Project Information Document/Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 08-Mar-2018 | Report No: PIDISDSC22112
BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
<th>Project Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicaragua</td>
<td>P162982</td>
<td></td>
<td>Nicaragua Dry Corridor Climate Resilient Agriculture Project (P162982)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>Estimated Appraisal Date</th>
<th>Estimated Board Date</th>
<th>Practice Area (Lead)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LATIN AMERICA AND CARIBBEAN</td>
<td>Mar 16, 2018</td>
<td>May 17, 2018</td>
<td>Agriculture</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financing Instrument</th>
<th>Borrower(s)</th>
<th>Implementing Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Project Financing</td>
<td>Republic of Nicaragua</td>
<td>Ministry of Family, Communal, Cooperative, and Associative Economy - MEFCCA</td>
</tr>
</tbody>
</table>

Proposed Development Objective(s)

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

Financing (in USD Million)

<table>
<thead>
<tr>
<th>Financing Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Development Association (IDA)</td>
<td>50.00</td>
</tr>
<tr>
<td><strong>Total Project Cost</strong></td>
<td><strong>50.00</strong></td>
</tr>
</tbody>
</table>

Environmental Assessment Category

<table>
<thead>
<tr>
<th>B-Partial Assessment</th>
<th>Concept Review Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Track II-The review did authorize the preparation to continue</td>
</tr>
</tbody>
</table>

Other Decision (as needed)

B. Introduction and Context

Country Context
1. **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. 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.

2. **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 over time. 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.

3. **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.

4. **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 (PNDH, 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’s share of the economy in Nicaragua remains among the largest in Latin America and the Caribbean (LAC), but with a sharp duality.** 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. That said, there is a sharp duality in the sector. On one hand, agri-businesses and a small number of family farms with some potential or very incipient commercial orientation comprise around 18 percent of total farms, and contribute about 51 percent of the Gross Production Value (GPV) of agriculture. On the other hand, subsistence and transitional family farms make up 81 percent of total farms and contribute 49 percent of agricultural GPV; they are largely poor, small-scale producers, with limited access to means of production.
6. **Agriculture is one of the main engines of rural poverty reduction and economic growth in Nicaragua.** 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. On the other hand, the sector accounts for 70 percent of total exports, including primary products and processed foods. Agriculture is the major provider of employment, comprising more than 30 percent of the total labor force, and is the main source of livelihood for 80 percent of the rural population.

7. **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.

8. **Water resources are abundant throughout Nicaragua, however weak water management and inadequate infrastructure for water regulation and irrigation are impacting negatively agricultural productivity.** Agriculture is the largest user of water in Nicaragua, consuming 79 percent of the total. At present, only 5 percent of permanent cropland (about 99,400 hectares out of 2 million hectares) is irrigated, though the area equipped for irrigation has increased by 8 percent per year between 2001 and 2011.

9. **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 10,000 square kilometers that runs across approximately 42 Municipalities. The Dry Corridor comprises most of the central region of Nicaragua where overall poverty affects 44.4 percent of population. 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.

10. **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.

11. **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. Poor rural families in the Dry Corridor, most of rural population, are impacted by irregular and short rainy seasons, and by dry seasons of more than six months. Climate variability has devastating consequences on the cultivation of basic grain crops, 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.

12. **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

13. **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 will be 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.

14. **The proposed Project is aligned with 3 out of the 5 Priority Areas of the 2017 Nicaragua Systematic Country Diagnostic (SCD).** These are: Area 2: Provision of infrastructure (transport, energy, and water) and public service delivery; Area 3: Improvements in private sector productivity and investment climate; and Area 4: Reduction of vulnerabilities from climate change and management of natural resources (water, forestry, and land).

15. **Relationship to other Bank-funded projects.** The proposed Project will coordinate with other projects that are being prepared, 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)

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

Key Results (From PCN)

I. Increased agricultural/livestock productivity among all direct beneficiaries (disaggregated by gender) in targeted Municipalities

II. Farmers adopting improved agricultural technology (disaggregated by gender)

III. Total volume (cubic meters) of reservoirs to accumulate rainfall water, built by the Project.

IV. Number of farmers participating in value chains (disaggregated by gender)

D. Concept Description

16. **Proposed intervention area.** Out of 42 Municipalities considered part of Nicaragua’s Dry Corridor, the Project will focus on 30 Municipalities\(^2\). 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-

---

\(^2\) 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, Altarracia, Rivas, Granada, Nandaime, Jinotepe, San Marcos.
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.

17. Proposed approach. For the purposes of this project, climate resilience is defined as the ability of households to withstand and respond to climatic shocks, particularly drought. The Project will work with public sector institutions and private sector partners to provide groups or associations of poor and food insecure smallholder family farmers with technical services and investments aimed at increasing their agricultural productivity and climate resilience, with an integrated approach of: conservation of natural resources, improved access to water for productive activities (agriculture and livestock); sustainable production crops and livestock, and support to value-addition and commercialization of agricultural and livestock products, including, whenever possible, the alliances with local processors to reach markets, and support for better deals with other actors in the agri-food value chains.

18. 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 (a) approximately 50,000 members of farmers’ families; (b) male and female rural laborers; and (c) young adults, with no or limited assets and equipment.

19. Anticipated institutional and implementation arrangements. The preliminary institutional and implementation arrangements of the proposed Project are as follows. The MEFCCA will be the implementing agency, given its specific mandate to help develop the family economy in rural areas. A Project Implementation Unit (PIU) will be established within MEFCCA, which will coordinate with different technical departments of the Ministry and with MEFCCA’s territorial offices that will help implement the Project in selected Municipalities of the Dry Corridor. The Project will have a Project Steering Committee composed of representatives of MEFCCA and of supporting institutions (i.e. MAG, INETER, INTA, IPSA, INIFOM, INAFOR, MARENA). The PIU will lead a Technical Operations Committee with sector specialists from MEFCCA and the relevant supporting institutions. At territorial level, MEFCCA’s territorial offices will lead Territorial Coordination Committees comprising local technical staff of MEFCCA, supporting institutions, as well as Municipalities and representatives of beneficiary groups. The proposed institutional arrangements build on a successful experience with MEFCCA for the implementation of the Nicaragua GAFSP Caribbean Coast Food Security Project (P148809). Given the nature of Project activities, it is anticipated that the Project will have strong ties with INETER (for the creation of new capacity to produce agri-climatic information), and with INIFOM (for coordination with Municipalities).

20. Project Components. The PDOs will be achieved through Components 1 through 3. If an eligible emergency occurs during project implementation, CERC (Component 4) could be used to support immediate recovery activities.

Component 1 – Climate Smart Productive Investments and Stakeholders’ Capacity Building

21. The objective of this component is to improve agricultural productivity and climate-resilience at farm level, by supporting investments through demand-driven sub-projects implemented with beneficiaries, and by providing the required technical assistance and institutional services to beneficiary farmers. This component will: (i) support the adoption of good agricultural practices to increase productivity, which would lead to improve food and nutrition security, and adapt to climate variability (for instance and not limited to: heat and water stress-tolerant varieties, pest and disease-tolerant varieties, crop rotation, stone barriers, contour ditches, live barriers, amongst others); (ii) support on-farm water resource management, build small excavated ponds (reservoirs), boreholes, and irrigation, as needed, and (iii) promote value addition and access to markets with attention to female farmers’ specific needs. Subprojects will also provide support to agricultural small and micro family and community enterprises as well as non-agricultural and off-farm
innovative activities, while strengthening their capacity to access markets and self-employment opportunities, emphasizing opportunities for women and young adults.

**Component 2 – Sustainable Water Resources Management**

22. The objective of this component is to build local institutional capacity for water resources planning to ensure consistency between the water resources available at sub- or micro-watershed levels and the demand of subprojects of Component 1. Improved water resource management will contribute to climate change adaptation of the beneficiaries’ productive systems. Sub-watersheds encompass several Municipalities which oversee water resources planning at municipal level. This component will help determine the potential for productive investments (subprojects) based on the analysis of water resources and the demand. These activities will support and inform the availability and stable provision of water to on-farm investments (subprojects) under component 1. Consequently, subprojects will need to link conservation of water resources, access to water, production, productivity, profitability and commercialization.

**Component 3 - Project management, Monitoring and Evaluation**

23. The objective of this component is to facilitate project management, implementation, and evaluation. This component will finance the costs of a Project Implementation Unit (PIU) at MEFCCA. Activities under this component will include the preparation of reports, financial and procurement management (including audits), social and environmental safeguards management, beneficiary satisfaction surveys, and M&E aspects to ensure the identification of impacts (tracking beneficiaries, establishing a baseline, final evaluation, and impact assessment. The M&E will rely on existing local capacities and will use a beneficiary follow-up system, already developed for other projects financed by the World Bank in MEFCCA.

**Component 4: Contingency Emergency Response (CER)**

24. This component is included in each World Bank operation in Nicaragua and finances expenditures on a positive list of goods, both domestic and imported, required for Nicaragua’s emergency recovery. A CER Operations Manual was developed that details financial management, procurement, safeguards and any other arrangements to ensure funds are disbursed in a rapid and efficient manner following an eligible emergency.

**SAFEGUARDS**

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

The potential area of influence has been defined covering approximately 10,000 square kilometers and is integrated by 42 municipalities in 5 geographical areas. It comprises areas with diverse levels of vulnerability to climate change ranging from medium, high and very high defined by the temporal and spatial 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 the potential area, the Project will select approximately 30 specific municipalities that are part of the development priorities of the Government of Nicaragua (GON). The selection criteria will include: (i) concentration of rural poor 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. In this context it will
consider the prevailing crops and agricultural products in the target area and their environmental and commercial suitability, especially as they pertain to the availability of water resources. Other aspects such as soil quality, slope, and vegetative cover and access to finance and agricultural supplies are of paramount importance. Another important aspect to be considered is to analyze which municipalities show an increasing trend or continuity in agricultural activities and those that are exiting from farming activities and migrating to other segments such as services, manufacturing amongst others.

The proposed project area includes Indigenous peoples that live both within the urban and rural settings, including: the Cacaopera (Matagalpa, pop: 75,000) and the Xius (Xalteva) (Leon and Chinandega, pop: 49,000). The project area includes some lands that are titled collectively to Indigenous peoples.

B. Borrower’s Institutional Capacity for Safeguard Policies

The MEFCCA is the Ministry in charge of implementing the project and has in-house capacity to follow up with environmental and social considerations including World Bank (WB) safeguard policies based on previous WB-funded projects. The Project will finance a Project Implementation Unit (PIU) at MEFCCA that will have a team formed by at least a technical coordinator and specialists attending safeguards (environmental and social), fiduciary (FM and procurement), water resource management, productive alliances, communication and M & E.

The Project’s core social and environmental safeguards staff will be based in the Project Implementation Unit (PIU). 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 in the participating departmental offices. The Project will hire social specialists with experience working with Indigenous Peoples and gender, to work as core members of the PIU. The need to hire Environmental Specialists will be assessed during Project preparation.

The Project-related institutional capacities will be assessed in detail and as pertinent in case of each participating government agency during Project preparation. Training and capacity building activities will be provided during Project preparation and implementation on an as-needed-basis.

C. Environmental and Social Safeguards Specialists on the Team

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

D. Policies that might apply

<table>
<thead>
<tr>
<th>Safeguard Policies</th>
<th>Triggered?</th>
<th>Explanation (Optional)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td>Yes</td>
<td>The Project supports 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 will be addressed in the ESMF and the EMP through the implementation of good practices designed to avoid these impacts.</td>
</tr>
</tbody>
</table>
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 sub-projects 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. As described in the Project Concept Note these activities follow an approach of strengthening environmental stewardship and increasing the sustainability of Project interventions.

Considering that project location of sub-projects is not defined an environmental and Social Management Framework (ESMF) will be prepared providing guidance on not only the mitigation and management of adverse environmental impacts but also on how to enhance positive impacts. The Project’s ESMF will include screening criteria to identify potential cases of child labor as well as procedures to assess and address such cases if they were to arise. It will also include 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. The ESMF will include measures to: (i) identify potential affected parties whose use of natural resources may be restricted from supported conservation efforts; (ii) consult and assess the impacts on these parties; and (iii) agree on compensation or alternatives for these parties to incentivize their collaboration in the conservation efforts while ensuring no harm on their subsistence or livelihoods. Finally, the ESMF will include screening criteria and procedures to verify and document that all voluntary land donations meet the principles and definitions of voluntary as established by OP/BP 4.12.

Natural Habitats OP/BP 4.04  Yes  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 will include 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 in the ESMF.

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.

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 will ensure that activities supported are consistent with the requirements of OP 4.36 regarding procedures for small-holder or community scale forestry.

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. A Pest Management Framework will be prepared as part of the ESMF which will include 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. 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.

The Project will undergo construction of water systems. Even though these are anticipated to be of small size, OP4.11 is triggered on a precautionary basis. Sub-project, screening and action-related procedures for chance finds, including sacred sites, will be incorporated into the ESMF and into the environmental screening section of the project’s Operational Manual.

| OP/BP 4.36 | Yes |
| Forests OP/BP 4.36 | |
| **Pest Management OP 4.09** | Yes |
| **Physical Cultural Resources OP/BP 4.11** | Yes |
Indigenous peoples that meet the four criteria of OP/BP 4.10 are present within the project area, especially in the municipalities of: Terrabona, San Dionisio, Esquipulas, Matagalpa, and Chinandega. These Indigenous peoples could benefit from the Project’s interventions if specific strategies are adopted to ensure that the Project’s investments and delivery mechanisms are culturally appropriate and proactively seek their participation and inclusion. At the same time, the Project’s activities to protect water resources could introduce restrictions to access to changes in use of certain land areas that could produce adverse impacts on Indigenous communities. A social assessment is being carried out during project preparation, including participatory consultation processes with Indigenous representatives and organizations from the Project area, in order to both identify and assess potential impacts and to explore the types of investments, delivery mechanisms, and means for ongoing participation necessary for effective inclusion. Based on the recommendations resulting from the social assessment, the borrower is preparing an IPPF to be disclosed prior to appraisal. The IPPF will include a list of proactive measures to ensure Indigenous producers are fully informed and can participate in project benefits, for example: (i) IP producers are aware of and understand the terms for competing in the call for proposals; (ii) that the terms of the call for proposals, i.e., how proposals are prepared and presented (orally, in writing, electronically) as well as selection criteria are adopted to the IP producer contexts, levels of literacy, languages, etc.; and (iii) that the TA offered is carried out by consultants or firms that are sensitive to IP cultural specificities, land tenure regimes, discriminations faced, and traditional economies. The IPPF will also establish guidelines for the development of site specific IPPs for subprojects once identified, including protocols for ongoing consultation with Indigenous beneficiaries and stakeholders, and for integrating consultation recommendations into the design and implementation of specific sub-projects. In cases when subprojects require land donations, or where potential impacts arise from conservation efforts the IPPs will include measures to verify that the

| Indigenous Peoples OP/BP 4.10 | Yes |
### Involuntary Resettlement OP/BP 4.12

No

- This Policy is not triggered as subprojects that would require the involuntary taking of land will be excluded. If land is needed for sub-projects, the transfer of usage or tenure rights will follow current practice based on voluntary agreements or easements under which the landowner(s) agree to accept the impacts of the project in return for project benefits (e.g. water for irrigation). The ESMF will include robust screening criteria and procedures to ensure that these processes fully meet the criteria and definition for voluntary land donations per OP/BP 4.12. Whereas the Project will be financing investments in conversation to improve the conditions of water sources, it will not be supporting the involuntary restriction of access to legally designated parks or protected areas.

### Safety of Dams OP/BP 4.37

TBD

- The Project will support the construction of water harvesting reservoirs. These are anticipated to be of small dimensions and in principle will not require the construction of dams. During preparation this will be verified with the expectation that this policy will not be triggered.

### Projects on International Waterways OP/BP 7.50

TBD

- The Project is not expected to have activities in transboundary basins. During preparation this will be verified with a closer analysis of potential participating Municipalities.

### Projects in Disputed Areas OP/BP 7.60

No

- The Project will not have activities in disputed areas.

### E. Safeguard Preparation Plan

**Tentative target date for preparing the Appraisal Stage PID/ISDS**

Feb 19, 2018

- Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

- The Environmental and Social Assessments and their various instruments (ESMF, IPM, IPPF) are being prepared by the Borrower and advanced drafts of each will be disclosed prior to Appraisal. The Appraisal stage ISDS is estimated to be delivered by February 19, 2018.
CONTACT POINT

World Bank
Augusto Garcia, Juan David Casanova Anoll
Sr Agricultural Spec.

Borrower/Client/Recipient
Republic of Nicaragua
Ivan Acosta
Minister of Finance and Public Credit
ministro@mhcp.gob.ni

Implementing Agencies
Ministry of Family, Communal, Cooperative, and Associative Economy - MEFCCA
Jose Benito Aragon
Vice Minister
jaragon@economiafamiliar.gob.ni

FOR MORE INFORMATION CONTACT
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects

APPROVAL

Task Team Leader(s): Augusto Garcia, Juan David Casanova Anoll

Approved By

Practice Manager/Manager: Preeti S. Ahuja 27-Feb-2018
Country Director: Andrea C. Guedes 08-Mar-2018

Note to Task Teams: End of system generated content, document is editable from here.