



The World Bank

Additional Financing to the Nicaragua Eta and Iota Emergency Response Project (P181157)

Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 30-May-2023 | Report No: PIDA36162



BASIC INFORMATION

A. Basic Project Data

Country Nicaragua	Project ID P181157	Project Name Additional Financing to the Nicaragua Eta and Iota Emergency Response Project	Parent Project ID (if any) P175878
Parent Project Name Nicaragua-Hurricanes Eta and Iota Emergency Response Project	Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date 18-May-2023	Estimated Board Date 16-Jun-2023
Practice Area (Lead) Agriculture and Food	Financing Instrument Investment Project Financing	Borrower(s) Republic of Nicaragua	Implementing Agency United Nations Office for Project Services (UNOPS), Ministry of Finance and Public Credit (Ministerio de Hacienda y Credito Publico (MHCP))

Proposed Development Objective(s) Parent

The Project Development Objective is to support Nicaragua's emergency response and restoration of services and economic activities in critical sectors in the Project area.

Components

- Component 1: Recovery, rehabilitation, and resilient reconstruction
- Component 2: Livelihood recovery
- Component 3: Monitoring, evaluation and audit of the Project

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	15.00
Total Financing	15.00
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS

**Non-World Bank Group Financing**

Trust Funds	15.00
Global Agriculture and Food Security Program	15.00

Environmental and Social Risk Classification

High

B. Introduction and Context

1. **An Additional Financing (AF) in the amount of US\$15 million to the Nicaragua Eta and Iota Emergency Response Project (parent project - P175878) and a 14- month extension of the project's closing date is proposed.** A US\$15 million grant approved by the Global Agriculture & Food Security Program (GAFSP, a multi-donor trust fund managed by the World Bank) to support family farmers to enhance food and nutrition security is proposed to be processed as an Additional Financing (AF) to the existing Nicaragua Eta and Iota Emergency Response Project (P175878 - parent project) which currently does not include agriculture and food security activities. The AF will allow the scale-up of Project's activities and the inclusion of activities to address in the short-term, the increase of food insecurity risks and challenges encountered by farmers after recent hurricanes.¹ A 14- month extension of the parent project's closing date to May 31, 2026 will allow sufficient time for the implementation of activities planned under the parent project and the proposed AF. Consequently, a restructuring of the Project is proposed to include a new sub-component, adjust the results framework and extend the closing date.
2. **Given the urgent need for improving food security in the Project's intervention area², the AF and associated restructuring are being processed under condensed procedures.** In line with the Bank's Investment Project Financing (IPF) Policy, the special considerations of paragraph 12 of Section III of said Policy are being triggered based on the urgent need of assistance in Nicaragua due to substantial damage to food production capacity caused by three recent hurricanes affecting the Project's intervention area, continuing high vulnerability to adverse climate events, high food price inflation, and persisting high malnutrition rates.
3. **The Nicaragua Hurricanes Eta and Iota Emergency Response Project (parent project - P175878), financed by an International Development Association (IDA) credit of US\$80 million, was approved by the World Bank's Board on January 22, 2021.** The project became effective on July 14, 2021 and the current closing date is March 31, 2025. The Project Development Objective (PDO) is to support Nicaragua's emergency response and restoration of services and economic activities in critical sectors in the Project area. Project activities include rehabilitation and reconstruction of critical infrastructure, housing, and community-level social infrastructure and livelihood recovery of fishing communities due to the combined impacts of the hurricanes.

¹ These include Eta and Iota in November 2020 and Julia in October 2022.

² The Project's intervention area consists of 11 municipalities in the Caribbean regions in Nicaragua which comprise the North Caribbean Autonomous Region (*Región Autónoma de la Costa Caribe Norte* - RACCN) and the South Caribbean Autonomous Region (*Región Autónoma de la Costa Caribe Sur* – RACCS).



4. **The parent project has three components:** Component 1: Recovery, rehabilitation, and resilient reconstruction (US\$69 million); Component 2: Livelihood recovery (US\$10 million); and Component 3: Monitoring, evaluation, and audit of the Project (US\$1 million). The project is implemented by the United Nations Office for Project Services (UNOPS) following the execution agreement signed between the Government of Nicaragua (GoN) and UNOPS on July 13, 2021. According to this agreement, UNOPS bears the responsibility for all procurement processes, financial management and the application of the environmental and social standards under the Project. The Project Management Unit (PMU) in the Ministry of Finance and Public Credit (MHCP) is responsible for managing the contract with UNOPS and providing implementation oversight.
5. **The original Livelihood Recovery component did not include activities to address the substantial damage caused to the productive capacity of farmers by the three recent hurricanes.** Component 2 of the parent project (Livelihood recovery) is currently limited to financing ongoing activities to restore the livelihoods of communities and families in the subsistence artisanal fisheries sector (approximately 4,320 beneficiaries). The AF will finance a new subcomponent that will allow the implementation of additional activities to support climate and nutrition-smart agri-food innovations to enhance food and nutrition security, production, and marketing capacity of 10,000 additional beneficiaries.

Rationale for Additional Financing

6. **Food insecurity is particularly high in the Caribbean regions and has worsened as a result of frequent natural disasters.** Besides damaging critical public infrastructure, private housing and the artisanal fishing sector, the three recent hurricanes also caused extensive damage to agricultural production, particularly in the Caribbean regions home to approximately 30,000 family farmers. These are mostly poor and food insecure indigenous, afro-descendant and mestizo subsistence farmers who produce their own food and, in some cases, generate income from selling surpluses in local markets. Although the region has been traditionally affected by high fragility and poverty, the damage to productive infrastructure for food production presents a significant additional threat to food security in the target area, which is being further exacerbated by the increases in global food and fertilizer prices. Recent data indicates that 87 percent of households dependent on artisanal fisheries in the Project target area is suffering from food insecurity and from severe impacts of the current food price crisis and increasingly frequent climate events.³
7. **Malnutrition rates in the Caribbean regions substantially exceed already high malnutrition rates at the national level.** The most recent National Nutrition Censuses (Ministry of Health, 2018 and 2019) show that both North Caribbean Autonomous Region (*Región Autónoma de la Costa Caribe Norte* - RACCN) and the South Caribbean Autonomous Region (*Región Autónoma de la Costa Caribe Sur* – RACCS) are hotspots from a malnutrition perspective. Acute malnutrition among children in the age between 0 and 60 months is 4.6 percent at the national level against 10.7 percent in the municipalities attended by the project in RACCN and 11.7 percent in the municipalities attended by the project in RACCS. Whereas irreversible chronic malnutrition stands at 10 percent nationally, several municipalities in the Caribbean region show rates that exceed 15 percent.
8. **The increased vulnerability of rural families' subsistence farming systems limits their capacity to build back better and recover with greener, resilient farming systems at the center of their livelihoods strategy.** In addition to the

³ Data from the ongoing Hurricanes Eta and Iota Emergency Response Project (P175878), collected by the Food and Agriculture Organization of the United Nations (FAO) using the FIES (Food Insecurity Experience Scale) methodology through a significant sample of 1135 households in 13 fishing communities on the project target area in the Caribbean Coast in July–November 2022.



artisanal fishing sector supported by the parent Project under Component 2, hurricanes Eta, Iota and Julia also caused extensive damage to agricultural producers in the same regions. The cumulative impact of recent shocks has resulted in increased food insecurity for rural families due to diminished ability to recover their productive capacity, which previously allowed them to produce basic food and obtain income by selling surplus in local markets. The compounded impacts of the global climate and food crisis on the vulnerable population of the AF target area require urgent actions to support food insecure subsistence farmers. Supporting climate and nutrition-smart agri-food innovations in the short-term, would positively impact medium-term food and nutrition security, production, and marketing capacities.

C. Proposed Development Objective(s)

Original PDO

9. **No change is proposed to the PDO as a result of the AF.** The Project Development Objective is to support Nicaragua's emergency response and restoration of services and economic activities in critical sectors in the Project area.

Key Results

10. **The incremental results expected through the AF would include the following:**

- (i) An additional 10,000 project beneficiaries consisting of poor, vulnerable and food insecure farmers and their families (50,000 persons in total), including 3,000 direct beneficiaries from indigenous and afro descendant communities; at least 40 percent of the beneficiaries will be women, and 25 percent will be young farmers (ages 18-30); and at least 200 of the total of 10,000 beneficiaries will have one or more household members with a disability (PWD).
- (ii) Transformation of traditional subsistence-oriented farming systems into improved climate-smart and nutrition-smart agri-food systems that will improve food security through increased food production for self-consumption and community exchange (about 6,000 beneficiaries) and generate additional income from selling agricultural surpluses in local and/or regional markets to increase beneficiaries' purchase capacity of other food items (about 3,000 beneficiaries).
- (iii) Increased opportunities for value addition through small-scale agro-processing and improved commercial opportunities in local markets (about 1,000 beneficiaries).
- (iv) Finally, for all 10,000 beneficiaries, increased resilience to cope with natural disasters by adopting a mix of innovative climate and nutrition-smart technologies and practices, as well as investments to improve food security in the short term and be more prepared and resilient for future shocks in the mid to long term.

D. Project Description

11. **The AF will be implemented through a new subcomponent under Component 2 Livelihoods Recovery.** The AF will support the preparation and implementation of agri-food Local Innovation Development Plans (LIDPs) by groups of food insecure smallholder family farmers. Specifically, a new Subcomponent 2.2 "Agri-food Local Innovation Development Plans for Enhancing Food and Nutrition Security" (US\$14.25 million) will be introduced to provide support to 10,000 food insecure family farmers with climate and nutrition-smart agri-food innovations, with a focus on the recovery of populations affected by hurricanes Eta, Iota and Julia and similar events impacting the target areas.
12. **In addition, the AF will be used to scale up ongoing activities under Component 3 - Monitoring, evaluation, and audit of the Project.** The AF (US\$ 0.75 million) would also support close monitoring of project-financed activities in



hard-to-reach areas, enhanced implementation capacity, the tracking of new indicators introduced by the AF and expanding the audit to also cover the AF.

- 13. The AF consists of short- and medium-term interventions through a mix of investments and technical assistance under Local Innovation Development Plans.** Short-term agricultural production investments will focus on fast-cycle crops such as basic grains, horticulture, tubers, and vegetables, introducing climate-resistant varieties, bio-fortified seeds, and other farm innovations for the recovery of production of more nutritious and diversified food for households' and surpluses for local markets. Mid-term investments to promote food availability and additional income (reinforcing households' food access capacity) will promote production diversification through perennial crops and the introduction of quality seeds and genetic materials, as well as investment in post-harvest storage and agro-processing. Although short- and medium-term investment would foster more sustainable food and nutrition security, production, and marketing capacities, long-term investments will promote agro-forestry production systems with, for instance, fruit trees with commercial value and locally endemic timber species. At the same time, the AF will promote nutrition-smart considerations and awareness among family farmers, foster self-consumption of high-quality nutritious food, in addition to commercialization. Moreover, the AF would support gender-sensitive labor-saving technologies. On-farm investments and technical assistance will promote climate and nutrition-smart innovations for rural producers' integration into resilient agri-food value chains, connecting to the broader government's agriculture and extension programs' ongoing support and after the AF.
- 14. Investments in Local Innovation Development Plans will be linked to the network of technology development centers, experimental family farms, and agriculture promoters (Farmer Field Schools) supported by the agricultural public sector in the Caribbean Coast regions, which will contribute to further sustainability of the investments after the AF and promotion of locally tested and adapted technologies.** Given that 89 percent of Nicaragua's forests are found in the Caribbean region, the AF will also include actions to help halt the expansion of the agricultural frontier in the region. The AF will build on the good results and experiences achieved by the GAFSP-funded Nicaragua – Caribbean Coast Food Security Project – PAIPSAN P148809 (2015-2019), which followed an identical short to long-term approach with excellent results as assessed in the Project Impact Evaluation⁴, Implementation Completion Report (ICR)⁵, and the ICR Review prepared by the Independent Evaluation Group of the World Bank Group.⁶
- 15. Even though OP 7.50 is triggered, an exception to the Riparian Notification Requirements has been obtained.** The parent project (P175878) was processed under an Exception to the Riparian Notification Requirements approved on December 4, 2020. Even though activities under the AF may involve investments in irrigation, there will be no new irrigation schemes. That is, to the extent that the AF will be used for irrigation financing, the latter will be limited to improvements of existing schemes, e.g., through introduction of pressured irrigation methods which use only small quantities of water and will mainly source water from ponds, tanks, or other rainfall catchment structures (and which will use water much more efficiently than unimproved systems). An exception to the Riparian Notification Requirements was received on May 9, 2023.
- 16. Environmental and Social (E&S) risk management for the AF is consistent with the approach for the Parent Project.** Key environmental risks include agricultural activities that may include water overuse for irrigation

⁴ World Bank. PAIPSAN Project Evaluation Report (June 2020).

⁵ Report Number: ICR5055. Available at <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/936351593402932887/nicaragua-caribbean-coast-food-security-project>

⁶ Report Number: ICRR0022189. Available at <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/409991616512210514/nicaragua-ni-caribbean-coast-food-security-project>



purposes, potential use of fertilizers and pesticides in seedling production and agricultural activities, as well as occupational health and safety risks for workers. Key social risks include, among others, the possible exclusion of vulnerable groups, including Indigenous Peoples and Afro-Descendants (IPADs) and other population groups whose interests are traditionally underrepresented, such as women, elders, youth, persons with disabilities, and sexual and gender minorities. E&S risk management will continue under UNOPS, in a context with complex logistics and on-the-ground challenges, including areas with difficult access and engaging with communities which are equally hard to reach. UNOPS has had limited prior experience implementing projects under the ESF and will continue strengthening its capacity under the AF. For the AF, the Project E&S instruments will be updated, including the Environmental and Social Management Framework (ESMF), Labor Management Procedures (LMP), Resettlement Policy Framework (RPF) and Indigenous Peoples and Afro descendants Planning Framework (IPADPF). The E&S instruments for the Parent Project were disclosed by the Borrower in March 2023 (<http://www.hacienda.gob.ni/hacienda/documentosdgtec/proy-eta-iota.html>) and by the Bank in May 2023. For the AF, updated versions of the Environmental and Social Commitment Plan (ESCP) and the Stakeholder Engagement Plan (SEP) were prepared, consulted, and disclosed on May 26th, 2023.⁷ The final versions of the instruments will be disclosed and adopted 60 days after the AF effectiveness date.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

E. Implementation

Institutional and Implementation Arrangements

17. **Like for the parent Project, operationally, the United Nations Office for Project Services (UNOPS) will be responsible for the management of GAFSP funds and the implementation of Project activities.** The GoN will not directly or indirectly receive or administer AF funds, as established in the Grant Agreement. Activities implemented by UNOPS are subject to the GoN's oversight and approval through processes laid out in the Grant Agreement and Project Operations Manual (POM).

⁷ http://www.hacienda.gob.ni/hacienda/documentosdgtec/documentos/_EAS10-PPPI-P22954-ETA-IOTA-GAFSP.pdf



18. **The AF will use the same implementation arrangements and will be implemented in the same target area of the parent Project.** The parent Project is implemented by UNOPS following the execution agreement signed between the GoN and UNOPS. According to this agreement, UNOPS bears the responsibility for all procurement processes, financial management and the application of the environmental and social standards under the Project. The PMU in the Ministry of Finance and Public Credit (MHCP) is responsible for managing the contract with UNOPS and providing implementation oversight. It will be responsible for the technical quality and on-site supervision of the additional activities under subcomponent 2.2. As in the parent Project, the MHCP will finance the operating expenses of the PMU with their own resources. These arrangements have been reflected in Project documents including the POM and management, environmental and social instruments. Additionally, **implementation arrangements for the additional subcomponent 2.2 will include the establishment of a new Technical Round Table (TRT) and Implementation Technical Committee (ITC).** These will review and approve the agri-food LIDPs to be prepared in close cooperation with the beneficiaries. Lessons from the PAIPSAN project regarding implementation arrangements will be taken into account to ensure a pluralistic participation of Central and Regional Government institutions; representatives of the academic institutions and indigenous and afro-descendant territorial governments; and Producer Organizations present in the Caribbean Coast. The task team from the World Bank supports these implementation arrangements through regular implementation missions and technical assistance.
19. **The Project Interinstitutional Committee (PIC) established under the parent Project will continue to provide strategic advice to the PMU.** The PIC includes representatives from relevant public sector institutions, a representative from the President's office, and representatives from the Caribbean Coast regional autonomous governments.
20. **The Technical Round Table is the space for technical, operational and organizational coordination of the activities under the AF.** The TRT includes the Ministry of Family, Community, Cooperative and Associative Economy (MEFCCA) as a sectorial institution; the Production Secretariats of the Autonomous Governments of the North and South Caribbean Coast (according to the LIDPs proposed in their respective territory and communities) and UNOPS in cooperation with the Food and Agriculture Organization of the United Nations (FAO). The main function of the TRT is to assess the technical quality of the LIDP proposals based on the eligibility criteria described in the MOP. Depending on needs and type of LIDP to be evaluated, the TRT may be expanded to include specialist technical staff from other government institutions, UNOPS/FAO technical experts and other required specialists. Once the LIDPs have been reviewed, they will be sent to the ITC for final approval.
21. **The Implementation Technical Committee will be comprised of the following eight representatives:** one representative from MHCP (chair), one representative from MEFCCA, one representative from each of the two local Universities of the Caribbean Autonomous Regions of Nicaragua (URACCAN and BICU)⁸, one representative from the Indigenous and Afro-Descendant Territorial Governments of the Caribbean Autonomous Regions of Nicaragua, two representatives from smallholder farmer organizations from the Caribbean Autonomous Regions of Nicaragua, and one representative from any of the two Autonomous Governments of RACCS and RACCN (depending on the origin of the LIDP being reviewed). One representative from UNOPS and one representative from FAO will, as non-voting members, provide technical advice and support for the Secretariat of the ITC. The duties and functioning of the ITC will be described in the updated POM and LIDP Manual.

⁸ University of the Autonomous Regions of the Nicaraguan Caribbean Coast (URACCAN) and Bluefields Indian & Caribbean University (BICU).



22. **For the implementation of the AF, the FAO team will be strengthened.** The FAO team is currently contracted through a UN-to-UN agreement by UNOPS to support implementation of Component 2 (activities with subsistence artisanal fisherpersons) and will include additional staff, including the following consultants to implement the additional subcomponent 2.2: Technical Coordinator; Monitoring and Evaluation Specialist; Training and Communications Specialist; Gender and Indigenous Peoples Specialist; Social Specialist; Environmental Specialist; Nutrition Specialist; Agribusiness Specialist; Financial Management Specialist; Accounting Assistant; Procurement Assistant; Territorial Coordinator; Technical Supervisors (2); and Field Extension Technicians (28).
23. **AF grant proceeds will be disbursed by the World Bank to UNOPS via a dedicated United Nations (UN) Account (indirect financing).** UNOPS will report to the MHCP on the use of Grant proceeds as set forth in the amended Implementation Agreement. Coordination mechanisms between UNOPS and the MHCP will be further detailed in the updated POM. The MHCP will submit to the World Bank the requests for advances to the UN Account and will also be responsible for documenting those advances through the World Bank's Client Connection system.

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