PROJECT INFORMATION DOCUMENT (PID)
APPRaisal STAGE

Report No.: AB3659

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<th>Project Name</th>
<th>Nicaragua Hurricane Felix Emergency Recovery Project</th>
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<td>Sector</td>
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<td>Project ID</td>
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<td>Borrower(s)</td>
<td>GOVERNMENT OF NICARAGUA</td>
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<tr>
<td>Implementing Agency</td>
<td>Government of Nicaragua</td>
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<td>[ ] A [X] B [ ] C [ ] FI [ ] TBD (to be determined)</td>
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<td>Date PID Prepared</td>
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<td>Estimated Date of Appraisal Authorization</td>
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<tr>
<td>Estimated Date of Board Approval</td>
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I. Project Background

Nicaragua, the second poorest country in Latin America after Haiti, is one of the most natural disaster-prone countries in the world. The country’s physical and economic vulnerability to external shocks, including natural disasters, has led to modest and highly variable GDP growth and has hindered poverty reduction efforts. Hurricane Mitch, Nicaragua’s greatest disaster in recent history, struck in 1998, just when the country was beginning to overcome a lingering economic depression. Despite progress, between 2002 and 2006 the annual GDP growth averaged 3.2 percent or 1.3 percent in per capita terms. Poverty remains high with about 46 percent of the country’s 5.5 million people living under the poverty line.

The RAAN, with approximately 308,000 inhabitants, covers almost 31,000 square kilometers of the Atlantic coast region, the largest and the poorest of the three distinct regions that comprise Nicaragua. The Atlantic coast region, which RAAN shares with the South Atlantic Autonomous Region (Región Autónoma del Atlántico Sur or RAAS), comprises about 46 percent of the country’s territory and 11 percent of its multi-ethnic, multi-cultural and multi-lingual population. About 60 percent of this population lives below the poverty line, a level substantially higher than in the rest of Nicaragua. Given its culture and history, both RAAN and RAAS have enjoyed partial autonomy since the mid 1980s.

1 The other two regions are the Pacific lowlands, where most of the country’s population lives, and the North-Central Mountains.
Natural disasters – which have occurred at a rate of one major disaster every two years over the last 100 years – have had a profound impact on Nicaragua and its vulnerable communities. In the past 10 years alone, disasters have caused over 3,500 deaths and have displaced or otherwise adversely affected in excess of 1.35 million people. These disasters have resulted in economic losses estimated to range between US$1.5 and US$3 billion.

On September 4, 2007, a category-5 hurricane\(^2\) named Felix made landfall 51 kilometers north of RAAN’s capital Bilwi (Puerto Cabezas). Before making landfall, Felix devastated the Cayos Miskitos, a fishing area critical to the local economy. After buffeting the coastal communities with winds of 250 km/hour, Felix headed south-west into the country, leaving behind a 60-kilometers-width pathway of destruction. According to official estimates, Hurricane Felix caused 102 deaths\(^3\) and directly affected close to 34,000 households (approximately 200,000 persons). The basic life of many communities was disrupted by Felix as it destroyed over 10,000 houses and blew the roofs off an additional 9,000. At the same time, Felix badly damaged or destroyed hundreds of public buildings and other infrastructure including schools, churches, clinics, wells and latrines.

Agriculture and fisheries, two key economic sectors in the region, were badly affected. Fishing, still mainly a small scale activity, is the primary income for coastal communities in the region, contributing upwards 78 percent of total production in the region. The storm seriously disrupted extensive marine areas, uprooting mangroves and destroying entire fishing villages, causing the displacement of at least 2,100 fishermen and 3,500 people associated with fisheries.\(^4\) At the same time, the impact on the agricultural sector has serious implications for the food security of many households. It is estimated that over 86,000 hectares of agricultural land were damaged by the storm, which comprise most of the crops under cultivation at the time. The hurricane also affected 1.3 million hectares of forest areas, of which 477,000 were devastated. The great amounts of fallen trees that remain in the area have increased the risk of forest fires, especially in pine forest areas.

II. Project Objectives

The project development objective (PDO) is to support the sustainable recovery of the communities affected by Hurricane Felix in the North Atlantic Autonomous Region (RAAN) of Nicaragua.

In light of the substantial recovery needs of the RAAN, the Bank’s strategy seeks to maximize emergency assistance by financing critical activities expected to have social and economic impacts in a relatively short period, and to which the Bank can also contribute with global knowledge and experience. Specifically, under the proposed HFERP, and in line with the Government’s recovery strategy, the Bank will support the reconstruction of housing and social infrastructure, the recovery of the small scale

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\(^2\) Saffir Simpson Scale
\(^3\) As of November 2007, 133 persons were still considered missing.
fisheries sector to restore incomes of fishermen and foster economic development, and the strengthening of the regional government to implement externally-funded projects and lead development efforts in general.

III. Project Description

The Proposed Project will be financed through an IDA Emergency Recovery Credit of SDR 10.7 million (US$ 17 million equivalent), of which US$5 million are being advanced through a PPF. The PPF will be implemented by the Executive Secretariat of SENAPRED in close coordination with the Government of RAAN (GRAAN), which will directly implement the rest of the proposed Project. The Bank will finance 100 percent of eligible project expenditures.

Summary of Project Components

The PDO will be achieved through four components: (1) early recovery (US$5 million); (2) recovery of small scale fisheries sector (US$6.3 million); (3) reconstruction of housing and social infrastructure (US$5.4 million); and (4) institutional strengthening for project management, coordination and monitoring and evaluation (M&E) (US$0.3 million). These components are detailed below.

Component 1 – Early Recovery (US$5.0 million)

The objective of this component is to ensure timely implementation of critical rehabilitation and recovery activities, as well as readiness of the GRAAN to start project implementation. This component, financed through the PPF, will be implemented by the Executive Secretariat of SINAPRED, in close coordination with the GRAAN, and technical support from INVUR, INPESCA, the Social Investment Fund (FISE), and the Ministry of Agriculture and Forestry (MAGFOR). Specific sub-components include:

Sub-Component 1.1 – Provision of Early Reconstruction Materials (US$2.0 million). This sub-component will provide retroactive financing for materials (excluding food expenditures) and operating costs directly related to Hurricane Felix’s relief and early disaster rehabilitation efforts.

Sub-Component 1.2 – Institutional Strengthening and Rehabilitation (US$3.0 million). This sub-component will finance the following activities: (a) Institutional strengthening of GRAAN, including (i) fiduciary and technical support for project implementation start up and for leading the recovery process; (ii) project preparation, including carrying out of the social and environmental assessments and related management manuals required for the Project in line with the applicable Bank safeguards; and carrying out of workshops to disseminate information about the project and continue the consultation process; (b) Support to the Executive Secretariat of SINAPRED for the implementation of the PPF and for helping GRAAN to get ready for project implementation; (c) Rehabilitation of housing, primarily involving replacement of zinc roofs and minor repairs, for approximately 2,800 poor families; and (d) early rehabilitation of agriculture sector.
Component 2 – Recovery of Small Scale Fisheries Sector (US$6.3 million)

The objective of this component is to help restore, and when feasible improve, the socio-economic conditions of men and women engaged in the small scale fisheries sector (pesca artesanal). This component will be implemented by GRAAN, with support from INPESCA, the National Technological Institute (INATEC), and the Rural Credit Fund (FCR). The Component will directly benefit approximately 6,000 individuals and their families, and will have a general beneficial impact on 19 coastal communities. Specific sub-components include:

Sub-Component 2.1 – Rehabilitation of Small-Scale Fisheries Sector (US$5.0 million). This sub-component will help restore, and potentially improve, the incomes of over 4,500 men and women engaged in the small scale fisheries sector in affected communities. Specific activities include: (a) establishment of a Revolving Fund to provide better, fully equipped boats and working capital to affected men and women to restart their fishing activities in a more productive and sustainable way. The revolving fund, to be administered by the Rural Credit Fund (FCR) will allow FCR to continue providing credit to the sector in the future. Beneficiaries will be organized in cooperatives, community associations (grupos solidarios comunitarios) or family groups to access the credit program. The boats will be provided through the Project since these are not readily available in the local market, and will then be transferred to FCR, which will provide them to the eligible credit beneficiaries along with the initial working capital; (b) Technical assistance and training to affected coastal communities, to be provided with support from INPESCA and INATEC. Beneficiaries will be given training on new technologies, business administration, and marketing, among others; and (c) Fishing equipment and supplies will be given to the beneficiaries, including those who do not participate in the credit program, to ensure the provision of a basic level of rehabilitation.

Sub-Component 2.2 – Rehabilitation of Fish Processing Plant and related Facilities (US$1.0 million). Under this sub-component, the Project will help restore income generation opportunities to women and improve sector productivity and the local economy. Accordingly, this sub-component includes: (a) the rehabilitation of the Lamlaya Fish Processing Plant, along with a small shipyard and a community store for fishing supplies. Rehabilitation of the plant and related facilities will include civil works and restoration of equipment and fishing supplies. In addition, the Project would finance the necessary feasibility, engineering and environmental studies. (b) Credit to women, affiliated under the Association of Women of the Nicaraguan Atlantic Coast (AMUCAN) – which presently has 1,500 members – to give them the opportunity to operate the processing plant and related facilities. AMUCAN’s members have experience from their work in the Cayos Miskitos, which they lost after the disaster. The credit, to be administered also by FCR, would ensure that these women have sufficient working capital to re-start plant operations. Women will also be given expert advice – including through a Board of Directors – technical assistance and training.

Sub-Component 2.3 – Reconstruction of Small Infrastructure (US$0.3 million). This subcomponent includes the rehabilitation or reconstruction of several community landing
docks and small piers affected by the disaster, and that are critical to the functioning of
the small scale fisheries sector in RAAN.

Component 3 – Reconstruction of Housing and Social Infrastructure (US$5.4 million)

The objective aims to reestablish the social and economic environment of affected
communities through the provision of safer and culturally responsive housing and social
infrastructure. This component will be implemented by GRAAN with support from
INVUR and technical assistance from MTI and MINSA. Specific sub-components
include:

Sub-Component 3.1 – Reconstruction of Housing (US$2.5 million). Under this sub-
component, the Project will benefit approximately 3,500 people. A total of 500 houses
will be reconstructed in wood and in traditional yet safer design applying new standards
that consider disaster risk. Beneficiaries will participate fully in the reconstruction
process, and will contribute with their labor in tasks that do not require specialized skills.
This effort will serve as a model to be replicated in the rest of the region.

Sub-Component 3.2 – Reconstruction of Social Infrastructure (US$2.9 million). This
sub-component includes: (a) the reconstruction of community churches and community
centers. The churches, which are central to community life in the region, have been
selected through consultation with the communities and the consensus of religious
leaders across the prevalent denominations. (b) The reconstruction of five small health
clinics (including housing for the medical staff). In line with the regional health plan and
the concerned municipalities, these clinics will be strategically located to facilitate access
to health services for 80 communities (or over 30,000 people). All structures will be built
to better standards and with adequate technical supervision, given especially that these
are structures used by the locals as emergency shelters. Site analysis will be undertaken
to ensure that the existing location is not a hazard-prone area. The Project will also
finance all necessary site, design and environmental studies.

Component 4 – Institutional Strengthening for Project Management, Coordination and
Monitoring and Evaluation (M&E) (US$0.3 million)

The objective of this component is to strengthen the institutional capacity of the GRAAN
to implement the recovery emergency program, and in general, to lead regional
development efforts. Instead of establishing a separate Project Implementation Unit
(PIU), project implementation will be fully integrated in the organizational structure of
the regional government. In addition to equipment, software and training, additional
technical and fiduciary experts will be provided under this component to ensure that the
implementation demands of the Project are fully met. Moreover, this component also
includes financing for external audits and for the implementation of the Project’s M&E
system.

IV. Project Implementation
The Project will be implemented by GRAAN, with support from relevant ministries and sector agencies. The Governor will lead the project coordination effort with the support of two committees: A Project Coordination Committee, including key ministries and agencies such as the Executive Secretariat of SINAPRED, INPESCA, INVUR, MAGFOR, MINSA, FISE, and INAFOR; and an Advisory Committee including CDC, SETEC, the Ministry of Finance (MHCP), and the Ministry of Foreign Affairs (MINREX). In coordination with GRAAN, the Executive Secretariat of SINAPRED will help implement the PPF. FCR will administer the credit program to be implemented under Component 2.

V. Project Financing

The Bank will finance 100 percent of eligible expenditures under the Credit.

Source:
International Development Association (IDA) Total US$ 17M

VI. Sustainability

In addition to the proposed HFERP, the Bank has ensured further support to the Government’s recovery strategy through the GEF-financed Corazon Transboundary Biosphere Reserve Project (MULT-56599) and the Education for All (EFA) Trust Fund for Nicaragua (TF057311). Working with the regional government and INAFOR, assistance through the Corazon Project will help revise the 2007-2008 Emergency Plan for Prevention and Control of Forest Fires for RAAN, promote community-based forestry management, and identify options to salvage fallen trees. In coordination with the Ministry of Education (MINED), EFA funds of US$3.5 million will be allocated to help reconstruct schools in the region. Beyond the emergency recovery phase, and consistent with the Government’s emphasis on fostering the development of RAAN, several of the projects under preparation include components or activities aimed at the region. These include the Rural Water and Sanitation Project and the SME Development Project.

Importantly, the Bank strategy builds on the ongoing efforts to strengthen the national capacity for disaster risk management and the Bank’s regional and global experience in emergency recovery assistance. The IDA-financed Natural Disaster Vulnerability Reduction Project has been under implementation for several years, and the Government is considering requesting additional financing to continue building capacity for SINAPRED and implementing disaster mitigation measures at the local and regional levels. The proposed HFERP, moreover, would help the region withstand future disasters better through the provision of sturdier housing and improved social infrastructure, including secure shelters and locations to warehouse emergency items.

VII. Lessons Learned

The Bank has accumulated substantial regional and global experience in supporting post-disaster recovery. In Nicaragua, the Bank has experience from the emergency recovery assistance provided after Hurricane Mitch in 1998 – an exceptional event which
devastated the country as well as neighboring ones. At the general level, experience shows that recovery is essentially a development issue. Accordingly, a recovery program needs to consider the longer-term goals of reducing disaster vulnerability while fostering sustainable development. The challenge has been to design such a program while ensuring that the required implementation capacity can be met to ensure timely rehabilitation of affected communities. Operationally, this means that:

• **The design of emergency recovery operations should be relatively simple and flexible, while also reflecting the priorities of the affected area and communities, and the specific needs of women, the elderly and other vulnerable groups.** The recovery program for the RAAN reflects the region’s priorities, as outlined in the regional development plan, and has been developed with broad consultation of the communities. Gender issues, at the same time, have been mainstreamed into the design of the program.

• **Implementation arrangements should be straightforward and responsive to national decentralization efforts, balancing between the needs for regional and local leadership and for centralized accountability and coordination.** The proposed HFERC provides a unique opportunity for the regional government to take the lead in the recovery process, while also strengthening its capacity for implementing future projects and leading development efforts. It is expected that this arrangement will facilitate the decision making process, and the integration of community voices into the recovery process. To succeed, the regional government will count with the support of experienced consultants and central agencies for technical and implementation support.

• **In countries or areas prone to natural disasters, emergency recovery operations should strive to mainstream disaster mitigation in a social and cultural responsive manner.** The proposed HFERP focus on rebuilding safer communities, with houses and buildings rehabilitated or reconstructed with improved construction standards that consider disaster risk as well as traditional housing designs.

• **The main challenge for emergency recovery operations is implementation, which increases the need for close supervision.** Close management attention and adequate resources for supervision are required not only to ensure smooth implementation, but also timely provision of global knowledge and experience.

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5 Nicaragua Hurricane Emergency Project (Cr. 3858-NI, SDR 36.1 million), was approved on December 22, 1998 to provide quick disbursing support to finance urgently needed imports. For the specific lessons from this operation, see Implementation Completion Report (Report 21456) of December 2000.
VIII. Safeguards

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IX. Contact Point

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