



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
NICARAGUA PROPERTY RIGHTS STRENGTHENING PROJECT
APPROVED ON MARCH 15, 2018
TO
REPUBLIC OF NICARAGUA

URBAN, RESILIENCE AND LAND GLOBAL PRACTICE

LATIN AMERICA AND CARIBBEAN REGION

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ABBREVIATIONS AND ACRONYMS

CERC	Contingent Emergency Response Component
CGPP	General Coordination of Programs and Projects (<i>Coordinación General de Programas y Proyectos</i>)
DIRAC	Directorate for Alternative Conflict Resolution under the Supreme Court (<i>Dirección de Resolución Alternativa de Conflictos</i>)
DRM	Disaster Risk Management
EAP	Emergency Action Plan
EMP	Environmental Management Plan
ESMP	Environmental and Social Management Plan
ESSAF	Environmental and Social Screening and Assessment Framework (for the CERC)
E&S	Environmental and Social
E-IRR	Economic Internal Rate of Return
E-NPV	Economic Net Present Value
GDP	Gross Domestic Product
GRM	Grievance Redress Mechanism
IBI	Municipal Property Taxes (<i>Impuesto sobre Bienes Inmuebles</i>)
ICR	Implementation Completion and Results Report
IDA	International Development Association
INETER	Nicaraguan Institute for Territorial Studies (<i>Instituto Nicaragüense de Estudios Territoriales</i>)
INIFOM	Nicaraguan Institute of Municipal Development (<i>Instituto Nicaragüense de Fomento Municipal</i>)
INPESCA	Nicaraguan Institute of Fishery and Aquaculture (<i>Instituto Nicaragüense de la Pesca y Acuicultura</i>)
IP	Property Intendancy under PGR (<i>Intendencia de la Propiedad</i>)
ISR	Implementation Status and Results Report
Km	Kilometer
MARENA	Ministry of Environment and Natural Resources (<i>Ministerio del Ambiente y Recursos Naturales</i>)
MHCP	Ministry of Finance and Public Credit (<i>Ministerio de Hacienda y Crédito Público</i>)
MTI	Ministry of Transport and Infrastructure (<i>Ministerio de Transporte e Infraestructura</i>)
M&E	Monitoring and Evaluation
PAD	Project Appraisal Document
PCU	Project Implementation/Coordination Unit
PDO	Project Development Objective
PGR	Attorney General's Office (<i>Procuraduría General de la República</i>)
PRODEP	Land Administration Project (<i>Proyecto de Ordenamiento de la Propiedad</i>)
RACCN	Autonomous Region of the Northern Caribbean Coast (<i>Región Autónoma de la Costa Caribe Norte</i>)
RACCS	Autonomous Region of the Southern Caribbean Coast (<i>Región Autónoma de la Costa Caribe Sur</i>)
SDR	Special Drawing Rights



The World Bank

Nicaragua Property Rights Strengthening Project (P163531)

SIICAR	Integrated Cadastre-Registry Information System (<i>Sistema Integrado de Información de Catastro y Registro</i>)
SINAPRED	National System for Disaster Prevention, Mitigation and Response (<i>Sistema Nacional para la Prevención, Mitigación y Atención de Desastres</i>)
SISCAT	Municipal Cadastre System (<i>Sistema de Catastro Municipal</i>)
STEP	Systematic Tracking of Exchanges in Procurement System

BASIC DATA

Product Information

Project ID P163531	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 15-Mar-2018	Current Closing Date 15-Mar-2024

Organizations

Borrower Republic of Nicaragua	Responsible Agency Nicaragua Attorney General's Office
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Project Development Objective (PDO)

Original PDO

The Project Development Objective (PDO) is to provide beneficiaries in selected municipalities with: (a) updated and integrated cadastral and property registry information; and (b) improved land administration services.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IDA-61980	15-Mar-2018	02-Apr-2018	29-Jun-2018	15-Mar-2024	50.00	20.91	29.09



Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Introduction

1. This Restructuring Paper seeks the approval of Management for a Level II Restructuring of the Nicaragua Property Rights Strengthening Project (P163531) to reflect changes related to the activation of the contingent emergency response component (CERC) approved by the World Bank on February 25, 2021, in order to support the Republic of Nicaragua's response to the impacts of Hurricanes Eta and Iota. Since the Government will not be requesting additional funds to close the financing gap created by the CERC, the restructuring will entail the following changes: (a) changes to the Results Framework (RF), including the addition of the CERC-related Project Development Objective (PDO), PDO level and intermediate indicators, and revisions to existing indicators and targets; (b) reallocation between disbursement categories; (c) revisions to disbursement estimates; (d) activation of the Indigenous Peoples Policy (OP 4.10); (e) update of project risk assessment; (f) update of the environmental and social (E&S) safeguard analysis; (g) changes to the original project's geographic scope and component costs; (h) update of economic and fiscal analysis; and (i) update to the procurement regulations applicable to the Project.

B. Project Background and Status

2. The Project, financed by an International Development Association (IDA) Credit of US\$50 million, was approved by the World Bank Group Board of Executive Directors on March 15, 2018, became effective on June 29, 2018, and is expected to close on March 15, 2024. The Project, known in Spanish as *Tercer Proyecto de Ordenamiento de la Propiedad* or *PRODEP III*, is the third phase of Nicaragua's program to modernize land administration and strengthen property rights in the country. The two previous phases, also supported by the World Bank, have closed satisfactorily, and this third phase, being implemented by the Attorney General's Office (*Procuraduría General de la República*, or PGR), seeks to consolidate previous results while ensuring the sustainability of key investments.
3. The Project Development Objective (PDO) of PRODEP III is to provide beneficiaries in selected municipalities with: (a) updated and integrated cadastral and property registry information; and (b) improved land administration services. This PDO is being achieved through the following components: Institutional and Policy Framework and System Integration (US\$18.75 million); Cadastre, Regularization and Titling Services (US\$25.67 million); Municipal Land Administration Services (US\$2.64 million); and Project Management, Monitoring and Evaluation (US\$2.94 million). In addition, as part of the Government's national emergency preparedness and response strategy, a CERC without an initial allocation was included under this operation.

Project Implementation Status

4. Both PDO achievement and Implementation Progress have been rated Satisfactory since the start of the Project, and there have not been any fiduciary or safeguards compliance issues to date. As per the most recent Implementation Status and Results Report (ISR) dated June 18, 2021, the Project continues to make good progress despite the compound impacts of the COVID-19 pandemic and the Hurricanes Eta and Iota, which affected the country in November 2020. This progress is evident in the following results: (i) 20,424 legal documents have been issued to project beneficiaries, of which 18,887 are new titles registered in the Property Registry, and 50 percent (9,528) of these new titles have benefited women individually or jointly as part of a couple; (ii) Three protected



areas have been demarcated, (iii) The new Integrated Cadastre-Registry Information System has been implemented in Estelí, Managua, León, and Madriz; and advanced in Nueva Segovia; (iv) Cadastral surveying was completed in two municipalities (Rancho Grande and Río Blanco) with 43,796 parcels surveyed; (v) The municipal cadastre system (*Sistema de Catastro Municipal*, SISCAT 10.0) linked to the national cadaster was completed in seven municipalities; (vi) Twelve municipalities were certified by the Nicaraguan Institute for Territorial Studies (*Instituto Nicaragüense de Estudios Territoriales* or INETER) in cadastral maintenance and updating; and (vii) All of the mediation agreements pre-qualified as registrable were formalized in the Property Registry.

C. Rationale for Restructuring

5. The Project is being restructured due to the activation of the CERC in response to Hurricanes Eta and Iota. Between November 1 and 17, 2020, Hurricanes Eta and Iota hit Nicaragua and Central America with an impact comparable to that of Hurricane Mitch in 1998. Both hurricanes made landfall in Nicaragua as Category 4 (Eta) and 5 (Iota) hurricanes. The Government declared the Emergency Red Alert on November 2, 2020, in response to Eta, and subsequently on November 17, 2020, in response to Iota. Over 3 million people were affected by the devastating hurricanes, with 160,597 evacuated, 59,964 in shelters, and 21 dead. The most impacted areas were the two autonomous regions in the Caribbean coast, as well as several departments in the center and west of the country, such as Matagalpa, Jinotega, Nueva Segovia, Rivas, and Carazo. The Government's Damage Assessment estimated that the two hurricanes caused damages and losses for a total of US\$742.6 million or approximately 6.2 percent of the Gross Domestic Product (GDP). Infrastructure suffered more than US\$350 million in damages, mostly in transportation infrastructure such as primary, secondary, and rural roads. The productive sector accounted for significant losses, especially fishery (US\$19.6 million), agriculture (US\$20.3 million), and tourism (US\$7.1 million).
6. **CERC Activation.** On January 28, 2021, the Government, through the Ministry of Finance and Public Credit (*Ministerio de Hacienda y Crédito Público*, or MHCP), formally requested the CERC activation, including a reallocation of US\$11 million of uncommitted funds from the Project to finance immediate recovery activities. As part of their emergency preparedness, the Government had completed a CERC Manual and an Environmental and Social Screening and Assessment Framework (ESSAF) applicable to all CERCs in the country portfolio.¹ In addition, for this CERC activation, the Government prepared the required Emergency Action Plan (EAP), which supports early recovery activities in the transport and artisanal fisheries sectors and will benefit primarily Indigenous Peoples (IPs) and Afro-descendants (ADs) in Nicaragua's Caribbean region. Specifically, the EAP includes the following activities: (i) the rehabilitation of more than 450 kilometers of roads to enable access to essential services and transit of agriculture products; and (ii) the rehabilitation of productive activities in the artisanal fisheries sector, including the replacement or repair of assets such as fishing boats, outboard motors, lobster pots, and fishing equipment. The EAP is closely coordinated with the overall World Bank support, including the Hurricane Eta and Iota Emergency Response Project (P175878, US\$80 million), approved by the Board of Executive Directors on January 22, 2021.

¹ The CERC Manual was updated on April 9, 2020 and received the World Bank's No Objection on April 21, 2020. The ESSAF received the World Bank's no objection on July 17, 2014, and it's available at: http://www.hacienda.gob.ni/programa-y-proyectos/coordination-grl-de-programas-y-proyectos/cerc_/Marco-de-Evaluacion-y-Cribado-Ambiental-y-Social-ESSAF-Nicaragua-24abril2014.pdf/view



7. On February 25, 2021, the World Bank approved the CERC activation, confirming a reallocation of US\$11 million from regular project activities with an expected completion date of August 25, 2022 (18 months after CERC activation). The Government also informed the World Bank that it will not request additional financing to close the gap created by the CERC activation.
8. **CERC Implementation Status.** In line with the CERC Manual, the CERC is being implemented by MHCP, and as agreed in the EAP, with the technical collaboration of the Ministry of Transport and Infrastructure (*Ministerio de Transporte e Infraestructura*, or MTI) and the Nicaraguan Institute of Fishery and Aquaculture (*Instituto Nicaragüense de la Pesca y Acuicultura*, or INPESCA). Annex 1 provides details on CERC activities and implementation arrangements.
9. From March to July 2021, MHCP, through its General Coordination of Programs and Projects Unit (*Coordinación General de Programas y Proyectos*, or CGPP), has made progress on the CERC implementation. Actions taken include finalizing the procurement plan in the Systematic Tracking of Exchanges in Procurement System (STEP), drafting technical specifications and bidding documents, initiating procurement processes, requesting the first advance of US\$4.8 million based on a six-month estimate of the required funds, and completing and disclosing a specific environmental and social (E&S) assessment.

II. DESCRIPTION OF PROPOSED CHANGES

10. The Project is being restructured to reflect changes due to the CERC activation, inclusion of CERC activities, and the need to scale down the original project. The activation of the CERC amounts to a 22 percent reduction in the total project cost for PRODEP III. Since additional financing will not be provided to close the gap created by this activation, there is a need to adjust the Project's original geographical coverage, several project activities and indicators, and their targets. These changes were analyzed with the PGR, which is the Project's implementing agency, and the technical co-executing agencies, during a virtual mission held in March 2021. The analysis focused on maximizing the remaining Credit amount of US\$39 million and ensuring that PRODEP III would remain viable while also helping to confirm that its original PDO remains relevant and achievable. Based on the agreements reached, the Government formally requested the project restructuring on June 10, 2021.
11. The specific changes directly related to the CERC activation and resulting from the scale down of activities and targets due to the unfulfilled financing gap include:
 - *Changes related directly to the CERC activation are:* (a) Addition of the CERC-related PDO; (b) addition of PDO level and intermediate indicators related to the CERC PDO and the specific emergency response; (c) reallocation of US\$11.0 million between disbursement categories (from Category 1 to Category 2 – CERC); (d) adjustment to disbursement projections; (e) activation of the Indigenous Peoples Policy (OP 4.10), (f) update of E&S safeguard analysis; and (g) update of project risk assessment. Changes (a) and (c) will require a legal amendment to the Financing Agreement.
 - *Changes resulting from the scale down of activities and targets of the original project:* (h) adjustments to the geographical coverage of PRODEP III; (i) changes to components' costs; (j) changes in the Results Framework to adjust certain activities and targets in line with the available budget, and to improve the measurement of selected results; and (k) updating of the ex-ante economic and fiscal analysis of the project. These changes



do not require amendments to the Financing Agreement. In addition, (l) to take advantage of the restructuring, the reference to the procurement regulations applicable to the Project will be updated (and reflected in the legal amendment).

12. The above changes are detailed below and further summarized in Section IV.

(a) Addition of a CERC-related PDO

13. The restructuring will include the addition of the standard PDO for the CERC. This means that the adjusted PDO will include: the original PDO of PRODEP III, which remains relevant and achievable with the adjusted activities and targets, and the CERC related PDO. Specifically, the new PDO statement will be: “(i) To provide beneficiaries in selected municipalities with: (a) updated and integrated cadastral and property registry information; and (b) improved land administration services; and (ii) to provide immediate and effective response to an eligible emergency.”

(b) Addition of CERC-related PDO level and intermediate indicators.

14. These indicators have been selected based on the EAP, which supports the emergency response to Hurricanes Eta and Iota in the transport and artisanal fisheries sectors. The CERC will be monitored and evaluated based on these indicators, as detailed in Table 1 below.

Table 1 – CERC Indicators added to the Project

	Objective	PDO Level Indicators	End Target
CERC- PDO	To provide immediate and effective response to an eligible emergency.	<ul style="list-style-type: none"> ❖ CERC beneficiaries (number) (disaggregated by gender) ❖ Time taken to implement the CERC (months) 	<ul style="list-style-type: none"> ❖ 85,000 direct and indirect beneficiaries ❖ CERC executed within 18 months
CERC Subcomponents	Subcomponent Objective	Intermediate Indicators	End Target
Subcomponent 5.1 Rehabilitation of Road Infrastructure	To rehabilitate transportation connectivity of affected areas enabling access to goods, services, and the movement of economic resources.	<ul style="list-style-type: none"> ❖ Roads rehabilitated (kilometers) 	<ul style="list-style-type: none"> ❖ 450 km
Subcomponent 5.2 Recovery of the Artisanal Fisheries Sector	To rehabilitate the productive activity of the fishing communities on the Caribbean coast	<ul style="list-style-type: none"> ❖ New and repaired fishing boats (number) ❖ Productive kits provided for economic recovery to artisan fishing communities (number) ❖ Lobster pots provided for economic recovery to artisan fishing communities (number) 	<ul style="list-style-type: none"> ❖ 294 repaired and acquired fishing boats (158 repaired, 136 acquired) ❖ 173 economic recovery kits ❖ 787 lobster pots



(c) Reallocation of Credit Proceeds

15. Based on the World Bank's approval of the CERC activation, including the EAP, US\$11 million of the total Credit amount of US\$50 million will be formally reallocated from Category 1 (Goods, works, non-consulting services, consulting services, training, and operating costs for Components 1, 2, 3 and 4 of the Project) to Category 2 (Emergency Expenditures under the CERC, or Component 5). As a result, the cost of the CER Component will be US\$11 million.

(d) Adjustment to Disbursement Projections

16. The CERC is expected to be fully implemented by August 25, 2022, or 18 months after CERC activation, which will accelerate the credit's overall disbursement pace. The change in disbursement pace is reflected in the new disbursement projections included in Section IV (Detailed Changes) below.

(e) Activation of Indigenous Peoples Policy (OP 4.10)

17. Originally, the area of intervention of PRODEP III, which was prepared under the Safeguards Operational Policies, did not include IPs and ADs communities. With the CERC activation, it is necessary to trigger the Indigenous Peoples Policy (OP 4.10) given that the CERC will finance under Subcomponent 5.2 activities for the recovery of the artisanal fishing sector to benefit IPs and ADs communities in the Caribbean Region. Since these communities represent the majority of beneficiaries under this subcomponent, a specific Indigenous Peoples Plan (IPP) was not required. As agreed, however, the MHCP completed a specific E&S assessment for the activities under this CERC activation, for which details are provided in the next section.
18. Consultations with IPs and ADs to identify stakeholders, determine needs, and prioritize interventions were carried out by the Government in December 2020. A Communications Plan will be prepared as part of the site-specific Environmental and Social Management Plan (ESMP) to ensure that information about project activities is properly disseminated and in a timely manner, and communication channels with project beneficiaries are established and with feedback mechanisms to prevent and mitigate social risks. The Government has also scaled up the Grievance Redress Mechanism (GRM) of PRODEP III to include the additional geographical areas to be covered under the CERC activities and beneficiaries. In line with OP 4.10, the GRM will be culturally appropriate and accessible to IP/AD groups.

(f) Environmental and Social Safeguard Analysis

19. The operation remains classified as Environmental Category B (partial assessment). Under the CERC, potential E&S negative impacts are expected to be site-specific, short-term, and reversible and will be related to the rehabilitation of road segments and the support to the recovery of the artisanal fisheries sector (replacement/repair of fishing boats and fishing equipment). The CERC will not retroactively finance any activities, goods and/or services. As further explained below, the Project's E&S risk rating has been changed from Moderate to Substantial, considering the CERC activation and the potential E&S risks and impacts that these new activities may entail.



20. The Integrated Safeguards Data Sheet (ISDS) was updated and disclosed on August 11, 2021, considering the changes due to the CERC activation and the activities of the EAP, including the need to trigger OP/BP 4.10. The safeguards policies originally triggered are: OP/BP 4.01 Environmental Assessment; OP/BP 4.04 Natural Habitats; OP/BP 4.36 Forests; OP/BP 4.11 Physical Cultural Resources; and OP/BP 4.12 Involuntary Resettlement. These policies will remain triggered, although activities under the CERC are not expected to result in restrictions on land use, land acquisition or involuntary resettlement. In addition, OP/BP 4.10 Indigenous Peoples was newly triggered as CERC activities related to Subcomponent 5.2 “Recovery of the Artisanal Fisheries Sector” will be implemented in territories with IPs and ADs (See Annex 1). Key E&S risks and impacts are expected to be effectively avoided, minimized, and/or mitigated subject to the establishment of proper E&S measures.
21. *Key environmental risks include:* (i) nuisance related to dust generation, vibration, noise, and odors during civil works; (ii) generation, management, and disposal of waste, including debris caused by the hurricanes, residual construction materials waste, residual waste from the construction/repair of fishing equipment; (iii) potential pollution of soil and water resources during the rehabilitation of roads; (iv) temporary disruptions to local traffic during road rehabilitation activities; (v) health and safety risks to workers and local communities, including the risk of the spread of COVID-19; and, (vi) direct and indirect impacts from other natural hazards (earthquakes, tsunamis, landslides, volcanos, extreme heat, hurricanes, and floods) that may occur in the affected areas. In addition, quarry and borrow pit-related activities (managed off-site) may cause localized negative impacts if these are not appropriately managed.
22. *Key social risks include:* (i) potential temporary economic displacement of people that have settled in the right of way; (ii) safety and security risks and impacts to communities located adjacent to roads that will be rehabilitated; (iii) risks related to COVID-19; (iv) risks of elite capture of goods provided under the CERC or risks that goods are not distributed as planned or in coordination with traditional authorities; (v) exclusion of vulnerable groups within beneficiary populations such as women, youth or persons with disabilities; and, (vi) difficulty in meeting expectations and demands of IPs and ADs that want to benefit from CERC activities given that the needs may exceed available funding. In addition, a context of dispersed communities in difficult access areas, as well as the lack of information regarding the COVID-19 situation in the CERC’s area of intervention and the current socio-political context, also pose additional risks and challenges for implementation and supervision.
23. The Government prepared an ESSAF applicable to all CERCs in the country and a specific E&S Assessment. The CERC-ESSAF provided the necessary initial guidance for the E&S management of activities under the CERC activation, aligned with the list of eligible expenditures considered in the CERC Manual. During the CERC activation, Nicaragua prepared an E&S Assessment for the CERC activities included specifically in the EAP. This E&S Assessment was disclosed both in-country² and on the World Bank’s website on June 21, 2021, and July 12, 2021, respectively. The instrument includes: (i) a detailed E&S screening; (ii) identification of applicable national legislation; (iii) an E&S characterization of the areas of intervention; (iv) an identification and evaluation of positive and negative, direct and indirect impacts E&S risks and impacts; (v) general E&S mitigation and management measures in accordance with the mitigation hierarchy covering, among other aspects: management of diverse

² The E&S Assessment can be found at MHCP webiste: <http://www.hacienda.gob.ni/documentos/documentos-mhcp/documentos-despacho-del-ministro/publicaciones/Analisis-Socio-Ambiental-para-la-Implementacion-del-CERC-Respuesta-Huracanes-Eta-lota.pdf/view>



construction impacts; materials and construction waste management, measures to avoid/mitigate potential impacts on natural habitats, traffic safety, occupational health, and safety, including COVID-19 consideration; and (vi) guidance for the development of site-specific ESMPs for each road segment to be rehabilitated under the CERC. Civil works needed for the rehabilitation of the selected road segments will be undertaken on existing roads and will aim to reduce road erosion and improve road surface conditions and drainage. None of the selected road segments pass through designated Natural Protected Areas and will not affect indigenous territories. Given that the rehabilitation work will be limited to existing roads, impacts on natural habitats are expected to be limited. Social risks such as community health and safety, risks related to potential temporary economic displacement, elite capture of goods, and exclusion of vulnerable groups are expected to be managed through ESMPs, resettlement plans if needed, and communication plans. Consultation with IPs and ADs benefiting from activities in Subcomponent 5.2 of the CERC served to establish agreements on key stakeholders, beneficiary communities, associations and individuals, and goods to be acquired, as well as agreements with local leaders and IPs and ADs on the distribution of goods to ensure close coordination with local and traditional authorities.

24. Safeguards' performance is Satisfactory. Under PRODEP III, the demarcation of Natural Protected Areas has been carried out in accordance with the requirements of the safeguards policies and in line with the Environmental Assessment and Environmental Management Plan prepared during the project appraisal. No restriction in access was identified, and a highly participatory approach with local communities was adopted to accompany project activities related to the demarcation work. The Government met CERC effectiveness conditions, such as the development of the EAP, which reflects requirements under the CERC-ESSAF in terms of consultation and stakeholder engagement when implementing activities in IPs and ADs Communities, as well as with the E&S Assessment prepared specifically for the CERC activities. Future actions agreed with the Government include: (i) adaptation and continued implementation of the Original Project's GRM ensuring it is adequately promoted and accessible for stakeholders relevant to CERC activities, (ii) prior to the implementation of road rehabilitation activities, preparation of site-specific ESMPs along with communication plans, and subsequently, regular monitoring and supervision of the implementation of these ESMPs; (iii) if required, prepare and implement resettlement/abbreviated resettlement action plans, prior to the start of civil works; and (iv) implementation of the E&S management measures as described in the E&S assessment for all artisanal fisheries activities.

(g) Update of Project Risk Assessment

25. As reflected in the Systematic Operations Risk-rating Tool (SORT) below, overall project residual risk remains Substantial (based on the rating of the latest ISR of June 18, 2021). This rating considers the uncertainties regarding the COVID-19 emergency, the increased social risks due to the CERC activation, and the overall socio-economic situation. While most residual risks remain low or moderate, the E&S risk rating has been changed from Moderate to Substantial considering the CERC activities and their geographical scope. These risks are mitigated by the experience of MHCP and the technical co-executing agencies in implementing Bank-financed operations, the E&S measures and instruments described above, as well as the strong coordination between MHCP and PGR.

(h) Adjustments to the Geographical Coverage under the Original Project

26. Currently, PRODEP III covers an area comprised of 21 municipalities in the departments of Matagalpa (2), Boaco (6), Chontales (10), and Río San Juan (3) for cadaster related activities; and 20 municipalities of Nueva Segovia (12) and Jinotega (8) for land regularization and titling activities; and sporadic land regularization based on demand.



There will be no change in municipal coverage for land regularization and titling. However, considering the limited Credit funds remaining after the CERC activation and the strategic decision to ensure future scalability of project results related to cadastral information, the Project’s geographical area is being adjusted as follows:

- While all the original departments included in the project will remain, four municipalities will not be covered under the cadastral surveying: Camoapa and Santa Lucía in the Boaco department, La Libertad in the Chontales department, and El Almedro in the Río San Juan department.
- The following sixteen municipalities will remain under the Project, with adjustments to the cadastral activities refocused on completing urban areas and partial coverage in rural areas: Boaco, Teustepe, San Lorenzo, San José de los Remates, Juigalpa, San Francisco de Cuapa, Santo Tomás, Comalapa, Villa Sandino, El Coral, San Pedro de Lóvago, Santo Domingo, Rancho Grande, Río Blanco, El Castillo, and San Carlos.
- Technical certification of cadastral capacity is reduced from 21 to 15 municipalities.
- These changes have been introduced in the Project Cadastre and Land Regularization Strategy and the Project Operations Manual.

(i) Changes in Project Components’ Costs

27. The reallocation of US\$11 million to the CERC (Component 5) resulted in reductions to the costs of Components 1 to 4 as follows: Component 1 ‘Institutional and Policy Framework and System Integration’ will be reduced by US\$3.77 million, Component 2 ‘Cadastre, Regularization and Titling Services’ will be reduced by US\$5.93 million, Component 3 ‘Municipal Land Administration Services’ will be reduced by US\$0.64 million, and Component 4 ‘Project Management, Monitoring and Evaluation’ will be reduced by US\$0.66 million. As noted above, the amount from these reductions (totaling US\$11 million) has been allocated to Component 5 ‘Contingent Emergency Response Component (CERC)’. The adjusted component costs are shown in Section IV (Detailed Changes) below.

(j) Changes in the Results Framework of the Original Project

28. In addition to the inclusion of the CERC-related PDO level and intermediate indicators mentioned above, the following revisions to the original Project’s Results Framework related to the scale down of the Project are proposed and presented in Tables 2 and 3 below, and in the Results Framework of this Restructuring Paper:

Table 2 – Changes to PDO Level Indicators

Indicator Name	Baseline	Original End Target	Revised End Target	Comments
Legal documents issued to project beneficiaries (number)	0.0	105,000	94,500	End target revised
Of which, new titles or deeds registered in Property Registry (number)	0.0	86,000	77,400	End target revised
Municipalities that manage cadastral information with SISCAT linked to the national cadastre (number)	0.0	19	18	End target revised
Municipalities that use the tool linking SIICAR-SISCAT (number) (*)	0.0	NA	3	New indicator added

(*) This indicator is being added, taking advantage of the project restructuring, to measure better a key result that will foster sustainability of the investments in cadastral information.



Table 3 – Changes to Intermediate Indicators

Indicator Name	Baseline	Original End Target	Revised End Target	Comments
Geospatial information databases of INETER integrated under INETER's Spatial Data Infrastructure (number)	0.0	4	1	End target revised
Parcels incorporated into the national cadastre database (number)	0.0	116,500	98,339	End target revised
Area covered by cadastral surveying (hectares)	0.0	1,100,000	435,671	End target revised
Mediations where land tenure conflict agreements were reached (percent) (*)	0.0	NA	50	New indicator added
Municipalities with technical cadastre certified by INETER/INIFOM (number)	0.0	21	15	End target revised
Municipalities that incorporate at least 90% of INETER cadastral database into SISCAT (number)	0.0	19	18	End target revised

(*) This new indicator is added, taking advantage of the project restructuring, to capture better the effort and results from alternative conflict resolution under the project.

(k) Update of Project’s Economic and Financial Analysis

Update of Economic Analysis

29. The underlying theory of change and implementation strategy of PRODEP III remains unchanged. Hence, the expected economic benefits quantified for the Project are still derived from higher property values as a result of increased land tenure security after titling. However, the project’s original economic analysis is revised due to changes in the cost structure and targets (including a reduction in land titling) because of the CERC activation. The updated economic analysis considers two stages of PRODEP III implementation and provides a separate assessment for each period. For the implementation period, starting with the first disbursement of the Project (FY2019-Q2), up to the end of January 2021, the *ex-ante* economic evaluation considers an adjustment to PRODEP III planned targets and costs in that period. In that same period, the *ex-post* evaluation corresponds to implemented costs and actual targets achieved (as per data provided by the PGR and its Project Coordination Unit or PCU). The economic analysis of the remaining implementation period - from February 2021 to the end of the Project in 2024 - generates an updated *ex-ante* analysis that corresponds to the adjusted costs and land titling targets under the restructuring. A summary of results is presented in Table 4.

30. The estimated Economic Net Present Value (E-NPV) of both periods is positive. In the first stage of the economic analysis, from project start until January 2021, *ex-ante* NPV is US\$1.48 million, and *ex-post* NPV is US\$1.98 million. After project restructuring, the *ex-ante* NPV is US\$28.39 million. In all cases, the Economic Internal Rate of Return (E-IRR) is significantly higher than the 10 percent used to discount the benefit and costs of the Project (before restructuring: *ex-ante* E-IRR is 13 percent and *ex-post* E-IRR is 24 percent; and, after restructuring E-IRR is 39 percent). In PRODEP III, the relation of titles per USD invested grew by 143 percent from project planning to implementation. This significant increase in efficiency and effectiveness reflects the experience gained by the PGR and its PCU during the first and second phase of PRODEP; and the political willingness and institutional



commitment to the project implementation, improved capacity of land administration systems and services, and accelerated urban titling in the first two years of project implementation.

Table 4 - Results of the updated economic analysis of PRODEP III

Economic analysis summary	From Project start until January 2021		Post Project Restructuring
	<i>Ex-ante</i> : adjusted according to Project Appraisal Document (PAD)	<i>Ex-post</i> : costs and benefits already implemented	<i>Ex-ante</i> : Feb. 2021 to 2024
Net present value of flows			
Expected benefits (USD million)	20.81	6.12	56.46
Total costs (USD million)	19.33	4.14	28.06
Economic Net benefits (E-NPV) (USD million)	1.48	1.98	28.39
Economic Internal Rate of Return (E-IRR) (USD million)	13%	24%	39%

Update of Fiscal Impact Analysis

31. The updated fiscal impact analysis follows a similar approach to the economic evaluation. The analysis aims at quantifying the net impact that the implementation of the Project would have on municipal government finances, particularly incremental fiscal revenue of property tax (*Impuesto sobre Bienes Inmuebles*, or IBI). Results of the updated fiscal analysis are estimated for different scenarios of net fiscal revenue, corresponding to 10, 20, and 30 percent increases in the tax base and incremental operating costs of 20 percent of incremental revenues. In every case, results show that incremental fiscal revenues' net present value (at a 10 percent discount rate) is sufficient to cover the incremental costs associated with project activities while resulting in net fiscal gains. Considering the base scenario, 10 percent of the increase in the tax base, for the *ex-ante* 2019-January 2021 period, the incremental fiscal revenues have a net present value of US\$0.3 million dollars. For the February 2021-2024 restructuring and projections, the incremental fiscal revenues have a net present value of US\$0.4 million dollars. Annex 2 provides details on updated economic and fiscal analysis.

(I) Changes in procurement regulations

32. The “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020, will be applicable to the Project, and this change will be reflected in the Financing Agreement.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Project's Development Objectives	✓	
Results Framework	✓	
Components and Cost	✓	



Reallocation between Disbursement Categories	✓	
Disbursement Estimates	✓	
Overall Risk Rating	✓	
Safeguard Policies Triggered	✓	
Procurement	✓	
Economic and Financial Analysis	✓	
Social Analysis	✓	
Environmental Analysis	✓	
Implementing Agency		✓
DDO Status		✓
PBCs		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Disbursements Arrangements		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
APA Reliance		✓
Implementation Schedule		✓
Other Change(s)		✓
Technical Analysis		✓

IV. DETAILED CHANGE(S)

PROJECT DEVELOPMENT OBJECTIVE

Current PDO

The Project Development Objective (PDO) is to provide beneficiaries in selected municipalities with: (a) updated and integrated cadastral and property registry information; and (b) improved land administration services.



Proposed New PDO

The Project Development Objectives are: (i) to provide beneficiaries in selected municipalities with: (a) updated and integrated cadastral and property registry information; and (b) improved land administration services; and (ii) to provide immediate and effective response to an eligible emergency.

COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Institutional and Policy Framework and System Integration	18.75	Revised	Institutional and Policy Framework and System Integration	14.98
Cadastre, Regularization and Titling Services	25.67	Revised	Cadastre, Regularization and Titling Services	19.74
Municipal Land Administration Services	2.64	Revised	Municipal Land Administration Services	2.00
Project Management, Monitoring and Evaluation	2.94	Revised	Project Management, Monitoring and Evaluation	2.28
Contingent Emergency Response Component (CERC)	0.00	Revised	Contingent Emergency Response Component (CERC)	11.00
TOTAL	50.00			50.00

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

	Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
				Current	Proposed
IDA-61980-001 Currency: USD					
iLap Category Sequence No: 1		Current Expenditure Category: GO, CW, NCS, CS, TR, OP Pt 1,2,3,4			
	50,000,000.00	10,657,848.64	39,000,000.00	100.00	100.00
iLap Category Sequence No: 2		Current Expenditure Category: Emergency Expenditures under CER Pt			
	0.00	0.00	11,000,000.00	100.00	100.00
Total	50,000,000.00	10,657,848.64	50,000,000.00		



DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2018	111,850.00	0.00
2019	2,818,200.00	455,608.33
2020	4,534,700.00	3,973,808.14
2021	7,806,950.00	12,981,306.00
2022	10,910,000.00	13,000,000.00
2023	12,330,700.00	13,000,000.00
2024	11,487,600.00	6,589,277.53

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating at Approval	Current Rating
Political and Governance	● Moderate	● Substantial
Macroeconomic	● Moderate	● Moderate
Sector Strategies and Policies	● Moderate	● Moderate
Technical Design of Project or Program	● Low	● Low
Institutional Capacity for Implementation and Sustainability	● Moderate	● Moderate
Fiduciary	● Moderate	● Moderate
Environment and Social	● Moderate	● Substantial
Stakeholders	● Moderate	● Moderate
Other		● Low
Overall	● Moderate	● Substantial

COMPLIANCE

Safeguard Policies



Safeguard Policies Triggered	Current	Proposed
Environmental Assessment (OP) (BP 4.01)	Yes	Yes
Performance Standards for Private Sector Activities OP/BP 4.03	No	No
Natural Habitats (OP) (BP 4.04)	Yes	Yes
Forests (OP) (BP 4.36)	Yes	Yes
Pest Management (OP 4.09)	No	No
Physical Cultural Resources (OP) (BP 4.11)	Yes	Yes
Indigenous Peoples (OP) (BP 4.10)	No	Yes
Involuntary Resettlement (OP) (BP 4.12)	Yes	Yes
Safety of Dams (OP) (BP 4.37)	No	No
Projects on International Waterways (OP) (BP 7.50)	No	No
Projects in Disputed Areas (OP) (BP 7.60)	No	No



Results framework

COUNTRY: Nicaragua

Nicaragua Property Rights Strengthening Project

Project Development Objectives(s)

The Project Development Objective (PDO) is to provide beneficiaries in selected municipalities with: (a) updated and integrated cadastral and property registry information; and (b) improved land administration services.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	End Target
(a) updated and integrated cadastral and property registry information			
Parcel-based data identified and linked in the cadastral and property registry modules of SIICAR (Percentage)		0.00	50.00
Satisfactory independent evaluation of SIICAR in terms of operation, data, and security (Percentage)		0.00	90.00
Municipalities that manage cadastral information with SISCAT linked to the national cadastre (Number)		0.00	18.00
Action: This indicator has been Revised	Rationale: <i>Due to CERC activation and reallocation of funds, this Restructuring requires scaling down several project activities and targets, such as the number of municipalities that manage cadastral information with SISCAT linked to the national cadastre from 19 to 18.</i>		
Municipalities that use the tool linking SIICAR-SISCAT (Number)		0.00	3.00
Action: This indicator is New	Rationale: <i>This indicator was added to improve and strengthen the results framework and measure the tool linking SISCAT-SIICAR in production, carrying out cadastral transactions.</i>		



Indicator Name	PBC	Baseline	End Target
(b) improved land administration services			
Reduction in number of days to complete recording of purchase/sale of a property in the Property Registers with SIICAR (Days)		35.00	25.00
Legal documents issued to project beneficiaries (Number)		0.00	94,500.00
<i>Action: This indicator has been Revised</i>	<i>Rationale: Due to CERC activation and reallocation of funds, this Restructuring requires scaling down several project activities and targets, such as the issuance of legal documents, from 105,000 to 94,500.</i>		
of which, new titles or deeds registered in the Property Registry (Number)		0.00	77,400.00
<i>Action: This indicator has been Revised</i>	<i>Rationale: Due to CERC activation and reallocation of funds, this Restructuring requires scaling down several project activities and targets, such as the issuance of new titles or deeds registered in the Property Registry, from 86,000 to 77,400.</i>		
of which benefit women or couples jointly (Percentage)		0.00	50.00
To provide immediate and effective response to an eligible emergency. (Action: This Objective is New)			
CERC beneficiaries (disaggregated by gender) (Number)		0.00	85,000.00
<i>Action: This indicator is New</i>			
Time taken to implement the CERC (Months)		0.00	18.00
<i>Action: This indicator is New</i>			



Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	End Target
Component 1 - Institutional and Policy Framework and System Integration			
SIICAR user satisfaction (disaggregated by gender) (Percentage)		0.00	75.00
Geospatial information databases of INETER integrated under INETER's Spatial Data Infrastructure (Number)		0.00	1.00
Action: This indicator has been Revised	Rationale: Due to CERC activation and reallocation of funds, this Restructuring requires scaling down several project activities and targets, such as this Indicator, from 4 to 1 database.		
Updated and new technical manuals to establish and simplify institutional processes with a focus on gender equity (Number)		0.00	4.00
Strategy and Business Plan for SIICAR completed and adopted by CSJ and INETER (Yes/No)		No	Yes
Component 2 - Cadastre, Regularization and Titling Services			
Parcels incorporated into the national cadastre database (Number)		0.00	98,339.00
Action: This indicator has been Revised	Rationale: Due to CERC activation and reallocation of funds, this Restructuring requires scaling down several project activities and targets, such as this Indicator, from 116,500 to 98,339 parcels.		
Area covered by cadastral surveying (Hectare(Ha))		0.00	435,671.00
Action: This indicator has been Revised	Rationale: Due to CERC activation and reallocation of funds, this Restructuring requires scaling down several project activities and targets, such as this Indicator, from 1,100,000 to 435,671 hectares.		



Indicator Name	PBC	Baseline	End Target
Mediations where land tenure conflict agreements were reached (Percentage)		0.00	50.00
Action: This indicator is New	Rationale: <i>This indicator was added to improve and strengthen the results framework and measure the mediations where land tenure conflict agreements were reached, with a proposed end target of 50%. Currently, 50% of mediations of land tenure conflicts have reached agreements.</i>		
Mediation agreements pre-qualified as potentially registrable that are formalized in the Property Register (Percentage)		0.00	70.00
Protected Areas that are demarcated and registered in the database of the National System of Environmental Information (Number)		0.00	8.00
Component 3 - Municipal Land Administration Services			
Municipalities with technical cadastre certified by INETER/INIFOM (Number)		0.00	15.00
Action: This indicator has been Revised	Rationale: <i>Due to CERC activation and reallocation of funds, this Restructuring requires scaling down several project activities and targets, such as this Indicator, from 21 to 15 Municipalities.</i>		
Municipal land diagnostics performed (Number)		0.00	15.00
Municipalities that incorporate at least 90% of INETER cadastral database into SISCAT (Number)		0.00	18.00
Action: This indicator has been Revised	Rationale: <i>Due to CERC activation and reallocation of funds, this Restructuring requires scaling down several project activities and targets, such as this Indicator, from 19 to 18 Municipalities.</i>		



Indicator Name	PBC	Baseline	End Target
Component 4: Project Management, Monitoring and Evaluation			
Effective resolution of grievances related to the project within an average period of five business days (Percentage)		0.00	90.00
Implementation of the Gender Strategy (Percentage)		0.00	100.00
Baseline, mid-term and final household impact evaluations (Number)		0.00	4.00
Component 5: Contingent Emergency Response Component (CERC) (Action: This Component is New)			
Roads rehabilitated (Kilometers)		0.00	450.00
Action: This indicator is New			
New and repaired fishing boats (Number)		0.00	294.00
Action: This indicator is New			
Productive kits provided for economic recovery to artisan fishing communities (Number)		0.00	173.00
Action: This indicator is New			
Lobster pots provided for economic recovery to artisan fishing communities (Number)		0.00	787.00
Action: This indicator is New			



Annex 1: Summary of CERC Activities to Respond to Hurricanes Eta and Iota Emergency

Country: Republic of Nicaragua Nicaragua Property Rights Strengthening Project (P163531)

A. Impact of Hurricanes Eta and Iota

1. Over 3 million people were affected by the devastating hurricanes that hit the country in November 2020, with 160,597 evacuated, 59,964 in shelters, and 21 dead. The most affected areas were the two autonomous regions in the Caribbean coast, as well as several departments in the center and west of the country, such as Matagalpa, Jinotega, Nueva Segovia, Rivas, and Carazo. Through the National System for Disaster Prevention, Mitigation and Response (*Sistema Nacional para la Prevención, Mitigación y Atención de Desastres*, or SINAPRED), the Government declared the Emergency Red Alert on November 2, 2020, in response to Eta, and subsequently on November 17, 2020, in response to Iota. In December 2020, the Government conducted a Damage Assessment and estimated that the two hurricanes caused damages and losses of a total of US\$742.6 million or approximately 6.2 percent of GDP. The main impacts of the hurricanes are detailed below.
2. **Impact on critical infrastructure.** Infrastructure suffered more than US\$350 million in damages, mostly in connecting and transportation infrastructure such as primary, secondary, and rural roads. The impact assessment identified up to 1,975 km of macadam roads, 1,750 km of highways, and 2,644 km of rural roads destroyed. In addition, over 2,200 km of rural roads are estimated to have been damaged, along with 106 bridges and 2 piers.
3. **Impact on productive sectors.** The productive sectors accounted for significant losses, especially fishery (US\$19.6 million), agriculture (US\$ 20.3 million), and tourism (US\$ 7.1 million). The fishery sector was severely impacted by damages and losses of productive infrastructure in 21 processing plants, 5 centers of industrial storage, and 52 artisanal storage centers. More than 700 fishing boats were fully or partially damaged, and over 200 outboard marine motors, 133,000 lobster pots, and 30,600 fishing equipment were lost. The agriculture sector suffered significant damages in crops such as coffee, cocoa, beans, corn, rice, and sorgo. In the tourism sector, over 400 companies were affected.
4. **Impacted geographical area.** The most affected areas were the two autonomous regions in the Caribbean coast together with several departments in the central and western regions of the country that are important and strategic centers for agricultural activity, such as Matagalpa, Jinotega, Nueva Segovia, Madriz, Chontales, Matagalpa, Rivas, and Carazo. The two autonomous regions in the Caribbean coast account for 47 percent of the national territory and 14 percent of the total population (approximately 620,400 people). The Caribbean Coast is multiethnic, pluricultural, and multilingual as it includes Indigenous, Afro-descendent, and ethnic communities including Miskitus, Creoles, Garífunas, Sumu (Twahka, Panamahka, Ulwa), Rama, and Mestizos communities. The Caribbean Coast is also comparatively poorer than the rest of the country and characterized by dispersed communities and collective land property within legally recognized Indigenous Territories.



B. CERC Emergency Action Plan (EAP)

5. **CERC Implementation Arrangements.** Consistent with the CERC Manual, MHCP, through its CGPP, is responsible for the coordination and implementation of the CERC. The CGPP has adequate operational safeguards and fiduciary capacity. MTI and INPESCA will serve as technical agencies to support the CGPP in road rehabilitation and support artisanal fisheries, respectively. PGR will provide support for the coordination of procurement processes in STEP and the scaling up of the Grievance Redress Mechanism (known in Spanish as *Sistema de Atención al Protagonista del Proyecto*, or SAPP). An independent auditor will conduct an external financial audit covering the entire CERC implementation period under terms of reference acceptable to the World Bank, separate from the Project’s audit and following the World Bank’s Financial Management policies and requirements.

6. As required, the Government has prepared an EAP focusing rehabilitation efforts on the road and artisanal fisheries sectors. The EAP includes items and activities consistent with the positive list agreed in the CERC Manual. As shown in Table A1.1, the EAP includes three subcomponents, with 72.2 percent of the total CERC amount of US\$11 million allocated to the rehabilitation of roads.

Table A1.1: CERC Subcomponents and Costs

Subcomponents	Technical Partners	Total Cost (US\$ million)
5.1: Rehabilitation of Road Infrastructure	MTI	7.94
5.2: Recovery of the artisanal fisheries sector	INPESCA	3.00
5.3: Audit and Evaluation of CERC	MTI / INPESCA	0.06
TOTAL		11.00

Subcomponent 5.1 – Rehabilitation of Road Infrastructure (US\$7.94 million)

7. The Government has selected to rehabilitate over 450 km of the rural connecting network roads that Hurricanes Eta and Iota severely damaged. These roads, detailed in Table A1.2 below, are of significant value in connecting rural communities, especially in the Caribbean region, enabling access to basic services such as education, health, and commerce and facilitating transportation of agricultural products. MTI will act as a technical co-executing agency and is responsible for the technical supervision of the public works.

Table A1.2: List of Roads to be rehabilitated under CERC

Road Segment	Municipality & Department	Length (Km.)	Total Cost (US\$ million)
1. Murra-El Rosario-Quebrada Negra	Murra, Nueva Segovia	35.80	0.52
2. Somoto-El Cairo-Icalupe	Somoto, Madriz	29.17	0.41
3. Villa Sandino-El Guarumo-La Campana	Villa Sandino, Chontales	44.77	0.53
4. La Palma-La Plazuela	Acoyapa, Chontales	35.13	0.51
5. Empalme El Muñeco-Wanawas	Rio Blanco, Matagalpa	15.44	0.44
6. San Jose de Bocay-Ayapal	San Jose de Bocay, Jinotega	37.40	0.55
7. Waslala-Siuna	Waslala and Siuna, RACCN	94.00	2.66



Road Segment	Municipality & Department	Length (Km.)	Total Cost (US\$ million)
8. Empalme Wana Wana-Ubu Norte	Paiwas, RACCS	37.37	0.55
9. Ubu Norte-San Pedro del Norte	Paiwas, RACCS	26.21	0.36
10. San Pedro-La Estrella-La Palmita-El Gallo-La Cruz de Rio Grande	Paiwas, RACCS	96.00	1.41
TOTAL		451.29	7.94

Subcomponent 5.2 – Recovery of the Artisanal fisheries Sector (US\$3 million)

- The CERC activities under this subcomponent are focused on the recovery of the fishing communities in the RACCN and RACCS that lost significant assets and productive equipment due to Hurricanes Eta and Iota. The fishing activity in the Caribbean relies mostly on artisan fishing communities on the northern and southern coasts. Around 10,000 families in this region suffered the impact of Hurricanes Eta and Iota, losing critical supplies and assets which affected their fishing economic activity. Based on visits and consultations in the region, 38 fishing communities were identified as moderate to severely affected by the hurricanes: 29 communities in the RACCN in the Waspan, Puerto Cabezas, and Prinzapolka municipalities, and 9 communities in the RACCS in the Bluefields, Corn Island and Laguna de Perlas municipalities. These include the indigenous territories of Karata, Tawira, Prinzu Auha Un, and Awaltara.
- INPESCA will act as a technical co-executing agency, helping to identify affected communities and distributing goods and materials to the beneficiaries. The CERC activities are expected to benefit 1,500 people by financing the replenishment of fishing equipment and assets, as described in Table A1.3 below.

Table A1.3 – CERC Activities for Artisanal Fisheries Sector Recovery

Activity	Total goods, materials, and beneficiaries	Estimated Total (US\$)
Acquisition of raw materials for the repair and reconstruction of artisan fishing boats.	158 ‘pangas’ repaired	390,418.00
Acquisition of fiber-glass fishing boats	136 ‘pangas’ acquired	612,000.00
Acquisition of outboard marine motors	189 outboard motors	653,534.00
Acquisition of materials y accessories to build artisan lobster pots	787 beneficiaries	1,159,081.00
Acquisition of materials, equipment, and tools for the commercialization of fishing products	173 beneficiaries	125,672.00
Operational costs	n.a.	59,295.00
Total		3,000,000.00

Subcomponent 5.3 - CERC Audit and Evaluation (US\$0.06 million)

- The CERC will finance the financial audit for the 18-month implementation period, as well as the CERC Evaluation Report, which should be finalized within six months of CERC completion.



Annex 2: Updated Economic and Fiscal Analysis

Country: Republic of Nicaragua

Nicaragua Property Rights Strengthening Project (P163531)

Update of the Economic Analysis

1. The underlying theory of change and implementation strategy remains unchanged. Hence, the expected economic benefits quantified for PRODEP III still derive from higher property values due to increased land tenure security after titling.³ The economic appraisal of PRODEP III is revised due to changes in the cost structure and targets (including a reduction in land titling) as a result of the CERC activation. The updated economic analysis considers two stages of PRODEP III implementation, and provides a separate assessment for each period. For the implementation period, starting with the first disbursement of the Project (2019) up to the end of January 2021, the *ex-ante* economic evaluation comprises an adjustment to PRODEP III planned targets and costs in that period.⁴ In that same period, the *ex-post* evaluation corresponds to implemented costs and actual targets achieved (as per data provided by SE PRODEP). The economic analysis of the remaining implementation period - from February 2021 to the end of the Project in 2024 - generates an updated *ex-ante* analysis, which corresponds to the project restructuring of costs and land titling targets.
2. **Results of the updated economic analysis.** The results of the updated economic analysis continue to indicate that the Project represents a sound investment for society (welfare) from the optimization efficiency (benefits-costs) point of view. The optimization efficiency analysis aims to establish a rationale for a particular investment if it provides sufficient returns/benefits to account for, justifies its costs, and the opportunity cost of capital from society's perspective. The estimated E-NPV of both periods is positive. In the first stage of the economic analysis, from project start until January 2021, *ex-ante* NPV is US\$1.48 million, and *ex-post* NPV is US\$1.98 million. After project restructuring, the *ex-ante* NPV is US\$28.39 million. In all cases, the E-IRR is significantly higher than the 10 percent used to discount the benefit and costs of the Project (before restructuring: *ex-ante* E-IRR is 13 percent and *ex-post* E-IRR is 24 percent; and, after restructuring E-IRR is 39 percent). The sensitivity assessment includes switching values for cost and benefits. The switching value for costs indicates the percentage of costs increase at which the E-NPV is zero (and E-IRR is equivalent to the discount rate). The switching value for benefits indicates the percentage of benefits reduction at which the E-NPV is zero and E-IRR is 10 percent). See Table A2.1 Results of the updated economic analysis of PRODEP III below.

³ The likely impact of titling on property values was estimated through econometric and other statistical methods that allowed for isolating, with a reasonable degree of statistical confidence (95 percent), the effect of property titling on perceived market values from the effect of other variables contributing to the determination of property prices. As was the case during PRODEP III appraisal, data is taken from Nicaragua's Encuesta Nacional de Hogares sobre Medición de Nivel de Vida 2014 (EMNV 2014).

⁴ The adjustment of PRODEP III planned costs and targets derives from the analysis of PRODEP II Additional Financing (PRODEP II AF). PRODEP II AF has several characteristics that make it a useful reference. The approval of PRODEP II AF took place about a year before PRODEP III approval. PRODEP II AF has an implementation period that is compatible with the period required for PRODEP III *ex ante* assessment before restructuring. As in the case of the initial months of PRODEP III implementation, PRODEP II was planned considering that resources were being disbursed, in parallel, from previous credits with concurring Project Development Objectives.



Table A2.1. Results of the updated economic analysis of PRODEP III

Economic analysis summary	From Project start until January 2021		Post Project Restructuring
	<i>Ex-ante</i> : adjusted respect to PAD	<i>Ex post</i> : costs and benefits already implemented	<i>Ex-ante</i> : Feb. 2021-2024
Net present value of flows			
Expected benefits (USD million)	20.81	6.12	56.46
Total costs (USD million)	19.33	4.14	28.06
Economic Net benefits (E-NPV) (USD million)	1.48	1.98	28.39
Economic Internal Rate of Return (E-IRR) (USD million)	13%	24%	39%
Switching values for costs	10%	48%	101%
Switching values for benefits	-9%	-32%	-50%

3. **Efficiency and effectiveness improvements in PRODEP III.** As was the case with the additional financing (AF) for PRODEP II, PRODEP III implementation (from project start until January 2021) shows a very positive performance by contrasting planned versus executed costs and land titling targets. Regarding PRODEP II AF, the relation of titles per USD invested grew by 36 percent from project planning to implementation. In PRODEP III, the relation of titles per USD invested grew by 143 percent from project planning to implementation. There are various explanations for this improvement. PRODEP II Implementation Completion and Results Report (ICR) indicates that the project significantly increased efficiency and effectiveness due to several factors. These factors are related to the experience gained by the PGR and its PCU during the first and second phases of PRODEP. It also indicates that, despite the socio-political challenges faced by the country, there is a political willingness and institutional commitment to the project implementation, expressed in an adequate institutional coordination. In the case of efficiency and effectiveness improvements in PRODEP III, the ICR findings are still valid, but there are other elements to consider. The COVID-19 pandemic had implications in PRODEP III implementation. As the pandemic initially constrained mobility, PGR-PCU accelerated urban titling in the first two years of project implementation. This strategy, together with the improved capacity of land administration systems and services,⁵ facilitated the continued implementation of the Project despite the challenging context.

Update of the Fiscal Impact Analysis

4. As indicated in the PRODEP III PAD, one of the Project’s medium to long-term outcomes is increased local tax collection. The fiscal impact analysis aims at quantifying the net impact that Project implementation would have on municipal government finances. In this case, this impact was primarily estimated based on incremental operating costs and projected fiscal revenues captured by government institutions.⁶ As in the PAD, the incremental fiscal revenue only considers property tax (*Impuesto sobre Bienes Inmuebles*, or IBI) revenues data

⁵ A comprehensive efficiency and effectiveness analysis would require a unit cost estimate for the services provided by land administration institutions. PRODEP will generate the information that is fundamental for the project mid-term review and the final evaluation.

⁶ Fiscal revenues refer solely to the estimated increase in the property tax revenue generated through the Project.



and projections. Nonetheless, there are methodological changes in the fiscal impact analysis due to project restructuring.

5. The fiscal analysis follows a similar approach to the economic evaluation. It includes an *ex-ante* assessment from the beginning of the project implementation up to January 2021, as well as an *ex-ante* assessment based on the remaining period – from February 2021 until the end of the Project in 2024. In both cases, the potential property tax was estimated to be 40 percent of the total tax base. It is assumed that the databases and information generated by PRODEP III activities, in both periods, would not have yet been fully integrated into, and appropriately used to update, the municipal cadastral system (SISCAT) in targeted municipalities (otherwise, it would imply a significant increase in the size of the total tax base).⁷
6. Estimates for different scenarios of net fiscal revenue updated. The scenarios correspond to 10, 20, and 30 percent increases in the tax base. Official IBI projections for the target municipalities were applied to the proposed scenarios, and for the second phase (2021-2024), they were also penalized according to the scope of the coverage of urban and/or rural properties⁸ to be supported by PRODEP and also considering that four municipalities were excluded at project restructuring. It is assumed that the incremental operating costs represent 20 percent of incremental revenues. In every case, results show that the net present value (at a 10 percent discount rate) of incremental fiscal revenues is sufficient to cover the incremental costs associated with project activities while resulting in net fiscal gains. Considering the base scenario, 10 percent of the increase in the tax base, for the *ex-ante* 2019-January 2021 period, the incremental fiscal revenues have a net present value of US\$0.3 million dollars. For the February 2021-2024 restructuring and projections, the incremental fiscal revenues have a net present value of US\$0.4 million dollars.

Table A2.2 – Summary of the updated fiscal analysis

Net Present Value of municipal property taxes (IBI): 3 scenarios (million USD)						
	<i>Ex ante</i> 2018 – Dec. 2020			<i>Ex ante</i> Feb. 2021-2024		
	IBI percentage increase					
	10%	20%	30%	10%	20%	30%
NPV (million USD)	0.3	0.6	0.5	0.4	0.7	1.1

⁷ Updated information provided by PRODEP shows that since March 2019 and up to November 2019, the databases generated by the expansion of the cadastral coverage had been handed over to 7 (33 percent of the total) of the target municipalities’ cadastral system (SISCAT). Since then and up to June 2021, only one more municipality had received the database.

⁸ On average, up to 60 percent of each municipality’s properties are rural.