

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: AB7438

Project Name	Additional Financing to Sustainable Agriculture and Rural Development
Region	LATIN AMERICA AND CARIBBEAN
Country	Paraguay
Sector	General agriculture, fishing and forestry sector (100%)
Project ID	P148504
Parent Project ID	P088799
Borrower(s)	Republic of Paraguay
Implementing Agency	Ministry of Agriculture and Livestock Paraguay
Environment Category	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD
Date PID Prepared	October 30, 2013
Estimated Date of Appraisal Completion	November 4, 2013
Estimated Date of Board Approval	December 5, 2013
Decision	Project authorized to proceed to negotiations upon agreement on any pending conditions and/or assessments.

1. Country and Sector Background

With about one third of the population living below the poverty line and almost 19 per cent living in extreme poverty (2009), Paraguay is one of the countries in Latin America with the highest levels of poverty. Poverty is even more pervasive in rural areas, where 50 per cent of the population (1.3 million Paraguayans) lives in poverty, of which about 60 percent in extreme poverty. Based on this, the Government concluded that PRODERS includes the appropriate mix of activities (community organization, rural investment financing, and extension services) to contribute to reduce poverty –and particularly extreme poverty--in rural areas. The additional financing is intended to scale up the operation to some of the departments with the highest incidence of rural poverty (Caazapá, Caaguazú, Canindeyú, Concepción, and San Pedro)

2. Objectives

The project development objective is to improve in a sustainable way the socio-economic condition of Small-Scale Farmers and Indigenous Communities in the Project Area, through the support of actions to strengthen their community organization, self-governance, and access to markets and value chains.

3. Rationale for Bank Involvement

The rationale for Bank involvement lies in the experience the Bank has gained in executing projects with a similar focus. In Paraguay, the enriching experience of the implementation of the Natural Resources Management Project (PARN), which promoted an integrated model of natural resources management and agricultural extension, has allowed the Bank to accumulate sufficient experience to channel into the design of the proposed project. The Bank is also executing

sustainable rural development projects in the Brazilian states of Santa Catarina and São Paulo, and implementation was recently completed for projects in Paraná and Río Grande do Sul.

The Project is consistent with the current World Bank Group's Country Partnership Strategy (CPS) for the Republic of Paraguay for the period FY09-FY13 (Report # 48087-PY) and the CPS Progress Report 2009-2013 (Report # 66782-PY), discussed by the Board of Executive Directors on May 5, 2009 and April 9, 2012, respectively. The original project was included in the CPS lending program as an instrument to reduce the vulnerability of the rural poor under the cross-cutting theme "Poverty". The proposed AF is expected to widen the impact of the Project in most of the poorest regions of the country and contribute to support the Government's plan of "Opportunities for all".

4. Description

The project is designed to address rural poverty and natural resource degradation in five departments of Eastern Paraguay (Caazapá, Caaguazú, Canindeyú, Concepción, and San Pedro) which are among the ones with the highest level of rural poverty in Paraguay. It uses a highly participatory and decentralized demand-driven approach to poverty amelioration and natural resources management, and a production support process for rehabilitating and attaining sustainability of degraded and low productive farming systems. The project has four main components: (a) Community Organization Development and Capacity Building; (b) Rural Extension and Adaptive Research; (c) Sustainable Rural Development Fund; and (d) Animal Health Improvement, in addition to a component for Project Management, and M&E

The project, which will have a total duration of 10 years (six under the original loan and 4 under the additional financing), will comprise the following components and subcomponent:

Component 1: Community Organization Development and Capacity Building. The objectives of this component are to: (a) organize beneficiaries to participate actively in local decision-making structures both within and outside of the project; and (b) prepare project staff for the implementation of the project technical strategy aimed at adopting sustainable agriculture and rural development activities in microcatchments. It has three sub-components: Training, and Community Organization Development, and Environmental Education.

Main outcomes: Beneficiary (municipal, microcatchment and community) organizations institutionally strengthened for sustainable rural development management; Project staff trained to execute project actions.

Component 2: Rural Extension and Adaptive Research. The objective of this component is to assist small-holder farmers, community groups and indigenous communities to overcome specific technical, socio-economic and environmental constraints to allow them to shift from existing non-sustainable agricultural practices to sustainable livelihood strategies which enhance natural resources management and reduce rural poverty. It has two sub-components: Rural Extension, and Adaptive Research and Studies.

Main outcomes: Small-holder producers, indigenous communities and the rest of the microcatchment population trained in planning and implementing development plans and

investment proposals for sustainable microcatchment management, supported by rural extension and relevant research initiatives.

Component 3: Sustainable Rural Development Fund. The objective of this component is to finance demand-driven investments identified in the context of the Local Development Plans (LDP) and Indigenous Community Development Plans (ICDP), which are based on a participatory local-level diagnostic and planning process supported under the Rural Extension sub-component.

The proposals for sub-projects are to be prepared by eligible project beneficiaries with support from project extension agents, screened first by Microcatchment Development Committees (MDC) or in the case of indigenous people by Indigenous Associations (IA). Applications will then be evaluated by the PMU. Once awarded, grant funds will be transferred to beneficiaries for implementation through their legal associations. Beneficiary representatives and regional and national project staff will be responsible for sub-project monitoring.

Main outcomes: Farm Investment Proposals (FIPs), Community Investment Proposals (CIPs), Indigenous Community Development Plans (ICDPs) prepared and financed, and outputs created.

Component 4: Animal Health Improvement. The objectives of this component are to assist Paraguay to initiate animal health improvement measures and to contribute to the regional strategy for animal health management.

Main outcomes: Improved Animal Tracking and Information systems, laboratory facilities and field operations established and managed effectively by SENACSA to ensure high national standards of animal health.

Component 5: Project Management, Monitoring and Evaluation.

The first sub-component, Project Management and Capacity Building for MAG, finances management services, office equipment, and all administrative and operational expenditures to improve MAG's organizational skills-mix to effectively manage the project.

The second sub-component, Monitoring and Evaluation, finances the design and implementation of a M&E system to support project management. Specific objectives of the system include: (i) monitoring project implementation in relation to overall objectives, baseline situation, inputs and outputs; (ii) providing and receiving feedback from stakeholders; and (iii) generating inputs for dissemination of project results and lessons learned.

The third sub-component, Communication and Dissemination, supports the dissemination of project information to provide project stakeholders with systematized knowledge for the management of natural resources and rural poverty reduction throughout the country's Eastern Region.

Main outcomes: Project management structure, including the Project Management Unit (PMU) at the central level and several Zone Coordination Units (ZCU), and relevant units of the MAG:

Established, and functioning effectively, executing and monitoring project activities, and integrating them with the activities of other sustainable rural development programs.

5. Financing:

Source:	Original Project	Additional Financing	TOTAL
BORROWER	3.9	10.0	14.9
BENEFICIARIES	3.4	10.0	13.4
INDERT/FIDES	2.0	0.0	2.0
IBRD	37.5	100.0	137.5
	46.8	120.0	166.8

6. Implementation

Overall project management and implementation will be the responsibility of the Ministry of Agriculture (MAG), in partnership with key rural development and environmental institutions, i.e. the Indigenous People's Institute of Paraguay (INDI), SENACSA. A Project Management Unit (PMU) will be established through MAG prior to effectiveness. With the primary function of facilitating coordination of project execution, a National Coordination Committee (NCC) will also be established early in Project Year 1. Similarly, a Coordination Committee led by the Director of MAG-DGP seconded by the Director of MAG-DINCAP will interact with the Project Manager and the Project Technical Coordinator, and with representatives of other relevant MAG directorates to guide the project's contribution to the implementation of sectoral policies and ensure coordination and complementarity of activities with other ongoing programs.

The PMU will have a central technical unit responsible for overall project management and several regional sub-units (RSU) charged with the operative field work in the project area. The regional sub-units will carry out all extension and organization strengthening activities with the beneficiaries and will monitor adaptive research and investments.

The bulk of the project participatory management activities will be at the local and community levels. The project will support creation and strengthening of: Local Development Committees (LDC or CVD *Comité Vecinal de Desarrollo*) in each of the project-supported target areas, as the central units for beneficiary participation in project decision-making and implementation; Indigenous Associations (IA) in the indigenous communities; and District Steering Committees (MSC) at district level, to act as forum for local participation and social monitoring of municipal investments.

7. Sustainability

Sustainability of project benefits beyond Project financing funding will be ensured by: (i) focusing on increasing capacity of beneficiary organizations and producer groups; (ii) utilizing existing institutional structures to organize and undertake project activities; (iii) involving national and local government institutions in order to facilitate follow up; and (iv) capitalizing on existing coordination mechanisms.

The analysis of expected benefits at farm level indicates that improved practices will yield greater returns per hectare than traditional ones. Improved financial returns, the ability for product diversification and access to new markets will act as important incentives for farmers to continue employing project practices. For indigenous communities and microcatchments, the participatory development of sustainable agriculture and rural development plans applied to local agro-ecosystems will integrate the objective of sustainable natural resources management with traditional objectives of production for domestic consumption and sale, thus fostering long term sustainability.

8. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP 4.01)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Natural Habitats (OP/BP 4.04)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Pest Management (OP 4.09)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Cultural Property (OP 4.11)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Involuntary Resettlement (OP/BP 4.12)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Indigenous Peoples (OP/BP 4.10)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Forests (OP/BP 4.36)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Safety of Dams (OP/BP 4.37)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects in Disputed Areas (OP/BP 7.60)*	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways (OP/BP 7.50)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

9. Contact point

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10. For more information contact:

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* *By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas*