



# Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 26-Mar-2018 | Report No: PIDISDSA23805



**BASIC INFORMATION**

**A. Basic Project Data**

Country Nicaragua	Project ID P162982	Project Name Nicaragua Dry Corridor Climate Resilient Agriculture Project	Parent Project ID (if any)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date 27-Mar-2018	Estimated Board Date 17-May-2018	Practice Area (Lead) Agriculture
Financing Instrument Investment Project Financing	Borrower(s) Republic of Nicaragua	Implementing Agency Ministry of Family, Communal, Cooperative, and Associative Economy - MEFCCA	

Proposed Development Objective(s)

To strengthen agricultural productivity and climate resilience in selected Municipalities of the Dry Corridor of Nicaragua.

Components

- Component 1 -Institutional Strengthening for water resources management and improvement of livelihoods in the Dry Corridor
- Component 2 – Climate Smart Productive Investments
- Copmonent 3 - Project Management
- Component 4 - Contingency Emergency Response

**Financing (in USD Million)**

Financing Source	Amount
International Development Association (IDA)	50.00
<b>Total Project Cost</b>	<b>50.00</b>

Environmental Assessment Category

B - Partial Assessment

Decision

The review did authorize the preparation to continue



Other Decision (as needed)

## B. Introduction and Context

- Nicaragua has made impressive gains in recent years on poverty reduction and economic growth.** Between 1994 and 2016, real Gross Domestic Product (GDP) growth averaged four percent. Having reached 4.7 percent growth in 2016 the Nicaraguan economy is forecast to continue expanding. This growth has been driven by robust domestic demand and a strong performance of exports. Consumption spending and gross fixed capital formation, as well as net external demand also contributed positively to the development of real GDP. Moreover, extreme poverty decreased from about 17 percent in 2005 to about 8 percent in 2014. Similarly, the official overall official poverty rate decreased from about 48 percent in 2005 to about 30 percent in 2014<sup>1</sup>. This reduction has been driven mainly by growth through higher labor incomes in the agricultural sector in rural areas. Remittances from abroad and a demographic transition towards a more prominent working age population also had a direct impact on poverty reduction.
- Despite the progress made, Nicaragua remains the second poorest country in Latin America in terms of average per capita income and the fourth poorest in terms of poverty rates.** Not only is the proportion of Nicaraguans living in poverty still high, but there is also a large group who are not poor but who are highly vulnerable to the risk of falling into poverty if exposed to external shocks. Poverty also remains highly concentrated: in 2014, 70 percent of the total poor population of 1.7 million were living in rural areas. The poor in rural areas are more likely to work in agriculture, which remains a key sector in the country's economy, even if its relative weight has decreased overtime. On the other hand, most of the population (close to 60 percent) is now urban. Surging urbanization and limited opportunities have led to the proliferation of poor settlements with informal occupation of land, often in precarious locations.
- At the same time, the country is highly vulnerable to natural disasters and climatic variability, such as hurricanes, extreme rainfall and earthquakes.** Nicaragua's geographic location makes it vulnerable to climate-related phenomena such as droughts, hurricanes, floods, landslides and geological events (e.g., earthquakes and volcanic eruptions). It is prone to flooding on its Pacific coast and has experienced hurricanes on its eastern coast. These climatic events are expected to continue, particularly in the country's coastal zones. Although estimates are uncertain, tropical cyclones are on the increase and heavy rainfalls, combined with unsustainable land use management, make communities more vulnerable to landslides. Over the last decades, agricultural productivity levels in the country have been adversely affected by weather conditions marked by droughts, which are also likely to occur with higher frequency in the future. Given that the poor are more likely to be employed in the agricultural sector in rural areas, they tend to be more exposed to climatic shocks and natural disasters. The urban and peri-urban poor are also exposed to these risks often due to the hazardous location of their settlements.
- To sustain economic growth rates and address poverty and equity challenges, Nicaragua is implementing a concerted and integrated effort.** In its National Human Development Program (PNHD,

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<sup>1</sup> World Bank estimates based on 2005 and 2014 Living Standards Measurement Studies (*Encuesta Nacional de Hogares sobre Medición de Nivel de Vida*).



2018-2021), the Government of Nicaragua (GON) has stressed the importance of agriculture for economic growth, poverty reduction and equity. Priorities to develop agriculture include, inter alia: (i) alliances with the private sector; (ii) increased agricultural production and productivity, while adapting to climate change; and (iii) value addition and support to value chains, prioritizing family farming and small and medium enterprises.

#### Sectoral and Institutional Context

5. **Agriculture is one of the main engines of rural poverty reduction and economic growth in Nicaragua.** In 2010-2015, the country's agriculture sector accounted for about 17 percent of the GDP in contrast to the LAC average of 5.5 percent of the GDP<sup>2</sup>. Per the 2017 Nicaragua Systematic Country Diagnostic (SCD, Report 116484-NI) prepared by the World Bank, the decline in rural poverty from 2005 to 2014 is explained for the most part by the increase in earnings in agriculture, coupled with the fact that most of the poor are employed by this sector.

6. **Low productivity of the main agricultural crops and of cattle-ranching is the primary obstacle to sustaining agricultural growth and rural poverty reduction.** Despite its potential, agricultural growth and its contribution to poverty reduction are constrained by limited access to assets and inputs, low application of good agricultural practices, limited access to rural financial services, and lack of effective rural infrastructure. Particularly amongst poor smallholders, the adoption of new technology and climate-smart practices is low. Low adoption rates affect not only productivity and food security, but also compromise the sector's ability to respond and adapt to severe weather and climate conditions.

7. **The lack of rainfall for more than six months during the year is another constraint of agricultural production in the Dry Corridor, deteriorating the already low agricultural productivity.** This, together with the short length and high slopes of the rivers flowing intermittently, as well as insufficient water regulation infrastructure during the short and variable rainy season are the main constraints worsening the already low agricultural productivity of poor family farms in the Dry Corridor of Nicaragua.

8. **Low agricultural productivity as well as short and irregular rainfalls are particularly affecting the poor smallholders living in a large portion of Nicaragua's territory known as the Dry Corridor:** a strip of land of approximately 18,600 square kilometers that runs across approximately 50 Municipalities. The Dry Corridor comprises most of the central region of Nicaragua where overall poverty affects 44.4 percent of population<sup>3</sup>. The Dry Corridor comprises approximately 67,000 farms of which 98 percent are poor family farms of less than 40 hectares; 46 percent or approximately 31,000 farms have less than two hectares and practice subsistence agriculture. The remaining 52 percent of farms have between 20 and 40 hectares and are run by poor smallholders with some potential or very incipient orientation to commercial agriculture.

9. **The deteriorating situation in terms of agricultural productivity and climate variability in the Dry Corridor jeopardizes the recent gains in poverty reduction.** Average annual precipitation in the Dry Corridor is usually below 800 millimeters per year. During El Niño Southern Oscillation (ENSO) years, for example, precipitation can drop by 30- 40 percent, with long periods of heatwaves during which there is hardly any rainfall. Climate variability has devastating consequences on the cultivation of basic grain crops,

<sup>2</sup> Agriculture in Nicaragua: Performance, Challenges, and Options. World Bank, 2015

<sup>3</sup> National Development Information Institute, INIDE (2014): Living Standards Measurement Survey.



which are part of the region's subsistence and transitional agriculture, as well as on other smallholder agriculture and livestock production activities with potential commercial orientation.

10. **The GON's initiatives for agricultural development in the Dry Corridor are led by various public institutions of the agricultural sector.** The following public sector institutions have different operational levels in the Dry Corridor and coordinate for the provision of technical assistance and services to farmers: the MEFCCA, Ministry of Agriculture (MAG), Ministry of Environment and Natural Resources (MARENA), Nicaraguan Institute of Agricultural Technology (INTA), Nicaraguan Institute of Territorial Studies (INETER), Food Safety and Animal Health Institute (IPSA), National Forest Institute (INAFOR), and the Nicaraguan Institute of Municipal Development (INIFOM).

Relationship to CPF

11. **The proposed Project is consistent with the World Bank Country Partnership Framework (CPF) for the period of FY2018-2022 (Report No. 123026-NI).** The CPF was discussed by the Executive Directors of the World Bank on March 15, 2018. The Project is included in the CPF and will contribute to the second Pillar: Enabling private investment for job creation, under its Objective 4: Improved Business Productivity and Financial Inclusion for Urban and Rural Small and Medium Enterprises and Female Entrepreneurs, which aims at increasing agricultural productivity among targeted beneficiaries in the Dry Corridor region. Also, the Project will contribute to the third Pillar of the CPF: Improving institutions for resilience and sustainability, under its Objective 6: Improved natural resource management (water, forest, and land) and reduced vulnerability to natural hazards.

12. **Relationship to other World Bank-funded projects.** The proposed Project will coordinate with other projects, which would operate in the Dry Corridor: (i) the Property Rights Strengthening Project (P163531), which would continue supporting land regularization activities; (ii) the Project to support the implementation of the National Water Resources Plan (P164286); and (ii) the Global Environment Facility (GEF) grant being prepared for a Resilient Landscapes Management Project (P160688).

### **C. Proposed Development Objective(s)**

Development Objective(s) (From PAD)

To strengthen agricultural productivity and climate resilience in selected Municipalities of the Dry Corridor of Nicaragua.

Key Results

- a) Increase in productivity index
- b) Productive Development Plans (PDP) beneficiaries reporting reliable access to water for production
- c) Farmers adopting improved agricultural technology - of which women

### **D. Project Description**



13. **Proposed intervention area.** Out of 50 Municipalities considered part of Nicaragua’s Dry Corridor, the Project will focus on 30 Municipalities<sup>4</sup>. The GON is selecting these Municipalities based on the poverty map (incidence of extreme poverty, from 13.5 percent in Rivas, to 57.8 percent in San Dionisio; while average extreme poverty for 30 Municipalities is 35 percent), climate vulnerability, lack of water for production, deforestation, agricultural potential and the non-existence of similar projects with similar target population. Similar criteria (poverty, climate vulnerability, agricultural or non-farm potential, and equitable geographic coverage) will guide the selection of the communities and beneficiaries at the intra-municipal level.

14. **Beneficiaries.** It is expected that the Project will reach directly approximately 10,000 beneficiary male and female farmers. Within the selected Municipalities, the Project will support formal and informal groups of beneficiaries (i.e. cooperatives, producers’ associations and groups). Direct beneficiaries will include: (i) poor farmers and their organizations, some of them participating in value chains; and (ii) sector institutions and Municipalities. Indirect beneficiaries will include: (i) approximately 50,000 members of farmers’ families; (ii) male and female rural laborers; and (iii) young adults, with no or limited assets and equipment.

15. The Project will contribute to strengthening agriculture productivity and climate resilience of the poorest farmers. For the purposes of this Project, climate resilience is defined as the ability of households to withstand and respond to climatic shocks, particularly drought. In the medium/long term, the project will stimulate economic growth, contribute to poverty reduction, and reduce the vulnerability of rural population in the Dry Corridor of Nicaragua.

16. The Project will work with public sector institutions and private sector partners to provide groups or associations of poor and food insecure small family farmers with technical services and investments aimed at increasing their agricultural productivity and climate resilience, with an integrated approach of:

- a) conservation of natural resources, which will include protection of farm areas not suitable for crops and pastures that contribute to increase water availability; for instance, by encouraging reforestation and natural regeneration to allow better retention of water to feed the reservoirs, protect water sources, or infiltrate water, while preventing from landslides;
- b) improved access to water for productive activities (agriculture and livestock), which include construction, rehabilitation, or improvement of boreholes or small reservoirs, including irrigation techniques to be used by groups of poor smallholders, ensuring sustainable functioning, and avoiding massive use of water with low efficiency;
- c) sustainable production of high-value crops and livestock (for instance, crop planning, water saving technologies, soil nutrition practices, improved seeds, silvo-pastoral systems, and nutrition-sensitive agriculture, amongst others); and
- d) support to value-addition and commercialization of agricultural and livestock products, including the alliances with local processors or wholesalers to reach markets, post-harvest practices, value-addition, packing facilities, and support for better deals with other actors in the agri-food value chains.

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<sup>4</sup> The proposed project area spans across the following Municipalities: Dipilto, San Fernando, Ocotal, Yalaguina, Esteli, La Trinidad, Ciudad Dario, Terrabona, Equipulas, Matagalpa, San Dionisio, Achuapa, El Sauce, El Jicaral, Villanueva, Somotillo, Santo Tomas del Norte, San Pedro del Norte, San Francisco Libre, Ticuantepe, La Concordia, Masaya, Nandasmo, Catarina, Altagracia, Rivas, Granada, Nandaime, Jinotepe, San Marcos.



17. The PDO will be achieved through four components.

18. **Component 1 – Institutional Strengthening for water resources management and improvement of livelihoods in the Dry Corridor.** The objective of this Component is to build local institutional capacity for water resource planning to ensure consistency between the water resources available at sub or micro watershed levels, and the demand for water for productive use at farm level in subprojects of Component 2. Improved water resource management at local and farm levels will contribute to increased productivity and resilience to climate change driven drought of beneficiaries' productive systems and livelihoods.

19. Subcomponent 1.1: Technical assistance and capacity building for climate smart sustainable water resources management at Municipality level. The subcomponent will help establish alliances between MEFCCA and selected municipalities to implement municipal land use plans' watershed management provisions, as well as to develop water resources information systems at the municipal level, among others. This information will be used to prepare and implement subprojects of Component 2.

20. Subcomponent 1.2: Development of institutional alliances to enable access to strategic information services. This subcomponent will help establish institutional alliances to provide specialized analytical information on water availability, weather patterns and other geophysical data, considered critical to building resilience to climate change. As needed, MEFCCA will establish alliances with public institutions and other organizations and initiatives to inform subprojects design, including to improve the design of activities to protect natural resources, and to optimize the location and design of small reservoirs to collect rain water or delimitate the water recharge zones.

21. **Component 2 – Climate Smart Productive Investments.** The objective of this Component is to improve agricultural productivity and resilience to climate change at farm level by supporting climate-smart investments through demand-driven subprojects (Productive Development Plans – PDP) for subsistence, transitioning, and commercially-oriented family farmers, and by providing the required technical assistance and institutional services, as well as promoting the linkages with the private sector across local agri-food systems whenever possible.

22. Subcomponent 2.1: Productive climate smart Investments. This subcomponent will help improve climate-resilience and enhance the productive capacities and ability to tap into existing markets of subsistence, transitioning, and commercially-oriented family farmers by supporting the participatory design of PDPs, and financing their implementation by family farmers' groups. Considering that rural livelihoods strategies in the Dry Corridor also include non-farm activities, PDPs will include non-natural resource-based investments to support innovative micro and small, family and collective entrepreneurship and to strengthen the capacity to access markets and self-employment opportunities, emphasizing on opportunities for women, young adults, and landless beneficiaries.

23. To implement the Project's integrated approach, the PDPs will support formal and informal groups of beneficiaries (i.e. cooperatives, producers' associations, solidarity groups, rural microenterprises) to: improve the protection and sustainable use of available surface water and groundwater sources at farm level, achieve improvements with climate-smart and nutrition-sensitive innovations in agricultural and livestock production, increase the availability and efficient use of water in crops, improve value-addition of agricultural produce and help seize opportunities for high-value agriculture, and consolidate market opportunities in alliance with key partners of local agri-food systems and private sector, whenever possible.



24. Subcomponent 2.2: Technical Assistance for Design and Implementation of Productive climate smart Investments. The objective of this subcomponent is to support capacity building, training, and technical assistance activities that are required to prepare and implement the productive investments of subcomponent 2.1.

25. **Component 3 - Project management, Monitoring and Evaluation.** The objective of this Component is to facilitate project management, implementation, monitoring, and evaluation. This component will support: (i) the functioning of the Project Implementation Unit (PIU) with the required technical, fiduciary, and safeguards staff; and (ii) the incremental staffing related to the Project in 12 decentralized offices of MEFCCA in the Dry Corridor (Delegaciones Departamentales). The activities will also include Project reporting, monitoring and evaluation (M&E), baseline, impact evaluation, financial management (including audits), and procurement.

26. **Component 4: Contingency Emergency Response (CER).** Reflecting the strategic approach taken in Nicaragua across the Bank's portfolio, this Component will provide immediate response to an eligible emergency. As such, in the event of such eligible emergency (as defined in the CER Operational Manual already prepared and adopted by the government), and at the request of the GON, the Component would finance emergency activities and expenditures through the reallocation of funds from the Project.

## E. Implementation

### Institutional and Implementation Arrangements

27. **Implementing Agency:** The proposed Project will be executed under the direction of MEFCCA. The MEFCCA was created by law 804 in 2012 as a government's centralized entity, and its mandate is to promote the family economy through a new model of integrated attention to micro and small rural and urban production.

28. **Project Management.** Within MEFCCA, the General Division of Project Management and Cooperation will lead the overall Project implementation. It 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. The MEFCCA's, financial and procurement Divisions, at the national and territorial levels, will be responsible for financial management and procurement of goods, works and services required for the successful implementation of the Project.

29. **Coordination with other public-sector institution, other potential allies, and local authorities of the Dry Corridor.** The MEFCCA will have overall technical and fiduciary responsibility in the implementation of the Project. However, MEFCCA may engage in cooperation agreements (alliances) with other government agencies (i.e. INETER, MAG, INTA, IPSA), local authorities (Municipalities) and private entities when specific expertise is needed for Project implementation. Finally, the MEFCCA will assure the inclusion of Indigenous People that could be present in the Project area.





**F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)**

The Dry Corridor covers approximately 18,600 square kilometers and 50 municipalities in 5 geographical regions. It comprises areas with different levels of vulnerability to climate change ranging from medium, high and very high, depending on the seasonal and geographical distribution of precipitation and temperature. Other factors that affect the definition of these areas include political and administrative divisions (municipalities), micro-climates, topography, population and agro industrial clusters, and access roads. Within this area, the Project selected 30 municipalities that are part of the development priorities of the GON. The selection criteria include: (i) concentration of poor rural households, (ii) agricultural potential and existence of agricultural value chains, and (iii) availability of water resources. The Project will identify the main engines of growth and key players in the existing value chains including non-agricultural areas. In this context it will consider the prevailing crops, agricultural products and non-agricultural opportunities in the target area and their environmental and commercial suitability, especially in relation to availability of water resources. Other aspects such as soil quality, slope, and vegetation and access to finance and agricultural supplies are also of paramount importance. Another aspect that will be considered are trends in agricultural activities and related segments including services and manufacturing. There are 22 Indigenous Peoples living in the Dry Corridor in both urban and rural settings. Within the 30 beneficiary municipalities there are seven municipalities with the presence of Indigenous Peoples. At the community level, Indigenous Peoples subscribe primarily to two governing bodies, including the Elder Council and the Community Council. Whereas most Indigenous Peoples within the project area are subsistence farmers, their sources of income come primarily from coffee production, commercial activities in near-by cities or work on cattle ranches. Within the project area there are both collective Indigenous lands as well as privately titled lands. Indigenous women within the project area, apart from working in domestic tasks, generate income from producing and selling their handcrafts. Women also work in different cooperatives, mostly in coffee and vegetable production, which they sell in the closest town or city.

**G. Environmental and Social Safeguards Specialists on the Team**

Gunars H. Platais, Environmental Safeguards Specialist  
Dianna M. Pizarro, Social Safeguards Specialist

**SAFEGUARD POLICIES THAT MIGHT APPLY**

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The Project will support environmentally friendly activities at the farm level such as watershed



restoration. At the same time it supports an increase in agriculture productivity with potential direct impact on the environment. These might include inter alia, increased erosion, deforestation, nutrient loading in water bodies and degradation. These are the types of on farm impacts that are addressed in the ESMF and the EMP through the implementation of good practices designed to avoid these impacts. The Project will also work on water resources management in yet to be defined watersheds. The Environmental Assessment (EA) will provide guidance to improve the selection of PDPs and their siting, planning, design, and implementation. The proposed Technical Assistance will be informed by the Interim Guidelines on the Application of Safeguard Policies to Technical Assistance (TA) Activities in Bank-Financed Projects. It will support the four axes of the proposed integrated approach: a) conservation of natural resources; b) access to water; c) production of high value crops and cattle production with sustainable systems; and d) commercialization of agricultural and livestock products. These activities follow an approach of strengthening environmental stewardship and increasing the sustainability of Project interventions. Considering that project location of PDPs is not defined, an ESMF has been prepared, providing guidance on not only the mitigation and management of adverse social and environmental impacts but also on how to enhance positive impacts.

The Project's ESMF includes screening criteria to identify potential issues relating to child labor, especially in hazardous activities or activities that prevent children attending school and develops procedures to identify, assess and address possible cases. It also includes robust screening criteria and procedures to ensure that all land donations are voluntary per the criteria established by OP/BP 4.12. Finally the social chapter of the ESMF includes the Project's grievance redress mechanism, building on current systems employed in the participating institutions, while ensuring agility, access, prompt response timeframes, and respect for confidentiality.



Natural Habitats OP/BP 4.04	Yes	<p>This policy is triggered given that the project will be preparing water resources plans that will consider aquatic habitats, waterways/streams, and wetlands that might be used to increase water availability or provide new water sources. The ESMF includes a screening mechanism to ensure that expansion of productive activities does not impact or expand onto new areas. Sensitive areas with potential for agriculture and adjacent production will be flagged per ESMF guidance.</p> <p>The Project will work with farmers on existing farms with the intention of improving their water management systems and increasing their productivity. The Project will not support the expansion of the agricultural frontier.</p>
Forests OP/BP 4.36	Yes	<p>The Project will support forest restoration including natural regeneration in upper watersheds with the purpose of improving water resource management. In this context, forest plantations will also be considered as an alternative economic activity to enhance farmer productivity. The ESMF ensures that activities supported are consistent with the requirements of OP/BP 4.36 regarding procedures for small-holder or community scale forestry.</p>
Pest Management OP 4.09	Yes	<p>The Project will support the adoption of an Integrated Pest Management approach to minimize use of pesticides on farms supported by the project as it supports an increase in agricultural productivity. The Pest Management Framework, prepared as part of the ESMF, includes provisions designed to ensure farm worker and family safety in use, application, and storage of pesticides that may be used. These include training technical staff, capacity building of farm workers, proper disposal of pesticide receptacles, and personal protective equipment. A Pest Management Plan will be prepared based on this Framework during project implementation and adapted to each selected municipality. Funding will be available for these activities and equipment in sub-project design. Whether as a stand-alone item for the sub-project or as part of the overall budget for sub-projects will be defined as the project is finalized.</p>



Physical Cultural Resources OP/BP 4.11	Yes	<p>This policy is triggered in the case of chance finds. The ESMF includes procedures for sub-project screening and mitigation measures.</p>
Indigenous Peoples OP/BP 4.10	Yes	<p>Indigenous peoples that meet the four criteria of OP/BP 4.10, and that belong to the Chorotegas del Pacífico, Matagalpa and Nahua peoples are present within the project area in the municipalities of Terrabona, San Dionisio, Esquipulas, Matagalpa, Masaya, Altagracia and Rivas. An IPPF has been prepared for the project, in consultation with representatives of the Indigenous communities and organizations from the Project area. The IPPF contemplates a series of actions necessary to ensure access of Indigenous Peoples to project benefits, such as: (i) outreach and capacity building for IP organizations to ensure that they are aware of and understand the terms for competing in calls for proposals; (ii) adapted requirements for proposal presentation, i.e., how proposals are prepared and presented (orally, in writing, electronically); (iii) adapted selection criteria taking into account the capacity and context of Indigenous organizations (levels of literacy, languages, etc.); and (iv) criteria to ensure that TA provided by consultants or firms is carried out in ways that are sensitive to the priorities, expectations, land tenure regimes, and decision-making procedures of Indigenous beneficiaries. The IPPF also establishes procedures to prepare Indigenous Peoples Plans (IPP) for sub-projects aimed at both adopting project approaches for improved inclusion and/or identifying and mitigating for potential adverse impacts. The IPPs will document consultation processes undertaken during the preparation of the sub-projects and will describe the resulting recommendations and concrete project-level actions being taken by the borrower to ensure the inclusion of indigenous producers in the Project. Particular attention has been given to the need to build capacity of local-level organizations and cooperatives and to minimize the risk that the sub-projects could lead to the generation of conflicts among producers or within communities.</p>
Involuntary Resettlement OP/BP 4.12	No	<p>During project preparation it was decided to exclude any subprojects that would require the involuntary</p>



taking of land. Currently, in other projects implemented by MEFCCA, small subprojects that affect land use, such as small reservoirs, are implemented on the basis of voluntary agreements or easements under which the landowner(s) agree to accept the impacts in return for access to project benefits (e.g. water for irrigation). It is proposed that the Project would only support investments based on legally documented or notarized voluntary agreements of this kind that do not require transfer of title or land ownership. Any proposal that requires involuntary resettlement and/or land acquisition would not be eligible for project funding. In addition, the protection of reservoirs will only take place on private or public lands based on voluntary agreements. It will not involve the involuntary restriction of access to legally designated parks or protected areas. This approach is in line with the objective of OP/BP 4.12 to avoid or minimize involuntary resettlement and would avoid the problem of maintaining effective control over areas transferred to the state.

Safety of Dams OP/BP 4.37

No

The Project will support the construction of water harvesting reservoirs. These are anticipated to be of small dimensions and will not require the construction of dams.

Projects on International Waterways  
OP/BP 7.50

Yes

OP 7.50 is triggered because the project will finance minor irrigation systems in the upper parts of the following international river/lake basins: (i) Coco River (shared with Honduras); (ii) Negro River (shared with Honduras); and (iii) Managua and Nicaragua Lakes (shared with Costa Rica). The rainfall harvesting to feed these irrigation systems will have a minuscule impact on average flows in these river/lake basins. The project falls within the exceptions provided in paragraph 7(a) of OP 7.50; because there is an ongoing scheme of water use for irrigation and other purposes including for livestock within the selected 30 municipalities, a Memorandum (dated March 16, 2018), seeking exception to the requirement in OP 7.50 to notify riparians, in relation to this project was prepared by the team and approved by the acting LAC Regional Vice President.

Projects in Disputed Areas OP/BP 7.60

No

The Project will not have activities in disputed areas.



## KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

### A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The Project is classified as a Category B and requires a partial Environmental Assessment (EA). Despite its productive potential, the Dry Corridor is particularly vulnerable to climate change and climate variability with an average annual precipitation usually below 800 millimeters. In some areas this can drop to 500 millimeters per year. Climate variability has devastating consequences on the cultivation of basic grain crops, which are part of the region's subsistence agriculture, as well as on other smallholder commercially-oriented agriculture and cattle-farming activities. Nicaragua is located in an earthquake and volcanically active zone surrounding the Pacific Ocean. The Project supports environmentally friendly activities at the farm level such as riparian zone restoration. At the same time, it supports an increase in agriculture productivity with potential direct impact on the environment such as soil degradation, nutrient loading of water bodies, and removal of vegetative cover. These are the types of on farm impacts that are addressed in the ESMF and the Environmental Management Plan (EMP) through the implementation of good practices designed to avoid them.

The Project will also work on water resources management in yet to be defined watersheds. The EA will provide guidance to improve the selection of PDPs and their siting, planning, design, and implementation.

The primary social risk is that certain groups of producers that are highly vulnerable due to social, cultural, or economic circumstances, are not able to access the Project's benefits, i.e., participation in call for proposals or successful implementation of PDPs. A second social risk is that the conservation of areas to improve water sources for producers, could at the same time, affect the subsistence or productive activities of people who extract natural resources from these areas. Finally, social conflicts among producer organizations or within communities could arise if some producers are selected over others and measures are not in place to ensure community support, transparency in the selection process, or shared benefits.

The Project will not have any potential large scale, significant or irreversible impacts from either an environmental or social perspective.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area: There are no adverse potential indirect or long term impacts anticipated due to future activities in the project area. There is an expectation that potentially, in the long term, there will be an improvement in the micro-climate of the region given the resulting increased forest and vegetative cover thus improving river flow intermittency, aquifer recharge and local climate.

The Project will result in long-term positive impacts by strengthening the capacity of the GON and the different kind of producers (protagonistas), including some Indigenous Peoples to jointly plan PDPs and programs, in alignment with the vision and priorities outlined in the PNDH.

At the same time, the proactive inclusion of Indigenous Peoples in the Project will contribute to increasing



understanding around the potential complementarity and benefits gained from combining traditional knowledge and practices with new technologies and innovations to improve the quality and yields of production. In addition, as demonstrated in other countries, the active participation of Indigenous organizations in project implementation through learning by doing could likely contribute to their capacity to plan, liaise with external partners, and territorial overall governance.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

Project alternatives are not relevant, as the eligible investments are of a small-scale and a dispersed nature. Deciding on alternatives will become more relevant during project implementation when decisions are made as to what interventions will be made on a particular rural area.

The social risk related to involuntary resettlement was thoroughly assessed during Project preparation. However, after analyzing the scope of project investments, current practice and the institutional and legal complexity of carrying out involuntary land acquisition in Nicaragua, it was decided to exclude all subprojects that could produce impacts covered under OP/BP 4.12. Current practice for projects that affect land use, such as small reservoirs and dams, are implemented on the basis of voluntary agreements or easements under which the landowner/s agree/s to accept the impacts of the project in return for access to project benefits (e.g. water for irrigation). It is proposed that the project would only support investments based on legally documented or notarized voluntary agreements of this kind, that do not require transfer of title or land ownership. Any proposal that requires involuntary resettlement and/or land acquisition would not be eligible for project funding. The ESMF outlines procedures and criteria to screen for these impacts and ensure that all transfer of rights or use in lands are fully voluntary per the principles and criteria established in OP/BP 4.12. In addition, the protection of reservoirs will only take place on private or public lands based on voluntary agreements. It will not involve the involuntary restriction of access to legally designated parks or protected areas. This approach is fully compliant with the objective of OP/BP 4.12 to avoid or minimize involuntary resettlement and will avoid the problem of maintaining effective control over areas transferred to the state.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

MEFCCA is the Ministry responsible for implementing the project. During project preparation, MEFCCA secured support of two experienced social specialists to lead the required social safeguards work and an experienced environmental specialist to lead the environmental assessment. For implementation, the Project will finance a PIU in MEFCCA that will include social and environmental safeguards specialists in accordance with Terms of Reference agreed with the Bank. Social and environmental risk management under the Project will be undertaken by the PIU in close coordination with MEFCCA staff in Managua as well as with the participating departmental offices.

During project preparation MEFCCA has carried out a social assessment, consultation processes with producers (Indigenous and non-Indigenous) within the project area, and prepared an ESMF, Indigenous Peoples Participation Framework (IPPF) and other operational instruments to screen for and mitigate environmental and social impacts and promote social inclusion and accountability. The social chapter of the ESMF includes screening criteria and procedures to respond to the Project's key social risks, namely: voluntary land donations; the channeling and resolution of project related grievances and feedback; and screening for child labor. A gender assessment and strategy to promote the inclusion and empowerment of women in project benefits is underway and will be finalized prior to Board approval. The IPPF was written to ensure that the Project adopts proactive measures to promote the access and inclusion of Indigenous producers in project benefits in addition to establishing procedures to adapt project delivery, as necessary, for subprojects where Indigenous producers are participating.



5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The Project beneficiaries will be selected among poor family farmers with micro- and small-size farms, poor entrepreneurs with micro- and small-size firms, landless inhabitants with different non-farm and off-farm livelihood strategies, and young people between 15 and 29 years old. The Project will reach approximately 10,000 male and female beneficiaries, including 7,362 family farmers and 2,638 micro-entrepreneurs, landless rural laborers, and youth.

Within the selected Municipalities, the Project will support formal and informal groups of beneficiaries (i.e. cooperatives, producers' associations and groups). Direct beneficiaries (male and female) will include: (i) poor family farmers and their organizations, some of them participating in local value chains; (ii) micro- and small-size entrepreneurs; (iii) landless rural laborers; and, (iv) young adults with no or limited assets and equipment. Indirect beneficiaries (male and female) will include about 50,000 members of poor families of: (a) farmers; (b) entrepreneurs; (c) laborers; and (d) youth.

Consultation workshops and field visits were held in the 30 targeted municipalities and carried out between December 2017 and January 2018. These, effectively were participatory consultations held with key actors (INTA, IPSA, INETER, MARENA, Municipal Governments, and others), potential beneficiaries, representatives of cooperatives, and representatives of Indigenous communities in the area of intervention. This process allowed municipalities and communities to define and prioritize the most relevant Project interventions, taking into consideration adaptation to climate change and the reduction of risks in their productive systems in the Dry Corridor.

**B. Disclosure Requirements**

Environmental Assessment/Audit/Management Plan/Other		
Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
21-Mar-2018	21-Mar-2018	

**"In country" Disclosure**  
 Nicaragua  
 21-Mar-2018

Comments  
 Link: <http://www.economiafamiliar.gob.ni/wp-content/uploads/2018/03/MGAS-Proyecto-CS-Borrador-Publicado-el-21-de-Marzo-2018.pdf>

Indigenous Peoples Development Plan/Framework	
Date of receipt by the Bank	Date of submission for disclosure





19-Mar-2018

19-Mar-2018

**"In country" Disclosure**

Nicaragua

19-Mar-2018

Comments

Links to disclosed docs:

-Indigenous Peoples Participation Framework (IPPF) final version: <http://www.economiafamiliar.gob.ni/wp-content/uploads/2018/03/Marco-PPI.pdf>

-Socio-Cultural Assessment (final version):

<http://www.economiafamiliar.gob.ni/wp-content/uploads/2018/03/Evaluacion-Socio-Cultural-Final.pdf>

**Pest Management Plan**

Was the document disclosed prior to appraisal?

Yes

Date of receipt by the Bank

21-Mar-2018

Date of submission for disclosure

21-Mar-2018

**"In country" Disclosure**

Nicaragua

20-Mar-2018

Comments

The Pest Management Framework, prepared as part of the ESMF. A Pest Management Plan will be prepared based on this Framework during project implementation and adapted to each selected municipality.

**If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.**

If in-country disclosure of any of the above documents is not expected, please explain why:

**C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)**

**OP/BP/GP 4.01 - Environment Assessment**

Does the project require a stand-alone EA (including EMP) report?



Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

#### **OP/BP 4.04 - Natural Habitats**

Would the project result in any significant conversion or degradation of critical natural habitats?

No

If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?

Yes

#### **OP 4.09 - Pest Management**

Does the EA adequately address the pest management issues?

Yes

Is a separate PMP required?

No

If yes, has the PMP been reviewed and approved by a safeguards specialist or PM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?

NA

#### **OP/BP 4.11 - Physical Cultural Resources**

Does the EA include adequate measures related to cultural property?

Yes

Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?

Yes

#### **OP/BP 4.10 - Indigenous Peoples**

Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes

If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Practice Manager?

NA

#### **OP/BP 4.36 - Forests**



Has the sector-wide analysis of policy and institutional issues and constraints been carried out?

NA

Does the project design include satisfactory measures to overcome these constraints?

NA

Does the project finance commercial harvesting, and if so, does it include provisions for certification system?

No

#### **OP 7.50 - Projects on International Waterways**

Have the other riparians been notified of the project?

No

If the project falls under one of the exceptions to the notification requirement, has this been cleared with the Legal Department, and the memo to the RVP prepared and sent?

Yes

Has the RVP approved such an exception?

Yes

#### **The World Bank Policy on Disclosure of Information**

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes

#### **All Safeguard Policies**

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes



**CONTACT POINT**

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**APPROVAL**

Task Team Leader(s):	Augusto Garcia Juan David Casanova Anoll
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**Approved By**

Safeguards Advisor:		
Practice Manager/Manager:	Preeti S. Ahuja	26-Mar-2018



Country Director:	Andrea C. Guedes	27-Mar-2018
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