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Second Quarter Report FY 2011, January - March

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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: On behalf of CANATUR, USAID/Enterprise and Employment Program receives the 2011 “Friend of Tourism” Award from Nicaragua’s Vice President, Jaime Morales Carazo, for its support to development of the tourism industry in Nicaragua. The Güegüense Awards is the most important event recognizing tourism industry excellence and is organized by CANATUR.

Enterprise & Employment Second Quarter Report FY 2011, January – March

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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 second quarter of FY 2011, from January through March. It also presents E&E's progress against indicators, quarterly financial information, cross-cutting support activities and programs, and planned activities for next quarter.

Quarterly highlights include:

SME and Value Chain Development

- E&E helped create 520 jobs in the first half of FY 2011 (approximately 40% of fiscal year goals) and 192 jobs this quarter through anchor firm projects. We also generated over \$1million in local sales and \$1 million in exports through these projects. We anticipate job creation to significantly increase in the next quarter and semester, with several new major projects (Serviconsa, Hidroponica, and Simplemente Madera) and as sales for numerous projects started late last year coming on stream (Ingemann, Exprosur and Eskimo).
- Six capacity-building service providers received assistance during the quarter. We finalized and/or nearly concluded discussions on "second phase" programs with APEN, CEI, uniRSE, CANATUR, and CADIN. We conceptualized a program with the Central American University to provide business assessment training to over 40 local consultants, who in turn will apply their skills to assessments of over 40 SMEs.
- E&E received CANATUR's "Friend of Tourism" Award for 2010, a recognition for E&E's work as its leading supporter since program start-up.
- Over 150 firms received capacity building assistance to export.
- Over 470 people received training related to investment capacity and trade and over 70 SMEs received assistance to improve their management practices.
- During the quarter we continued a concerted effort to increase access to finance by SMEs. In particular, we played an active liaison role between E&E assisted SMEs and banks; developed detailed work plans with BDF and Bancentro; and met with several agricultural input suppliers to create firm financing packages. Over 350 firms have successfully accessed financing through these efforts during the first semester of FY2011 and 180 this quarter.
- E&E conducted sector assessments in partnership with PRONICARAGUA, including a comparative study of total costs for the apparel and textile industries in Asian, Central American countries, and Nicaragua. The study, highly regarded by PRONICARAGUA, generated an action plan with that we will support in the next quarter.

CAFTA-DR Implementation and Policy Reform

- We engaged in continuous dialogue with organizations such as COSEP, PROCOMPETENCIA, PRONICARAGUA, and the national chambers representing exporters, who regularly sought E&E support to address trade facilitation constraints. We will develop and implement a work plan to address these constraints during the next semester. These actions support CAFTA-DR's Complimentary Agenda.
- Renegotiated USAID assistance to MARENA in support of the CAFTA-DR's environmental agreement. The program is now focused on "implementable," practical actions related to the accreditation of national environmental laboratories, as well as regional accreditation of the National Office for Accreditations. During the quarter, E&E hired a consultant to implement both programs, who in turn facilitated a contract between MARENA and the National Agriculture University to provide management oversight.
- Worked closely with COSEP in implementing its broad "Agenda 2011." E&E contracted three specialists (legal, economics, and communications) to implement the agenda and particular laws and regulations of interest to E&E, including access to finance, tourism, and trade facilitation.
- E&E made an important contribution to implementation of the Coastal Investment Tourism Law – seen as key to facilitating hundreds of millions of dollars in coastal tourism investment in the next few years – by initiating a pilot program to see how the law will be applied in three municipalities: Tola, Granada, and the Corn Islands. During the quarter we bid and signed a contract to local firms to implement the program, and worked proactively with key stakeholders, including the government, National Assembly, the private sector, and civil society to obtain a consensus on operational aspects of the pilot program.
- We awarded a grant to Nicaraguan Chamber of Commerce (CACONIC) to establish a Mediation and Arbitration Center. This is an important step in reducing the costs of doing business in Nicaragua. Technical assistance under the grant will begin next quarter.
- We were successful in including in COSEP's agenda promoting recycling legislation, in support of our anchor firm project with RENISA, as well as the Nicaraguan Recyclers Association. During the quarter we conducted a study of comparative legislation in Central America, which will serve as the basis of the conceptualization of a new law for Nicaragua.

Human Capital Development

- E&E negotiated a contract with SNV to conduct a major, demand-driven assessment of labor force constraints in Nicaragua. The study will select five key sectors, then conduct extensive interviews with the private sector to determine key skills lacking in

Nicaragua. The study will be the foundation of E&E's labor force development strategy in years two and three of the program.

- E&E signed an MOU with Fundación Victoria, to provide over 100 at-risk youth with high quality technical education in industrial maintenance and administration with an emphasis on sales and marketing, over a two-year period. Fundación Victoria's technical education programs result in over 80% of its graduates obtaining jobs in their fields of study.
- We signed an agreement with CEI and the Catholic University (UNICA) to conduct a six month post-graduate program on export management. The program builds on an earlier one by these organizations, but adapts it to allow for the participation of people outside Managua (2 of every three classes are online). Participants include representatives from companies already exporting, entrepreneurs interested in exporting, associations, the GON, BSP's, along with a journalist.
- Finished negotiations with Cisco (the U.S. technology company) and Thomas More University to begin implementing an entrepreneurship training program benefitting over 320 potential entrepreneurs.
- Concluded conceptualization of a program for UCA to provide business assessment training to 40 consultants in two important business diagnostics software tools. The consultants will apply their knowledge to E&E-supported SMEs.

Outreach

- Continued to generate significant understanding of USAID's contribution to equitable economic growth in Nicaragua through monthly bulletins, extensive press coverage, and social media.
- At the end of the quarter, E&E's web page had been visited by over 17,000 people. We have over 700 friends and regular users on Facebook.

Finance and Management

- E&E had expenditures of \$684,102 for the quarter, down from projections of over \$900,000. This is the result of considerably lower expenditures in January, following Christmas, and the postponement of several planned, major activities such as the CAFTA-DR event, as well as issues related to the grant approval process. E&E is in position to make up planned expenditures in the next six months. However, we need to discuss with USAID the timing of the next obligation to ascertain the appropriate expenditure levels.
- We finally resolved tax exoneration issues and other customs-related issues to take possession of the second project vehicle in March.

II. Progress by Activity

The following sub-sections provide an overview of E&E's activities during the quarter and track activities and achievements from January through March 2011. The report is structured along E&E's three principal areas of concentration: (1) Small and Medium Enterprise (SME) Development and Value Chains; (2) Support for CAFTA-DR and Policy Reform; and (3) Human Capital Development. Progress against Performance Monitoring Plan (PMP) indicators is highlighted in Section III.

A. SME Development and Value Chains

E&E provides direct assistance to MSME's through four principal activities: (1) anchor/value chain firm projects; (2) enhancing the capabilities of business services providers; (3) operations research or studies at the sector and firm level aimed at increasing competitiveness; and (4) enhancing the capacity of SMEs to access financing and investment capital. These activities complement and reinforce each other, creating synergies to more effectively assist SMEs.

A1. Anchor Firm Projects (Task Order Activity A)

During this quarter, E&E anchor firm projects generated more than \$770,000 in new sales, and more than 190 new jobs. In addition, E&E conceptualized three new anchor firm projects: (1) SERVICONSA, a Spanish sea food processor which will work with six MSME groups (4 cooperatives and two private enterprises), introducing new technologies, creating over 100 jobs, and increasing sales of SERVICONSA suppliers by over \$1.9 million in two years, in one of the poorest areas of Chinandega; (2) Hidropónica de Nicaragua, a vertically integrated Nicaraguan vegetable producer that will, for the first time, introduce its greenhouse technology to 150 small farmers in northern Nicaragua, creating over 300 jobs and increasing sales by \$ 2.6 million; and (3) Simplemente Madera, the fine furniture manufacturer, which will enhance their outsourcing from over ten workshops in the Masaya region, improving their business management and production efficiency, introducing new designs, improving furniture finishing, creating over 70 jobs, and increasing their sales by \$1.6 million. We continued implementation of our ten ongoing projects, many of which will reach peak production in the next two quarters.

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

Calzado Alex and its suppliers continued to make considerable progress during the quarter. In particular, stakeholders came together to strengthen sector synergies. Highlights include:

- Calzado Alex and its suppliers reported a sales increase of over \$118,300 during this quarter, in comparison to the previous year; an increase of 31%.
- Calzado Alex, El Arte en Cuero BOP, and Ordogar generated 8 permanent jobs.

- We leveraged \$13,990 in investment capital for the acquisition of new equipment from Calzado Alex, Calzado Giovanni, El Arte en Cuero BOP, and Ordogar – our support is catalyzing investments by beneficiaries in their enterprises.
- While participating in a Cleaner Production Seminar in El Salvador in March with E&E's support, Calzado Alex obtained a contract with a private Salvadoran firm for 22,500 pairs of shoes worth \$450,000. Calzado Alex will begin delivering these shoes between April and June 2011.



Calzado Giovanni employees using new shoe molds to increase productivity

- In partnership with PRONICARAGUA, E&E began discussions with SCA Footwear Nicaragua, S.A; the largest foot-wear factory in Central America located in Managua's Saratoga Free Trade Zone, to collaborate in shoe industry workforce development. We expect to establish a joint training program in the second semester.
- With E&E support, Calzado Herradura, Kuero, and Calzado Alex attended the Colombian International Foot and Leather Show in Bogota from February 15-18. Notable results include: (1) the Colombian Center for Leather and Shoe Technology and the National Learning Center pledging technical assistance to the National Chamber of Shoe and Leather Products (CANCUNIC) to improve shoe comfort and design; and (2) CANCUNIC members learning about new primary materials and equipment they can use to improve their product offerings, and of new software and hardware technology that allows for quick and inexpensive shoe design.
- Half of the shoe manufacturing equipment and all shoe molds purchased under the E&E grant to Calzado Alex arrived during the quarter. Calzado Alex distributed 4 industrial stitching machines to Calzado Golmar, Calzado Rivas, Kelf, and Calzado Mendoza; a stamping machine to Calzado Kelf; and the remaining 2 industrial stitching machines and 300 molds went to Calzado Alex. The arrival of the molds created immediate impact: Calzado Giovanni increased its productivity by 100% with the new molds (from 10-12 pairs of shoes per day per worker to 24). The remainder of equipment is scheduled to arrive to Nicaragua by May 2011.
- We began working with sector stakeholders to provide STTA to CANCUNIC in three critical areas: (a) strengthening the chamber so that it can provide services to the shoe and leather sector and thus become financially sustainable; b) improving its organization and structure, and; c) promoting the diversification of new products and model designs among Chamber members so that they become more competitive in

the local and international market. We will be providing the STTA during the next quarter.

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

Chiles continued its impressive implementation, capturing the attention of small and medium producers, as well as the media as a crop which is diversifying Nicaragua's exports. For example, over 100 small producers, as well several large farmers attended a farm field day in February to introduce the crop to new growers. To date, Chiles has generated 711 permanent jobs. Approximately 45% have been in highly impoverished areas like Condega (Estelí), Comarca Tierra Buena (Boaco), and El Jobo (Matagalpa). During this past quarter, Chiles provided technical assistance to growers in Muy Muy, Matagalpa, and Somoto in planting their first hectares of Tabasco. The anchor firm also helped growers plant chili peppers in El Tuma (Jinotega), and San Rafael del Sur (Managua). Highlights include:



Interested potential growers learn about Tabasco chili production at a Chiles de Nicaragua Field Day in February

- Chiles exported seven containers (350,000 lbs. of Tabasco chili paste) worth \$245,000. This is of particular importance since Chiles did not export any Tabasco chili paste in the second quarter of 2010, due to the lack of proper irrigation systems during the dry season. As a result of Chiles' investments in irrigation, the anchor firm and its producers now harvest during the dry season, thus increasing sales and profits.
- In January 2011, Chiles de Nicaragua reached its goal of exporting 2.4 million lbs of chili paste during the year, worth \$1.68 million, compared to 1.16 million lbs exported in 2010, worth \$812,000 (a 106% sales increase). E&E and Chiles are now developing a second phase for this project, aimed at expanding exports to 5 million pounds per year, worth \$3.5 million, and incorporating at least 150 new suppliers.
- Chiles generated 125 new permanent (annualized) jobs between January and March.
- Ninety farmers received \$189,000 in credit from Root Capital for use in harvesting their crops, and CISA Agro for agricultural inputs. Chiles also financed approximately \$3,500 worth of fungi to growers, to help them increase crop yields.
- With E&E STTA, Chiles trained and transferred technical know-how to 104 producers and 850 day-laborers, on improving product quality and productivity levels.

- Zamorano University in Honduras provided a report summarizing the results of their trials incorporating Micorriza, a fungus that helps improve yields, in January. Chiles began applying this report's findings and establishing experimental parcels to measure Micorriza's impact on improving yields while lowering costs.
- Chiles signed a cooperative agreement with Agritrade, an agrochemical and irrigation system supplier, where Agritrade will provide assistance and financing for inputs and equipment to small producers.

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

Despite working capital issues and limitations, Vegyfrut made important strides in its export development plans, with exports of mini-vegetables and seedless watermelon. Highlights include:

- Increased sales by more than \$128,700 (this includes both local sales and exports) during the months of January – March 2011 in comparison to the previous year. Ninety-one percent of this sales increase was due to Vegyfrut's exports of mini vegetables and seedless watermelon, introduced by E&E.
- E&E's support of Vegyfrut to export \$84,870 of seedless watermelon was comprehensive: E&E facilitated the commercial agreement between Vegyfrut and the American importer, Bagley Produce, by supporting Vegyfrut's participation at the PMA in Orlando, FL, during last quarter, in which Vegyfrut met with Bagley, negotiated sales terms, and received the seed they would plant. During this quarter, E&E identified and co-financed the support of a seedless watermelon expert who worked with Vegyfrut, which previously had no experience growing this product, to successfully grow high-quality watermelon. E&E also linked Vegyfrut with Ingemann Honey so that it could acquire 50 beehives it needed to effectively pollinate the seedless watermelon. Vegyfrut plans on visiting Bagley in Texas in May, to learn more about seedless watermelon production and logistics, and on expanding production by seven-fold during the next cycle.
- With E&E assistance, Vegyfrut participated in the Agritrade fair in Guatemala in March. As a result of its participation at the fair, La Finita Farms, a Guatemalan company, provided an intention to purchase \$180,000 of mini vegetables from Vegyfrut.



Workers harvest seedless watermelon in Tipitapa

- Vegyfruit generated 27 permanent (annualized) jobs through mini-vegetable and seedless watermelon production.
- Vegyfruit and its suppliers (including Viansa, an Ocotal-based company that works with local producers to supply Vegyfruit with mini-vegetables) were able to leverage \$68,000, from outside investors and their own resources, to finance mini vegetable and seedless watermelon production. \$20,000 of funds leveraged came from Bagley, which forwarded the amount to help cover watermelon harvest costs after Bagley representatives and a group of Texas-based seedless watermelon producers visited Vegyfruit's seedless watermelon parcels to offer technical recommendations for improving yields and quality.
- Vegyfruit obtained a \$17,500 working capital loan from Agora Partnerships to help finance seedless watermelon production.
- As a direct result of E&E STTA, Vegyfruit obtained an official letter from the Ministry of Agriculture and Forestry (MAGFOR), a required first step for receiving HACCP certification at its new plant in Masaya. The letter proves that Vegyfruit is in the process of obtaining certification, and will help Vegyfruit with existing and potential new customers who require food safety processes approved by the U.S. Food and Drug Administration (FDA).

Vegyfruit's rapid export expansion has exposed management shortfalls as would be expected in a start-up firm, lead by a young entrepreneur. As a result, we are working with Vegyfruit management in planning for STTA to help Vegyfruit develop a business plan, and co-finance the salary of an operations manager who will help Vegyfruit's growth occur more smoothly.



Mariela Guadamuz



From left to right: Agustin Lopez, and fellow growers, Jose Romero and Wilfredo Guadamuz

Vegyfrut's Seedless Watermelon Exports Touch Lives

Beginning in March 2011, Vegyfrut began exporting \$150,000 worth of seedless watermelon to Bagley Produce in the US. Based on these positive trial results, Vegyfrut plans on expanding production seven-fold (a market opportunity worth about \$1 million) when they plant their next cycle. Vegyfrut's expansion into seedless watermelon production has benefitted residents in Palo Verde, Tipitapa, who were hired by Vegyfrut to produce the watermelons.

Mariela Guadamuz began working with Vegyfrut, preparing soils last February. This was the first time this 32 year-old mother of a seven year old girl, has worked in agriculture. Her husband joined her. She used wages earned from this work to purchase school uniforms and supplies for her daughter. Other members of her family also obtained employment tending to the watermelon fields.

Unlike Mariela, 31 year-old Agustín López has plenty of agriculture experience. "I make sure that the harvesters work carefully, not damaging the watermelons in the process from the field to the container," says Agustin. His job begins at 6:00 am and ends at 3:00 pm, a schedule that allows him to spend time with his wife and 4 year-old daughter. Before working with Vegyfrut, he worked at a *maquila*. "I did not like my old job because I did not leave it until 7 pm, and I could not spend a lot of time with my family," he mentions. Agustin spends his wages on maintaining his family, and on investments in his child's education. "She's very smart," boasts Agustin.

A1d. Eskimo, S.A. (Eskimo)

E&E is working with Eskimo and regional collection centers to adopt a new business model, which provides differential pricing, based on milk quality, and provides a financial incentive to producer better milk. This new system introduced with E&E assistance and encouragement creates a win-win situation for the anchor firm and its suppliers – significantly improved milk quality, better prices, and higher incomes. Together with Eskimo, we are assisting the CASANJO and ASOGACA cooperatives (which supply milk to Eskimo) to enhance their productivity and milk quality. We made considerable progress during the quarter in implementing this model. Highlights include:

- E&E helped CASANJO and ASOGACA generate more than \$45,000 in additional milk sales to Eskimo, and generate 32 permanent (annualized jobs) related to the construction of silos, installation of electric fencing, the cleaning of brush, milking, and the planting of shade trees (to reduce caloric stress of cows during the summer).
- 36 producers obtained \$21,265 in financing from their cooperative's rotating credit funds to acquire animal feed and farm equipment. Eskimo financed \$5,245 for pasture production equipment to 3 CASANJO milk collection center suppliers.
- E&E held 13 training events, where 48 dairy producers learned about better silage management, hygienic milking practices, animal health, the new quality-based pricing system, animal nutrition, and the implications of double-milking (milking cows twice a day, a practice previously not implemented), which E&E trials have show can increase milk yields by 53%. Since receiving this training, 10 dairy producers have begun double-milking their cows. E&E complemented this training with 131 direct STTA visits, to reinforce hygienic milking practices, conduct mastitis tests, provide additional summer feeding training, and oversee double-milking.
- ASOGACA and CASANJO milk collection centers conducted 485 milk quality tests with E&E support. Results show that the system of incentives for better milk quality is paying off – 53% of milk tested qualified as “Grade A”, 33% qualified as “Grade B”, while only 14% tested as “Grade C”. These results mark a significant improvement from the last time we tested quality levels in August of 2010, where only 17% of milk classified as “Grade A”, 27% of milk qualified as “Grade B”, and 56% of milk tested as “Grade C”.



A CASANJO collection truck delivers fresh milk to their plant

- Encouraged by news of the new quality-based pricing system and Eskimo's agreement to purchase all "Quality A" milk supplied by CASANJO and ASOGACA cooperatives, 59 dairy producers joined these Eskimo suppliers during the quarter.
- E&E provided assistance to MAGFOR with its traceability program by updating 5 bovine registries, and participated in an event on bovine traceability also hosted by the Ministry.



Milk producer Roberto Castro

Eskimo Milk Suppliers Increase Quality and Yields

Through technical assistance provided by E&E, two dairy cooperatives that supply anchor firm Eskimo (a large milk and ice cream processor), some milk producers have begun double-milking their cows for the first time. As simple as it sounds, this "new" method makes a big difference to producers – in increasing milk production by up to 53%. For a producer with 20 cows this will increase their yearly sales by about US \$8,400.

Roberto Castro, a dairyman from Matiguas, Matagalpa, recounts that "honestly, before [this assistance] we did not produce good quality milk. We now do, since it is a requirement to be able to sell to formal businesses like Eskimo. We are improving our technical capacity, are growing improved pasture, installing electric fencing in order to better manage our pasture, paying attention to food safety when milking, improving animal health, and now double-milking to improve productivity. The results have been great, and dairy producers in our area are increasingly adopting these better practices which we've already implemented with E&E's support."

Carlos Gurdián, General Manager of the CASANJO Milk Cooperative, one of the cooperatives receiving support from Eskimo and E&E, says that in addition to increasing yields, producers are learning to add value to some of their milk, making high quality cheese and cream they sell to the local market.

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

E&E is supporting RENISA in the establishment and enhancement of micro and small enterprises that collect solid waste in neighborhoods throughout Managua and increase and lower the costs of recycling – much which goes for export. Especially notable in this quarter was an agreement with the American Chamber of Commerce of Nicaragua (AmCham) to provide recycling services to its member companies. Also, this quarter APEN recognized RENISA’s environmental contributions with a prize as the leading Nicaraguan exporting company under the category for “Environmental Activism” at its “Exporter of the Year” Awards.

Other quarter highlights include:

- RENISA increased exports by more than \$84,000 during Q2 of 2011. Exports were sent to El Salvador, the United States, and China.
- The company reported increased exports of \$155,000 from the months of June December 2010 – a 33% increase in comparison to the previous year.
- E&E awarded a grant to RENISA for \$16,202 for the construction of ecological kiosks in several municipalities and a collection center in Ometepe, as well as for materials and equipment for the collection of recyclable waste like uniforms and safety gear, among others.
- We provided assistance to RENISA in developing and finalizing a legal documentation delineating the concession terms under which all the ecological kiosks will be managed.
- E&E assisted a Granada-based solid waste collector in legally registering as a company. This was the 10th solid waste collector business established with E&E support. We linked this company with the Municipality of Granada for complimentary assistance with the registration process. We also put it in contact with the German International Cooperation Agency (GIZ) for assistance in collecting recyclable waste material.
- We helped finalize formal agreements between the 10 recycling companies we formed and recyclable material generators so that these companies can collect materials from them. We formalized agreements with AMCHAM members, Molina Central Law, Refacciones Tecnicas (RETECSA) AutoStar (Mercedes-Benz, Jeep, and Dodge automobile dealer), KPMG, Deloitte, the American College, SINTER and AEI (including Tipitapa Power Plant, Amayo Eolic Plant, and Corinto Power Plant).



A recently-formed waste collection company employee heading to collect solid waste at Shopping Mall Centroamerica, as part of efforts to clean up Colonia Centroamerica

- E&E helped RENISA develop and distribute an informative brochure to companies that generate solid waste collected by RENISA-affiliated companies. The brochure will educate their employees in proper waste management. RENISA also developed an audio-visual presentation to use when meeting with companies that generate solid waste.
- Together with RENISA, we coordinated a series of biweekly informative breakfasts where AMCHAM members can learn about different approaches to recycling their waste. RENISA hosted four breakfasts during this quarter in which Kraft, Reciclaje Industrial de Nicaragua, SA (RECINSA), Ingenio Monte Rosa, and the National Autonomous University of Nicaragua (UNAN) gave presentations on how they manage their solid waste and the importance of recycling for environmental conservation. E&E also organized a meeting between the telecommunications company Claro, the Centro Comercial Managua, AMCHAM, and RENISA with the objective of organizing “Green Fairs” aimed at promoting recycling. The first fair will take place on April 1, 2011.
- With E&E support, RENISA began organizing a quarterly recycling fair, which it will host in collaboration with the Centro Comercial Managua Mall (CCM). The mall donated space to RENISA for the construction of a recyclable material collection center. The center will be inaugurated by RENISA and the CCM during the first fair in April.

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

Sabina is a manufacturer of agricultural equipment. This project aimed to establish a series of joint venture stores in different regions of Nicaragua with social organizations such as cooperatives, to make this equipment more accessible, train producers on its use, and enhance capabilities of maintaining the equipment. However, for strategic business reasons, the company decided to significantly slow down the establishment of these stores. As a result, we met with Sabina to discuss these recurring delays in store openings and determined that it was best to put the project until the company is ready to establish the new stores.

A1g. Casa Mántica (La Colonia)

E&E is supporting this large supermarket chain to increase its purchases from small suppliers. We are currently working with 14 SMEs, up from the original number of 8. This quarter we made notable progress in assisting these small producers with developing business plans to guide their future growth. Other highlights include:

- E&E helped La Colonia suppliers increase their sales for the months of



Employees at Delinica, processing meats for sausage they will sell at La Colonia Supermarkets.

January – March by more than \$96,783, in comparison to the previous year. Corazon de Oro, Rodcen (whose sales increased by 30% as a result from selling their tomato sauce under La Colonia’s *Economax* brand name), El Chinito, Lacteos El Palmito, and Hodegar generated most of these sales.

- There is stronger interest and commitment on La Colonia’s part to its participating suppliers. For example, La Colonia now holds monthly meetings with them – something it seldom, if ever did in the past. As a result of one such meeting, La Colonia will: (1) provide preferential shelf-space to SME’s supported by E&E; (2) La Colonia began supplying raw materials to Delinica for sausage production that they in turn are purchasing; (3) permit Oscaritos to introduce 12 new products for sale at La Colonia supermarkets; and (4) forfeit the \$35 a day fee it charges to firms for in-store sampling promotions for companies supported by E&E.
- MSME suppliers to La Colonia generated 13 new jobs as a result of sales increases.
- Corazon de Oro and Futech leveraged \$18,548 in investment capital from Agora Partnerships and other sources.
- E&E provided technical assistance to Corazon de Oro, Rodcen, Proniza, Secreto de Mama, Lacteos Palmito, Hodegar, El Chinito, Delinica, and Details in improving their product marketing and business management; selecting new processing equipment; determining the financial feasibility of different investments; developing financial statements; developing export plans; and expanding sales with La Colonia Supermarkets. In addition, E&E began conducting Good Manufacturing Practices (GMP) training at six La Colonia suppliers benefited by this project.
- We linked El Secreto de Mama, Details, Rodcen, and Oscaritex with the Central American University’s (UCA) Industrial Engineering department to help them design new processing plants.
- E&E awarded a grant to La Colonia in the amount of \$27,918 to transfer this entire amount for the purchase of equipment for SMEs participating in the project. As a result, La Colonia gave complimentary funds to Proniza, Corazon de Oro, Lacteos El Palmito, and Hodegar to complete their equipment purchase.
- We trained 77 SME employees on industrial hygiene and occupational safety.

A1h. Exprosur (Plantain Exporting Project with Del Monte)

E&E helped link Exprosur, a plantain cooperative in southern Nicaragua, to Del Monte of Costa Rica, which led to them signing a \$5 million sales contract for high quality plantain. This quarter we focused on technical support and preparations for the beginning of exports later this year. Highlights include:

- In order to supply export-quality plantain, Exprosur decided to practically start from scratch, and have already planted 224 hectares of new plantain, which they will take care of with best practices. Newly planted plantain will be ready to offer fruit to harvest by December. In the meantime, 14 hectares of well-maintained plantain should be ready for harvest and export beginning in July.
- Del Monte sent a representative to visit Exprosur's plantations in February, and begin prioritizing technology transfer needs. Del Monte then delivered a list of initial recommendations for improving practices, which with E&E support the cooperative disseminated to all producers. Del Monte sent another plantain expert to visit with Exprosur's members and provide training on quality control in March.
- Exprosur purchased \$20,000 worth of protective plastic (to protect the plantain from disease) and ribbons (to better gauge plantain fruit age so that same-age plantain is loaded in future containers). This practice had been abandoned by producers in Rivas, although it is necessary to produce export quality plantains.
- Exprosur's members began implementing quality control practices, starting with the record-keeping of input applications at each plot.
- E&E helped Exprosur's Board of Directors create Commercialization and Production Commissions to oversee this plantain project and report back to members on a regular basis on program progress.



Exprosur workers at their packing plant in Rivas

A1i. Grupo Raíces

Grupo Raices (GR) is an association of nearly 200 artisans throughout Nicaragua that markets their handicrafts to local and international markets. E&E is assisting GR to expand its exports through participation in international fairs and enhancing market contacts. We are also providing technical assistance on product development, an activity that will increase in the near future. Highlights this quarter include:

- E&E helped GR expand sales by more than \$52,900. The sales resulted from our supporting GR to meet with buyers in Guatemala during



Grupo Raices artisans meet with buyers at the Expoventas Fair in the Dominican Republic

the last quarter, and from GR's participation at a trade show in the Dominican Republic.

- We co-financed the participation of six GR artisans at the Expoventa Fair in the Dominican Republic in late March. We also financed the airfreight of various products (such as rocking chairs, ceramics, and handcrafts, among others) to Santo Domingo, to be displayed by GR. The activity resulted in immediate sales of \$10,000 and more importantly, a purchase order from *Almacenes El Frutal*, a Dominican company, for straw hat shot cocktail glass “umbrellas” used in hotels and bars, with an estimated value of \$100,000. As a result of their participation at Expoventa, GR also began negotiating the sale of approximately \$75,000 of furniture with Dominican company *Empresa Actualidades*. In sum, E&E's investment in the fair is likely to result in sales exceeding an investment/sales ratio of 1:15.
- GR created 40 jobs from the production of pieces exported to Guatemala and sold in the Dominican Republic.
- E&E began providing GR with technical assistance to identify legal procedures and financial feasibility of opening stores under the *Grupo Raíces* brand name in El Salvador and Costa Rica.
- E&E coordinated technical assistance for improving product decoration to female ceramics artists in Mozonte, Santa Rosa, and trained women artisans in San José de Cusmapa, Jalapa, and Dipilto to make pine thread-based functional products for home use.
- GR leveraged \$88,000 to finance working capital. \$35,000 came from their own funding and the remaining \$53,000 from other sources.
- We initiated discussions with the National Poli-Technical University (UPOLI) to provide GR with design development assistance. There appears to be a good mesh between UPOLI's capabilities and GR's needs; we intend to complete a cooperation agreement next quarter.

A1j. Tecnoagro / “YucaNica”

E&E is working with anchor firm Tecnoagro of Leon and its small producer suppliers to significantly increase cassava (“yuca”) yields through the introduction of new varieties that can expand production by more than 540 hundredweights per hectare (increasing producers' revenues per hectare by about \$1,200, as compared to currently grown, traditional varieties). One of the main challenges with this project has been the acquisition of sufficient seed to plant 70 hectares beginning in late May. This quarter we made significant progress in working with Tecnoagro to secure this seed and in recruiting



Tecnoagro suppliers learn about the new higher-yielding cassava varieties they will plant through this subproject

small farmers to become suppliers. E&E is also working with the anchor firm in ensuring financing for the value chain. Highlights included:

- E&E helped identify improved variety seed suppliers in Leon and Masaya and Tecnoagro negotiated to purchase over 70 hectares of improved cassava variety seeds from individual producers, an NGO, and a private business. At least 25 producers will begin planting these varieties in late May.
- Based on discussions with our team, Tecnoagro will assume responsibility of financing inputs. E&E's met with producers on to the financing strategy.



Delinica's all-women staff pose for the camera

Women-Owned and Operated Microenterprise Grows with Help from La Colonia Supermarkets and E&E.

Women-owned and operated Delinica was founded by Miriam Conde and Miren Sosa to process and market sausages. It currently employs six female heads of households. The business is only seven months old.

Delinica is part of E&E's anchor firm project with La Colonia, through which 14 micro, small, and medium enterprises (MSMEs) receive technical assistance to grow their sales at La Colonia supermarkets. Their participation through E&E as a La Colonia supplier has been a huge success. In December 2010, Delinica began supplying La Colonia, with E&E assistance. Since then, their sales have grown by 230%, from selling 600 lbs. of sausage a month to more than 2,000 lbs, worth more than \$2,000. They are now receiving support from E&E to develop a business plan and improve their business management and business relationship with La Colonia, which is providing among other benefits, better shelf-space for their products.

Delinica's growth has enabled it to create better employment opportunities. Such is the case with Regina Hernández. Regina is 30 years old, and she joined the Delinica team four months ago after leaving her old job selling clothes in the Israel Lewites Market in Managua. Regina, a mother of three, says that with her new job, she has better job security and better work conditions than what she had working at the market. "My husband and I combine our salaries to pay our household expenses and send our children to school," says Regina.

A1k. Ingemann Food Nicaragua (Honey)

E&E is working with Ingemann, Nicaragua's largest honey exporter, to provide assistance to hundreds of Ingemann's current and potential honey suppliers, thus significantly increasing their incomes. The project consists of: 1) co-financing 400 hives and related equipment to 20 producers, and helping them divide them to yield 800 hives in the second year (generating export sales of about \$120,000); 2) co-financing a honey moisture removal system, which will allow Ingemann to export high-moisture content honey all year long (moisture levels above 19% make honey un-exportable, and is



Ingemann employees constructing boxes to house bee hives

usually a problem for honey produced between June and August), and will provide honey producers with a good market during a time of the year when sales can be sluggish because of the high moisture content; and 3) Facilitating credit to help Ingemann's current and future suppliers obtain loans for working capital, to invest in better equipment, and to expand their hives. Highlights this quarter include:

- As part of the E&E awarded grant, E&E helped Ingemann contact a well-regarded Nebraska-based honey moisture removal system manufacturer to obtain information about the equipment they provide, as well as price and lead time information. Ingemann placed an order with this company. The equipment is slated to arrive by July. This will be the first export sale for the Nebraskan firm.
- We worked with the Fondo de Desarrollo Local (FDL), a socially-oriented lender, to develop a loan package geared to honey production. E&E, Ingemann, and FDL organized a first meeting with 20 honey producers from El Sauce, a major honey-production area, to present the FDL financial package. Ten producers signed a form expressing interest in applying for this loan. FDL is following up with these producers. We plan on meeting with more groups of producers to promote the FDL honey financial product in April.
- E&E, in collaboration with Ingemann, organized a training event for 25 producers from different parts of the country (Boaco, Managua, Matagalpa, El Sauce) on financial education (how to cost production, how to apply for loans, how to manage loans), and took the opportunity to promote the FDL loan package to them as well.

A1l. New Project Ideas

E&E aims to initiate approximately 5-8 new anchor firm projects in FY 2011. During the quarter we made considerable progress on three for which we submitted concept papers to USAID for approval. We hope to sign these three in April/May. We also continued exploring other ideas.

Servicios y Contrataciones, S.A. (SERVICONSA). E&E finalized a concept paper for SERVICONSA, an international shrimp production and export company with a proven track record of supporting small shrimp production suppliers. SERVICONSA will help the suppliers improve infrastructure previously damaged by Hurricane Mitch, and increase their productivity through training, direct loans, and provision of guaranteed-quality larvae. SERVICONSA will provide technical assistance to 64 small shrimp producers (4 cooperatives and two private enterprises) working in some of the poorest areas of Chinandega, in order to almost double their yields and incomes and create over 100 jobs. The project will increase sales of SERVICONSA suppliers by over nearly \$2 million in two years. We will submit the concept paper to USAID at the beginning of April.

Maderas Preciosas Indígenas Industriales de Nicaragua (MAPIINIC)/Simplemente Madera. E&E finalized a concept paper for a joint collaboration with MAPIINIC and one of its companies, Simplemente Madera (SM). The project's objective is to support small carpentry workshops to which Simplemente Madera outsources approximately 40% of its furniture production. We expect that with this project, Simplemente Madera will double the number of workshops it outsources to from 5 to 10. The project will help the workshops in expanding production to SM, improving business management, marketing, improving customer service, increasing production efficiency, producing innovative designs, and improving quality control. We further expect the project to create over 70 jobs and increase sales and furniture exports by approximately \$1.6 million. We submitted the concept paper for USAID approval at the end of March.

Hidroponica de Nicaragua (HDN). E&E, the Netherlands Development Organization (SNV) as an E&E subcontractor, and HDN finalized a concept paper for a sub-project that will involve 150 producers in growing hydroponic bell peppers through HDN's intensive greenhouse technology; investing in production equipment, receiving technical assistance from HDN and E&E, and selling these bell peppers under contract to HDN. We expect the project to create over 300 jobs and increase sales by \$ 2.6 million. We submitted the concept paper to USAID for approval at the end of March.

Viansa. We are in the early stages of designing an anchor firm sub-project with Viansa, to support a minimum of 50 small producers from Esteli, Madriz, and Nueva Segovia to produce about 3 hectares of jalapeño peppers per month to meet the demand of Mt. Dora Farms, a Honduran jalapeño exporter. We will visit Mt. Dora Farms with Viansa in April/May to better ascertain their seriousness in establishing a contract with Viansa for jalapeño peppers. We will also assist Viansa in selecting new partners for this sub-project's implementation. Viansa is a relatively new firm and not as strong as E&E's traditional anchor firms. We are considering the sub-project, however, based on their concentration in Madriz and poor areas of northern Nicaragua. While we are willing to take greater risks to support projects that benefit farmers in very poor areas, Viansa will still have to meet E&E's management threshold in order to become an anchor firm partner.

Export Basket. For several months, E&E discussed this project with a potential anchor firm, Los Nicas Distributors, which would lead an effort to expand exports of ethnic and specialty products to the U.S. By the end of March, however, E&E realized that this project will not be pursued further, due to a lack of follow up by this potential anchor firm.

PAC / Asian Vegetables. PAC is under negotiations with U.S. buyers for potential sales of Asian vegetables. E&E supported their participation at the Agritrade Fair in Guatemala, where they received purchase intentions of approximately \$100,000 of Asian vegetables and Malanga. With E&E and CEI support, PAC will also participate in the CPMA fair in Montreal in April to develop more market opportunities. If PAC finalizes sales contracts with contacts made in Guatemala and Montreal we will engage in more in-depth discussions on a new anchor firm subproject.

Chocolate Momotombo. There have been considerable efforts in recent years to promote cocoa production in Nicaragua. However, there are few processors, which means that when much of this new production comes on stream, it will be sold as a commodity. Chocolate Momotombo is one of the few Nicaraguan cocoa processors. The company is fast growing, but has encountered two problems: needed improvements in its production to reach world class chocolate standards and unreliable supply of fine cocoa. We have been in discussions with Chocolate Momotombo on how E&E can help address these issues. The Campesina Cooperative in Matiuas, Matagalpa sells to Momotombo and produces fine cocoa varieties. However, their postharvest process results in cocoa of insufficient quality for Chocolate Momotombo to incorporate in their better chocolates. We have met with representatives of Campesina Cooperative and Chocolate Momotombo to develop a project aimed at improving the quality of Campesina's cocoa, so that Chocolate Momotombo can sustainably secure high quality ingredients, as well as to address the potential anchor firm's production quality. We expect to have a Concept Paper for USAID review in May.

Cafe Don Paco. E&E has had in-depth discussions for several months with Café Don Paco and its primary cooperative suppliers on a new program to revitalize and invest in coffee plantations. While we have worked out many details a key issue involves short- and long-term financing. Without securing financing, the program as conceptualized is not feasible. Accordingly we have invested considerable time and effort in discussions with Don Paco and leading Nicaraguan banks and financing NGOs. In March we presented a proposal to Banco Produzcamos. We expect to make a final determination on the project in April/May.

A2. Improving Capabilities of Business Service Providers (BSPs) [Task Order Activity B]

A key element of reaching the broadest spectrum of SMEs and ensuring that E&E's work in enhancing SMEs and their value chains is sustainable is to support BSPs. E&E currently works with APEN, CADIN, CEI, uniRSE, and CANATUR, and is considering supporting regional BSPs, including the Western Nicaragua Agribusiness Center operated by Fundacion Lider.

A2a. Asociación de Productores Exportadores de Nicaragua (APEN)

E&E is supporting APEN in a number of institutional activities, as well in implementing specific programs to assist their member SMEs. Highlights during FY11 Q2 include:

- We reviewed and negotiated with APEN an assistance plan for 2011. In our discussions we significantly reduced or eliminated some requested activities, while

strengthening our support for others. Total E&E contribution during this year will be approximately \$110,600, which will complement APEN's counterpart contribution of \$154,760. Key activities agreed upon include:

- Supporting the Exporter of the Year Award.
 - Conducting a feasibility of airport cold storage facilities in Bilwi (the Atlantic Coast), which has the potential to open the region for agro-industry and agricultural product exports to the U.S. and Europe.
 - Providing phyto-sanitary education and implementation support:
 - E&E will help train 20 SME's, in four yet-to-be selected regions, on Good Agriculture Practices (GAP's) and Good Manufacturing Practices (GMP's).
 - In order to ensure that knowledge provided during trainings is properly implemented, E&E and APEN will provide technical assistance to these 20 companies, so that they can become better prepared to obtain HACCP certification.
 - E&E will help develop and provide guides for the implementation of GAP, GMP, and HACCP.
 - Supporting the annual ExpoApén trade fair to be conducted on September 23, by providing speakers, planning and budget support.
- APEN's Export Facilitation Office (OFEX), established with E&E support, conducted 3 trainings during this quarter. Forty-five SME leaders (representing 18 SMEs) were trained by APEN on FDA requirements in food safety and labeling, 8 agro-industry representatives received training on export processes and logistics, and 4 agro-industry representatives were trained on administrative tools specifically designed for SMEs to better manage their businesses.



A2b. Cámara de Industrias de Nicaragua (CADIN)

E&E is assisting CADIN primarily with support for its Business and Training Center for Industrial MSMEs (CENAMI). We are also working with them to facilitate access to finance for their member SMEs. Quarter highlights include:

- CENAMI conducted assessments of 60 businesses in the clothing, shoe and leather, agro-industry, and baking sectors, analyzing issues related to business management, sales growth, production costs, supply, and financing. In addition to identifying problems in these areas for each sector, CENAMI proposed training topics that could address each problem area, and developed action plans which strategically address shortfalls identified in the assessments.



- In collaboration with E&E's Finance Specialist, CADIN identified Chamber financing needs. CADIN will work with partner banks to develop financial products aimed at addressing Industry Chamber-member needs, during the next quarter.
- Delivered cost training to 23 MSME clothing and shoe manufacturers and 47 entrepreneurs in agro-industry, baking, and textile sectors.
- CADIN began constructing new web sites and improving existing websites for a selected group of beneficiary companies.

A2c. Centro de Exportaciones e Inversiones (CEI)

Export promotion is an important E&E objective, making CEI a natural partner, particularly in conducting the effective participation of Nicaraguan SMEs in international trade fairs and missions. In FY11Q2 we:

- Continued to identify how E&E can add value to their services and together benefit potential exporters. We expect to sign a revised amendment to our MOU in April that will include:
 - Supporting the participation of at least 24 exporters at four important international trade fairs: Agritrade in Guatemala (which occurred in February) the Canadian Produce Marketing Association (PMA) fair in Montreal (in April), the Summer Fancy Food Show (in June), and the PMA Fresh Summit (in September).
 - A major emphasis on preparation prior to fairs, ensuring that participants are well prepared to meet with potential buyers, offer price quotes, and present themselves well. E&E will develop a Best Practice Guide for Trade Fair Preparation, which will allow for a systematization of steps required to participate effectively at these events.
 - The development of a Practical Guide for Exporters, aimed at new exporters and university students, to offer an easy-to-understand, step-by-step explanation of how to export different types of products to different markets.
- E&E helped finance and organize the participation of six companies: CAC-Trading, Agropecuaria de Exportaciones, Distribuidora el Carmen, Sociedad Davia Tellez Cia, PAC, and Vegyfrut, SA at the Agritrade Expo and Conference in Antigua Guatemala, on March 17 and 18. These Nicaraguana companies offered beans,



Nicaraguan producers meet with prospective buyers at Agritrade

sesame, chia, cocoa, tubers, coffee, seedless watermelon, Asian vegetables, and mini-vegetables. As a result of their participation at Agritrade, participating companies made business contacts and received intentions to purchase worth more than \$6 million.

- E&E and CEI are partnering with the Catholic University (UNICA) to implement an export-oriented post graduate program for E&E assisted SMEs, as well as government officials, and even members of the press. During the quarter we concluded course details and prepared an MOU. The course is scheduled to begin in early April.

A2d. Unión Nicaragüense para la Responsabilidad Social Empresarial (uniRSE)

Promoting corporate social responsibility (CSR) is an important E&E objective, together with social capital creation. We implement this objective through numerous initiatives, but our program with uniRSE is an integral part of this effort.

E&E signed a sub-contract with uniRSE to provide technical assistance to 20 anchor firms and 200 MSMEs participating in E&E sub-projects in adopting CSR models as part of their day-to-day business operations. Under this sub-contract, uniRSE will develop and apply CSR indicators to each of the MSMEs, measure their level of CSR within each enterprise, develop case studies, and organize a national CSR forum.



uniRSE began implementation of this project in March and conducted a CSR workshop for MSMEs from the cities of Leon and Chinandega. Eighteen MSMEs from various sectors attended the workshop, among them 10 tourism MSMEs, 1 leather producer, 1 cassava cooperative, 1 plantain cooperative, 1 honey producer, 1 cheese manufacturer, 1 clothing manufacturer, and 2 consultants. uniRSE will conduct a second workshop in Managua during the month of April.

A2e. Cámara Nacional de Turismo (CANATUR)

E&E is engaged in two principal activities in support the tourism sector: (1) policy and regulatory reforms to create a better enabling environment for SMES (discussed in Section D below); and (2) institutional strengthening of CANATUR.

This quarter, E&E was honored to receive CANATUR's "2011 Friend of Nicaraguan Tourism" award at the Guegüense Tourism Award Ceremony. USAID's Timothy O'Hare accepted the award for USAID. Other quarter highlights include:

- E&E assisted CANATUR in establishing 11 new chapters/branches throughout Nicaragua, with a total membership of 183 tourism MSMEs; surpassing the initial goal of 10 chapters and 50 member MSMEs, and we helped CANATUR develop operational plans for each of the 11 recently formed chapters.

- CANATUR trained 191 people from the MSME tourism industry (97 of them female) on tourism planning, product development, and corporate social responsibility.
- CANATUR planned subprojects to benefit its chapters in topics like recycling, child sexual exploitation prevention, corporate social responsibility, infrastructure and equipment improvement, establishment of schools that can provide hotel management and tourism training, e-commerce, installation of proper road and tourism attraction signage, and environmental stewardship. Two of these projects have already begun, related to recycling and e-commerce.
- As part of the recycling project, we linked CANATUR chapters from Catarina, Chinandega, Granada, Laguna de Perlas, Leon, Masaya, and Ocotal with RENISA to establish a relationship in which RENISA will collect recyclable materials from members of each chapter. We also facilitated a collaborative agreement between CANATUR, RENISA, and the National Autonomous University of Nicaragua (UNAN) to increase recycling awareness, processes, and regulations. CANATUR, RENISA, and UNAN conducted three recycling workshops under this initiative during the month of March involving the participation of CANATUR's Catarina, Chinandega, Granada, Leon, Masaya, and Ocotal chapters. 72 chapter members learned how to properly separate recyclable materials. RENISA's solid waste suppliers (formed and legally registered through this subproject) will begin collecting waste from these CANATUR chapters in the next quarter.
- As part of the e-commerce subproject, CANATUR began developing web pages and work plans for its territorial chapters with E&E support.
- E&E supported CANATUR's Guegüense Tourism Awards hosted in February, where 5 tourism enterprises, ranging from large companies to small eco-hotels received awards for best environmental practices, corporate social responsibility, touristic product innovation, business excellence, and destination promotion. The awards, whose importance and national attention increase each year, highlight to the media, the government, and the public at large the importance of the tourism sector. E&E COP Danilo Cruz-DePaula was asked by CANATUR to serve as a juror for the awards. Nicaraguan Vice President Morales presented the awards, along with Nicaraguan "salsa" sensation, Luis Enrique.
- CANATUR's Matagalpa Chapter hosted the Regional Northern Tourism Fair in Matagalpa in March. The Matagalpa chapter was responsible for CANATUR's stand and actively promoted their work, and promoted membership subscription to the chapter. Informational materials promoting Catarina, Chinandega, Granada, Isla de Ometepe, Laguna de Perlas, and Masaya as potential tourism destinations was also distributed at the stand.





Marta Borge Balmaceda, owner of Diseños y Confecciones Infantiles

A Helping Hand for MSME's

Marta Borge Balmaceda speaks proudly of her business, Diseños y Confecciones Infantiles (Infant Designs and Clothing). She started this family business, in which she and her sister work, 15 years ago. They design and sew clothes for children and adults. "They are exclusive designs," Marta clarifies. For 15 years she did not know how to legally register her company. They operate informally, but this is about to change.

In August 2010, when the Nicaraguan Chamber of Industries' (CADIN) Business Assistance Center for MSME's (CENAMI) began operating, Marta received their invitation to receive a business assessment being implemented with support from USAID's Enterprise and Employment (E&E) Program. The business assessment clarified the main obstacles impeding growth for her business, and provided solutions for problems she did not know how to resolve. Registering her business and implementing an accounting system are now her most immediate priorities, and she'll receive help for both from CENAMI.

Since receiving the business assessment, Marta has received two training courses implemented by CENAMI, in order to follow up on identified problems. Her business is one of 60 micro and small businesses in Managua and Masaya that are receiving similar assistance. "I now see everything much clearer; they have shown me to keep track of my sales and expenses. I now need to legally register our company, and then develop a business plan aimed at reaching a larger market," says Marta.

A2f. The Western Nicaragua Agribusiness Center – Fundacion Lider

We are in discussions with the Western Nicaragua Agribusiness Center, operated by Fundacion Lider in El Viejo, Chinandega to become a regional BSP. This Center has

several years of experience supporting producers, particularly in Somotillo, Potosi, and Cosiguina, to better commercialize watermelon, sesame, and vegetables, among other products. The project will support Fundacion Lider in analyzing demand for services cooperatives, exporters, and individual producers are willing to pay for, so as to strengthen their chance of growing sustainably as a business service provider for western Nicaragua. The project would also assist them to better administer their financial services (they have a small, \$100,000 fund they use to finance production and commercialization), and to better promote their services. E&E will develop concept papers for these initiatives by May.

A3. Operations Research and Export Studies

E&E undertakes studies support enhanced market intelligence or analyze sector's competitiveness. This quarter we undertook the following actions:

A3a. Improving Competitiveness in the Textile-Apparel Industry in Nicaragua and the U.S.

In November 2010, E&E in collaboration with the National Free Trade Zone Commission (NFTZC) and Duke University finalized a diagnosis of competitiveness of the textile-apparel industry in Nicaragua and its linkages to the U.S. industry, including a follow-up action plan. We translated the study in February 2011 to ensure its wide dissemination in the country and delivered the final version to the NFTZC. In March we met with stakeholders to begin implementing the action plan. We expect to finalize it in April/May.

A3b. Comparative Cost Study of the Nicaraguan, Regional, and Asian Textile Industries

In support of PRONICARAGUA and the NFTZC, CARANA subcontracted O'Rourke and Associates, a leading woman-owned consulting firm specializing in the textile and apparel industry, to conduct a comparative cost study of the apparel and textile industry in Nicaragua, Central America and Mexico, and selected Asian countries. The study is nearly completed and will be vetted with stakeholders in April.

A3c. Medical Tourism Study

In 2008, Deloitte Consulting projected that medical tourism originating in the US could expand by ten times over the next decade, from about 750,000 Americans traveling outside of the US seeking healthcare in 2007. In Central America, Costa Rica and Panama are the most popular medical tourism destinations. Nicaragua's Chamber of Tourism has identified medical tourism as an exciting opportunity, and has asked E&E to conduct a study to better understand overall demand, medical tourism niches that Nicaragua could exploit in the short to medium term, Nicaragua's potential to offer healthcare services internationally, and the steps Nicaraguan investors would need to take, and the obstacles that would need to be overcome, to provide marketable healthcare solutions for travelers. E&E will complete this study during the next quarter.

A3c. Analyzing Wood Furniture Demand in Guatemala, El Salvador, Costa Rica, Panama, and the Dominican Republic

Estimates indicate that over 2,000 businesses in Nicaragua fabricate wooden furniture. Most of these are micro-enterprises, though in recent years larger businesses have emerged, like *Simplemente Madera* (SM). Most cater to national markets, with few exceptions. The National Chamber of Artisans and Furniture Manufacturers (CAMANIC) and SM have requested E&E to deliver a study analyzing demand and providing sales contacts with furniture buyers in Guatemala, El Salvador, Costa Rica, Panama, and the Dominican Republic. The results of this study will help Nicaraguan furniture manufacturers identify market opportunities for furniture according to market segment, in these markets. E&E will begin this study during the next quarter under the *Simplemente Madera* project.

A3d. Nicaragua Agricultural Assessment

We supported USAID in its agricultural sector assessment, contracting economist Mario De Franco to synthesize findings from USAID-contracted studies and make recommendations on developing a USAID agricultural strategy. The consultant reviewed these reports, met with FIDEG, who undertook the original analysis, provided feedback, and provided USAID and E&E with a detailed outline for developing the strategy. The consultant is waiting to obtain responses to his feedback and the completion of the FIDEG studies. We expect to conclude this activity during the next quarter.

A4. Facilitating Access to Credit for MSMEs

Access to finance is critical for SME's. Accordingly, in Q1 E&E hired a full time finance specialist to work not only with E&E-supported firms but on broader finance issues that to benefit a much broader group of SMEs. Quarter highlights include:

- **BDF MOU**. We continue working with BDF on implementing our joint collaboration program, where this bank will provide access to working capital and fixed investments to MSME firms working with E&E. During this quarter, BDF approved two financial loan products tailored to the tourism and agro-exporter sectors. BDF asked E&E for assistance in the design and conceptualization of the two financial products. E&E will help BDF understand the financing needs of tourism and agro-exporter sectors, based on our work with CANATUR and our anchor firms. BDF has also asked E&E for technical assistance to develop a new risk analysis model. This involves developing a new methodology to better evaluate sectors they previously have not worked with. For example, BDF currently does not provide SME loans for amounts less than \$10,000 because of the high cost of analyzing and servicing these loans, however if we could help them identify cheaper ways of analyzing these loans (perhaps based on credit scores instead of cash flow analyses), they would be able to make more of these types of loans. We expect the product designs and the risk analysis model initiatives to begin in the next quarter.
- **SINRIESGOS**: We are currently analyzing a proposal to support SINRIESGOS, a private sector organization that provides credit risk assessment services to commercial banks and microfinance institutions, in expanding the services it offers by developing an innovative credit scoring system. Currently, when banks are

evaluating loans, they receive a credit report from SINRIESGOS that reports the potential borrower's credit standing with whomever they have existing loans. For example, if they have active loans with a bank and a store like Curacao, the report shows if they are late in making payments to either lender. The current system provides a credit score based on this information, placing equal importance on a small loan by Curacao and a large loan with a bank. The problem with this system is that based on this example, a bank would reject a credit application based on delayed payments to the store, even if the potential borrower's repayments to the bank have been on time. The new system would provide a more objective analysis, based on a weighted score, placing greater emphasis on the potential borrower's credit history with similar lenders. Using this system, a bank would place a greater weight on the lender's credit history with banks, while a store would place a greater weight on the lender's credit history with stores. This system will enable the organization to provide its clients with more detailed and accurate financial profiles so that they can create better financial portfolios with lower risks.

- E&E's financial specialist helped 8 Calzado Alex suppliers present a loan application to Procredit to finance \$51,000 in working capital. Procredit accepted the loan application and offered an interest rate of 27%, which is 9% points less than what other financial institutions had previously offered these companies. The Calzado Alex suppliers rejected the offer, stating that they'd rather hold out until they can obtain a lower interest rate.
- E&E's financial specialist helped 4 La Colonia suppliers negotiate working capital loans with Bancentro, which agreed to provide loans for up to \$10,000 based only on their sales contracts with La Colonia. E&E followed up with La Colonia to make sure that it provided these suppliers with sales contracts, however these suppliers are still deciding whether to apply for these loans.
- E&E linked Tecnoagro with BDF to finance 70 hectares of high-yielding cassava varieties (worth about \$30,000, and involving about 25 producers and Tecnoagro). BDF agreed to finance Tecnoagro, with an interest rate of 12%, depending on the value of a property Tecnoagro would use as a guarantee. Tecnoagro is currently evaluating this proposal. We also linked Tecnoagro to Root Capital, a socially-conscious lender, who expressed interest in lending up to \$100,000 to Tecnoagro. E&E will continue supporting Tecnoagro in developing their financial proposal for Root Capital during the next quarter. Additionally, E&E linked Tecnoagro with CISA Agro and Agricola San Cristobal, both agriculture input suppliers who have expressed willingness to lend to Tecnoagro. Tecnoagro is currently evaluating all financing options.
- E&E linked Ingemann Food to the Fondo de Desarrollo Local (FDL), a socially-conscious lender, and brokered a deal in which the honey exporter will sign an agreement with FDL under which it agrees to sign contracts with honey-producing borrowers, and pay FDL the amounts borrowed by producers before paying producers for their honey (to better ensure repayment of loans). Under the agreement, Ingemann agreed to purchase hives used by borrowing honey producers

as collateral, which would allow borrowers to use their hives as collateral for amounts up to \$5,000. This is the only financial product tailored to honey production in Nicaragua. The agreement between Ingemann and the FDL will be signed next quarter. E&E will continue to spread awareness of this financial product to borrowers.

- E&E supported Exprosur to develop and present a proposal to Bancentro and Banpro, to finance \$600,000 of working capital associated with the production of 224 hectares of plantain. Both banks expressed interest. Bancentro, however, offered better terms — their proposed interest rate was higher but they do not require collateral (they will accept Exprosur's contract with Delmonte as sufficient assurance). Exprosur is evaluating both options, and will decide on which bank to borrow from during the next quarter.
- E&E helped Café Don Paco develop and present a loan application to Banco Produzcamos to finance \$412,000 in working capital associated with the production of 650 hectares by 160 producers belonging to the COMCAFE, a cooperative based in Jinotega. Banco Produzcamo's Agriculture Credit Director presented the proposal to the bank's credit committee, which approved the loan. Banco Produzcamos is now reviewing legal documentation of COMCAFE, and will announce its decision during the next quarter.

B. Support for CAFTA-DR and Improved Policy Environment

B1. CAFTA-DR Work Plan Implementation

B1a. Complementary Agenda

E&E's support for CAFTA-DR's complimentary agenda is closely linked with policy and regulatory reforms where we are providing assistance, as described below. In addition to those, this quarter we were engaged in the following activities related to the complementary agenda:

- We were in close dialogue with PROCOMPETENCIA on their implementation of a national competition policy agenda. Given sensitivities in an election year, PROCOMPETENCIA is moving cautiously, but we will continue this dialogue with them.
- We met on numerous occasions with representatives from over 14 private sector chambers that approached E&E about assisting them with a national export promotion law/program. In recent months we have also been approached by MIFIC as well as PRONICARAGUA representatives and COSEP about assistance in reducing administrative red tape and the simplification of procedures related to exports and imports. We expect this initiative to be a policy priority in the next quarter.

B1b. Environmental Cooperation Agreement (ECA)

E&E has been working with the Ministry of Environment and Natural Resources (MARENA) to support USAID's commitment to support Nicaragua on implementation of the ECA. In January USAID sent a formal letter to the Ministry clarifying its decision to not proceed with the iguana project originally proposed by MARENA. USAID is still waiting for a response from the Ministry on what other environmental activities it plans to support with the funds originally programmed for the iguana project. Nonetheless, we have continued with other program activities, including:

- Lake Cocibolca Residual Water Management: MARENA has been working with the National Agrarian University (UNA) on implementation of this project. They signed a collaboration agreement with on March 11, delineating roles and responsibilities. E&E will subcontract UNA to coordinate and administer funds for this activity. We expect to finalize all contractual paperwork by the end of April.
- The Laboratory Accreditation Project and Regional Accreditation of the National Office for Accreditations. After extended discussions with MARENA on project management, on March 11, E&E contracted Eduardo Zamora, an expert in laboratory accreditations, to provide technical assistance to facilitate the accreditation process of four national laboratories and the National Office. Mr. Zamora is developing a detailed work plan on steps required for accreditation.

B2. Policy Reform

E&E continued working closely with private sector counterparts, especially COSEP, in preparation for dialogue with the government on numerous laws and issues to create a more enabling policy and regulatory environment for Nicaraguan businesses.

B2a. Support for the Superior Council for the Private Enterprise (COSEP) Agenda

As the leading representative of the private sector in Nicaragua, COSEP has led public-private sector dialogue on a broad scale of economic issues and policy concerns. E&E has supported COSEP and some of its 14 member chambers in a variety of policy and CAFTA-DR support areas. The flagship effort of our policy work consists of support for COSEP's agenda or work plan for 2011. It comprises a broad gamut of initiatives to forge a better enabling environment for Nicaraguan business, especially SMEs. These include customs facilitation, microfinance issues, national ports law, wages and minimum salary negotiations, to name a few. E&E is working with COSEP in a more specific range of issues primarily dealing with access to finance, tourism, and other areas such as facilitating international commerce. This quarter we contracted key consulting staff that will be leading COSEP's work in much of this effort, including communications. Key areas of action for this group of consultants include:

- Financial Sector. We are working with COSEP, CONIMIPYME and CACONIC in four financial laws: (a) Leasing; (b) Invoice Exchange; (c) Bank Trust; and (d) Financial Factoring. In particular, we will assist with the drafting of the implementing regulations for these laws. The principal accomplishment this quarter was formal

creation of the national assembly commission (composed of representatives of the different political parties as well as the private sector) that COSEP and E&E assistance will support to draft the regulations.

- Tourism. We also continue to work with CANATUR and the National Assembly's Tourism Commission to generate changes in the General Tourism and Tourism Incentives Laws (Laws 495 and 306) that will result in increased and more effective investment in Nicaraguan tourism promotion.
- Export/Foreign Commerce Law. E&E met regularly with the executive group of the national chambers leading this effort. Although this work is not technically under COSEP, they are all COSEP members. In collaboration with the executive group, we identified technical requirements to guide/draft the proposed legislation and action plan, drafted SOWs, and began identifying consultants.

B2b. Coastal Investment Legislation

In February, we contracted Calvet & Asociados, a firm that specializes in tourism investment projects, to coordinate meetings in the municipalities of Tola, Granada, and Corn Island to facilitate public-private sector dialogue with regards to the understanding and application of the new Coastal Law. The meetings will involve participation of private investors, municipal representatives, members of the National Coastal Development Commission (CNDZC), the Tourism Institute (INTUR), the National Institute of Territorial Studies (INETER), and the Ministry of Transportation and Infrastructure (MTI), and MARENA, among others. The meetings will serve to identify constraints and problems in implementing the law at a local level, and with recommended changes, the CNDZC can launch a pilot initiative to implement the law in the three aforementioned municipalities.

B2c. Supporting the Creation of a Mediation and Arbitration Center for the Nicaraguan Chamber of Commerce (CACONIC)

On March 9, we awarded a \$22,536 grant to CACONIC to provide it with assistance in the creation of a mediation and arbitration center housed in the Chamber's facilities. Under this grant award, CACONIC will hire the technical expertise of the Arbitration and Conciliation Center of the Bogota Chamber of Commerce to conduct a preliminary analysis of Nicaragua's Civil Procedure Code, establish its strengths and weaknesses, and make recommendations to strengthen the use of alternative dispute resolution methods. The Arbitration and Conciliation Center of the Bogota Chamber of Commerce will also assist CACONIC in developing new products for the MSME sector, to facilitate their access to quick flexible and economic fixes, and to significantly reduce the costs of dispute resolution.

B3. Supporting Recycling legislation through RENISA, Nicaraguan Recyclers Association, and COSEP

E&E, in collaboration with RENISA and the Nicaraguan Recyclers Association, conducted a comparative study of laws that promote the recycling industry under CAFTA-DR in Nicaragua and other member Latin American countries. The study's objective is to identify

laws that provide businesses with incentives for recycling and use those laws as a platform for drafting similar legislations in Nicaragua.

The study concluded that these types of laws do not exist in any CAFTA-DR member country, and although technical norms for specific products do exist that provide incentives to recycling those specific products and export recycled materials; they are not laws and therefore are not enforceable. Of the countries studied, only Mexico and Chile have actual laws that mandate recycling and/or provide incentives for recycling. Based on these findings, E&E is providing technical assistance to RENISA and the Nicaraguan Recyclers Association by contracting legal experts to help in drafting and promoting a recycling legislation specifically for businesses. COSEP is also involved with this initiative and committed to promote the passage of this new law in the National Assembly.

C. Human Capital Development

E&E is undertaking a number of initiatives aimed at enhancing the human potential of Nicaraguans. These activities include training programs with universities, entrepreneurship development, direct business level training, as well as work force and youth at risk initiatives such as those with the Fundación Victoria. Our future programs will increasingly focus on workforce development (including at risk youth), an effort which began with the SNV study described below.

C1. Workforce Development Program with the Victoria Foundation

On January 31, E&E signed an MOU with Victoria Foundation (Fundación Victoria or FV) for the implementation of two work force development programs in business administration with a concentration in sales and marketing, and industrial maintenance. FV began imparting both courses, which will provide technical education to 100 underprivileged youth over two years, on this same day. E&E will co-fund this initiative through its small grants mechanism. We finalized the grants paperwork and submitted the request for approval to USAID on March 31. We expect to sign the grant award with FV by the end of April.



USAID's Timothy O'Hare interacts with FV students

C2. Workforce Program with the Netherlands Development Organization (SNV)

We subcontracted SNV in March to conduct a study analyzing employer demand of employee skill-sets in five sectors of the Nicaraguan economy. Three sectors, (1) agribusiness, (2) light manufacturing, and (3) shoe and leather manufacturing were previously identified based on E&E's areas of intervention, as well as their ability to generate employment opportunities, income, and capacity to improve their competitiveness. The other two sectors will be identified by SNV, subject to E&E and USAID approval. To date, SNV has compiled a list of all technical training initiatives and

developed a methodology for selecting job demands in the two undecided sectors. We provided our feedback and expect to receive SNV's recommendations on which two sectors we should incorporate into the study in April. The results of the study will heavily influence E&E's future workforce development initiatives.

C3. Postgraduate Program in Export Management

E&E, in collaboration with CEI and the Catholic University (UNICA), continued preparation for an Export Management Postgraduate course for 20 representatives of exporting companies, potential exporters, association leaders, government employees, and a journalist. UNICA will begin offering the courses in April. We will sign a tripartite MOU with CEI and UNICA for the implementation of this initiative on the same day classes begin, April 9.

C4. Training Courses for Entrepreneurs on SME Management with Cisco and Thomas More University

This quarter E&E signed a tripartite MOU with Cisco and Thomas More University in February to promote entrepreneurship among MSME leaders and improve their educational background through the establishment of the Cisco Entrepreneurship Center at Thomas More University and by offering a basic program consisting of three training courses: (1) how to create a business; (2) how to make a business grow; and (3) how to use technology to make a business grow. We will award a grant to Thomas More University to implement our share of the program. We are currently finalizing the grant paperwork and plan on submitting it for approval to USAID by April.

C5. Enterprise Assessment Training

E&E worked with the Central American University (UCA) to organize an Enterprise Assessment Training, in which UCA will train 40 consultants on conducting business assessments using a comprehensive approach called Business Management Systems. The 6-module course will allow all 40 consultants to "learn by doing." E&E will link each consultant with anchor firms, anchor firm suppliers, and other businesses that work with E&E and its partner BSPs, so that they can conduct enterprise assessments of these companies. The assessments will provide these 40 companies with a clear understand of their shortfalls, and prioritize action plans for overcoming them. We are working with the National Association of MSME Consultants (ACONMYPIME), which was established by INDE PROSEDE, to identify the consultants who will be taking the course, which will begin on April 29.

C6. Honey Training with Swisscontact

E&E in collaboration with Swisscontact - an NGO that is currently implementing a nation-wide honey development, developed a proposal to offer honey production training to over 440 honey producers in 9 departments of the country. The training will build on efforts already implemented by Swisscontact and will help improve yields by transferring technical know-how. A successful honey producer with a high technical capacity can yield more than 60 kg per hive, while a producer with less technical capacity can yield less than 15 kg, so

technical education, when adopted, can yield significant income gains. The initiative will involve supporting a diploma course with UNAN-Leon, and working with over 20 producer organizations to deliver the training directly to smaller producers in their areas. We will monitor impact, by collecting baseline information and following up on producer yields during and after the course.

D. Support Activities and Programs

D1. Outreach

E&E continued to generate a high level of awareness among the press, stakeholders, and the general public of USAID's efforts to promote equitable growth in Nicaragua. Results during this quarter:

- We published and distributed the first issue of our bi-annual magazine, *Compitiendo*, to project counterparts, beneficiaries and the general public in January.
- The national press published a total of 35 news articles highlighting E&E's activities (an average of approximately one every third day during the quarter). Annex II, "Communications and Press Coverage" includes clippings from most of these articles. Among the major articles published are (1) *La Prensa's* article on the incorporation of 150 new chilies producers to Chiles de Nicaragua's value chain; (2) a full page interview with E&E's COP, Danilo Cruz-DePaula by *La Prensa* on the anchor firm model that the project uses to reach a large number of MSMEs; (3) a half page article published by *La Prensa* on plantain production and exports developed by anchor firm Exprosur, which will be selling its production to Del Monte; (4) an article by *El Nuevo Diario* highlighting E&E's support to the shoe and leather industry through its sub-project with Calzado Alex; and (5) a front page article published by *La Prensa* on E&E's assistance to small producers in the production of seedless watermelon for exporting to the US.
- In collaboration with CANATUR, E&E hosted CANATUR's First SME National Member Meeting on January 14. The event was presided by USAID's Timothy O'Hare; E&E COP, Danilo Cruz-DePaula, and CANATUR Chairman, Lucy Valenti. SME representatives from Chinandega, Catarina, Masaya, Granada, Leon, Esteli, Nueva Segovia, Isla de Ometepe, San Juan del Sur, and Laguna de Perlas attended the event. Both printed press and television outlets such as *El Nuevo Diario*, *Bolsa de Noticias*, and the Nicaraguan Vice President's website, along with Channels 14 and 23 provided coverage to the event.
- E&E and USAID invested considerable during the quarter in preparation for the CAFTA-DR Fifth Anniversary event to be held in April, in partnership with the Central American Institute for Business Administration (INCAE).
- We began preparing a blog to promote the exchange of ideas and opinions regarding issues related to economic development. E&E will launch the blog in February.

- E&E completed a third video success story, on E&E's support of the shoe and leather industry under the Calzado Alex anchor firm sub-project. The video can be accessed at E&E's website and our Facebook page.
- E&E continues updating its web content on the project's website (over 17,300 visits to date), Facebook (over 700 friends and regular viewers), and YouTube accounts, which can be accessed at:
 - www.nicaraguaempresayempleo.com;
 - <http://www.facebook.com/EmpresasyEmpleoNicaragua>;
 - <http://www.youtube.com/user/empresayempleo?feature=mhum>

D2. Small Grants

We awarded three grants totaling \$61,766 during this quarter. E&E awarded funds as follows:

- CACONIC in the amount of \$17,646 for the creation of a mediation center;
- Casa Mantica (La Colonia) in the amount of \$27,918 to procure equipment to assist its MSME suppliers in improving quality of products and productivity levels; and;
- RENISA in the amount of \$16,202 for the creation of 10 recycling MSMEs and an environmental committee.