



USAID
FROM THE AMERICAN PEOPLE

ENTERPRISE & EMPLOYMENT
PROMOTING ECONOMIC GROWTH FOR ALL



Quarterly Report FY 2010, April - June

Submitted: July 22, 2010

This report is made possible by the generous support of the American people through the United States Agency for International Development (USAID). It was prepared by CARANA Corporation.

Cover picture

U.S. Ambassador Robert Callaghan and USAID/Nicaragua Mission Director Norma Parker inaugurating CAFTA-DR's IV Anniversary Event Celebration hosted by the Enterprise & Employment Program.

Enterprise & Employment Quarterly Report April – June

Table of Contents

I.	EXECUTIVE SUMMARY	1
II.	PROGRESS BY ACTIVITY	6
A.	Activity A – Enhanced Competitiveness of Small and Medium Enterprises	6
A1.	Ongoing Activities	6
A1a.	Calzado Alex, S.A. (Calzado Alex).....	6
A1b.	Chiles de Nicaragua, S.A. (Chiles)	7
A1c.	Vegetales y Frutas Procesadas de Nicaragua, S.A. (Vegyfrut)	8
A1d.	Eskimo, S.A. (Eskimo)	9
A1e.	Reciclaje y Negocios Internacionales, S.A. (RENISA)	9
A1f.	Sabina de Ingeniería, S.A. (Sabina).....	10
A1g.	Casa Mántica (La Colonia).....	10
A1h.	Cámara Nacional de Turismo (CANATUR)	10
A2.	Sub-projects under consideration	11
A2a.	Sub-projects at Relatively Advanced Stages of Review.....	11
A3.	Other Activities and Results	13
B.	Activity B – Improved Services for Small and Medium Enterprises	13
B1.	Improving Capabilities of BSPs	13
B2.	Facilitating Access to Credit for SMEs	15
B3.	Other Activities and Results.....	16
C.	Activity C – Support for Trade Capacity Building.....	16
C1.	CAFTA-DR Work Plan Implementation	16
C2.	Educating MSMEs on the Benefits of the Micro, Small, and Medium Enterprise Scale Law	17
C3.	Supporting a National Competition Policy	18
D.	Activity D – Policy Reform	18
D1.	Supporting the Potable Water and Sanitation Committees (CAPS)	18
D2.	Supporting the Nicaraguan Tourism Sector	19
D4.	Public-Private Sector Dialogue	21
D5.	Other Activities and Results.....	21
E.	Activity E – Leadership for Competitiveness	21
E1.	Training Courses on Cash and Inventory Management	21
E2.	Training Courses for Entrepreneurs on SME Management with Cisco and Tomas More University.....	21
E3.	Workforce Program with the Netherlands Development Organization (SNV).....	22
F.	Activity F – Operations Research.....	22
F1.	Comparative Study of Clothing Production and Shipment Costs	22

F2. Improving Competitiveness in the Textile-Apparel Industry in Nicaragua and the U.S. 23

G. Activity G – Outreach 23

H. Activities H and I – Small Grants and Crisis Modifier 24

III. PROGRESS AGAINST E&E INDICATORS25

IV. FY 2010 QUARTERLY FINANCIAL INFORMATION30

V. PROGRAM ISSUES.....33

VI. ADMINISTRATIVE ISSUES.....34

VII. PLANNED ACTIVITIES FOR NEXT QUARTER.....35

ANNEX I: E&E NEWSLETTERS37

ANNEX II: E&E IN THE PRESS38

I. Executive Summary

This report highlights activities carried out by CARANA Corporation (CARANA) in support of USAID/Nicaragua's Enterprise and Employment Program (E&E) during the third quarter of FY 2010, from April through June. The report is divided into seven sections that cover the nine activities in the task order, E&E's progress against indicators, accrual information for Fiscal Year 2010, administrative and program issues, and planned activities for the next quarter. A compilation of news articles highlighting E&E's work and the three newsletters issued by the program during the quarter also accompany this report as Annexes.

Quarterly highlights include:

- CAFTA-DR's IV Anniversary Event Celebration. E&E hosted the event at the Crowne Plaza Convention Center on April 28. U.S. Ambassador Callaghan inaugurated the event and U.S. Deputy Secretary of Commerce, Walter Bastian gave the key note remarks during the anniversary luncheon. The event highlighted CAFTA-DR's progress under the agreement and its beneficiaries and consisted of 28 stands that showcased several Nicaraguan firms that have benefitted from the treaty. Over 700 people attended the event.
- Calzado Alex. E&E short-term technical assistance (STTA) developed administrative and financial manuals, and cleaner production operational plans for all 7 companies; trained 215 employees on human resources, accounting, organization and functions, inventory control, costing and price fixing, strategic planning, and cleaner production systems; and created 43 new jobs. E&E's subcontractor, Centro para Producción más Limpia (CPmL), is working with Calzado Alex to not only improve productivity, but to provide a cleaner and a sounder environment for Alex's workers. As a result, Alex completed designs for a new roof and improved aeration conditions for its main plant. Exports increased through a contract signed with the Government of El Salvador for the production of 40,000 pairs of school shoes with a value of approximately \$280,000.
- Chiles. Through E&E support, the company implemented an irrigation program to sow chili peppers during the summer. The company had previously only cultivated during the dry season. As of June 2010, with assistance and investments provided by Chiles, McIlhenny Co., Root Capital, BAGSA, and Cisa Agro, 130 producers now have irrigation systems as opposed to 55 in 2009. As a direct result of the irrigation program, Chiles' exports for the Jan-Jun 2010 semester totaled \$367,501, a 64% increase in comparison to the Jan-Jun 2009 semester exports of \$224,587. The company created 205 permanent jobs, and trained 130 small producers on good agricultural practices; initiated the winter production cycle, and expanded the production area by 78 hectares by incorporating 71 new MSME producers from the regions of Boaco and Esteli for this cycle. E&E awarded a grant to Chiles in June in the amount of \$41,098 for short-term technical assistance, training on Good Agricultural Practices and post-harvest management of crops, and agricultural inputs for 200 producers.

- Vegyfrut. With E&E assistance, Vegyfrut diversified its product portfolio by sowing and harvesting mini vegetables for export for the first time and has incorporated 25 small producers to the productive chain. E&E contracted an agronomist to provide STTA on production techniques and quality control to small producers. For small farmer suppliers of Vegyfrut, growing mini vegetables versus traditional crops represents a significant opportunity to increase their incomes. For example, a producer of mini vegetables will earn at least \$550 per month after each harvest cycle as opposed to \$200 per month when cultivating corn. To date, the company has sowed 1.9 out of 15 hectares that will generate 21,500 lbs. of mini vegetables with an export value of \$34,400; generated 3 new permanent jobs; leveraged funds in the amount of \$75,000 from AGROS; and introduced four new products in the local market. Through their own investments, Vegyfrut has completed 60% of the construction of their new industrial plant on the Masaya Highway.
- Eskimo. We signed an MOU with Eskimo in May to improve the quality of milk by working with small producer suppliers. To date the project has finalized an agreement with BAYER-Nicaragua to provide STTA and training to dairy producers on animal health; engaged 3 collection centers from the regions of Boaco and Matagalpa; completed an action plan for each collection center; identified specialized technical consultants for the implementation of the project; and defined project baselines for monitoring and evaluation.
- Renisa. We signed an MOU with RENISA in May to enhance the effectiveness of trash recycling and permit workers in this field to increase their standard of living. To date the project has finalized negotiations with the BAS-Managua Project, which will leverage \$150,000 in financing for equipment and machinery; finalized the project work plan; contracted a project coordinator; and advanced in organizational and preparatory work for the launching of the first environmental kiosk next quarter.
- Sabina. We signed an MOU with Sabina in May to increase access by small producers to agricultural equipment and increase productivity. Sabina contracted a project manager; manufactured \$50,000 worth of new equipment for concession stores; generated 2 new jobs, and issued bids for procurement of management software for all stores.
- Casa Mántica. We signed an MOU with Casa Mántica at the end of June to enhance the competitiveness of 10 MSMEs so they become sustainable suppliers of standardized value-added products under the ECONOMAX brand name to all La Colonia Stores nationwide. We expect this activity to generate approximately 190 jobs and increase overall sales by \$500,000 over an eighteen month period.
- CANATUR. We signed an MOU in June with the National Chamber of Tourism (CANATUR) to improve the tourism business climate to promote sustainability of efforts; provide institutional strengthening for CANATUR and support for tourism policy reform; and implement the Coastal Development Law in three municipalities. As an initial effort under this project, we supported the first National Tourism Fair (FENITUR) 2010 in Managua on June 18. Approximately 26 international tour

operators, 4 U.S. press members, and 128 small and medium tourism enterprises participated in the fair.

- Walmart. E&E met with Walmart Costa Rica in early June to reach agreement on a collaboration program that will support Walmart's *Una Mano para Crecer*, which provides support to non-agricultural SME providers to Walmart stores throughout Central America, including Nicaragua. We submitted Walmart a draft MOU for their review in mid-June, and will have follow-up meetings with them in July. We expect to sign an MOU with them in August.
- Del Monte. E&E introduced Del Monte to producers in a May trip by various Del Monte officials to local farms in southern Nicaragua. E&E assisted local plantain producers to develop a production and exporting plan that they presented to Del Monte in Costa Rica at the end of June, accompanied by our consultant and E&E's Mario Farias. As a result, Del Monte and the producers reached a verbal agreement to export approximately \$6 million in plantains during the next year. E&E continued STTA to producers to ensure supply and quality was a major selling point for Del Monte. The contract between the producers and Del Monte, and tripartite MOU between the producers, Del Monte, and E&E will be signed in July.
- APEN and CADIN. We signed two MOUs during the Celebration Event of CAFTA-DR's IV Anniversary, with U.S. Ambassador Robert Callaghan and USAID Mission Director, Norma Parker, serving as honorary witnesses: (1) with the Association of Nicaraguan Export Producers (APEN) for the creation and establishment of a Business and Training Center for SMEs, and (2) with the Nicaraguan Chamber of Industries (CADIN) for the creation and establishment of a Business and Assistance Center for Industrial Sector MSMEs. We began the grants process for each of these initiatives in June.
- uniRSE. We signed an MOU in June with the Nicaraguan Union for Corporate Social Responsibility (uniRSE) to provide technical assistance to anchor firms and MSMEs participating in sub-projects under Activity A to adopt Corporate Social Responsibility (CSR) models as part of their day-to-day business operations. This will help the anchor firms and MSMEs increase their competitiveness while at the same time contributing to the country's economic, social, and environmental development.
- CEI. We finalized negotiations with the Nicaraguan Center for Exports and Investment (CEI) to support 45 small producers in improving the competitiveness of their businesses and their exporting capacities by promoting their products in international markets. Under this initiative E&E will assist CEI in 3 commercial missions in Nicaragua with company representatives from the U.S., Canada, the Caribbean, and Central America; conduct 2 international commercial missions, in Belize and Panama; attend 2 international trade fairs; and provide STTA in institutional strengthening to CEI by contracting technical specialists to conduct an assessment of CEI's current capacities and develop a strategy for improving mechanisms for promoting exports.

- CAFTA-DR. We are currently working on two efforts under CAFTA-DR: (1) with MARENA, where we contracted an environmental specialist to assist the ministry in developing concept papers and methodologies for implementation of four projects under the Environmental Cooperation Agreement (ECA); and (2) an administrative review of CAFTA-DR. A preliminary finding suggests that 98% of Nicaragua's commitments under the treaty have not been fulfilled or complied with within the provided timeframe.
- SME Law Workshops. E&E, in partnership with CONIMIPYME, conducted three workshops on the Micro, Small, and Medium Enterprise Scale Law in the cities of Leon, Bluefields, and Esteli. The workshops far exceeded expected attendance in each city, with nearly 1,000 MSME representatives attending (320 in León, 160 in Bluefields and 470 in Esteli). Participants in all workshops requested that we conduct follow-up visits and provide technical assistance to select enterprises on best business practices. In Bluefields, workshop participants formed a local CONIMIPYME Chapter to represent SMEs on financial and commercial topics.
- PROCOMPETENCIA. E&E signed an MOU in May with the National Institute for the Promotion of Competition in Nicaragua (PROCOMPETENCIA) to support the following activities: (1) a study on the conditions that favored or hindered free competition in Nicaragua from 2009 through 2010; (2) a series of workshops on competition advocacy aimed at raising awareness on the importance of competition; and (3) country's First National Forum on Competition. Progress on these initiatives is ongoing.
- Water Legislation. E&E contracted an environmental legislative expert to provide assistance to the Young Environmentalists Association in drafting and promoting reforms to the Potable Water and Sanitation Committees (CAPS) legislation. Reforms dealt with legalization of existing CAPS, their constitution, functioning, and registration procedures. The National Assembly granted passage of these reforms on May 19.
- Tourism Policy Environment. E&E contracted a tourism legislation specialist to provide assistance to CANATUR in analyzing and supporting reforms to the General Tourism Legislation. Reforms consist of increasing foreign issued airline ticket prices to Nicaragua by \$5.00 per ticket, generating approximately \$1,526,615 in revenue for promoting the Nicaraguan Tourism Industry; creating a Commission for the Promotion of Tourism within the National Institute of Tourism (INTUR); creating a specific line item within the National Budget that clearly states the amount of funds destined for INTUR; and the creation of a specific account within the Treasury of the Republic to house all funds destined for INTUR. On May 31, the National Assembly voted in favor of these motions.
- Private-Public Dialogue and Regulatory Reforms. E&E contracted an international trade specialist to provide technical assistance to the Superior Council of the Private Enterprise (COSEP) in the operation, monitoring, and implementation of the multi-institutional and public-private sector dialogue forum, the Trade Facilitation

Committee (CIFCO). To date, we have conducted an analysis of CIFCO's operations, including recommendations for improving the committee's organization and structure, as well as its inter-agency communications. CIFCO is an important forum for the private sector to discuss public sector constraints to business.

- Cisco-Tomas More GDA Partnership. As part of the Global Development Alliance (GDA) assessment completed last quarter, E&E, Tomas More University and the U.S. technology company Cisco, concluded discussions and negotiations on a partnership that will create an Entrepreneurship Center at the local university. We expect to sign an MOU in late July, early August.
- Other Human Capital Development. E&E is currently designing two types of training courses for SME leaders. The first initiative consists of 16-hour courses on Cash and Inventory Management. This initiative will be launched in collaboration with financial institutions, BDF and ProCredit. The second initiative consists of a major workforce development program to be led by E&E subcontractor, the Netherlands Development Organization (SNV). We expect to receive a draft proposal from SNV early in July. We are also in discussions with local organizations such as the Pellas Group over other workforce initiatives.
- Operations Research. In addition to the plantain cost assessment highlighted above to assist the Del Monte transaction, E&E is collaborating on two other Operations Research initiatives, one with PRONicaragua to conduct a comparative study of Nicaraguan clothing production and shipment costs; and the other with the National Free Trade Zone Commission to conduct a diagnosis of the situation of the textile-apparel industry in Nicaragua and the United States.

As noted in past reports, although the program is in full implementation mode, there are still start-up issues that have yet to be resolved. The main issue is the company's pending legal registration in the country, which is an increasingly urgent problem, resulting in delays in reimbursement of Value-Added Taxes, purchase of vehicles, and employee medical insurance.

II. Progress by Activity

The following sub-sections provide an overview of E&E's activities during this past quarter and track all activities and achievements from April through June 2010. Progress against Performance Monitoring Plan (PMP) indicators is highlighted in Section III.

A. Activity A – Enhanced Competitiveness of Small and Medium Enterprises

A1. Ongoing Activities

A1a. Calzado Alex, S.A. (Calzado Alex)

This sub-project will significantly improve product quality, inventory controls, capacity to fulfill consumer demands, and increase overall sales of Calzado Alex and six of its microenterprise suppliers so that they become more competitive, both in the local and international markets. Results during this quarter include:

- E&E short-term technical assistance (STTA) developed administrative and financial manuals and cleaner production operational plans for all 7 companies.
- Trained 215 employees from all enterprises on human resources, accounting, organization and functions, inventory control, costing and price fixing, strategic planning, and cleaner production operational systems.
- Created 43 new jobs (34 at Calzado Alex, 6 at Calzado Giovanni, 2 at Calzado Kelf, and 1 at Calzado Mendoza).
- Installed three-phase electric transformers in Alex's main plant in preparation for acquisition of new equipment. E&E will procure this equipment through an in-kind grant for Calzado Alex. The program is currently working on the grant paperwork.



Scarlett, shoemaker apprentice under the Calzado Alex sub-project

Calzado Alex: Increasing Quality and Savings by Recycling

E&E, through technical assistance provided by the *Centro de Producción más Limpia (CPmL)*, is introducing Good Environmental Practices within Calzado Alex and its 6 MSME suppliers to increase their production efficiency. E&E is optimizing the use of resources such as raw materials and energy through implementation of cleaner production practices. As a result of this assistance, all 7 enterprises will use approximately 30% recycled raw material from the waste they produce, lowering production costs. With the savings generated, the enterprises will import the remaining 70% of necessary material in the form of PVC soles.

- Centro de Producción más Limpia completed designs for a new roof and improved aeration conditions for Alex's principal plant, as recommended in the cleaner operational plans. This will improve working conditions tremendously. Alex will invest over \$25,000 of his own capital on these improvements.
- Obtained credit financing for a 3-year period from AGORA Partnerships for the purchase of equipment in the amount of \$25,000.
- Increased exports through a contract signed with the Government of El Salvador for the production of 40,000 pairs of school shoes with an approximate value of \$280,000.
- Conducted three commercial missions, two to Costa Rica and one to Panama. Alex obtained contracts with four new vendors as a result from the Costa Rican missions.

As noted above, E&E's subcontractor, Centro para Producción más Limpia (CPmL), is working with Calzado Alex to not only improve productivity, but to provide a cleaner and environmentally sound work place for Alex's employees. This is an objective to which the company is fully committed.

A1b. Chiles de Nicaragua, S.A. (Chiles)

The main goal of this sub-project is to increase Nicaraguan exports of Tabasco chili pepper and increase productivity through the application of good production practices and harvesting techniques. The ultimate aim is to increase employment, sales, and rural incomes. Although damage from tropical storm Agatha resulted in a 20% reduction of chili peppers during the summer harvest, results to date are very promising and include:



After Tabasco peppers are cultivated, Chiles de Nicaragua processes them to make a chili paste which is then exported to McIlhenny Co. in the U.S.

- Irrigation program implemented to sow chili peppers during the summer. In 2009, Chiles did not have the capacity to sow and harvest many hectares of chili, peppers due to lack of irrigation systems. As of June 2010, with assistance and investments provided by Chiles, McIlhenny Co., Root Capital, BAGSA, and Cisa Agro, 130 producers now have irrigation systems as opposed to 55 producers in 2009. This represents an expansion in the chili pepper production area from 14.67 to 83.17 hectares.
- As a direct result of the irrigation program, and despite the sizeable losses from Agatha, Chiles' exports for the Jan-Jun 2010 semester totaled \$367,501, a 64% increase in comparison to the Jan-Jun 2009 semester exports of \$224,587. The summer harvest cycle will last approximately 90 more days, which means that exports for the next quarter will increase in comparison to the previous year.
- Awarded \$489,000 out of the \$652,000 in available financing through Cisa Agro, Root Capital, BAGSA, and McIlhenny Co. in provision of agricultural inputs, machinery, and irrigation systems for small producers.
- Created 592 seasonal jobs, equivalent to 205 permanent jobs.

- Undertook 2 encounters between producers from different regions to share best practices and lessons learned.
- Conducted 31 workshops and trained 130 small producers on good agricultural practices.
- Trained 130 harvesters on adequate cutting and harvesting techniques for the summer harvest cycle.
- Initiated the winter production cycle. Chiles has expanded the winter production area by 78 hectares by incorporating 71 new MSME producers from the regions of Boaco and Esteli for this cycle.
- E&E awarded a grant to Chiles in June in the amount of \$41,098 for short-term technical assistance, workshops on Good Agricultural Practices and post-harvest management of crops, and provision of agricultural inputs for 200 producers.
- In July, Chiles will distribute under the grants mechanism approximately \$13,000 worth of hydroponic chili pepper plants grown in the northern part of the country to over 100 small producers.

A1c. Vegetales y Frutas Procesadas de Nicaragua, S.A. (Vegyfrut)

E&E and Vegyfrut joined forces in March to assist the firm in exporting to the U.S. and significantly increasing its overall sales and its purchases from small producers throughout Nicaragua in a sustainable manner. Results for this quarter include:



Vegyfrut owners, Carlos and Bosco Solórzano

- With E&E assistance, Vegyfrut diversified its product portfolio by sowing and harvesting for the first time mini vegetables such as green zucchini, patty pan, and sunburst for exporting purposes.
- Selected El Menco, Rivas for cultivating mini vegetables based on particular characteristics such as soil and climate, the area's irrigation technology, number of producers and labor availability in the Village of Morning Light (*Aldea Luz de la Mañana*), closeness to packing and processing plants, and international airport facilities.
- Incorporated 25 small producers to the productive chain, and trained them on how to harvest mini vegetables.
- E&E contracted an Agronomist to provide STTA on production techniques and quality control issues to small producers during a 5-month period.
- Began to significantly increase the incomes of small farmers through diversified products such as mini vegetables. For example, a producer of mini vegetables will earn at least \$550 per month after each harvest cycle as opposed to \$200 per month when cultivating corn.

- Sowed 1.9 out of 15 hectares that will generate 21,500 lbs. of mini vegetables with an export value of \$34,400.
- Initiated the first harvest cycle on June 26.
- Created 19 seasonal jobs, equivalent to 3 permanent jobs at Vegyfrut.
- Leveraged funds in the amount of \$75,000 from AGROS.
- Introduced four new products in the local market for cut, ready to eat snack vegetables.
- Through their own investments, Vegyfrut has completed 60% of the construction of their new industrial plant on the Masaya Highway.
- E&E is currently processing a grant for \$50,543 for workshops on best manufacturing and production practices, HAACP and Primus Lab Certifications, and equipment for the new industrial plant, including cooling systems and panels, storage baskets, rotating belts, scales, and metal detectors to comply with the bioterrorism regulations under CAFTA-DR. We are finalizing the grant paperwork and will submit it to USAID for approval during the first week of July.

A1d. Eskimo, S.A. (Eskimo)

E&E signed an MOU with Eskimo in May to provide assistance to approximately 200 SME farms from the dairy production chain to increase the quality of their milk as well as productivity. We expect this initiative to help producers increase their income by 40% or \$2,000 per year and create approximately 85 new jobs. To date, progress includes:

- Completed negotiations with BAYER-Nicaragua for the provision of technical assistance and training to dairy producers on animal health. BAYER-Nicaragua will promote encounters on animal health with producers from Costa Rica.
- Engaged 3 collection centers from the regions of Matagalpa and Boaco.
- Completed an activities work plan and identification of specialized technical consultants for each collection center.
- Defined project baselines and information gathering mechanisms for project monitoring and evaluation.

A1e. Reciclaje y Negocios Internacionales, S.A. (RENISA)

E&E signed an MOU with RENISA in May to transform informal waste collection – often undertaken in extreme adverse conditions – into dignified business by creating small enterprises from among poor individuals, including some that currently collect trash and recycling material from streets and waste dumps. The sub-project will also have an important environmental impact by generating improved trash collection in many Managua neighborhoods. Project results include:



Transforming waste into recyclable material to produce pots and pans, and recycled paper, etc.

- Completed of negotiations with the BAS-Managua Project, that will leverage \$150,000 in financing for equipment and machinery.
- Developed work plan for the selection and creation of the recycling MSMEs.
- E&E contracted technical specialist, Werner Ahlers, as project coordinator, to assist in establishing criteria for the selection and identification of potential individuals for the recycling enterprises, provide accompaniment throughout the process of formal registration, and establish operational procedures for the new companies.
- Organized the launching of the first environmental kiosk in July in Ometepe.

A1f. Sabina de Ingeniería, S.A. (Sabina)

We signed an MOU with Sabina to support 800 small rural producers in enhancing their access to technology, small equipment, and accessories for their farms. E&E, in collaboration with Sabina, will facilitate the establishment of joint venture equipment stores called TIENDAGRO that Sabina will open in alliance with local cooperatives and/or producer associations in 12 municipalities of the country. Results to date include:



Sabina worker assembling some of the agro-industrial machinery to be sold at the TIENDAGRO stores

- Completion of the project action plan; the first concession store is scheduled to open in mid-August in Nueva Guinea.
- Contracting of a project manager for this initiative by Sabina.
- \$50,000 worth of new equipment manufactured for concession stores.
- 2 new jobs generated within Sabina.
- Concession stores legal framework under development.
- Bids issued for procurement of management (ERP) software for all stores.

A1g. Casa Mántica (La Colonia)

We signed an MOU with Casa Mántica at the end of June to enhance the competitiveness of 10 MSMEs so they become sustainable suppliers of standardized value-added products under the ECONOMAX brand name to La Colonia stores nationwide. We expect this activity to generate approximately 190 jobs and increase overall sales by \$500,000 over an eighteen month period. Casa Mántica, who is already committing approximately \$100,000 of its own resources, will leverage additional funds for this alliance from the USAID Regional Environmental Labor Excellence Project (ELE).

A1h. Cámara Nacional de Turismo (CANATUR)

We signed an MOU in June with CANATUR to improve the tourism business climate to promote sustainability of efforts; provide institutional strengthening for the chamber and support for tourism policy reforms; and implement the Coastal Development Law in three municipalities of the country. Results to date include:

- Completion of an activities work plan.
- First National Tourism Fair (FENITUR 2010) hosted in Managua on June 18. Approximately 26 international tour operators, 4 U.S. press members, and 128 small and medium enterprises participated in the fair.



Promoting Nicaraguan tourism and MSME tourism service providers internationally

A2. Sub-projects under consideration

A2a. Sub-projects at Relatively Advanced Stages of Review

E&E is moving forward on four sub-projects which we expect to present to USAID in July, including the preparation of concept papers and estimated budgets. These include:

Alliances Drive E&E Strategy

A key element of E&E's strategy is to develop close alliances with international and Nicaraguan anchor firms and local institutions to permit us to reach small scale producers more effectively, as well as to leverage resources, and ensure that our activities are sustainable beyond E&E's life. Alliances to date include **Eskimo**, the major dairy processor, **McIlhenny Company**, the Tabasco producer from Louisiana, and **Casa Mántica and La Colonia Supermarkets**, where E&E will be assisting small producers to become reliable suppliers. An alliance with **Bayer Nicaragua** is providing technical assistance and training to dairy producers on animal health, which in turn is part of bigger alliance with **Eskimo** to assist small producers increase the quality of their milk and incomes. In the pipeline are major alliances with **Walmart** and their *Una Mano Para Crecer Program* – including support to SMEs already producing for Walmart to increase their sales; an alliance with **Del Monte** to initiate significant exports of plantains to the U.S.; and a GDA with **Cisco**, the U.S. technology company, to establish a an entrepreneurship center in partnership with **Tomas More University**. E&E is also in discussions with **Gloria Jean's Coffee Company** in the U.S. to establish commercial links with small farmers producing specialty coffees. E&E is also leveraging the resources and know-how of local institutions such as the **Centro de Exportaciones e Inversiones (CEI)**, the **Nicaraguan Association of Producers and Exporters (APEN)**, and the **National Chamber of Tourism (CANATUR)**, while assisting these organizations to adopt best international practices and become more effectively.

Enhancing productivity of the Cassava (yucca) value chain under the Yucanica Project with Tecnoagro

We are finalizing a concept paper for enhancing the productivity and quality of cassava in rural areas for exporting purposes. This initiative will be carried out in collaboration with anchor firm Tecnoagro and 200 MSMEs from León, with support from the Millennium Challenge Account (MCA). The ultimate goals of this sub-project are increasing employment and sales. We expect this initiative to generate approximately \$1.3 million in exports and 130 new jobs within the first year of implementation, 255 trained field experts on cassava, 4,650 trained producers, and generate additional income in the amount of \$340,000 for the transportation and customs authorities. We will also provide assistance to cassava producers from Nueva Guinea in improving the quality of their products. The total amount of this project is \$137,000. E&E's contribution will be approximately \$59,000. We expect to sign an MOU with Tecnoagro in July.



Producers from León drying off Cassava before packaging it

Promoting fine Nicaraguan artisan products internationally with Grupo Raíces

The main objective of this project is to promote fine Nicaraguan artisan products internationally to generate hundreds of jobs among small artisans. To achieve this, E&E will support the participation of a network of artisans in 6 tradeshows and cultural fair trades throughout Central America and the Dominican Republic. This initiative shall be complemented with two others: a franchise store in El Salvador and STTA for artisan MSME's to develop new designs and increase the quality of their products to meet market demands. Products sold at tradeshows and fairs will be representative of the regions of San Juan de Oriente, San Juan de Limay, Masaya, Masatepe, Granada, and Nueva Segovia, among others.



Fine Nicaraguan artisan crafts made from lime stone from San Juan de Limay and ceramics from San Juan de Oriente

The total cost of the project is \$140,000 and E&E's contribution to the initiative is an approximate \$60,000. Expected results from this project include assisting 313 artisans increase their sales, income, and employment; totaling sales of approximately \$688,000 during events and post-fair periods, and creating more than 2,500 direct jobs.

"Una Mano para Crecer" Program with Walmart

Following up on earlier discussions related to the Global Development Alliance (GDA) strategy developed last quarter, E&E's COP, Danilo Cruz-DePaula met with Walmart Costa Rica in early June to discuss E&E collaboration with Walmart's *Una Mano para Crecer*, which provides support to non-agricultural SME providers to Walmart stores throughout Central America, including Nicaragua. Under this model, E&E and Walmart will collaborate in two main areas (1) evaluating current SME suppliers to Walmart Nicaragua and provide

them with technical assistance and financing so that they can improve the quality of their products and increase their sales, jobs, and income; and (2) identifying new potential SME suppliers for Walmart Nicaragua. As of now, we have identified 130 potential MSME suppliers. We will also provide technical assistance and financing for these SMEs to improve their products. We sent Walmart a draft MOU for their review in mid-June, and will have follow-up meetings with them in July. We expect to sign an MOU with Walmart in late July or early August. E&E's approximate investment in this effort is \$100,000.

Exporting quality plantains to the U.S. and Costa Rica with Del Monte

In May, E&E introduced plantain producers to representatives from Del Monte Costa Rica through a visit to plantain farms in the Rivas region, including follow-up meetings in Managua. Subsequently, we provided technical assistance to analyze production costs of producing and exporting plantains in order to assist the producers to present a proposal to Del Monte, whose representatives indicated that they are interested in buying Nicaraguan plantains. As a result of these efforts, producers expect to sign a contract with Del Monte that will generate up to \$6 million in sales in the first year. We expect to sign in July a tripartite MOU between the producers, Del Monte, and E&E (see text box on page 14).



Improving the quality of plantains will result in exporting contracts, increasing jobs and rural income for small producers

A3. Other Activities and Results

- We supported the Nicaraguan Association of Specialty Coffee's (ACEN) Cup of Excellence Award. The main auction was held on June 9 with 27 finalists out of an initial 425 participants. A total of \$564,339 was sold in specialty coffee, with the highest bidding price at \$35.65 per pound.
- We provided assistance to the Association of Small Hotels of Nicaragua in meeting with the Regional Project NOR and with the Ministry of Commerce (MIFIC). As a result of these meetings, the Association will obtain financial support from Project NOR and MIFIC in the establishment of a classification system for small hotels.

B. Activity B – Improved Services for Small and Medium Enterprises

B1. Improving Capabilities of BSPs

Business and Training Centers for SMEs with APEN and CADIN

E&E signed two MOUs during the CAFTA-DR's IV Anniversary, with U.S. Ambassador Robert Callaghan and USAID Mission Director, Norma Parker, serving as honorary witnesses:

- (1) Association of Nicaraguan Export Producers (APEN) for the creation and establishment of a Business and Training Center for Exporting SMEs. The total cost

of this project is \$63,116. E&E will also provide a grant to APEN in the amount of \$24,874 for the procurement of equipment and furniture for the center. We are finalizing the grant and will submit the package to USAID for approval in July.

- (2) Nicaraguan Chamber of Industries (CADIN) for the creation and establishment of a Business and Assistance Center for Industrial Sector MSMEs. The total cost of this initiative is \$130,485. CADIN is providing \$79,335 and CADIN members are contributing \$32,850 in materials for the construction of the center. We will be awarding a grant to CADIN for the remaining \$25,280 for technical assistance to develop administrative and commercial management training programs for industrial MSMEs; conduct production process assessments and develop procedures manuals for 60 MSMEs; and the creation of corporate identity designs for all 60 MSMEs. We will submit a grant approval request package to USAID in early July.

Del Monte and Plantain Producers: Making a Transaction Happen

“We can’t pay you for your lack of productivity,” so said a representative of Del Monte Costa Rica while visiting plantain farms in the Rivas region, a meeting arranged by E&E. His statement was a response to a price for plantains proposed by one of the producers. Del Monte’s point: the price couldn’t be set at their high production costs, plus a margin. It had to be set in line with international prices and a determination by the producers that they can make a profit based on those prices. For a moment, the otherwise successful visit in May seemed to be at an impasse. Plantain production in the Rivas area is not a new thing. In fact USAID has invested in the sector in the past, including packing houses. Some farmers have introduced new technologies. But overall, quality is not consistent, productivity is low, and there is much room for improvement. Based on Del Monte’s willingness to buy substantial amounts of plantains almost immediately, E&E through its operations research component, provided the services of an agronomist to determine true production costs, determine a price that would provide a good profit margin, and develop specific negotiating points with Del Monte, such as transportation costs, technical assistance that could be provided by Del Monte, and other key issues. With a much better understanding of costs, needed assistance, and a proposed operational plan, a delegation led by local leading producers and E&E specialists traveled to San Jose to meet with senior Del Monte representatives, including a senior vice president from the U.S. headquarters. The result: a verbal agreement to sign a contract that will generate sales of \$6 million in year one and \$8 million in year two. The producers, Del Monte, and E&E will also sign a tripartite MOU with E&E outlining roles and responsibilities. Our next objective: value added production of plantain products.

Developing Corporate Social Responsibility (CSR) Indicators for MSMEs with uniRSE

We signed an MOU in June with the Nicaraguan Union for Corporate Social Responsibility (uniRSE) to provide technical assistance to anchor firms and MSMEs participating in sub-projects under Activity A in adopting CSR models as part of their day to day business operations. This will help the anchor firms and MSMEs increase their competitiveness while at the same time contributing to the country's economic, social, and environmental development. The total amount of this project is \$124,800. UniRSE is contributing \$81,350, and E&E will contribute \$41,450 through a grant award to the organization. We expect to submit the grant to USAID for approval by the end of July.

Promoting Nicaraguan Exports with CEI

We finalized negotiations with the Nicaraguan Center for Exports and Investment (CEI) to support 45 small producers in improving the competitiveness of their businesses and their exporting capacities by promoting their products in international markets. The project has four major components:

- (1) Conduct 3 commercial missions in Nicaragua, with 10 representatives from companies in the U.S., 10 from Canada and the Caribbean, and 15 from Central America. We expect Nicaraguan exports to increase by \$2.6 million as a result from these 3 missions.
- (2) Conduct 2 international commercial missions to Belize and Panama. We expect producers to have at least 5 sales contracts either signed or under negotiation as a result of the international missions.
- (3) Attend 2 international trade fairs. We expect producers to have at least 2 sales contracts under negotiation as a result of these fairs.
- (4) Provide STTA in institutional strengthening to CEI by contracting technical specialists to conduct an assessment of CEI's current capacities and develop a strategy for improving mechanisms for promoting exports.

The total cost of this project is \$221,090. CEI is contributing \$106,840 and E&E the remaining \$114,250.

Improving Capabilities of Independent Business Service Providers with INDE

We finalized negotiations with the Nicaraguan Development Institute (INDE) to support their First National Congress for SME Consultants. The event has as its primary objective to increase independent business providers' technical capabilities so that they can provide better services to MSMEs. The event will be held on July 13 at the Holiday Inn Hotel in Managua. We expect approximately 250 independent business service providers to attend and at least 150 participants to register with INDE's Business Service Provider Search Engine. We will sign an MOU with INDE for this initiative in July.

B2. Facilitating Access to Credit for SMEs

We continue working on a strategy to provide access to credit to anchor firms and MSMEs working on Activity A sub-projects, as well as to promote greater access to finance in general. In support of Activity A firms, we are working closely with Banco de Finanzas (BDF), which is reviewing credits of approximately \$2 million for these firms. For example, we introduced Vegyfruit to the bank and the loan process is progressing well. We are undertaking these discussions primarily on an ad hoc, company-specific basis, although BDF is open to sign an MOU with E&E, subject to approval from its board of directors to formalize this process.

We also continue discussions with other financial institutions such as BANPRO, BANCENTRO, and ProCredit, and identified several bottlenecks and primary barriers for SMEs in accessing credit. To address these issues and develop better financial products for the SME market, E&E will contract a financial expert specializing on the Central American Region for these tasks. We will begin contracting procedures in July.

B3. Other Activities and Results

We supported CEI's II National Encounter for Producers, held on June 9 at the Intercontinental Hotel. The event's main objective was to link small producers to various cooperation programs and financial institutions. Approximately 250 small producers attended the event.

C. Activity C – Support for Trade Capacity Building

C1. CAFTA-DR Work Plan Implementation

E&E finalized the CAFTA-DR work plan for FY10 in conjunction with USAID. The plan identified two main areas for implementation: the National Action Plan and the Environmental Cooperation Agreement.

Environmental Cooperation Agreement

During this quarter, E&E received a new request for assistance from the Ministry of Environment and Natural Resources (MARENA) for implementation of priority activities under the Environmental Cooperation Agreement (ECA). Activities include (1) forming a national network of 13 environmental labs in Nicaragua and their accreditation; (2) regionally accrediting the MIFIC's National Office of Accreditation (ONA); (3) applying current environmental norms under the domestic and industrial residual water regulations focusing on those industries and/or economic activities that dump their residual water in Lake Cocibolca and other primary sources of water; and (4) establishing a project to raise green and black iguanas, most commonly known as "*garrobos*," in captivity in five communities that deal with illegal trafficking of these species.

In late June, we contracted Mr. Radoslav Barzev, a local environmental specialist to assist MARENA in developing concept papers and methodologies for implementation for all the aforementioned activities. The program expects full implementation of activities with MARENA to begin in August.

National Action Plan

In support of the National Action Plan, E&E with USAID concurrence is currently implementing the following activities:

- An assessment of the country's current production incentives and benefits, and a study on the CAFTA-DR Complementary Agenda. E&E has identified the Nicaraguan Foundation for Socio-Economic Development (FUNIDES) as a potential partner for these initiatives. We have initiated a grant to award to FUNIDES for implementation of these activities by the end of July.
- An assessment of Nicaragua's administrative procedures for the management of CAFTA-DR. E&E contracted free trade agreement specialist, Dean García Foster, to conduct this evaluation. A preliminary review indicates that 98% of Nicaragua's commitments under CAFTA-DR have not been fulfilled or complied with within the provided timeframe. As a next step, E&E in coordination with USAID, will meet with the public entities responsible for implementing these commitments and analyze their level of compliance under each one. This will ultimately help us identify technical assistance needs that each of these entities require to comply with commitments under CAFTA-DR.

In addition to these efforts, E&E met on repeated occasions with four divisions from the Ministry of Commerce (MIFIC), the General Directorate on Foreign Trade, Competition and Market Transparency, Intellectual Property Registry, and Planning Administration to finalize a list of international trade priority areas in which they need support. Our last official communication with MIFIC was in April. Throughout this past quarter, the program contacted the ministry consistently but has not received a formal request for assistance.

C2. Educating MSMEs on the Benefits of the Micro, Small, and Medium Enterprise Scale Law

E&E conducted three workshops on the Micro, Small, and Medium Enterprise Scale Law in the cities of Leon, Bluefields, and Esteli. Nearly 1,000 people attended the workshops (320 in León, 160 in Bluefields and 470 in Esteli). Participants included representatives from the wood and furniture, artisan, agricultural, ground and water transportation, tourism, fishing, banking, food and beverage, bakery, textile, commercial, pharmaceutical, poultry, laboratories, and superior education and shoe sectors. The workshops were a joint collaboration between E&E and the Nicaraguan Council for the Micro, Small, and Medium Enterprises (CONIMIPYME). The Nicaraguan Development Institute (INDE) and the municipal branches of the Nicaraguan Chamber of Commerce (CACONIC) in each of the three cities also co-sponsored the workshops (see text box on page 18).



E&E's Didier Aleman Conducting the Workshop on the MSME Scale Law held in Esteli on June 17

As a result of the workshops, participants requested that E&E and CONIMIPYME conduct follow-up visits and provide technical assistance with select enterprises on best production and business practices. In Bluefields, participants formed a local CONIMIPYME Chapter to represent SMEs on financing, trade and commercial topics.

C3. Supporting a National Competition Policy

E&E signed an MOU in May with the National Institute for the Promotion of Competition in Nicaragua (PROCOMPETENCIA). In June, we contracted three competition legislation specialists, an economist, and a communications expert to provide assistance to PROCOMPETENCIA in three key activities: (1) a study on the conditions that favored or hindered free competition in Nicaragua from 2009 through 2010; (2) a series of workshops on competition advocacy aimed at raising awareness on the importance of competition; and (3) the First National Forum on Competition, to take place on July 29. We are still searching for a suitable venue.

D. Activity D – Policy Reform

D1. Supporting the Potable Water and Sanitation Committees (CAPS)

E&E contracted environmental legislative expert, José Luis Artola, to provide assistance to the Young Environmentalists Association in drafting and promoting reform motions to the

SME Law Workshops Surpass Expectations

The SME workshops conducted by E&E in alliance with the Nicaraguan Council for Micro, Small, and Medium Enterprises (CONIMIPYME), the Nicaraguan Development Institute (INDE), and local institutions have far surpassed attendance expectations. The seminar on April 15 in Leon and June 17 in Estelí drew overflow crowds of over 340 and 470 representatives, respectively, from micro, small and medium enterprises (MSMEs). The workshop in May in Bluefields also significantly exceeded planned attendance attracting over 180 participants. The turnout demonstrates the strong interest among micro and small entrepreneurs not only about learning more about the law, but to better understand programs available to support their efforts. Law 645, whose passage USAID supported through previous programs, is important in outlining a series of responsibilities and incentives for MSMEs, as well as creating an institutional foundation for MSME support on which there has unfortunately been little progress on the GON's part. Participants have not only come to listen, but to express strong opinions on their needs. In every event, we have empathized that while an informational workshop such as these are important, E&E is committed to not leaving it at that. We are planning concrete efforts in each region to follow up with support for these entrepreneurs through our training programs and by looking for value chain opportunities in each region.

Potable Water and Sanitation Committees (CAPS) legislation. Reform motions to the CAPS legislation dealt with recognition of existing CAPS as voluntary, nonprofit, community organizations, that are integrated by men and women and that elected democratically by community members identify potable water needs within their communities, and provide oversight to ongoing water projects and maintenance to the water tanks and piping once the projects are completed; formalizing CAPS constitution mechanisms; functioning mechanisms, and registration procedures. The National Assembly granted passage of these motions on May 19.

D2. Supporting the Nicaraguan Tourism Sector

E&E contracted tourism legislation specialist, Sergio Argüello to provide assistance to CANATUR in analyzing and supporting reforms to the General Tourism and Tourism Incentives Legislations. Reforms under the General Tourism Legislation consist of:

- (1) Increasing foreign issued airline ticket prices to Nicaragua by \$5.00 per ticket, generating approximately \$1,526,615 in revenue for promoting the Nicaraguan Tourism Industry;
- (2) Creating a Commission for the Promotion of Tourism within the National Institute of Tourism (INTUR), with the majority of its representatives being from the private sector;
- (3) Creating a specific line item within the National Budget that clearly states the amount of funds destined for INTUR; and
- (4) Creating a specific account within the Treasury of the Republic for all funds destined for INTUR to be housed in.

On May 31, the National Assembly voted in favor of these motions. Reforms to the Tourism Incentives Legislation are not finalized; therefore we will continue supporting this initiative throughout the next quarter (see text box on page 20).

E&E also contracted transportation legislation expert, Francisco Mendoza, to provide technical assistance to the Nicaraguan Association of Inbound Tourism (ANTUR) in analyzing and supporting reforms to the General Ground Transportation Law. With assistance from E&E, ANTUR issued a legal opinion of the legislation which stated that tour operators should not pay any licenses or fees to the Ministry of Transportation and Infrastructure (MTI); that they should only pay fees and allowances established by law to the National Institute of Tourism (INTUR). ANTUR requested meetings with various public agencies involved such as MTI, INTUR, and the National Assembly's Infrastructure Commission to present their case. As of June 30, ANTUR has not received any communications from any of the aforementioned public entities.

D.3 Promoting Financial Reforms

In May, E&E contracted two financial reform experts, Joann Gutiérrez and Guirlanda Suárez, to provide technical assistance to the Superior Council for the Private Enterprise (COSEP) and the Nicaraguan Chamber of Commerce (CACONIC) in promoting four laws: (a) Leasing; (b) Invoice Exchange; (c) Bank Trust; and (d) Financial Factoring.

Thus far, in collaboration with the private sector, we have identified a list of priority topics and interests that should be included under each legislative proposal. Each proposal is now being validated by a specialized work group formed by economic advisors to the National Assembly and various political parties, the “*superintendencia de bancos*” and other financial organizations, as well as private sector groups such as CONIMIPYME. Once all proposals have been validated, the specialized work group, in unison will present each proposal to the National Assembly’s Economic Commission. We expect this to be done in July.

Forging a Better Business Climate for Tourism

Tourism is a nascent, but fast-growing sector in Nicaragua with the potential to generate substantial employment and income for the poor. It is in fact the only sector where local sales are essentially “exports” since most generate foreign exchange. The sector has grown 9.8% during 2009 and it’s expected to grow 10% in 2010. Nonetheless, the policy and regulatory framework for the sector is, at best, unclear. For example, for foreign tour operators and tourists to develop an interest in the country, the country needs to develop comprehensive marketing campaigns – which require funding from both the private sector as well as the government. The mechanisms to generate these funds already exist. However, funds generated from various sources, including taxes, are seldom transferred to the Ministry of Tourism (INTUR) but are used for purposes other than tourism. This not only undermines tourism promotion but creates distrust among the private sector that sees the taxes it pays used for other purposes. This quarter, E&E provided assistance to CANATUR in the promotion of reforms under the General Tourism Law which will create a public-private sector commission in INTUR to ensure that tourism promotion funding is effectively targeted and used for the purposes allocated. The law required considerable dialogue and interaction among stakeholders, as the private sector continued to be suspicious of increased fees without increases support. The law includes several measures to address these concerns, including the independent commission. Although proof will be in the implementation details, the private sector is more optimistic that Nicaragua will indeed count on the resources for effective tourism promotion. E&E is also working with CANATUR and Nicaraguan Association of Inbound Tourism (ANTUR) in a number of other laws to create a better business climate for tourism including a pilot program to implement the Coastal Investment Law in municipalities of, Corn Island, Granada y Tola.

D4. Public-Private Sector Dialogue

In June, E&E contracted international trade specialist, Margarita Cruz Granja, to provide technical assistance to COSEP in the operation, monitoring, and implementation of the multi-institutional and public-private sector dialogue forum, the Trade Facilitation Committee (CIFCO). To date, we have conducted a complete analysis of CIFCO's operation and functioning, which includes recommendations for improving CIFCO's organization and structure, as well as its inter-agency communications, among others. E&E will present these recommendations to both COSEP and integrating members of CIFCO in July.

D5. Other Activities and Results

We received a request in May from the Conglomerado Nacional de Frutas y Vegetales (CONAFRUVE) to assist them in developing three new technical norms for food products such as *horchata*, *rosquillas*, and *quesillo*. Additionally, they requested support in promoting reforms to current technical norms on *cacao* and *queso chontaleño*. For both initiatives, E&E will contract a multi-disciplinary group of experts to provide assistance to CONAFRUVE. We expect to begin contracting procedures in July.

E. Activity E – Leadership for Competitiveness

We are currently designing three types of training courses for SMEs.

E1. Training Courses on Cash and Inventory Management

The first initiative consists of two 16-hour courses for SME leaders on Cash and Inventory Management designed by E&E. These courses will assist small business owners with a relatively low educational background in their day to day operations. We have discussed launching this initiative in collaboration with financial institutions such as BDF and ProCredit, where their current SME customers would be course recipients. This will help them implement better financial controls within their businesses thus making them more attractive clients for future loans. We will conduct three training cycles and train approximately 120 participants during the next quarter. We expect to initiate courses by the end of July.

E2. Training Courses for Entrepreneurs on SME Management with Cisco and Tomas More University

The second initiative, part of E&E's GDA strategy, is a joint collaboration with the Cisco Entrepreneur Institute and Tomas More University that consists of three training courses on SME Management for entrepreneurs. These courses will be 50 hours in length and will be offered on a wide range of topics relating to creating a business, business growth, and the application of advanced technology in a business. We expect to sign an MOU with Cisco and Tomas More University by the end of July, and start courses by mid-September. We expect to train at least 60 people during the first year of courses and 120 during the next year. The approximate total cost of this project is 157,550. The Cisco Entrepreneur Institute

will co-finance \$20,000; Thomas More University \$82,600, and E&E will contribute the remaining \$54,950.

E3. Workforce Program with the Netherlands Development Organization (SNV)

E&E is under current discussions with non-profit organization SNV for the implementation of a workforce development program focused on improving technical and specialized capabilities in five Nicaraguan sectors. Under this initiative, E&E will implement a demand-driven training and workforce development program geared to address the deficiencies in key areas of the Nicaraguan workforce. We will develop the program in partnership with the private sector and enterprises that required trained workers. The end of the process will be a certification program that verifies that the worker has the necessary skills for that profession (e.g., electrician, air conditioning repair) but, more importantly, hundreds of employed workers commanding higher salaries for their sought-after expertise. We are also in discussions to include other partners in this effort such as the Grupo Pella's Cerveceria Victoria Foundation which is looking for partners in this area.

E4. Other Activities and Results

During the past quarter, E&E conducted research on the feasibility and market demands of implementing demand-driven, innovative post-graduate level courses on SME Management. We discovered that there are several on-going courses of this nature, among them an initiative between CEI and the Nicaraguan Catholic University (UNICA). As a result, E&E will be in discussion with these institutions on developing such a program.

F. Activity F – Operations Research

In addition to the plantain cost assessment to assist the Del Monte transaction, E&E is working on two other operation research initiatives.

F1. Comparative Study of Clothing Production and Shipment Costs

E&E signed an MOU with the public/private Investment Promotion Agency PRONicaragua, to partner in an international comparative study of production and shipment costs in Bangladesh, the Central American Region, China, Haiti, Mexico, Nicaragua, and Vietnam when exporting clothing to the U.S. The study will compare the cost of producing (hourly minimum wage, electricity costs, availability and cost of fabric, etc.) and shipping (freight costs, insurance, and maritime transit time) jeans, twill pants for men and women, shirts and synthetic blouses.

To date, we have contacted three U.S. consulting firms to submit technical and financial proposals for the study. Two out of the three firms, Fox Sierra Consulting, LLC and O'Rourke Group Partners, submitted offers. PRONicaragua is currently reviewing both proposals. E&E expects contracting negotiations to begin with the selected firm in July.

F2. Improving Competitiveness in the Textile-Apparel Industry in Nicaragua and the U.S.

E&E will conduct a diagnosis of the situation of the textile-apparel industry in Nicaragua and the United States, which will conclude with an action plan and concrete proposals for linking Nicaraguan textile industries to U.S. companies. Implementation of these actions will improve the competitiveness of the industry in Nicaragua as well as the United States.

This is a joint effort between E&E and the National Free Trade Zone Commission. To date, we have finalized the scope of work and have identified Duke University's Center for Globalization, Governance and Competitiveness to conduct this study. We expect to begin negotiations with Duke University in July.

G. Activity G – Outreach

- E&E hosted CAFTA-DR's IV Anniversary Event celebration at the Crowne Plaza Convention Center on April 28. U.S. Ambassador Callaghan inaugurated the event and Deputy Secretary of Commerce, Walter Bastian gave the key note address during the anniversary luncheon. The event, the benefits of CAFTA-DR, consisted of 28 stands that showcased several Nicaraguan firms -- from large to very small -- that have been successful in taking advantage of CAFTA-DR's opportunities. It also presented three panels on CAFTA-DR progress and challenges. Approximately 700 people attended the event; among them were representatives from USAID and the US Embassy, the private sector, civil society, professional and business associations, local media, and program counterparts.



U.S. Ambassador, Robert Callaghan, and U.S. Deputy Secretary of Commerce, Walter Bastian at the CAFTA-DR IV Anniversary.

- We launched a media campaign to announce the IV Anniversary of CAFTA-DR event celebration. The campaign consisted of a press insert, numerous highly acclaimed radio spots, radio interviews, and multiple TV interviews of E&E's COP and COTR, and a press conference on April 26, with David Krzywda, US Embassy Economic Advisor, and Roger Arteaga, President of the American Chamber of Commerce in Nicaragua (AMCHAM), Steve Fondriest, USAID Head of Economic Development, and Danilo Cruz-DePaula, E&E COP. The campaign was successful in generating extensive media coverage and disseminating information about CAFTA-DR and the E&E program.
- E&E's workshop on the Micro, Small, and Medium Enterprise Scale Law held in Estelí boasted significant media coverage from the following outlets: local TV Channel Telenorte, Channel 2, El Nuevo Diario, La Prensa, and ABC Stereo, which is the largest radio in the northern part of the country.

- E&E's Chief of Party, Danilo Cruz-DePaula, was interviewed by Channels 2 and 11 on June 18 during the launch of the first national tourism fair, FENITUR 2010.
- E&E issued three monthly newsletters during this quarter for the months of April, May, and June. These newsletters are distributed to USAID, the U.S. Embassy, and over 200 E&E stakeholders and beneficiaries. They inform the recipients of program progress, activities and important milestones. They highlight USAID's contribution to more competitive micro and small scale enterprises.
- We have nearly completed the program's website. Stakeholders and interested parties will be able to access the site at www.nicaraguaempresayempleo.com.



E&E web site home page

H. Activities H and I – Small Grants and Crisis Modifier

- USAID approved the E&E grants manual and granted authorization to begin awarding grants on May 3.
- E&E awarded its first grant to Chiles de Nicaragua, S.A. in June.
- We are working on five additional grants: APEN, CADIN, Calzado Alex, FUNIDES, and Vegyfruit, and expect to submit them to USAID for approval during the month of July.

No activities are pending under the Crisis Modifier, but funds are reserved to address any emergency measure.