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NICARAGUA

FY 2010 Implementation Plan

U.S. Government Working Document

The Feed the Future (FTF) FY 2010 implementation plans are working documents outlining U.S. government planning for the first year of the Global Hunger and Food Security Initiative. These plans represent a transition towards the development of multiyear strategies and are targeted at investments that lay the foundation for a new country-level and coordinated approach with a diversity of partners. Multiyear strategies are under development that will span development and diplomatic actions across multiple USG agencies.

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Abbreviations and Acronyms

ACORDAR	Alliance to Create Rural Business Opportunities through Agro-Enterprise Relationships
ALBA	Bolivarian Alliance for the Americas
CAFTA-DR	Dominican Republic - Central American Free Trade Agreement
CONASAN	National Commission on Food Security and Nutrition
COTESAN	Technical Council on Food Security and Nutrition
CPC	Citizen Power Councils
DHS	Demographic and Health Survey
DOD	Department of Defense
E&E	Europe and Eurasia
FAO	UN Food and Agriculture Organization
FAS	Foreign Agricultural Service
FONASSAN	National Fund for Food and Nutritional Security and Sovereignty Emergencies
GHFSI	Global Hunger and Food Security Initiative
GON	Government of Nicaragua
ICASS	International Cooperative Administrative Support Services
IDR	Rural Development Bank
IICA	Inter-American Institute for Cooperation on Agriculture
INAFOR	National Forestry Institute
INTA	National Institute for Agricultural Technology
IP	Implementation Plan
LAC	Latin America & the Caribbean
MAGFOR	Ministry of Agriculture and Forestry
MARENA	Ministry of Environment and Natural Resources of Nicaragua
MCC	Millennium Challenge Corporation
MDG	Millennium Development Goals
MERCOSUR	South American Common Market
MIFAMILIA	Ministry of Family
MIFIC	Ministry of Development, Industry and Trade
MINED	Ministry of Education
MINSA	Ministry of Health
NDP	National Development Plan
NHDP	National Human Development Plan
PMP	Performance Monitoring Plan
PRORURAL	Productive Rural Development Program
PROVESA	Epidemiological Surveillance Program for Animal Health
PROVISAVE	National Program for Sanitarium and Fit Sanitarium Surveillance
PRSP	Poverty Reduction Strategy
SINASAN	Information System on Food Security and Nutrition
State/F	U.S. Department of State/ Office of the Director of U.S. Foreign Assistance
SWAP	Sector-Wide Approach Program
UNA	<i>Universidad Nacional Agraria</i> (National University of Agriculture)
UNAN	<i>Universidad Nacional Autonoma de Nicaragua</i> (National Autonomous University of Nicaragua)
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
USG	U.S. Government
WFP	World Food Programme

I. INTRODUCTION

The Embassy of the United States in Nicaragua has prepared a Global Hunger and Food Security Initiative (GHFSI) Implementation Plan (IP) that will guide its efforts to promote access to sufficient, safe, nutritious food in Nicaragua. The concept of food security in this context covers both physical and economic access to food that satisfies a population's dietary needs and preferences.

The IP documents objectives and policy concerns in the area of food security. It analyzes the current food security situation in Nicaragua and describes the Government of Nicaragua's (GON) efforts to promote food security. This document analyzes the underlying problems of poverty and food insecurity and lists priority investments to improve the country's food security situation. The IP sets out a policy agenda that will guide dialogue with the GON, civil society, and other donors in matters related to food security.

The purpose of this IP is to provide the year one framework and analytical basis for the formulation of a whole-of-government strategy that promotes sound policies and investment that will improve the lives of Nicaragua's poor. Initiatives proposed in this IP will accelerate the transformation and diversification of Nicaragua's agricultural sector and will improve the country's prospects of attaining its Millennium Development Goals, in particular halving the number of people living below the poverty line.

2. FY 2010 OBJECTIVES

2.1. COUNTRY-LED COMPREHENSIVE STRATEGY

2.1.1. Background

The foreign policy objectives of the United States in Nicaragua are the promotion of democracy, economic growth, and peace and security. The initiative to advance food security in Nicaragua is consistent with and supportive

of the commitments made by the G-8 group of industrial countries at their summit in L'Aquila, Italy in July 2009.

In preparing its IP the Embassy is guided by the principles of market economics and the importance of technology transfer. The important role of market liberalization is recognized. A minimal but essential role is assigned to the public sector, and a significant role is assigned to the productive role of the firm, the farm, and the household. Special recognition is assigned to civil organizations, especially grassroots organizations.

Food security is an important aspect of welfare and human development, which requires that the poor have the capacity to meet their requirement for a nutritious diet. Appropriate application of policy instrument for this purpose depends on the poor's sources of income and the institutional arrangements by which they have access to food. Net food purchasers will benefit from policy initiatives that stabilize prices through trade, transfers, and futures markets. For net sellers, it is stable income, not the prices of the commodities they produce that is important. This requires investments, frequently publically-financed investments, in technology, crop diversification, market opening, water management, and post-harvest processing.

2.1.2. Consultative Process

The Embassy's whole-of-government approach recognizes that USAID/Nicaragua has the technical experience and capacity to lead the initiative.

USAID/Nicaragua's background work on this plan during the past year has included technical analysis and strategic consultations with the GON, other USG agencies, private sector associations, academia, and other donors. The process included a formal presentation to public and private sector stakeholders, and incorporation of their feedback into this Plan.

For its part, the GON has been preparing a development strategy or National Human Development Plan (NHDP) that documents its agenda, including food security, beginning with the transfer of power to a new administration in January 2007. The strategy seeks to reduce absolute poverty, promote greater equality and equity, participatory governance, and sustainable resource use.

2.1.3. Status of Food Security Strategy and National Nutrition Strategy Process

The development of Nicaragua's food security and nutrition strategies has taken shape over the past eight years. The long-term development visions of the previous governments were articulated in the 2001 Poverty Reduction Strategy (PRSP)¹ and the National Development Plan (NDP) for 2005-2009.²

The long-term development vision of the current GON, which took office in January 2007, is laid out in the NHDP for 2008-2012.³ The focus of the NHDP is on reactivating the economy and alleviating poverty, but in ways that are said "to go beyond the welfare approach espoused by the NDP and the development assumption of the neo-liberal model." Areas where there appear to be some degree of continuity with the NDP include:

- The importance of macroeconomic stability and the sustainability of public finances
- The need for a territorial and municipal focus
- Respect of the trade agreements put into place by previous governments such as the Dominican Republic-Central American Free Trade Agreement (CAFTA-DR) and their

expansion to new areas including the Bolivarian Alliance for the Americas (ALBA), the South American Common Market (MERCOSUR),⁴ EU and Asian markets; and

- Programs aimed at providing training and capital to small-scale producers to help them take advantage of the new opportunities afforded by these agreements.

Areas where there have been important changes include:

- A renewed pro-poor focus for public policies
- Refocusing attention from the "cluster development strategy" to support production by the poorest households and small and medium enterprises
- Discontinuing the privatization agenda and placing more emphasis on state intervention and oversight
- Placing greater attention on human development instead of on compensatory programs
- Improving access to public education and health services, including by providing basic services free of charge
- Introduction of new mechanisms for promoting citizen participation through Citizen Power Councils (CPCs).

Nearly two years ago the GON initiated a process to improve food security, a process that coincided with rapid increases in staple food prices around the world. The GON responded to the crisis by expanding existing programs and introducing new ones designed to assist vulnerable populations.

The most important programs introduced by the GON and supported by key multilateral and

¹ GON, "A Strengthened Growth and Poverty Reduction Strategy Paper," July 2001.

² GON, "National Development Plan," November 2005.

³ GON, "National Human Development Plan, 2008-2012" 2008.

⁴ The original members of MERCOSUR included Argentina, Brazil, Paraguay and Uruguay. Bolivia, Chile, Colombia, Ecuador and Perú are associate members.

bilateral donors focus on: feeding vulnerable children; providing productive assets and technical assistance to poor households in rural areas; and enhancing the capacity of public and private institutions to respond to environments and events that threaten food security.

A New Law on Food and Nutrition

Security: The Legislative Assembly began to consider food security legislation in 2001, and the law was passed in July 2009.⁵ One of the original objectives of the legislation was to clarify the responsibilities of the various GON entities involved with food and nutrition security issues. The new law does this, adding the concept of food self sufficiency to the law as an overall objective and as a function of several GON entities, including the National Commission on Food Security and Nutrition (CONASAN), the Technical Council on Food Security and Nutrition (COTESAN) and the Information System on Food Security and Nutrition (SINASAN). The law establishes commissions focused on food self sufficiency and food security and nutrition at the regional, departmental, and municipal levels. The law also establishes the National Fund for Food and Nutritional Security and Sovereignty Emergencies (FONASSAN) and gives it the authority to accept finances from the GON, donors, and the private sector and to use them in emergency situations when food is needed to deal with the effects of natural disasters and social and/or economic crises.

A New Food Security Policy: In November 2009, the GON published the “National Strategy for Food and Nutritional Security and Self Sufficiency.”⁶ Based on the human right to food as expressed in the Nicaraguan Constitution, it recognizes four dimensions of food security: availability, access, consumption, and utilization. The overarching objective of this strategy is to develop national capacity to

ensure the production, availability, and stability in the supply of food that is nutritious, culturally acceptable, and sold at “fair” prices. It identifies the CPCs, a local governance structure, as the mechanism for community participation. Strategic objectives include:

1. Promote production
2. Strengthen grower organizations
3. Promote new technology
4. Expand ancillary services
5. Improve distribution
6. Health and nutrition
7. Education and consumer habits
8. Water and sanitation
9. Environment and climate change
10. Monitoring and early warning system

The strategy recognizes that access to food is linked directly to employment. It also contains numerous references to food self-sufficiency, emphasizing domestic food production. Importance is given to promoting the production of basic grains—particularly rice, oil seeds, and wheat—to replace “more costly” imports. Other themes include buying and selling in local markets as well as respecting local knowledge and practices related to production, storage, processing, and preparation.

The GON food security strategy does not identify nor clearly distinguish the competencies and complementary roles of the private and public sectors. The strategy emphasizes the role of government in meeting this objective. An area where USAID/Nicaragua may have commonality with the GON state-led approach is in providing immediate food safety nets for those who are chronically (or temporarily) poor with only long-term recovery potential.

The GON strategy identifies food self-sufficiency as an integral component of the food security strategy. USAID/Nicaragua uses a market-based approach that enables individuals

⁵ La Gaceta, Diario Oficial, N. 1333, Managua, Nicaragua, 16 de Julio de 2009.

⁶ GON, Secretaría Privada para Políticas Nacionales “Estrategia Nacional de Soberanía y Seguridad Alimentaria y Nutricional,” November 26, 2009.

to purchase nutritious, low cost food, either domestically or from other nearby countries. In turn, Nicaraguan farmers would have the ability to sell their crops domestically or in neighboring markets at the highest available price.

2.2. NICARAGUAN CAPACITY BUILDING

National ownership of the GHFSI requires that the public and private sectors assume responsibility for its development and implementation. The country's new food security policy clearly assumes ownership. Implementation will take additional effort and capacity building will be needed in both the public and private sectors at an early point in the plan's implementation. Priority sectors include GON technical personnel, staff of national research institutions and universities, elected officials at the local level, and leaders from private producer organizations and NGOs.

2.3. INVEST IN PRIORITY ACTIONS

In FY2010, USAID/Nicaragua will put in place the components necessary for a rapid roll out of its IP. Tasks are focused on four areas:

- Select the departments and municipalities for IP implementation
- Continue consultative process with GON ministries and the donor groups supporting food security and nutrition and negotiate agreements for cooperation
- Prioritize new procurements
- Establish the monitoring and reporting systems.

2.3.1. Promoting More Information Exchanges and Dialogue at the National Level on Key Food Security Related Issues

USAID/Nicaragua, since the early 2000s, has engaged in a policy dialogue with the GON and Nicaraguan private sector that has covered trade and competitiveness, including capturing

the benefits of the Central America-Dominican Republic Free Trade Agreement (CAFTA-DR). Under the initiative, the same approach will be used to promote information exchange and dialogue.

3. TARGET GROUPS BY LOCATION AND INCOME

The World Bank estimates that the Nicaraguan GDP will have to grow at an average of 5.5 percent per year to meet its Millennium Development Goal (MDG) of halving extreme poverty between 1990 and 2015. The trend since 1995 has rarely been above 5 percent. The economy contracted by 1 percent in 2009 and is projected to grow by 1 percent in 2010. To meet this goal, the prospects for growth, especially those for the agricultural sector, will have to be improved.

The lack of access to food due to poverty is the root cause of food insecurity in Nicaragua. Food supplies at the national level have increased, but people are still food insecure because they lack the purchasing power needed to access an adequate diet. In the 12 years between 1993 and 2005, the percentage of people living in poverty dropped only modestly (four percentage points). According to data published in 2005, 46 percent of the Nicaraguan population – almost 2.4 million people – were living in poverty and too poor to afford an adequate diet and other basic needs. Fifteen percent – 766,000 people – were living in extreme poverty.

This high level of poverty is a serious problem, and equally serious is the fact that the situation has not improved much over time. The proportion of the population living in extreme poverty has also fallen by four percentage points over the same time period, but since the numbers of extremely poor are smaller, this implies a 40 percent drop in the extreme poverty rate compared to only an 8 percent drop in the overall poverty rate.

3.1. CHARACTERISTICS OF THE POOR

The poor and extremely poor in Nicaragua have a number of distinct characteristics. For example, the likelihood of poverty is higher when the household head is younger (household heads less than 35 years of age were 9 to 13 percent poorer) or has less education (completion of primary and secondary education for the household head is associated with consumption gains of 17 and 36 percent respectively, compared to a household head who had not completed primary school). Female-headed households, on the other hand, were no more likely to be poor in 2002 or in 2005 than male-headed households. Larger households also tend to be less well off, particularly those who have more infants and young children, but also those with more adults and seniors. A correlation also exists between poverty and ethnicity, with 70 percent of Miskitos (the largest indigenous group) classified as poor.

Households engaged in agricultural production are a vulnerable group. They are more likely to be poor (70 percent were poor in 2005) and to have less education than the average (93 percent of all household heads in this group had only a primary education or less). Over 56 percent of the poor were employed in agriculture in 2005 (66 percent in the poorest quintile and 46 percent in the second poorest quintile). Plus agriculture accounted for more than two thirds of the income of the poor. Agricultural income rose from 50 to 60 percent of total income for the poorest 10 percent between 1998 and 2005 and, for the second poorest decile, it rose from 42 to 48 percent.

Agricultural productivity is an important determinant of poverty. Gaps in productivity are large, especially by farm size. Large agricultural producers have productivity levels that are more than six times greater than those of small producers. Large differences in productivity can also be seen across regions.

3.2. REGIONAL AND URBAN-RURAL DIFFERENCES IN POVERTY AND EXTREME POVERTY

As in many poor countries, poverty in Nicaragua remains largely a rural phenomenon, with 65 percent of the poor (1.5 million people) and 80 percent of the extremely poor (612,000 people) living in rural areas.

The prevalence of poverty also remains much higher in rural areas, 68 percent in 2005 compared to 29 percent in urban areas. Extreme poverty is also higher in rural areas, 27 percent in 2005 compared to 15 percent.

More progress has been made in reducing poverty in rural areas, however, with rural poverty declining by 8 percentage points between 1993 and 2005 (76 to 68 percent) and extreme poverty by 9 percentage points (46 to 37 percent). Most of these improvements took place between 1993 and 1998, with little or no change between 1998 and 2005. In fact, none of the changes in the overall poverty levels between 1998 and 2005 are statistically significant

3.3. CHILD MALNUTRITION

There has been a notable improvement in the nutritional status of young children over the last decade, with the percentage of children suffering from chronic malnutrition (the children are stunted or too short for their age) declining from 25 percent in 1998 to less than 17 percent in 2006/07. Because stunting has long-term adverse effects on these children, on their cognitive development, their ability to learn and their health and productivity in adulthood, this is a serious problem, and one that has implications for the country's future economic, social and political development.

Acute malnutrition (also referred to as wasting or low weight-for-height) is not a problem in Nicaragua. Only 1 percent of the children were acutely malnourished in 2006/07, for example. This is not surprising, since acute malnutrition is usually only seen in countries and/or regions with more extreme and generalized food

shortages, including famine type conditions, than are found in Nicaragua.

Managua between 2001 and 2006/07 by 2.4 percentage points.

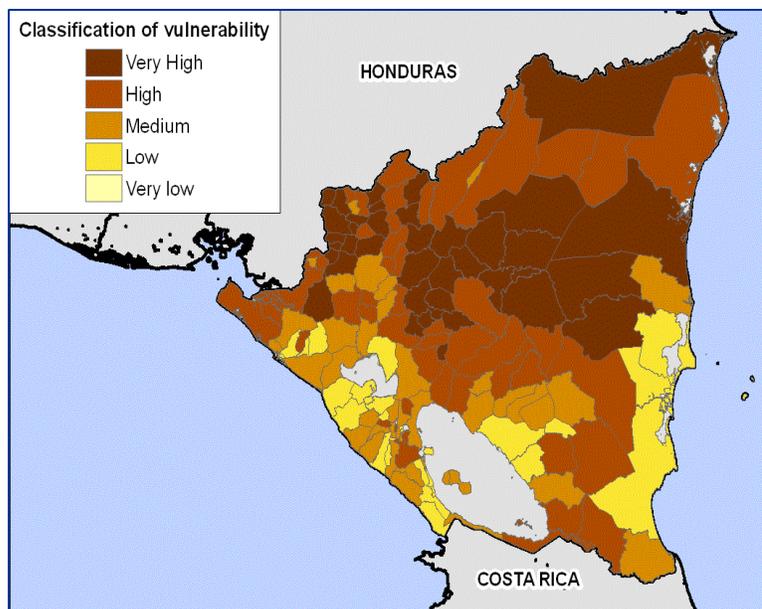
3.4. URBAN-RURAL DIFFERENCES IN CHRONIC CHILD MALNUTRITION

Evidence that the percent of children stunted decreases as household incomes increase indicates that poverty is an important determining factor for child malnutrition in Nicaragua. According to the 2006/07 Demographic and Health Survey (DHS), for example, 28 percent of children from families in the lowest wealth quintile were stunted compared to only 4.5 percent of children from the highest wealth quintile.

Chronic child malnutrition is a more serious problem in rural areas, with almost 23 percent of children less than 5 years of age stunted in 2006/07 compared to less than 11 percent in urban areas. This represents a decline of over 8 percentage points in both the urban and rural areas, with more of the decline in urban areas taking place between 1998 and 2001, and more of the decline in rural areas taking place between 2001 and 2006.

Stunting also varies by region and department, with the highest rates of stunting in the North Central region (24 percent), followed by the Atlantic region (18.6 percent) and the Pacific region (11.4 percent). In 2006/07, the rates of stunting were highest in three departments in the North Central region – Jinotega (32.6 percent), Madriz (29.7) and Matagalpa (26.2) – and lowest in the departments of Grenada (8.6 percent) and Rivas (5.9 percent). The rates of improvement also varied by department, with the largest decline taking place in the Department of Madriz (a 19 percentage point decline between 1998 and 2006/07) and the prevalence increasing in the Department of

Map 1: Vulnerability to Food Security by Municipality



To prepare the map on vulnerability to food insecurity in each country, an index was prepared which took into consideration the different variables that determine the food situation:

- Social vulnerability = population in extreme poverty + stunting among school children
- Productive vulnerability = per capita availability of food
- Environmental vulnerability = natural threats (drought, floods, landslides)

3.5. OTHER FACTORS

In addition to access to adequate food, and proper breastfeeding and infant and young child feeding practices, optimal health and nutrition for children under five requires access to adequate health services, proper illness management, and water and sanitation. The utilization of health care varies substantially across socio-economic groups and regions. Among the richest quintile, health care utilization is almost 60 percent while among the poorest quintile it is about 39 percent. Utilization rates are higher among women than men (52 and 47 percent respectively), higher

among infants (under one year of age) and the elderly (81 and 56 percent respectively), and lower among youth (33 and 42 percent respectively for 13-19 and 20-29 years old).

Access to clean water and sanitation facilities, and their proper use, is central to the prevention of diarrhea and other water-borne diseases. Children with diarrhea are more likely to become malnourished; and children who are malnourished are predisposed to getting and dying from diarrhea. Improved access to safe drinking water and sanitation facilities and improved hygiene practices are central to reducing the incidence of diarrhea. Such improvements can reduce diarrheal disease by 30-50 percent.

Water and sanitation access rates in Nicaragua are among the lowest for Latin American countries. In 2004, 79 percent of the population had access to an improved water source (compared to 91 percent which is the average for LAC). While 90 percent of the households in urban areas used improved drinking water sources, only 63 percent of rural households did. Less than half the population had access to adequate sanitation facilities, with access in rural areas much lower than that in urban areas (34 percent compared to 56 percent).

3.6. GEOGRAPHIC FOCUS

Recently published research on poverty in Nicaragua suggests that priority should be given to the North Central region of the country (departments of Esteli, Jinotega, Matagalpa, and Nueva Segovia) as this area contains the greatest number of poor and extremely poor households. USAID/Nicaragua is well positioned, especially if resources are limited, if it takes a regional rather than a national focus. The problems of chronic poverty and chronic child malnutrition are worse in rural areas and in certain regions of the country, with the largest number of poor and extremely poor living in the North Central region, which is an area that is also very vulnerable to natural disasters. People living in this area are more likely to be poor and extremely poor than

those living in many other areas of the country, and their children are more likely to be chronically malnourished.

With its market-based agricultural development program, USAID/Nicaragua can effectively improve food security in the North Central rural areas of Nicaragua. USAID is successfully implementing such development assistance programs in the country⁷. These activities, while successful, are small compared to the effort contemplated in the larger Initiative. Nevertheless, these past and on-going activities demonstrate that it is possible to raise the net income of Nicaragua's small producers.

4. CORE INVESTMENT AREAS

4.1. CORE AREAS

USAID/Nicaragua has identified five comprehensive Core Areas for investment under the Plan.

- Improved commercialization and marketing capacity
- Improved production technologies, infrastructure and value-added post-harvest handling
- Improved utilization of food, especially for pregnant and lactating women and children less than five years of age
- Protection and sustainable use of natural resources upon which productive activities depend
- Improved resilience of food vulnerable population to crisis events.

⁷ CLUSA, 2000-2003; MSU/PFID, 2003-2006; PL-480 DAPS, 2002-2009; CRS GDA, 2007-present

4.1.1. Improved Commercialization and Marketing Capacity

Ample evidence exists to suggest that small and medium farmers in Nicaragua can compete in national and international markets.

Commercialization and marketing capacity will focus on identifying market opportunities for products that can be produced by small and medium farmers. Success will be measured by the sales of high-value or volume products supported by program resources. Illustrative activities to achieve success include:

- Assessing productive resources and capacities and identifying potential products that can be sold in domestic and export markets
- Addressing product quality standards and economies of scale for existing and new domestic, regional, and international markets
- Establishing contacts with potential buyers for exports or domestic markets
- Supporting links with Nicaraguan or foreign enterprises working in Nicaragua that have the potential to source products to drive product development and marketing
- Supporting producers and producer groups to understand and link production with marketing
- Supporting Nicaraguan producers' participation in trade shows and product fairs.

4.1.2. Improved Production, Infrastructure and Post Harvest Handling

Increasing production is the first step in increasing incomes. Support also needs to focus on helping small and medium producers deliver on time the required products that meet the quantity and quality requirements and to develop cost-saving technologies to maximize returns to producers. Illustrative activities to achieve success include:

- Preparing business (production) plans and identifying infrastructure needs, inputs, finance requirements
- Linking producers and buyers and signing purchase agreements
- Providing technical assistance to growers throughout the growing season
- Working with communities and municipal governments to improve infrastructure that reduces transaction costs.

4.1.3. Improved Utilization of Food

While the primary focus of the Nicaraguan Food Security Initiative is on increasing incomes through an improved, competitive, and profitable agricultural sector, improving the utilization of food, especially for pregnant and lactating women and children less than five years of age cannot be overlooked or understated. Illustrative activities to achieve success include:

- Assisting household-level production and storage for use during food deficit periods
- Increasing outreach to households with pregnant or lactating women with technical assistance and training on nutrition and health for children that are less than 5 years old
- Coordinating with the national and local entities to collect and verify health data and deliver support to needy households.

4.1.4. Protection and Sustainable Use of Natural Resources

Long-term production is dependent on the protection and sustainable use of natural resources. Environmental sustainability needs to be incorporated into all activities implemented under this Plan. Specific activities include:

- Reviewing production and post-harvest handling interventions to ensure that best agricultural practices and environmentally sustainable technologies and strategies are adopted

- Providing technical assistance to producers that results in reforestation, reduction of soil erosion, improvement in the efficiency of water use, and rational use of chemical fertilizers and pesticides.

4.1.5. Improved Resilience of Food Vulnerable Population

A households' ability to respond to natural disasters typically increases with increased income. Activities that will reduce community vulnerability to food insecurity include:

- Supporting national environmental data collection, analysis and dissemination systems
- Assisting households to access technologies to safely store food for use in food deficit periods
- Establishing community plans to communicate with and care for households and community members during natural disasters, such as droughts, floods, and earthquakes
- Establishing evacuation plans for households that are located in vulnerable locations.

4.2. COUNTRY PRIORITIES

The macroeconomic discussion in the NHDP commits the GON to continued sound monetary policy and inflation control. The GON will have to reconcile priorities of increasing social spending to attain its poverty reduction goals with the economic-financial situation that it confronts.

The NHDP calls for expanding the GON's literacy program to improve primary and secondary education. Those grades will receive priority attention while the emphasis for the universities will be improved quality of instruction.

The plan recognizes that investments in the national water and sanitation system have not kept up with demand and proposes a major investment to correct this; however, the

funding source for this investment is not identified.

There is a call for a greater role for the state in the management of the economy. This is not intended to suggest that the public sector will generate employment for the sake of reducing unemployment. Rather the intent is to foster opportunities for small and medium firms to generate employment.

4.3. BUILDING ON PREVIOUS INVESTMENTS

The United States is a major donor to Nicaragua. Since 1990, over \$2 billion in assistance has been provided. In addition to development assistance funding, notable assistance includes approximately \$489 million for debt relief; \$488 million for balance of payments support; \$94 million for Hurricane Mitch response; and \$15 million in humanitarian assistance and recovery operations following Hurricane Felix.

The current USAID/Nicaragua program is focused on strengthening democratic institutions, stimulating sustainable economic growth and incomes and closing the gaps in basic education, health and infrastructure services. Activities in the health portfolio focus on healthier behaviors and prevention of illness in conjunction with efforts to expand access to health services for poor households and those living in rural areas. Activities under USAID's Economic Growth Objective also have direct effects on improving food security, including ACORDAR,⁸ which is developing small and medium enterprises in rural areas, using a market-led, agricultural diversification strategy to create more jobs and increase incomes. Other Economic Growth activities address trade capacity building to help Nicaragua take maximize advantage of the benefits from

⁸ The ACORDAR (Alliance to Create Rural Business Opportunities through Agro-Enterprise Relationships) program is being implemented by a consortium led by Catholic Relief Services (CRS) that includes Lutheran World Relief, the Aldea Global Association of Jinotega, and Techno Serve.

CAFTA-DR and to help minimize, to the extent possible, the adverse effects of the 2009 global recession.

The four Title II Development Assistance Programs that began in 2001 and ended in 2008 and 2009 had specific food security objectives; i.e., to reduce food insecurity among vulnerable rural populations in Nicaragua. To improve their effectiveness, all four were implemented in some of the most food insecure areas of the country, and all four included income generation activities focused on increasing agricultural productivity and household incomes, and maternal and child health and nutrition programs designed to reduce chronic malnutrition among children under two years of age. Some also included components focused on increasing access to improved water and sanitation facilities and food-for-work activities, which supported the rehabilitation of roads and land conservation and reforestation activities. The current round of the Title II Development Program began in the mid-1990s, but it was the last round of these programs that appears to have found models that can have measurable impacts on increasing the incomes of poor rural households and reducing the prevalence of chronic child malnutrition, as indicated from the results from their final evaluation⁹.

The U.S. Department of Agriculture (USDA) Foreign Agricultural Service (FAS) works to promote foreign market access for U.S. products, build new markets, improve the competitive position of U.S. agriculture in the global marketplace, and provide food aid and technical assistance. In Nicaragua, the USDA works closely with the GON and the private sector to ensure proper administration of the Food for Progress and Food for Education Programs. The USDA has provided food resources to Nicaragua since the early 1990s. This included supporting the country's food for education program in 2005 under its McGovern-Dole International Food for

Education program. It also assists NGOs working with small farmers and small farmer organizations to increase their productivity and incomes under its Food for Progress program.

The Food for Progress initiative finances a range of projects that promote the development of the Nicaraguan agricultural sector. USDA provides assistance to the GON's Epidemiological Surveillance Program for Animal Health (PROVESA in Spanish) and the National Program for Sanitarium and Fit Sanitarium Surveillance (PROVISAVE in Spanish). Animal health projects financed include classical swine fever, tuberculosis and brucellosis, a dairy products laboratory, shrimp disease surveillance, among others. Plant health projects include the establishment of a fruit fly free area, Good Agricultural Practices, and surveillance, prevention and control of citrus leprosis. In April 2010, USDA agreed to provide an additional \$7 million in funding for the program over the next three years.

In July 2005, the Millennium Challenge Corporation (MCC) approved a five-year compact with the GON for \$175 million. The compact covers property rights, infrastructure, and rural business services. The program is active in the northwestern Departments of Leon and Chinandega. It was designed to address the main barriers to increasing economic growth and raising the incomes farmers and rural businesses in these two departments. The MCC Program will end in 2011.

The U.S. Peace Corps has 212 volunteers in Nicaragua, some of whom are working on agriculture and food security programs and others on community health. Peace Corps Volunteers work with the Ministry of Agriculture's research and extension agency, INTA, and collaboration is expanding with UN Food and Agriculture Organization (FAO), the World Food Program (WFP) and Inter-American Institute for Cooperation on Agriculture (IICA). The Peace Corps' Community Health Program works with the Ministry of Health and a health NGO network, focusing on nutrition, safe drinking water, and

⁹ Timm Harris, et.al. "USAID/Nicaragua Title II Development Assistance Programs (2002-2008) Final Evaluation," December 2007.

community sanitation interventions. Recently, Peace Corps/ Nicaragua has been working towards a comprehensive food and livelihood security programming strategy. To date partial advances have been made within and between existing programs.

4.4. LINK TO FOREIGN ASSISTANCE FRAMEWORK

USAID/Nicaragua's GHFSI currently tracks to Foreign Assistance Framework Indicators under the Economic Growth and Investing in People Program Areas.

5. FY10 RESULTS/ INDICATORS/TARGETS

USAID/Nicaragua will develop activity-level and higher-level indicators and targets to track how results and success of the Food Security Plan will be measured. USAID will finalize the set of indicators with guidance from Washington once the Results Framework is finalized.

6. KEY ISSUES AND ANALYTICAL ACTIVITIES LOOKING TOWARD FY 2011

Data are available in Nicaragua on agricultural production, consumption, trade, and prices of agricultural commodities for some locations. Data are also available on the numbers and location of poverty and extreme poverty households and on the share of stunted and malnourished children. Prior analysis in Nicaragua concluded that poverty is the primary cause of food insecurity. Nicaragua can produce sufficient food for the country's population, but the very poor do not have sufficient resources to acquire enough food to avoid malnutrition.

To prepare for writing the IP, a series of background studies was contracted in 2009 by

USAID/Nicaragua. USAID commissioned a study on the food security situation, titled "An Assessment of the Food Security Situation in Nicaragua." The study, which defined food security as availability, access, and use of food, summarized information from recent publications and validated it with interviews and field visits. The study found that Nicaragua suffers from chronic food insecurity. The situation has been exacerbated by recent events, including hurricanes, droughts, rising food and petroleum prices, and the financial crisis and global recession. As the second poorest country in the hemisphere, the study revealed that large numbers of the Nicaraguan population still do not have access to the quantity and quality of food required to meet dietary needs for a productive and active life, which threatens the country's future economic and social development. In addition, a high percentage of children under five are chronically malnourished, an indication of serious food shortages.

Building on this work, USAID in late 2009 developed an "Integrated Food Security Strategy" and, more specifically, drafted an Implementation Plan and four Program Descriptions for rapid implementation of the strategy. During 2009, USAID/Nicaragua worked closely with other food security stakeholders (GON, donors, private sector, USG) to develop this strategy. Additionally, USAID/Nicaragua organized a "Food Security Workshop" to share and discuss the draft strategy with key stakeholders that included other USG agencies, GON, other donors, and the private sector, among others

In FY2010, USAID/Nicaragua expects to conduct only limited analytical analysis due to the work that was conducted in 2009. Still, significant work and decisions remain prior to full implementation of the Nicaraguan GHFSI. Areas of study include:

Donor and GON Coordination: The GON's 2009 Food Security Strategy established the basic framework for GON and donor roles and responsibilities. Still, given the newness of

this policy, the modality of donor coordination for the Initiative is still in flux.

Policy Arena: To date, CAFTA-DR and work on addressing Trade Capacity Building via the Complementary agenda with GON ministries such as the Ministry of Development, Industry and Trade (MIFIC) and the Ministry of Environment and Natural Resources of Nicaragua (MARENA) has been a focus of USAID/Nicaragua's Trade work. With the new E&E trade activity, one of the priority actions in the first year will be to conduct a needs assessment for working with the National Action Plan and Environmental Cooperative Agreement. The results of this assessment will be the starting point for the USG's dialogue and engagement with GON on policy issues associated with the Initiative.

Research and Extension: National universities and research institutions should serve as the backbone for a national approach to food security, providing access to tools and technologies locally adapted to the environmental and social conditions of Nicaragua. Engaging with these organizations will be a relatively new area for USAID, and establishing contact, building relationships and defining shared agendas are the focus of work in FY2010.

Private Sector Participation: A GHFSI and USAID priority is to increase the private sector's role as a stakeholder in the development process. USAID's on-going activities in agriculture and trade are testing new models, such as public-private partnerships, to determine how best to engage Nicaragua's private sector actors in the larger Initiative.

Local Institutional Involvement: Another USAID priority is to strengthen the Agency's partnership with a new cohort of organizations who can contribute to the accomplishment of the Agency's goals and objectives. Historically USAID/Nicaragua has worked with NGOs and private sector groups as part of its development programs. Re-engaging with these groups and others will be an important step in Plan implementation, particularly as USAID looks for

new partners and defines areas for local capacity building.

MCC Transition Plan: The current MCC compact is set to end in 2011. Currently, USAID/Nicaragua's agricultural programs work outside the MCC region of Leon and Chinandega. An important activity in FY2010 will be determining and defining the transition plan, if any, for MCC activities and beneficiaries into the larger Initiative.

Regional and Centrally-funded Activities: USAID/Nicaragua and the GON have benefited by USAID buy-ins to regional and centrally-funded activities. USAID will continue to dialogue and coordinate with El Salvador and Washington in FY2010 to determine which mechanisms are the best fits for the country's GHFSI.

Partnering with other USG Agencies: Various USG agencies have programs that fall within the Food Security rubric, including the U.S. Peace Corps, the Department for Defense, and USDA. USAID will continue its dialogue with these agencies in FY2010 as part of the whole-of-government approach to determine points of common interest that can be leveraged during new activity development and implementation within the Initiative.

7. PARTNERSHIP PLAN

7.1. PUBLIC OUTREACH

To supplement the GON's state-led approach to food security, Embassy Managua will engage the GON and Nicaraguan public on the benefits of market-led development to promote food security and reduce poverty. Nicaragua has achieved impressive private sector-led economic growth, job creation, and income generation through the CAFTA-DR. To promote the benefits of market-based development, members of Embassy Managua's Country Team will engage with senior and mid-level GON officials to underscore the importance of the GON's critical role in

supporting conditions to further stimulate and reinforce market-based development. They will emphasize the importance of investing in key communication and infrastructure projects, market feeder roads and bridges, energy sources for targeted rural areas to include mini-hydroelectric plants and the harnessing of solar energy and wind power, and small irrigation technologies and systems. USAID and the Public Affairs section will also promote the benefits of market-led development, highlighting the critical roles of the private and public sectors in improving food security. Another available tool is the use of targeted IIP speakers. Embassy Managua's Public Affairs Section is executing a full speaker program on food security in 2010, which would include visits to several key cities in Nicaragua.

Embassy Managua will explore ways to cooperate with the GON that could complement food security goals, discussing with GON counterparts how USG assistance programs could help create conditions to promote sustainable food security. In these discussions Embassy Managua will stress partnering with the private sector, and strengthening social safety net programs for the extremely poor, identifying problem areas that require more support such as nutritional health and education programs for mothers and children.

7.2. USG INTERAGENCY CONSULTATION AND COORDINATION

Within Embassy Managua, a working group on food security and agriculture, chaired by the Deputy Chief of Mission, will include representatives from USAID, Department of State, MCC, USDA, Peace Corps, and DOD. Other USG actors, such as the Office of the U.S. Trade Representative, will be incorporated to provide technical assistance as needed. Under a new and significantly scaled-up food security initiative in Nicaragua, USAID will act as the point of contact for donor and GON coordination.

7.3. CONSULTATION AND COORDINATION WITH GOVERNMENT

Food security is a comprehensive concept that involves a wide range of policy and program areas, including agricultural and rural development, access to and quality of health services and water and sanitation, health and nutrition education, job creation and social safety nets. This suggests that a number of government institutions could be expected to have a significant role to play in addressing the food security problems in the country. It also suggests that coordination and a shared vision of food security among the different participating players are needed for most efforts to be successful.

The most important GON actor for the Initiative is the Ministry of Agriculture and Forestry (MAGFOR). Other secondary actors include the Ministry of Health (MINSA), the Ministry of the Family (MIFAMILIA), and the Ministry of Education (MINED). MIFIC and MARENA may also be key partners in some instances.

Several specialized national agencies have been created to coordinate activities related to food security, including the National Commission on Food Security and Nutrition (CONASAN) and its technical secretariat, the Technical Council on Food Security and Nutrition (COTESAN). Complementing these initiatives is the Information System on Food Security and Nutrition (SINASAN), which is housed in MAGFOR. CONASAN is an inter-ministerial body, which has a coordinating role within the GON on food security issues, including by bringing together ministers from other relevant ministries. CONASAN played a leading role in the development of the GON's food security policy in 2000. COTESAN is a technical committee that supports the work of CONASAN. It includes technical staff from participating ministries as well as representatives from civil society. Most recently, COTESAN hosted a FAO-financed workshop at the end of 2008 on the efforts of the food price crisis on food security in

Nicaragua. SISAN is a food security information program with funding from FAO and housed in MAGFOR. Its function is to gather, analyze and disseminate information on the food security situation in the country, including information on food production, access, consumption and utilization.

PRORURAL (Productive Rural Development Program) was established in 2005 as a mechanism for coordinating and integrating the activities of the various GON agencies involved in agriculture and rural development and enlisting and harmonizing international support for these sectors. In other words, PRORURAL is both a program and a coordinating mechanism, and as such, it is the basis for the Sector-Wide Approach Program (SWAP) for the agricultural sector in Nicaragua. Four GON agencies working in the agricultural and livestock sectors are involved in the program – MAGFOR, the National Institute for Agricultural Technology (INTA), the National Forestry Institute (INAFOR) and the Rural Development Institute (IDR). The World Bank was heavily involved in the creation of PRORURAL, and at one point 17 international cooperation agencies were providing financial assistance. The initial foci of PRORURAL were: (1) technical innovation; (2) food safety and animal health; (3) sustainable forest development; (4) financial support services, (5) infrastructure; (6) institutional modernization and strengthening; and (7) forest and agricultural policy and strategy.

The GON strategy incorporates activities at all levels – national, department and regions, and municipalities. The USAID/Nicaragua plan will incorporate consultation and coordination at all levels of governments. The following consultations and coordination are contemplated.

7.3.1. National Government

Pursuant to its food and nutritional security law, the GON distributes food and productive assets to vulnerable populations. There is ample room under the auspices of the GON's food security strategy to support a variety of

activities. USAID/Nicaragua has extensive experience in the commercialization of production from GON and donor-supported supply-led projects. MAGFOR, at the technical level, accepted a focus in this area and requested that the ministry be kept informed of activities and results. A second area for intervention is that of policies and processes that restrain trade, increase production costs, or negatively affect producer prices. Policy work is already anticipated by USAID's Enterprise and Employment activity which will focus on needed policy analysis and change at the national level.

7.3.2. Local Governments

The GON strategy is one of decentralization. Most interventions anticipated in this plan will occur at the community level where program cooperation will take place with local governments and with civil society leadership. Activity development and implementation will require extensive discussions and consultation with local communities. In most cases consultation will also occur with higher level political entities, such as municipalities, or department or regional governments.

One example of the value of community and local government participation in development activities has been the leveraging of local governments resources for infrastructure improvements for the agricultural sector. Recently, the incorporation of private sector firms through public-private partnerships has leveraged additional investments in the sector.

7.4. MULTILATERAL AND BILATERAL DONOR CONSULTATION AND COORDINATION

According to the World Bank, over 40 bilateral and multilateral donors are active in Nicaragua disbursing nearly \$550 million annually in foreign assistance. The World Bank further estimates that 25-30 percent of this assistance is allocated for food security-related programs. Key donors are supporting the primary components of the GON food security strategy.

Donor funding is providing poor farmers with additional production assets, with the assumption that those assets will generate additional production to help reduce food insecurity. While these donors are intensely interested in the results of their funding, consultation and coordination opportunities have been limited. As USAID rolls out its plan, new opportunities to consult and coordinate with donors working through loan and grant funding will arise. Results reporting and participating in learning activities with other donors are expected. Facilitating more information sharing will provide donors a more complete picture of what sorts of projects are being implemented throughout Nicaragua, and whether they are effective.

The primary mechanism for donor coordination has been PRORURAL. The program commenced in 2005 and was endorsed and continued by the current administration. PRORURAL promotes agriculture, forestry, aquaculture, and non-farm rural activities. The program seeks to reduce rural poverty by increased competitiveness and environmental sustainability, greater participation in domestic and external markets, higher incomes and better distribution of them, and creation of rural employment. PRORURAL works in seven areas: sustainable development of forestry and agro-forestry sector; raising physical and financial capital of households and rural businesses; accelerating technical innovation through research, technical assistance and education; complying with international standards related to food safety and standards; expanding and rehabilitating basic infrastructure; modernization and institutional strengthening of the public agencies concerned with agriculture and rural development; and formulation and implementation of policy and strategy for the sustainable rural development, and co-ordination of the implementation of the strategies and operating plans of the agencies within the agricultural public sector.¹⁰ The

¹⁰ Castejón, Mario, et.al. (FAO/RUTA), Formulating and Implementing Sector-wide Approaches in Agriculture and Rural Development: The Rural

World Bank is negotiating with the GON to extend the program for three more years.

Given the large role of UN agencies in Nicaragua, Embassy Managua will encourage its colleagues at USUN New York, USUN Rome and US Mission to Geneva to take advantage of U.S. influence to consult respectively with the WFP, the UN Educational, Scientific and Cultural Organization (UNESCO), the UN Procurement Division (UNPD) and other UN entities. The Embassy's goal should be to persuade the UN's Managua offices to more closely collaborate with other donors here such as the European Commission, EU Member States and other important donor countries such as Japan.

7.5. CIVIL SOCIETY AND PRIVATE SECTOR CONSULTATION AND COORDINATION

Nicaraguan civil society and private sector institutions will play a prominent role in the implementation of the Initiative. USAID/Nicaragua's approach to Plan implementation will include, when and where possible, targeting local Implementing Partners - Nicaraguan civil society and private sector institutions – to deliver services to producers. Most of the suppliers of production inputs and post-harvest processing services and most of the buyers of product will be private sector institutions, with participation by a few civil society institutions. Continual and intense consultations and coordination between the program implementing partners and civil society and private sector entities will be the norm.

Prominent private sector stakeholders can be tapped to promote the GHFSI. Together with producer organizations these entities can also advocate for the GON to push coordinated agriculture to the top of the country's development agenda. These groups are already

Productive Sector Programme (PRORURAL) – Nicaragua, Global Donor Platform for Rural Development, Bonn, Germany, November 2007, p. 5.

major partners for USAID's current economic growth programs and can be important partners for the USG in the development and monitoring of the implementation of the Plan. Other private sector organizations and civil society groups ranging from national level cooperatives, the national universities, and Nicaraguan-based NGOs have an important role in supporting the Initiative. USAID/Nicaragua will identify champions of food security in target areas in 2010.

8. FY 2010 CAPACITY-BUILDING PLAN

USAID/Nicaragua recognizes that the success of the GHFSI in Nicaragua will depend, in large part, on the success in building and strengthening the local capacity of the country's public and private sectors.

GON Technical Personnel: Various USG agencies (e.g., USDA and Department of Treasury) have been involved in building the institutional capacity of GON technical personnel, particularly as it relates to CAFTA-DR. GON ministries, particularly MAGFOR, continue to petition the USG for technical training. Strengthening the GON's capacity to address technical barriers to trade will be a focus area in FY2010.

Research Institutions and Universities: Numerous national organizations could play prominent roles in the Initiative. Nicaraguan universities, such as the *Universidad Nacional Autónoma de Nicaragua*, Leon (UNAN, Leon) and the *Universidad Nacional Agraria* (UNA), have research centers. In addition, the Nicaraguan Institute of Agricultural Technology (INTA) – a GON entity – provides agricultural research and extension services. Strengthening the capacity of these institutions to conduct applied research, to serve as incubators of agricultural innovation, and to lead the national effort for tools and technology dissemination will be important for the long-term success of the Initiative in Nicaragua.

Local Government: The GON in its new food security strategy supports a decentralized approach to implementation. Across Nicaragua, local Governments have weak institutional capacity, limiting their ability to plan and manage national and local resources to bring basic services to their constituents. Focus in FY2010 will be on working to put in place systems to boost local government and civil society dialogue, planning, and decision making. The on-going ACORDAR activity includes a model project at the municipal level, and a new USAID activity focusing on municipal governance will begin in FY2010. In both cases, these programs would work with elected municipal officials.

Local Partners: National private sector groups and NGOs suffer from weak institutional capacity, technical knowledge, and financial and managerial capacity. As the Initiative in Nicaragua is rolled out, building the capacity of these organizations will be paramount as USAID/Nicaragua reaches out to local organization for implementation.

For FY2010 priority actions are to establish the detailed planning and preparations that will be needed for large-scale implementation in the following years.

9. MANAGEMENT PLAN

9.1. WHOLE-OF-GOVERNMENT COORDINATION STRUCTURE

USAID/Nicaragua is the lead U.S. government (USG) agency for the development and implementation of the Nicaragua Food Security Initiative. USG agencies with presence in Nicaragua include the Department of State, Department of Defense, the Millennium Challenge Account, and the Peace Corps. USAID has recently hosted other USG agencies; the Department of Agriculture has not had a US direct hire in Nicaragua since 2008. Operations are now run out of Costa Rica. The Department of Treasury had a resident advisor working with the GON up to 2009.

In country, USAID/Nicaragua interacts with other USG Agencies through formal U.S. Embassy venues, such as the weekly Country Team and monthly Economic Growth meetings, both chaired by the Ambassador. USAID also collaborates directly with specific Embassy Offices and USG agencies. The USAID Health and Education Office, the Embassy Political Office, and DOD coordinate on the Merida Initiative. The USAID Economic Growth Office is part of the Trade Capacity Building group, along with the Embassy Economic Office, MCC, and Department of Agriculture. Outside Nicaragua, USAID also participates in whole-of-government coordination regionally and in Washington, particularly on CAFTA-DR implementation. Relevant agencies include the Regional USAID Mission in El Salvador, USAID/Washington, the Department of State, and the Office of the U.S. Trade Representative.

USAID has organized an implementation working group for the Food Security Initiative that includes technical staff from the USAID's Health and Education, Economic Growth, and the Program Offices. The Chair is the Director of the Economic Growth office. At the Embassy level, a coordination working group chaired by the Deputy Chief of Mission includes representatives from all relevant USG agencies.

9.2. MONITORING, REVIEW AND EVALUATION SCHEDULE

USAID/Nicaragua's monitoring and evaluation capacity is strong, and the Performance Monitoring Plan (PMP) contains standard and custom indicators. The PMP would require revision and updating with the addition of the

GHFSI funding. Currently, custom Economic Growth and Agriculture indicators do not align themselves with donor or GON indicators, nor does the office directly participate in donor evaluation missions. Consultations with lead donors and GON agencies would need to take place to ensure that a realistic subset of indicators is identified for inclusion in an expanded PMP. Additional indicators will be added once the draft Results Framework is finalized.

9.3. STAFFING REQUIREMENTS

The full implementation of the GHFSI in Nicaragua will require an increase in current Mission staffing levels. The staff increase is designed to build key Mission capacity and support implementation of the GHFSI. Given the certainties of funding, USAID proposes adding one additional staff in FY11. A project assistant will be hired to support activity oversight and increased monitoring and evaluation requirements. Given that the IP includes a broad range of activities across two technical areas (i.e., Economic Growth and Health), the proposed staff would sit in the Program Office.

A greatly expanded GHFSI program in Nicaragua in the out years could have significant impact on resources, including office space, allocation of resources from other offices and larger Embassy function such as housing availability, ICASS charges, and Overseas Building Office costs.