

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA15103

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 administrati on- 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%), Managin g for development results (10%)
Lending Instrument	Investment Project Financing
Project ID	P148809
Borrower(s)	REPUBLIC OF NICARAGUA
Implementing Agency	Ministry of Family Economy (MEFCCA)
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	01-Dec-2014
Date PID Approved/Disclosed	01-Dec-2014
Estimated Date of Appraisal Completion	30-Oct-2014
Estimated Date of First Grant Approval	30-Jan-2015
Decision	

I. Project Context

Country Context

Nicaragua is a lower middle income country and one of the least developed countries in Latin America. In recent years, Nicaragua has experienced moderate economic growth of an average of 3.2 percent per year and made important progress on poverty reduction. Forty-two percent of the population lives below the poverty line (compared to 48 percent in 2005) and the gross national income per capita of US\$1,851 in 2013 remains below the region average. More than 80 percent of the poor live in remote rural areas.

Agriculture remains one of the main drivers of economic growth in Nicaragua. The agriculture sector represents 21.5 percent of GDP and 32.3 percent of all exports. Agriculture is the single biggest employer, with more than 30 percent of the labor force (more than twice the average of 15 percent for Latin American and Caribbean region). Foreign direct investment in agriculture and agribusiness in Nicaragua has risen from just over US\$8 million in 2008 to over US\$73 million in

2013. Agriculture is the main source of livelihood for 80 percent of rural households and the majority of both food and export crops are based on smallholder production.

Sectoral and institutional Context

The main obstacle to sustaining agricultural growth and ensuring food security is low productivity of the main agricultural crops. In spite of its potential, agricultural growth is constrained by limited access to assets and inputs, low application of good agricultural practices (GAPs), limited access to rural financial services, and lack of effective rural infrastructure. Agricultural growth is also limited by post-harvest losses, weak agri-business development services, and climate change vulnerability. Agriculture can increase its contribution to the national economy and to poverty reduction, provided that structural challenges are adequately addressed to improve productivity of food and export crops, to encourage diversification and local consumption, and to ensure linkages between agribusiness and smallholder producers.

The Government of Nicaragua (GON) has been implementing a Sector-wide Rural Development Program PRORURAL Incluyente (PRORURAL-I) since 2010. Under the overarching National Human Development Plan 2012-2016 (PNDH), PRORURAL-I is the agricultural sector and food security strategy. The objective of PRORURAL-I is to contribute to equitable human development and capital accumulation of rural Nicaraguan families through the use of sustainable natural resources. PRORURAL-I focuses on low-income smallholders throughout the country and supports: (a) capital asset formation through a combination of grants and loans to strengthen their production capacities; (b) technical assistance (TA) to build human capital; (c) input subsidies, agricultural services, and organizational support; and (d) links with other programs (including the National System of Social Welfare) to improve rural livelihoods, increase food availability, and reduce malnutrition and poverty.

The country's National Food Security Policy emphasizes the production and access of poor families to safe and nutritious food. The improvement of nutrition security from an agriculture perspective is a multifaceted issue because there is a lack of awareness about the integration of nutrition into agriculture decisions and consumption behavior. Despite the availability of nutritious foods, such as fruits and vegetables, families may not consume these foods in adequate amounts.

Nicaragua has made progress toward reaching the Millennium Development Goals in child health and nutrition, but still lags well behind the regional average. The prevalence of underweight children under five years of age is 22 percent nationally and 25.15 percent on average in the Caribbean Coast region. The prevalence of stunted children under five years of age is 20.2 percent nationally and 27.8 percent on average in the Caribbean Coast area. Stunting ranges from 16.4% to 44.4% in the project areas. Only 30.6 percent of children are exclusively breastfed for the first six months of life, an important determinant of early life malnutrition.

To build on PRORURAL-I, the GON prepared a proposal to the Global Agriculture and Food Security Program (GAFSP) to expand this program in the Caribbean Coast. The proposal was approved on September 7, 2013 and awarded a grant amount of US\$33.9 million to be managed by the World Bank as Supervising Entity. The project will directly operationalize the GON's policies and program objectives in an area with high economic potential for agricultural and forest activities, but also one of the poorest, malnourished, and most food insecure regions of Nicaragua.

The Caribbean Coast is the country's main agricultural frontier. This area accounts for 35 percent of

the cattle, 23 percent of the agricultural area, 72 percent of the forest area, 70 percent of fishery production and 60 percent of the mineral resources. Since 2001, there have been important increases (22.3 percent) in production of staple foods such as beans, but a steady decrease (-21.2 percent) in maize production (Agricultural Census, 2011). The agricultural frontier is expanding as forest land is progressively turned into pastures for low-productivity cattle farming. The country has lost more than 20 percent of its forest cover since 1990; the annual deforestation rate is calculated at about 76,000 Ha/year (REDD proposal, 2013). The Caribbean coastal area has the least amount of paved roads in the country. Beginning in 2010, there has been a significant increase in the road network through a government-led program, and a multi-donor program is underway to raise access to electricity from 40 to 84 percent by 2017.

The Caribbean Coast is culturally diverse and is divided into two autonomous regions, the Región Autónoma del Caribe Norte (North Caribbean Autonomous Region, RACCN) and the Región Autónoma del Caribe Sur (South Caribbean Autonomous Region, RACCS). As of December 2013, the population of the RACCN and RACCS was approximately 786,000. The mestizo population is estimated at 77.7 percent, 17.8 percent are of Miskito indigenous descent, approximately 1.1 percent is Mayangna and 3.0 percent are afro-descendants. At present, 21 out of 22 indigenous territories have been demarcated and titled.

The RACCN and RACCS have some of the highest poverty levels and incidence of extreme poverty, yet they have received less government spending in relation to other rural areas. In the RACCN municipalities targeted by the Project, 77 percent of the population lives in poverty, of which 72 percent are extremely poor. In the RACCS municipalities targeted by the Project, 36 percent of the population lives in poverty, of which 74 percent are extremely poor. The figures for extreme poverty by far exceed the Pacific and Central regions, which average 14.3 and 18.5 percent, respectively. While there is abundant literature that shows the link between public investment in agriculture and poverty reduction in Nicaragua, the last two public expenditure reviews show that public investments in agriculture in the RACCN and RACCS have been significantly lower than in the rest of the country since 1990.

The proposed Caribbean Coast Food Security Project will support short-, medium- and long-term investments to enhance food and nutrition security and agricultural productivity gains. Short-term agricultural production investments will focus on fast-cycle crops such as basic grains and vegetables. Mid-term investments will promote production diversification through perennial crops and the introduction of top-quality seeds and genetic materials, as well as investment in post-harvest storage and agro-processing. Long-term investments will promote agro-forestry systems with locally endemic timber species. By focusing on sustainability and efficiency gains, these investments are expected to have a positive impact in reducing the advancement of the agricultural frontier in the Caribbean Coast region. Finally, the project will promote nutrition-sensitive considerations and awareness among producers, ensure self-consumption of high quality nutritious food, in addition to commercialization, and introduce gender-sensitive labor-saving technologies.

II. Proposed Development Objectives

The proposed project development objective is to enhance food and nutritional security in select communities of the Caribbean Coast of Nicaragua.

The PDO will be achieved by (a) enhancing productive and marketing capacities of farmers and rural enterprises through supporting the design, financing and implementation of Innovation

Development Plans (IDPs); and (b) providing cross-cutting services to IDP beneficiaries in the areas of technology generation/transfer and nutrition education and communication.

III. Project Description

Component Name

Innovation Development Plans (IDPs) for strengthening productive and marketing capacity

Comments (optional)

This component will enhance the productive and marketing capacities of farmers and rural enterprises. It will do so by supporting the participatory design of business proposals known as Innovation Development Plans (IDPs), and financing their implementation. These IDPs will support groups of beneficiaries organized in different ways and to achieve goals related to production improvements, innovations, and the consolidation of market opportunities.

Component Name

Strengthening service provision for sustainable production, food security, and nutrition

Comments (optional)

This component will strengthen sectoral capacities for the provision of services in support to IDP beneficiaries in two broad areas: (i) Technology generation/validation and transfer to improve productivity and quality of agriculture production, and (ii) Nutrition education and communication and nutrition-sensitive agriculture.

Component Name

Project management, monitoring and evaluation

Comments (optional)

This component will finance incremental and operating costs, equipment and goods for MEFFCA, including a comprehensive M&E system. Activities will include project reporting, monitoring and evaluation with gender-differentiated aspects (monitoring IDPs, baseline, final evaluation, and rapid impact evaluation), financial management (including project audits) and procurement.

IV. Financing (in USD Million)

Total Project Cost:	33.90	Total Bank Financing:	0.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			0.00
Global Agriculture and Food Security Program			33.90
Total			33.90

V. Implementation

Implementing agency. The implementing agency will be the Ministry of Family, Communal, Cooperative, and Associative Economy (MEFCCA). MEFCCA was created by Law 804 of 2012 and its institutional mandate is to promote the family economy through a new model of integrated attention to micro and small rural and urban production by recognizing the capabilities of Nicaraguan families and distinct forms of participation in the national economy. MEFCCA's experience with World Bank-financed projects is recent and related to one of the components of the Micro, Small, and Medium Enterprise Development.

Project Management. Within MEFCCA, the Directorate of Family and Community Agriculture (Dirección General de Agricultura Familiar y Comunitaria) will lead project implementation. This Directorate will be responsible for appropriate implementation of project activities, compliance with the project's Environmental and Social Management Framework (ESMF) and related World Bank environmental and social safeguards, and overall M&E. MEFCCA's financial and procurement divisions at the national and regional levels will be responsible for financial management and procurement of all goods, works and services required for the successful implementation of the Project.

Regional MEFCCA offices. MEFCCA operates 19 decentralized offices and has three territorial offices or delegations in the Caribbean region in Puerto Cabezas and Siuna (RACCN), and Bluefields (RACCS). These delegations carry out administrative and operational functions at the regional level, in addition to overseeing the implementation and execution of MEFCCA programs at the local level. In close coordination with the Directorate of Family and Community Agriculture, the regional delegations will manage project procurement and financial processes at the territorial level for the proposed Project, and will also be responsible for coordinating operational and technical activities regionally. Incremental costs of the delegations to perform these functions will be financed by the Project under component 3. The delegations will take up responsibilities for project implementation in the areas of influence and perform the following functions: dissemination of project information, mobilization, support to IDP design, implementation and evaluation, and in general all the activities under component 1. They will also train local promoters and leaders, train technicians to be contracted by producer groups with IDP financing, promote coordination with local authorities, promote local partnerships between beneficiaries and other private sector players, and prepare progress reports for the project.

Coordination with other agencies, and with regional and local authorities of the Caribbean Coast. MEFCCA holds overall technical and fiduciary responsibility in the implementation of the Project. However, MEFCCA may engage in cooperation agreements with other government agencies and private entities when specific expertise is needed for the implementation of the project. In addition, coordination with the Autonomous Governments of RACCS and RACCN and their territorial structures will be needed to advise on project activities. Finally, MEFCCA will consult territorial and communal governments to prioritize project investments and activities in the indigenous and afro-descendants territories.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
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

Comments (optional)

VII. Contact point

World Bank

Contact: Augusto Garcia
Title: Senior Operations Officer
Tel: 5398+212
Email: agarcia2@worldbank.org

Borrower/Client/Recipient

Name: REPUBLIC OF NICARAGUA
Contact: Ministry of Finance and Public Credit
Title:
Tel:
Email:

Implementing Agencies

Name: Ministry of Family Economy (MEFCCA)
Contact: Maria Antonieta Machado
Title: Minister
Tel: 50522558777
Email: mmachado@economiafamiliar.gob.ni

VIII. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: <http://www.worldbank.org/infoshop>