The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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May 28, 2013

Mr. Bob Quiggin
Chair of the Steering Committee
Room Number MC 5-510
The World Bank
1818 H Street, NW
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Dear Mr. Quiggin:

In March 2012, the Government of Nicaragua asked the World Bank to support the preparation of this new proposal for the Global Agriculture and Food Security Program and, if successful, to stand as the supervising entity for the proposal. The possibility for such a partnership was endorsed in the recent Country Partnership Strategy (discussed by the Board in November 2012) as part of a broader approach to: (i) help Nicaragua mobilize resources from other Development Partners and the private sector; and (ii) re-balance the Bank's assistance between food security on the one hand (e.g., support for basic grains) and agricultural competitiveness on the other (e.g., a focus on export value chains).

The Bank has reviewed the GAFSP Proposal put forth by Nicaragua and is willing and ready to serve as its Supervising Entity. We view the importance and relevance of this proposal in line with the following key strategic lenses:

A broad engagement from rural development to agribusiness. The World Bank Group has been a technical leader in rural development, agriculture and food security since reengaging with Nicaragua in 1992. Recent and ongoing activities include Bank-financed projects covering:

- **agriculture technology,** which helped to raise yields on basic grains by developing the country's agricultural R&D system and extension services;
- **microfinance,** supporting an expansion of services, regulatory improvements, thereby helping Nicaragua to weather recent challenges to the sector;
- **rural infrastructure**, notably an innovative rural road programs that combines an extended CDD approach and a local building technique, but also rural telecom, off-grid electrification and water and sanitation;
- an extensive program in **land administration** that has helped to consolidate the regulatory framework, regularize over 13,000 ha (around 223,000 parcels)

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IFC and MIGA have also expanded their involvement in Nicaragua's agribusiness sector. During 2008-12, IFC-syndicated financing in Nicaragua grew exponentially from US$15 million to US$400 million (of which $245 were IFC own-investments). Investments in coffee, sugar cane and palm oil make up just almost the half of this portfolio that is in agribusiness. Most recently, MIGA entered with guarantees in a bamboo plantation (EcoPlanet Bamboo) and a microfinance operation. Our new joint CPS calls for close collaboration and greater alignment in the area of agricultural competitiveness, building on earlier IFC technical advisory work in coffee, sustainable forestry and now cocoa.

Government ownership and implementation record. Nicaragua has a healthy implementation record on its World Bank-financed projects. The Government has been an agile and responsive partner in seeking to ensure efficient use of resources through a strong leadership and oversight of projects by the Ministry of Finance. On average, the World Bank projects in Nicaragua have taken 8.3 months for the concept stage to Board approval, and another 6.5 months from Board approval to effectiveness. In execution, disbursement ratios for the Nicaragua portfolio were above averages for the Latin America and Caribbean region over the last few years and were the highest in Central America in FY12.

Working in the Caribbean Coast. The proposed financing would leverage additional resources to expand and adapt its PRORURAL-*Incluyente* in the Caribbean Coast which is country's main productive frontier but also the region where poverty remains highest. Given this profile, the Caribbean Coast has been gradually attracting more development projects and greater private sector investment. However, to date these efforts are quite dispersed, only weakly coordinated and, as a result, often incremental in impact. Extending the ProRural-*Incluyente*'s coordinated approach with a critical mass of funding (such as that of the GAFSP) would help to build on successful experiences to date, and consolidate dispersed efforts toward a more sustainable impact.

The Bank recognizes the challenges in terms of weak capacity and coordination between local government and indigenous authorities for scaling up efforts in the Caribbean Coast. With these authorities, we have accumulated experience through a hurricane reconstruction project, a large land titling program, and several rural infrastructure investments in this region. One lesson has been the need to focus on building up the basic institutional capacities in regional and local government. To this end, the Bank has recently approved an Institutional Development Fund grant for this purpose, in the Autonomous Atlantic Region of the North (RAAN), that would be an important complement to this proposal. Given these conditions, our preliminary assessment would be to structure the proposed financing as a stand-alone operation, while building in strong coordination with other ongoing operations under implementation in the Caribbean Coast.

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The development community in agriculture and food security. As noted in the proposal, Nicaragua has an active collection of Development Partners in this area. These range from very active bilaterals like Canada, Switzerland and Spain to a broad range of multilaterals -- FAO, FIDA, UNDP, IDB, and the World Bank , to those Partners which support the agricultural private sector and agribusiness development directly, among these IFC, MIGA and USAID. Given recent interactions, we are confident that a coordinated and collective support from these partners will be provided to Nicaragua in the implementation of this proposal.

We hope that this information will be useful to the GAFSP Committee in its consideration of this grant.

Yours sincerely,

C. Felipe Jaramillo
Director
Central América
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cc: Mr. Iván Acosta, Minister of Finance
Mr. Juan Jose Bravo, Executive Director, World Bank
Mr. Ede Jorge Ijjasz-Vasquez, Director, LCSSD, World Bank