriculture is also the single biggest employer, with more than 30 percent of the labor force (more than twice the average of 15 percent for the Latin America region).

Sectoral and Institutional Context

Lead by the Government of Nicaragua (GON), the Sector-wide Rural Development Program, PRORURAL Includente (PRORURAL-I) constitutes the agricultural sector and food security strategy under the overarching National Human Development Plan 2012-2016 (PNDH). In order to achieve food security and foster agricultural growth, PRORURAL-I focuses on poor undercapitalized small rural producers as active participants in their own sustainable human development. PRORURAL-I supports poor rural producers via: (i) capital asset formation through a combination of transfers and loans to strengthen their production capacities; (ii) technical assistance to build human capital; (iii) input subsidies, agricultural services, and organizational support; and (iv) links with other programs (including the National System of Social Welfare), to improve rural livelihoods, increase food availability, and reduce malnutrition and poverty.

While PRORURAL-I outcomes are encouraging, sustainably increasing agricultural productivity remains a challenge. National productivity in basic grain crops such as maize, beans and rice shows a slight increase during production cycles 2007-2008 and 2011-2012 when compared to 2006-2007. However, at both provincial and regional levels, productivity has been volatile, particularly in the two Caribbean Autonomous Regions. As of 2011, yields in beans, corn and rice had increased as much as six percent, still much less than the expected 20 percent. Today, Nicaragua's yields in corn and rice are the lowest in Central America, while in beans it is ranked second. Improvement of agricultural productivity faces several critical constraints: (i) undercapitalization of small rural producers (the vast majority of farmers); (ii) low Good Agricultural Practices (GAP) adoption; (iii) low technology dissemination and adoption; (iv) limited rural financial services and lack of instruments for agricultural risk management; (v) high post-harvesting losses; (vi) low value-added, weak agri-business development services and market linkages; (vii) weak rural infrastructure and logistics services; (viii) high climate change vulnerability; and (ix) limited land access/tenure.

Nicaragua has made progress towards achieving the Millennium Development Goals in child health and nutrition, but still lags well behind the regional averages. Although Nicaragua has seen undernourishment fall in the last two decades from 55 percent in 1990-92 to 20 percent in 2010-12 (FAO), these levels remain among the highest in Latin America. The mortality rate of children under five years of age between 1990 and 2011 declined from 68 to 27 deaths per 1,000 live births compared to an average of 16 deaths in Latin America. The maternal mortality rate has decreased

to 95 maternal deaths per 100,000 live births, compared to a regional average of 63 deaths. While 18 percent of under-5 children with mothers who were unable to study themselves are undernourished, only 1 percent of under-5 children with mothers who have high school qualifications are malnourished. These challenges are greater in the case of the Caribbean Coast of Nicaragua where under-5 mortality rate is estimated at 49 deaths per 1,000 live births and one in three children is chronically malnourished.

According to the GON's National Food Security Policy, besides the issues with production and access of poor families to safe and nutritious food, there is also an inherent effect of food and nutrition education to change cultural behaviors. The average Nicaraguan's diet tends to be unbalanced with over 65 percent of calories derived from carbohydrates, something that leads to health problems related to insufficient protein consumption. The GON is advancing a multi-sector approach to food and nutrition insecurity through the National System of Social Welfare. The System includes the Ministry of the Family, the Ministry of Health, and the Ministry of Education, and comprises over fifty public social service and social assistance programs, including food assistance, food and nutrition education, early childhood development, and social infrastructure. The Model of Community and Family Care Services, and the Integral School Feeding Program (PINE) play a critical role in supporting this objective in food vulnerable and/or extremely poor municipalities, such as those located in the Caribbean Coast of Nicaragua.

The proposed operation would support Nicaragua's objectives of increasing agricultural productivity and food and nutrition security in selected communities of the Caribbean Coast. The importance of pro-poor agricultural growth and food security has been highlighted in the National Food Security Policy, the PRORURAL-I, and the Caribbean Coast and Upper Wangki-Bocay Development Strategy, within the overall PNDH framework. Thus, the Project would directly operationalize GON's policies and program objectives in one of the poorest and most food insecure regions of Nicaragua.

Relationship to CAS

The proposed grant is consistent with the World Bank Country Partnership Strategy (CPS) for the period of FY2013-2017 (Report No. 69231-NI) which was discussed by the Executive Directors on November 13, 2012. The 2nd strategic objective of the CPS is to raise incomes by sustainably improving productivity, competitiveness, and diversification. The proposed operation would contribute to link smallholder producers (particularly the indigenous and afro-descendant farmers) in the Caribbean coast region and Nicaragua's productive frontier, to market-based agriculture and to expand and strengthen value chains and value-added activities.

Moreover, the Project directly responds to the Bank's Twin Goals, to eradicate extreme poverty and promote shared prosperity, by fostering the income growth of the bottom 40 percent. With the World Bank's support, the Project will develop a strong methodology to ensure that it targets the bottom 40 percent and captures these impacts in the results framework. The Project will also promote the Bank's Green Growth agenda, by promoting environmental sustainability across its activities.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The proposed project development objective is to improve food and nutritional security in selected

food insecure communities of the Caribbean Coast of Nicaragua.

The PDO will be achieved through promoting: (i) increased and environmentally sustainable agricultural productivity and market inclusion, (ii) rural non-farm income, (iii) technology and GAP adoption, (iv) food and nutrition education and improved monitoring of malnutrition, (v) formation of producer associations, and (vi) reinforced public-private partnerships. The project will have particular focus on women, children, and indigenous communities.

Key Results (From PCN)

The key expected indicators for the project are:

- (i) Producers who have adopted an improved agricultural technology promoted by the project (number);
- (ii) Targeted producers satisfied with agricultural and market inclusion services (number);
- (iii) Producers who participate in a public-private partnership promoted by the project (number);
- (iv) Coverage with Monitoring and Development Check-ups (Vigilancia y Promocion del Crecimiento y Desarrollo - VPCD) for under-4 children in participating households.

The project targets the Caribbean Coast region of Nicaragua, given its high poverty rate, high profit potential and opportunities for efficiency gains. The direct beneficiaries of the project are expected to be 10,000 rural producers from the most vulnerable municipalities and indigenous territories of the Caribbean Coast of Nicaragua. Project stakeholders include: male and female small- and medium-size landholders, male and female rural laborers, existing producers organizations, youth, and fishermen with no or limited assets and equipment.

III. Preliminary Description

Concept Description

The proposed Project is based on a grant proposal submitted by the GON for funding under the Global Agriculture and Food Security Program (GAFSP). The proposal was approved by the GAFSP Steering Committee on September 7, 2013 and awarded a grant amount of US\$ 33.9 million.

Overall design:

The Project puts forth short, medium- and long-term interventions for rural producers' integration into agricultural and non-agricultural value chains already being implemented under PRORURAL-I. In the short term, household and community agricultural production models would focus, for example, on fast-cycle crops such as basic grains and vegetables. In the medium term, models would promote additional income through perennial crops and the introduction of top-quality seeds and genetic material, as well as investment in post-harvest storage and agro-processing. Finally, long-term agro-forestry production models aim at ensuring environmental sustainability and promoting locally endemic timber species. These actions will be accompanied by technology development centers and experimental farms, which will strengthen regional capacities for researching and generating locally adapted technologies appropriate for tropical rainforest crops.

The Project will target approximately 500 indigenous and mestizo communities in the Municipalities of Puerto Cabezas, Bonanza, Rosita, Waspm, Siuna, Prinzapolka, and Mulukuku

(RAAN), and of Bocana de Paiwas, Bluefields, Kukra Hill, El Tortuguero, La Desembocadura de Rio Grande, Laguna de Perlas, Corn Island, and La Cruz de Rio Grande (RAAS). Specific target territories and selection criteria will be developed during Project preparation.

Component 1: Increased Agricultural Productivity (US\$15.1 million): This component will support the PDO by increasing agricultural productivity and rural income, based on economic and environmental sustainability. Two main activities are proposed:

1. Agricultural technology generation and transfer would improve production yields, strengthen the public goods provision of strategic and adaptation research, and finance technical assistance to boost agricultural technology generation and transfer, increase production diversification, ensure sustainable natural resource use and build in resilience to the dynamics of climate change.
2. GAP capacity building would target knowledge services to rural producers to expand their production and management know-how as an input toward increased productivity. Business and financial management training and workshops would complement these knowledge services.

The means of packaging technology transfer and capacity-building for rural producers would be the Innovation Development Plans (IDPs). IDPs would be the outcome of mapping and diagnostics conducted by local stakeholders – including rural producers – to assess needed value chain investments in physical and human capital that enhance productivity and create the conditions for market inclusion on the part of rural producer organizations. The IDPs would pool producer organizations' contributions (both cash and in-kind) with those of other stakeholders (i.e., private sector) and Project funds under a matching grants methodology to finance fixed investment in on-farm innovations. The grants to producer organizations would finance up to 90 percent of investment costs under their respective IDPs. Anchor enterprises, financial institutions, Universities, and other local development partners would be expected to play roles in IDP formulation and implementation, including finance (whenever feasible) and support to commercial development of these organizations. Private-sector alliances would also be sought through investment promotion via PRONicaragua (the investment and export promotion agency).

Component 2: Non-Farm Rural Livelihoods (US\$3.6 million): This component will support the PDO by promoting innovative non-farm small enterprises. Non-farm entrepreneurial activities will be financed through IDPs similar to those under Component 1 and, among others, would include provision of inputs and services for agriculture, light manufacturing and processing, sustainable rural tourism, modernization of artisanal fisheries, as well as capacity building to increase participants' access to labor markets and self-employment opportunities.

Component 3: Investments in Market Inclusion (US\$8.4 million): This component would support the PDO by forging market linkages for organized producers, encouraging value-added in agricultural, livestock and fish products. This component aligns with the technology generation, sanitary and phytosanitary surveillance and innovation development financed under Component 1. Four main activities are proposed:

1. Food safety value-added would ensure quality standards are met for agricultural, livestock and fish products. Plant health and animal health surveillance investments would support public goods provision toward improved sanitary and phytosanitary levels.

2. Strengthening producer organizations would support the formation of legally constituted producer organizations to improve their competitiveness, management, and decision-making capacities.
3. Value added IDPs, similar to those financed under components 1 and 2, would support income diversification for vulnerable populations and young people.
4. Market information and financial services would contribute to a favorable environment that nurtures improved small enterprise performance through equitable access to: (i) market infrastructure; (ii) rural financial services; and (iii) price and market information.

Component 4: Reduced Childhood Nutritional Vulnerability (US\$4.7 million): This component will support the PDO by reinforcing selected multi-sector activities of the National System of Social Welfare in the target areas. The component will draw on experiences and strategies of MINSA, MIFAN, and MINED in delivering food and nutrition education as well as the School Feeding Program in the Caribbean Coast. Project activities will support priorities under a broader safety net approach that is culturally adapted to the context of rural and indigenous communities. Activities could include: establishing community school gardens, improving monitoring of under-4 children development, emphasizing nutritional education, and tapping local farmer's production into the School Feeding Program.

Component 5: PRORURAL-I Institutional Strengthening (US\$2.1 million): This component will support the PDO by improving the effectiveness of PRORURAL-I and its executing institutions in administrative and financial management, as well as monitoring and evaluation. This will include support to: (i) increase their current coverage in targeted areas through Project services; (ii) implement a result-based sector budget process; and (iii) and enhance analytical capabilities of staff in planning, budgeting, monitoring, and evaluation to improve the quality of public agricultural sector spending.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04	x		
Forests OP/BP 4.36	x		
Pest Management OP 4.09	x		
Physical Cultural Resources OP/BP 4.11	x		
Indigenous Peoples OP/BP 4.10	x		
Involuntary Resettlement OP/BP 4.12	x		
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50			x
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	33.90	Total Bank Financing:	0.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			0.00
Global Agriculture and Food Security Program			33.90
Total			33.90

VI. Contact point

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