



USAID
FROM THE AMERICAN PEOPLE

ENTERPRISE & EMPLOYMENT
PROMOTING ECONOMIC GROWTH FOR ALL



Third Quarter Report FY 2011, April - June

Submitted: August 5, 2011

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: Buenaventura Urrey, a shrimper from the Lucrecia Lindo cooperative in Estero Real, Chinandega, and a SERVICONSA supplier casts net to harvest shrimp. Buenaventura, along with 16 women shrimp producers in her cooperative doubled the density of their larvae production this year, for the first time, comforted and supported by the technical assistance provided by E&E and SERVICONSA. Their efforts are paying off – SERVICONSA estimates that Lucrecia Lindo producers will more than double baseline yields this year.

Enterprise & Employment Third Quarter Report FY 2011, April – June

TABLE OF CONTENTS

I. EXECUTIVE SUMMARY	1
II. PROGRESS BY ACTIVITY	4
A. SME Development and Value Chains	4
A1. Anchor Firm Projects [Task Order Activity A]	4
A1a. Calzado Alex	4
A1b. Chiles de Nicaragua (Chiles)	5
A1c. Vegetales y Frutas Procesadas de Nicaragua, S.A. (Vegyfrut)	6
A1d. Eskimo S.A. (Eskimo)	8
A1e. Reciclaje y Negocios Internacionales, SA (RENISA)	9
A1f. Casa Mantica (La Colonia)	11
A1g. Exprosur (Plantain Exporting Project with Del Monte)	11
A1h. Grupo Raices	12
A1i. Tecnoagro	13
A1j. Ingemann Food Nicaragua (Honey)	14
A1k. MAPINIIC-Simplemente Madera (SM)	15
A1l. SERVICONSA	16
A1m. Hidroponica de Nicaragua	17
A1n. Sub-Projects under Consideration	17
A2. Improving Capabilities of Business Service Providers (BSP's) [Task Order Activity B]	19
A2a. Asociacion de Productores Exportadores de Nicaragua (APEN)	19
A2b. Camara de Industrias de Nicaragua (CADIN)	20
A2c. Centro de Exportaciones e Inversiones (CEI)	20
A2d. Union Nicaraguense para la Responsabilidad Social Empresarial (uniRSE) ...	22
A2e. Camara Nacional de Turismo (CANATUR)	22
A2f. Cisco Entrepreneur Institute at Thomas More University	23
A3. Operations Research and Export Studies	24
A3a. Improving Competitiveness in the Textile-Apparel Industry in Nicaragua and the U.S.	24
A3b. Comparative Study of the Nicaraguan, Regional, and Asian Textile Industries	24
A3c. Legal Framework of Recycling Laws among CAFTA-DR and other Latin American Countries	24
A3d. Competitive Benchmark Analysis of Nicaragua's Footwear Industry	25
A3e. Market Study for Medical Tourism in Nicaragua	25
A3f. Analyzing Wood Furniture Demand Study in Guatemala, El Salvador, Costa Rica, Panama, and the Dominican Republic	25
A3g. Nicaraguan Agricultural Assessment	25
A4. Facilitating Access to Credit for SME's	26

B. Support for CAFTA-DR and Improved Policy Environment	27
B1. CAFTA-DR Work Plan Implementation	27
B1a. Complementary Agenda	28
B1b. Environmental Cooperation Agreement (ECA)	28
B2. Policy Reform	29
B2a. Support for the Superior Council for Private Enterprise (COSEP) Agenda	29
B2b. Coastal Investment Legislation	29
B2c. Support to the American Chamber of Commerce in Nicaragua (AMCHAM)	30
B2d. Supporting the Creation of a Mediation and Arbitration Center for the Nicaraguan Chamber of Commerce (CACONIC)	30
B3. Supporting Recycling Legislation through RENISA, Nicaraguan Recyclers Association, and COSEP	30
C. Human Capital Development	30
C1. Workforce Development Program with Victoria Foundation	31
C2. Workforce Program with the Netherlands Development Organization (SNV)	31
C3. Postgraduate Program in Export Management	31
C4. Enterprise Assessment Training	31
C5. New Product Development Assistance to "La Bendicion" Cooperative	33
D. Support Activities and Programs	33
D1. Outreach	33
D2. Small Grants	34
III. PROGRESS AGAINST E&E INDICATORS	35
IV. QUARTERLY FINANCIAL INFORMATION	43
V. PROGRAM AND ADMINISTRATIVE ISSUES	44
VI. PLANNED ACTIVITIES NEXT QUARTER	46
ANNEX 1: E&E NEWSLETTERS	
ANNEX II: COMMUNICATIONS AND PRESS COVERAGE	

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 2011, from April through June, 2011. 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

- To date in FY 2011, E&E helped create 788 jobs (approximately 65% of fiscal year goals) and 268 jobs this quarter through anchor firm projects. We also generated approximately \$1.6 million in new sales (over 80% exports). We anticipate significant job creation next quarter, with the beginning of Exporsur plantain exports in July, PRONIEXPORT planting 1,400 ha of sesame, SERVICONSA's SME suppliers harvesting shrimp, and several other projects.
- E&E assisted six capacity-building service providers. We signed MOU amendments with APEN and CEI, both of which are providing cross-cutting support to and synergies with anchor firm projects. We increased Corporate Social Responsibility (CSR) training to anchor firms and their suppliers with uniRSE, supported CANATUR in regional membership expansion and laws supporting tourism, and SME training with CADIN. We also signed an MOU with the Central American University and began training over 40 consultants on business assessments to apply their skills to assessments of over 40 SMEs.
- E&E helped provide export capacity building training to over 128 firms and helped train over 700 people in topics related to investment capacity and trade. We also helped provide assistance to over 76 SMEs to improve their management practices.
- We had a very active quarter in access to credit activities. During this quarter anchor firm projects facilitated over \$1.2 million in financing to over 300 of their SME suppliers. Over 650 SME's have successfully accessed financing through these efforts during the first 3 quarters of FY2011. BDF management reported that our SME training project significantly enhanced the effectiveness of their operations in dealing with this market segment. E&E efforts resulted in at least \$2.7 million of lending to SME's during the quarter. During this quarter we also helped BDF develop and validate financial products for tourism and agro-exporter companies to increase lending to these sectors. We also conceptualized a project with the Local Development Fund (FDL), a Nicaraguan NGO, to provide technical assistance to 3,000 small producers in Las Segovias, which will in turn receive \$2.9 million in financing to expand dairy operations or plant plantain and other products in this highly impoverished area. In addition to these initiatives, E&E signed an MOU with SINRIESGOS, a credit bureau used by many micro-finance lenders to develop a

new credit scoring tool to more objectively analyze potential loans, which could have a large impact in increased lending by banks to SMEs.

- Together with PRONICARAGUA and the National Free Trade Zone Commission (NFTZC), we presented our *Comparative Cost Study of the Nicaraguan, Regional, and Asian Textile Industries* to stakeholders June which could be an important tool for generating increased jobs and investment in Nicaragua.

CAFTA-DR Implementation and Policy Reform

- COSEP, PROCOMPETENCIA, and sector and commerce chambers continued work on policy related programs, such as a new export law initiative spearheaded with E&E support.
- The National Agriculture University (UNA) began contracting legal and environmental consultants to begin improving water quality in priority areas of Lake Cocibolca. Meanwhile, E&E's consultant helped the national network of environmental laboratories agree on their governing statutes and we completed our audit of the National Accreditation Office's (ONA) management system to ascertain their compliance with ISO 17011 (the minimum requirements for a national accreditation office to be accredited internationally).
- Contracted key consultants to help COSEP in implement its broad "Agenda 2011" and make progress in promoting legislation to facilitate access to finance, benefit the tourism sector, and develop an export law. We helped COSEP obtain a legislative victory on June 9, when the National Assembly approved the Microfinance Law, which will regulate how microfinance companies register, operate, and are supervised.
- E&E held workshops in Tola, Granada, and the Corn Islands to establish municipal coastal committees consisting of local government and private sector representatives we will train to understand the application of the Coastal Investment Law. We also retained the services of COMUNICA, a communications consulting company, which began developing a radio and print media campaign on the importance of correctly applying the Coastal Investment Law to promote investment.
- An E&E grant assisted the Nicaraguan Chamber of Commerce (CACONIC) to partner with the Bogota Chamber of Commerce's Arbitration and Conciliation Center to conduct an analysis of Nicaragua's civil procedure code, make recommendations to strengthen the use of alternative dispute resolution methods, and develop new arbitration products for the MSME sector. On June 15, the Arbitration and Conciliation Center presented their results to CACONIC Supreme Court justices and the general public.

Human Capital Development

- Continued oversight of the contract with SNV to assess labor force needs and selected the tourism sector as the fourth sector to study, joining pre-selected sectors of agribusiness, shoe & leather manufacturing, and light manufacturing. SNV will deliver the results of this study in July.
- CEI and the Catholic University (UNICA) began a 6 month post-graduate program on export management, with 18 participants of exporting companies, potential exporters, association leaders, government employees, and a journalist. So far, course participants have completed a third of the program's coursework.
- On May 31, we inaugurated the CISCO Entrepreneur Institute at Thomas More University, with the participation of CISCO regional leaders, University directors and USAID representatives. We began organizing the first entrepreneurship courses which will begin in July.

Outreach

- Continued to generate significant understanding of USAID's contribution to equitable economic growth in Nicaragua through monthly bulletins, extensive press coverage (over 56 news articles covering a wide range of E&E activities), and social media. At the end of the quarter, E&E's web page had been visited by over 25,000 people. We have over 900 friends and regular users on Facebook.

Finance and Management

- Expenditures during this quarter increased each month, averaging \$342,055 and thus exceeding Q2's average expenditure rate of \$228,034 by \$114,021. This increased level reflects E&E's extremely active implementation stage, as many of the anchor firm projects, grants, human capital development programs, and other activities come on stream.

II. Progress by Activity

The following sub-sections provide an overview of E&E's activities during the quarter. 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) implementing anchor/value chain firm projects; (2) strengthening the capabilities of business services providers; (3) undertaking 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)

In Q3, E&E anchor firm projects generated more than \$1.4 million in new sales and more than 260 new jobs. E&E launched 3 new anchor firm projects: (1) Simplemente Madera-MAPINIIC to strengthen and incorporate new wooden furniture suppliers, (2) Hidroponica de Nicaragua, to integrate 150 new hydroponic bell pepper suppliers, and (3) Serviconsa to help 64 small shrimp producers double their shrimp yields through technical assistance and the establishment of a veterinary medical diagnostic laboratory in Estero Real, Chinandega. We expect these projects to generate \$6.1 million in new sales and over 470 new jobs. In addition, E&E conceptualized a new anchor firm project with PRONIEXPORT, a major sesame seed exporter, to integrate over 400 sesame producers as formal suppliers, who will benefit from access to certified seed, financing, and technical assistance to expand their production areas and productivity. We estimate that this project will create over 500 jobs and generate over \$2.4 million in sales.

A1a. Calzado Alex, S.A.

Calzado Alex and its suppliers continued growing with E&E support. We began preparing a second phase for this subproject, with a greater emphasis on generating shoe and leather sector-wide impact. Highlights include:

- Calzado Alex and its suppliers reported a sales increase of over \$96,700 (41% exports) during this quarter, and their future export growth gained promise, with export contracts secured for the Salvadoran market, new clients established in Panama, and new



A Calzado Rivas employee sewing shoes with new equipment obtained through our grant with Calzado Alex

opportunities to establish clientele in Belize and Puerto Rico. Calzado Alex hired 3 new employees, and *Geovani* and *BOP* hired a new employee each.

- Five of the six Calzado Alex suppliers benefiting through our grant received and installed new equipment. We are addressing issues with the equipment for a sixth supplier, *BOP El Arte en Cuero* and with Calzado Alex, where the equipment received was not that requested.
- We worked with the Nicaraguan Shoe and Leather Chamber (CANCUNIC) to draft an amendment to our MOU with Calzado Alex. New activities include: STTA from Colombian consultant Catalina Navia to improve shoe design and quality for 20 SME's and to establish a permanent show-room selling CANCUNIC member shoes and leather goods, the strengthening of CANCUNIC's management, e-commerce support, and the establishment of a footwear training center through a potential collaboration with Brazilian shoe manufacturer, SCA Footwear.

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

Chiles continued generating impressive results. Highlights this quarter include:

- Chiles exported eleven containers (550,000 lbs. of Tabasco chili paste) worth more than \$377,000, and in the process generated 93 new jobs.
- E&E assisted 125 chili producers to receive \$194,600 in financing, 90% of which came from CISA Agro and Agritrade to finance agriculture inputs, with the remainder lent by Chiles to finance harvesting costs. We also helped develop a financial product with Banco Produzcamos and the John May Company, directed at small producers (less than 3.5 ha) to finance drip irrigation equipment, based on sales contracts with Chiles. The John May Company began meeting with about 30 producers in order to determine their specific credit needs and sign drip irrigation sales contracts with them, which they will present to Banco Produzcamos during the next quarter.
- Agritrade, an agriculture input sales company, began producing Tabasco chilies (35 ha), and conducted trials aimed at increasing yields while minimizing input costs. Their first trials yielded recommendations which will lower Chiles' suppliers' production costs by about \$430/ha. E&E and Chiles will share these recommendations with all of Chiles' suppliers during the next quarter, so that all can benefit from this practical research.



A Tabasco chili producer harvesting chilies in Matagalpa

- We began designing E&E's support for a second phase to support Chile's SME suppliers, aimed at helping the anchor firm export 5 million pounds (2.6 million pounds more than during our first year and 4.4 million pounds more than before Chile began receiving E&E assistance), generating \$3.5 million in exports and creating more than 350 jobs. We plan on launching the second phase during the next quarter.

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

E&E's support of Vegyfrut's participation at international trade shows and commercial missions is paying off. Their visit to the Agritrade Fair in Guatemala in March yielded not just a new buyer but a potential new partner, La Finita, who is interested in co-investing with Vegyfrut to produce and export mini-vegetables to the US. Additionally, Vegyfrut's recent visit to Bagley Produce in Edinburg, TX resulted in negotiating a 3-fold increase over this year's production. Other quarterly highlights include:



Seedless watermelon harvesters in Tipitapa inspect product quality

- Increased sales by more than \$70,320 (this includes both local sales and exports) in comparison to the previous year, and in the process generated nine new jobs. Seventy percent of these sales were seedless watermelon exports to Bagley Produce. The remainder was seedless watermelon sales to local supermarket chains, and mixed vegetable sales to a new buyer, Houston-based Greenworld.
- As a result of new sales opportunities with Greenworld and La Finita, E&E agreed to provide technical assistance to seven new SME producers in Mozonte and Pueblo Nuevo, who began planting mini-vegetables in June. We also agreed to provide technical assistance to help Vegyfrut grow 42 ha of seedless watermelon for Bagley. The 42 hectares of seedless watermelon, which Vegyfrut will plant in October, will result in an estimated \$280,000 in exports and the creation of 80 annualized jobs.
- After receiving complaints from U.S. buyers about the poor quality of boxes Vegyfrut uses to pack mini-vegetables, E&E assisted the company to identify and secure higher-quality carton boxes through a new supplier (their boxes are not just stronger, but also about 50% less expensive than the boxes they were previously using). These new boxes will be used to pack mini-vegetables exports in late July.
- In order to strengthen previously identified management shortfalls, we contracted STTA to help Vegyfrut develop a business plan, and helped Vegyfrut identify proven operations manager candidates. Although Vegyfrut had difficulty in contracting a

new operations manager during this quarter, we will continue supporting Vegyfrut in this effort, and hope that Vegyfrut can contract a new operations manager by July.

- We helped Vegyfrut comply with approximately 90% of Good Manufacturing Practices (GMP's) requirements, thus reaching recommended hygiene and food safety standards within their packing plant. In order to reach 100% compliance, we plan on helping Vegyfrut improve their postharvest management practices during the following quarters.



Leoncio Morales, a Vegyfrut mini-vegetable supplier in San Ramon transplanting seedlings

Vegyfrut's Attention to Good Practices Pays Off

Vegyfrut now has a new buyer in Texas, thanks to the adoption of good manufacturing practices at their plant.

Carlos Solorzano, Vegyfrut's young proprietor, expressed joy as his first container of mixed vegetables left for Houston: "Although this is just my first shipment of mixed vegetables, I feel like we have reached the big leagues."

Vegyfrut's new buyer is a company with a long history of importing fresh produce from Central America. It's represented by TRANSIMPORT in Nicaragua, and they decided to purchase from Vegyfrut after visiting Vegyfrut's plant and seeing, first hand, Vegyfrut's adoption of Good Manufacturing practices (GMP's). Comforted by Vegyfrut's implementation of GMP's, they agreed to purchase at least 100 containers a year of mixed vegetables packed out of Vegyfrut's plant.

With E&E's support, Vegyfrut met and negotiated with four of its most important and promising buyers of mini vegetables, seedless watermelon, and now, mixed vegetables. E&E also provided technical assistance in the field, helped implement GMP's in their plant, and is now helping Vegyfrut improve the carton boxes it uses to pack mini-vegetables.

The small squash producers in Tisma where Vegyfrut sources this product for its buyer, achieve profits of about \$1,120 per hectare. Farmers are happy to learn that Vegyfrut will demand more squash from them in the near future.

A1d. Eskimo, S.A. (Eskimo)

E&E is working with Eskimo and two of its milk collection centers, cooperatives COSANJO and ASOGACA representing more than 280 dairy producers, to implement a milk quality-based pricing system, thus providing financial incentives for improving milk quality. This new system introduced with E&E assistance creates a win-win situation for the anchor firm and its suppliers – significantly improved milk quality, and offering dairy producers better prices and higher incomes. Highlights include:



COSANJO's General Manager shows producers how different a cleaning filter looks after filtering milk obtained with good milking practices (left)

- E&E helped COSANJO and ASOGACA members to generate more than \$82,000 in additional milk sales to Eskimo, and generate 75 new permanent (annualized) jobs related to the construction of silos, installation of electric fencing, milking, and pasture production.
- ASOGACA and COSANJO milk collection centers lent more than \$76,000 to 103 milk suppliers, 31% of which originated from Eskimo, to purchase pasture production equipment, pasture seed, and repair fencing. Additionally, Eskimo financed \$15,000 worth of agriculture equipment and inputs to COSANJO milk producers at a Fair organized by COSANJO on May 12. Eskimo also installed a new 1,900-liter milk chilling tank) at COSANJO's milk collection center, providing COSANJO with sufficient tanks to separate A, B, and C-quality milk.
- We contracted two new extensionists, one to help improve milk quality, and the other to help control quality at the collection centers. Our technical team conducted 160 direct technical assistance visits in order to improve milk quality, focusing on hygienic milking practices, summer feeding, and animal health. 228 milk producers received assistance through these technical visits and 15 training workshops.
- On May 23, the new quality-based milk pricing system began at the COSANJO milk collection center. Unfortunately, 10 days later, COSANJO began experiencing problems with one of their milk chilling tanks and with their access to water. The cooperative had to suspend the new pricing system until they fix the tank and construct a new water well. We expect to overcome these problems and re-establish the milk quality-based pricing system in July.

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

During this quarter, E&E finalized its project with RENISA, in which we supported this anchor firm to legally establish and strengthen nine MSME solid waste collectors, creating 165 new jobs in neighborhoods throughout Managua, as well as lowering RENISA's recycling costs. The program helped the anchor firm grow their exports by more than \$250,000 to markets in El Salvador, Costa Rica, the United States, and Taiwan, and facilitated \$316,000 in loans to the MSME solid waste collectors we helped form. E&E's support also helped RENISA sign an agreement with the American Chamber of Commerce of Nicaragua (AmCham) to provide recycling services to its member companies, and led to APEN recognizing RENISA at its "Exporter of the Year" Awards for its environmental contributions with a prize as the leading Nicaraguan exporting company under the category for "Environmental Activism."



One of RENISA's new ecological kiosks at the Recycling Fair at Centro Comercial Managua

Quarterly highlights include:

- RENISA increased exports by more than \$115,600 during Q3, and provided more than \$61,100 in financing to its suppliers. The company exported to El Salvador, Costa Rica, and the United States.
- RENISA organized a recycling fair from April 1-3, at Centro Comercial Managua (CCM), financed by CLARO and CCM. Nineteen institutional participants established stands at the fair, which included entertainment to attract visitors and educate the public on the importance of recycling. Also in April, we helped inaugurate a new solid waste collection center at CCM, to collect waste from more than 200 businesses located at the shopping center. RENISA and CCM co-financed the establishment of this center, which a recycling cooperative composed of 30 members began operating.
- RENISA established two ecological kiosks (bringing the total amount of ecological kiosks established through our grant with RENISA to four). Together, the kiosks employ 8 people. Our grant with RENISA was also used to deliver protective equipment to the MSME solid waste collection companies we helped to legally establish.
- Although we finalized our project activities with RENISA in June, we made plans to continue supporting the recycling sector by encouraging legislation aimed at providing economic incentives for recycling. During this quarter, we drafted SOW's to contract a consultant who will estimate the economic impact of this sector, and

another consultant to draft such a law. If successful, this legislation will provide a long-term boost to this sector, benefiting not only RENISA and the MSME solid waste collectors we helped legally establish, but several other recyclers, while encouraging other entrepreneurs to pursue businesses in this growing industry.



The Creation of a Young Entrepreneur

According to 23 year-old Jacky Taleno Valle, owner of MSME Taleno, before receiving assistance through E&E's anchor firm project with RENISA he and other solid waste suppliers saw themselves as simple trash collectors. Today, they see themselves as entrepreneurs, capable of growing their businesses and generating employment for others, capable of changing their own lives for the better, while helping their employees improve their lives as well. E&E's subproject with RENISA created 165 new jobs, and legally established 9 MSME solid waste collection companies, who now collect and supply RENISA with solid waste they in turn recycle and export.

"Before, I was a carton box collector. Each day, I collected more carton, and every few days, once I'd accumulated sufficient quantity, I would sell them. Today, my company generates sufficient work to hire 4 employees, 4 families, and we are growing together", says Jacky, before adding that his business offers not only an opportunity to earn a living, but a way to help other families, of similarly low financial resources, gain employment and have a positive impact on the environment.

The social stigma associated with solid waste collection affects those that work in this field; however, once they received E&E's assistance to legally establish their companies, and to count on a steady buyer of the solid waste they collect and classify, in RENISA, they have begun to see their activities as entrepreneurial rather than menial work.

"I thank RENISA and USAID for the help they have provided us. I received assistance that I can now use to help other people who work in this sector, who like me depend on growing our businesses to feed their families," says Jacky.

A1f. 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. Highlights include:

- In the quarter, E&E helped La Colonia suppliers increase their sales by more than \$114,800; driving these SME's to hire 10 new employees.
- We helped develop Good Manufacturing Practice (GMP) manuals for *Secreto de Mama* (sauces), *El Chinito* (snacks), *Proniza* (eggs), *Hodegar* (snacks), and *Corazon de Oro* (bread), providing guidelines for these companies to make plant adjustments to improve product quality, packing, food safety, and maintenance. We also helped *Futec* develop an Industrial Hygiene and Occupational Safety manual, which involved training 15 of their employees, and *Futec* investing to improve their process, install a new waste disposal system, build a new storage unit for their finished products, install a new quality control laboratory, and implement a range of recommendations to improve their operations and overall business management.
- Seven La Colonia suppliers received and installed equipment as a result of our grant with Casa Mantica. *Chinitos* installed a new industrial frying system, *Palmitos* (dairy products) installed equipment to process cylindrically-shaped cheeses, *Hodegar* obtained a new industrial toaster to process cereals, *Proniza* installed a new hen feeding and drinking system, and *Secreto de Mama* obtained a new digital, automated label press, stainless steel tables, and a new freezer. Additionally, *Futec* received a new disinfectant and deodorizer filling system, and *Rodcen* (sauces) received a new ketchup and vinegar filler.
- As a result of this project, La Colonia suppliers invested over \$50,000 to purchase equipment, and make infrastructure improvements. Additionally, *Corazon de Oro* received loans from BDF and FDL to purchase equipment.



PRONIZA's new bird feeding and drinking equipment received through E&E's grant with La Colonia will help this egg producer reduce its costs by at least \$6,000 per year.

A1g. Exprosur (Plantain Exporting Project with Del Monte)

During our first year of project implementation, E&E helped link the plantain cooperative in Rivas, Exprosur, to Del Monte of Costa Rica, which led to a \$5 million sales contract for high quality plantain. In February, a Del Monte plantain expert visited Exprosur to assess what needed to be done to help Exprosur produce export-quality plantain. Exprosur had previously marketed their plantain to local markets, paying little attention to quality. This

quarter we focused on technical support and preparations for the beginning of exports slated to begin during the last two weeks of July. Highlights include:

- We helped develop a financing proposal for production and presented it to several banks. Of these, Banpro and Bancentro demonstrated the most interest, and offered loans to cover the costs of establishing 150 new ha to start, with interest rates ranging from 9.5-12%, and with Bancentro willing to offer credit without forcing borrowers to commit “hard collateral.” As a result of our efforts, the first Exprosur member to obtain credit received a \$310,000 loan from Banpro to plant 70 ha. Encouraged by this breakthrough, other members are currently deciding how much to borrow.



A Del Monte plantain expert visits to inspect production practices in Rivas

- In April and May, Del Monte plantain experts visited Rivas to train Exprosur producers to control for Black Sigatoka and Fusarium Oxisporum, two of the most damaging plantain fungi. Following these recommendations, 12 Exprosur members hired an additional employee each (12 new jobs) to help place protective bags on plantain hands to control for Black Sigatoka. Additionally, we helped train 62 plantain producers on how to proper plantain bagging and age control.
- Between April and June, Exprosur invested \$17,000 to purchase the first of 150,000 plastic bags producers will use to cover the plantain to protect it from fungi, better assuring plantain uniformity and postharvest quality, in 84 ha, as per Del Monte’s technical recommendations. Exprosur also invested about \$10,000 in carton boxes they purchased from Costa Rica, which they plan on receiving in July, in time to pack the first shipment of plantains for Del Monte.
- In May, we helped Exprosur select a new manager to replace its current manager who decided to leave for personal reasons. We also helped Exprosur select a new technical extensionist, who we plan on contracting in July to help producers improve plantain quality.
- In order to help Exprosur diversify its markets, we helped a member participate in a commercial mission to Belize in June with organized by CEI.

A1h. Grupo Raíces (GR)

Grupo Raices (GR) is an association of nearly 200 artisans throughout Nicaragua that markets their handicrafts to local and international markets. During this quarter, E&E

revised its strategy in order to more effectively assist 21 GR artisan companies to improve their product offering and generate new sales. Highlights this quarter include:

- E&E helped GR expand sales by more than \$187,000 to buyers in Guatemala and the Dominican Republic, leading to the generation of 22 new jobs. The sales resulted from previous support.
- We contracted Omar Aguilar, an artisan development specialist, on June 28, to provide technical assistance to the 21 firms mentioned above. We modified our MOU with GR to focus on new product development, expand sales through e-commerce, an aggressive national sales strategy, and continued participation in international fairs, and a more personalized approach with these 21 SME Grupo Raices members.

A1i. Tecnoagro

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 18 tons per hectare or 300% (increasing producers’ revenues by about \$1,200 per hectare, as compared to revenue from traditional varieties that are currently grown). Highlights included:



Tecnoagro supplier collecting seed from recently harvested high-yield cassava variety

- Tecnoagro reported export increases of more than \$108,000 of Taro (“malanga coco” in Spanish) and mixed tubers to two buyers in Puerto Rico as a result of E&E’s support of their participation at the Expo-Alimentos Trade Show in Puerto Rico from April 8-12.
- Tecnoagro finished negotiating the purchase of sufficiently improved variety seeds to plant 75 ha of high-yield seed, which Tecnoagro and 16 small producers began planting in June.
- We helped the 16 small producers who received improved variety seed through the project to develop credit applications for Banco Produzcamos. Foreseeing delays in obtaining financing through Banco Produzcamos, Tecnoagro agreed to obtain agriculture input (fertilizer and agrochemicals) supplies, on loan, from Agricola San Cristobal, a large agriculture input distributor, which they will distribute to producers in July and August.

- We introduced Tecnoagro to Root Capital in mid-April. Prior to the meeting we helped Tecnoagro structure a proposal. The Root Capital analyst expressed an interest in financing about \$110,000 in working capital to start. A Root Capital regional representative will visit with Tecnoagro in July to follow up on their loan application.

A1j. 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 honey all year long (moisture levels above 19% make honey un-exportable, and this restriction is usually a problem for honey produced between June and August); 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:



An Ingemann employee removing honey for processing

- Producers benefiting from the hive expansion program co-financed by E&E generated additional exports of \$13,850. The positive results yielded so far by the hive expansion program prompted Ingemann to begin planning a second phase they will implement directly, with at least 500 hives and related equipment to help its suppliers grow.
- The Local Development Fund (FDL), a local micro-finance lender, signed an MOU with Ingemann to provide up to \$300,000 in financing to Ingemann suppliers. The financial product we helped develop includes several of the characteristics honey producers had asked for, including the use of hives as collateral for loans under \$5,000, and repayments coinciding with months honey producers collect and sell honey. Since signing the MOU, we facilitated several meetings with producers to promote this new financial product, and a training of FDL credit analysts to familiarize them with honey production costs and expected cash flows.
- Cook N' Beal, the Nebraska-based manufacturer of the honey moisture removal system we are co-financing with Ingemann, shipped the equipment to Nicaragua in June. Ingemann will install the equipment by August.
- We agreed to co-invest in honey production training with Swisscontact, to train over 400 producers in 8 Departments, in an effort to transfer technical capacity to increase productivity (yields per hive can vary between less than 10 kg to over 60 kg, and technical capacity, or lack thereof, impacts yields). Swisscontact had

sufficient resources to train up to 250 producers, and with our support will train more than 400, and implement a second Diploma course on honey production to 20 honey producers, in collaboration with the Nicaraguan Autonomous University (UNAN) in Leon. We plan on developing a grant application with Swisscontact during the next quarter.

A1k. MAPINIIC-Simplemente Madera (SM)

On April 11, E&E signed an MOU with MAPINIIC-Simplemente Madera to launch a project to support small carpentry workshops to which SM outsources approximately 40% of its furniture production. We expect that with this project, SM will double the number of SME's it outsources to from five to ten. The project will help the workshops in expanding production to SM, improving business management, marketing, customer service, production efficiency, quality control, and producing innovative designs. We further expect the project to create over 70 jobs and increase sales and furniture exports by approximately \$1.6 million. Quarter highlights include:



A potential Simplemente Madera supplier

- We reached out to the Chamber of Artisans and Furniture Makers (CAMANIC) to help SM select 26 SME's to receive business assessments (which analyze suppliers' organizational, legal, managerial, financial, occupational safety, and production capacities), which began in May. By the end of June, a multidisciplinary team of specialists from DAG Consultants (hired by SM using grant funds) and SM had visited and interviewed all 26 companies. We plan on completing the business assessments and selecting the 15 SME's who will advance to the next phase of the project (business management training, the development of business plans, service quality improvement, and production improvement training) in July.
- In June, SM exported wooden accessories to Big Green Egg (a US barbecue-set manufacturer) clients in the US and UK, worth \$55,000. SM hired 20 new employees related specifically to the Big Green Egg contract in May and June, for which we helped SM develop fixtures and prototypes. SM plans on eventually subcontracting a significant amount of work related to Big Green Egg accessory manufacturing to the SME suppliers we are training.
- SM began the process of improving efficiency at SM with the support of DAG Consultants (using the same approach they will use to improve the efficiency at 15 SME's in the next phase of the project). In May, they defined goals, success indicators and responsibilities, developed a quality management manual, and required resources to increase productivity. In June, they identified the training

needs of the SME furniture manufacturers for whom they conducted business assessments.

A11. SERVICONSA

On April 26, E&E signed an MOU with SERVICONSA, an international shrimp production and export company with a proven track record of supporting small shrimp production suppliers. Under this project, SERVICONSA will help 64 small shrimp producers (who form 4 cooperatives and 2 private enterprises) improve infrastructure previously damaged by Hurricane Mitch, provide these suppliers with loans to cover production costs, and provide them with guaranteed-quality larvae.

Meanwhile E&E will assist these small shrimp producers, in some of the poorest areas of Chinandega, to almost double their yields and incomes, through training, and the establishment of a veterinary medical diagnostic laboratory to control for shrimp diseases using equipment previously donated to one of the cooperatives by the Millennium Challenge Account (MCA). We project that this project will create over 100 jobs, while helping these SERVICONSA suppliers generate nearly \$2 million in new sales over 2 years. Highlights include:



SERVICONSA shrimp suppliers from the Lucrecia Lindo women's cooperative collecting shrimp

- E&E wrote SOW's for the project coordinator, a biologist, and a veterinary medical diagnostic specialist, and corresponding LOE contracts to USAID for approval. While waiting for USAID approval, the shrimp cooperatives pooled some of their resources to temporarily contract the project coordinator, so that they could begin receiving technical assistance.
- SERVICONSA invested more than \$650,000 to renovate suppliers' infrastructure, provide larvae, and finance shrimp producer production costs.
- The shrimp producers began their production cycle in April, and for the first time (in most cases) expanded their production density from 6-8 larvae/m² to 12-15 larvae/m², a first step to increasing their productivity. Due to high market prices for medium-sized shrimp, SERVICONSA decided to begin purchasing shrimp from the cooperatives during the last two weeks of June. This will allow for a second cycle this year (when aiming to produce large-sized shrimp, producers usually only have sufficient time for one cycle per year). Initial results were very positive; with some producers reporting yields above 1,000 kg (more than double the baseline yield).
- SERVICONSA, the shrimp cooperatives, and the National Fishing Institute (INPESCA) agreed to house the veterinary medical diagnostic laboratory equipment at INPESCA's training center in Chinandega. They also agreed that SERVICONSA and the shrimp cooperatives would co-manage the laboratory, though

SERVICONSA will assume greater responsibility, at least at first, with regards to running the laboratory. We will help SERVICONSA and the cooperatives establish the laboratory once we receive USAID approval for the laboratory specialist.

A1m. Hidropónica de Nicaragua (HDN)

On April 20, E&E signed an MOU with Hidropónica de Nicaragua, a hydroponic bell pepper exporter, to incorporate 150 new hydroponic bell pepper suppliers. We subcontracted overall project management and technical assistance of this project to SNV. We estimate that this project will generate approximately \$2.6 million in exports and create more than 375 jobs, while providing 300 small producers with about \$2,600 each in additional profits per year. Quarterly highlights include:

- SNV contracted a project manager, and began the process of selecting the rest of its technical team, while HDN assigned a project coordinator.
- We developed criteria for selecting the 300 new hydroponic bell pepper producers, and identified a cooperative with a large number of suitable candidates who will be incorporated in phases, with plans to select the first 50 producers by August.
- In an effort to reduce investment costs producers will need to make in production tunnels, HDN conducted trials with different materials, while E&E's financial specialist began supporting HDN to develop a proposal we plan on presenting to Banco Produzcamos and Root Capital, among other lenders, by mid-August.



Hidroponica experiments with alternative building materials to lower producer investment costs while maintaining production tunnel structural quality.

A1n. Sub-projects Under Consideration

During this quarter, E&E continued evaluating several ideas mentioned in our last quarterly report, and began considering several new sub-project ideas as well. We decided against moving forward with the **Café Don Paco**. We also decided to pass on a subproject with **Chocolates Momotombo** after concluding that this young company with great potential still lacks several characteristics we look for in potential anchor firms.

We also decided against proceeding with an anchor firm project with **VIANSA**, mostly because they lack a stable market, however we are supporting them as a Business Service Provider, and helped them negotiate a new mini-vegetable contract with Vegyfrut, and linked them to Chiles de Nicaragua, for whom they help farmers produce Tabasco chilies.

Finally, we opted not to go forward with the **Central American Fisheries** project, at this time, as the risk/return ratio that we considered did not meet our criteria. We continue considering the following:

- **PRONIEXPORT (Sesame Seed).** On June 29, USAID approved our concept paper with PRONIEXPORT, a major sesame exporter, paving the way for a sub-project focused on helping 420+ new formal PRONIEXPORT sesame suppliers (ex-MCA beneficiaries) with sustainable access to certified seed, financing, and technical assistance to expand yields and boost producers' profitability. We will send USAID the MOU with PRONIEXPORT for their review and approval in early July, and the SOW to subcontract project implementation to Fundacion Lider, a Chinandega-based NGO, in late July.
- **The Specialty Coffee Association (ACEN).** On June 10, E&E's technical committee discussed a new model for specialty coffee marketing in Nicaragua, proposed by ACEN, to help specialty coffee producers who are currently not receiving any premium for their specialty coffee do so. The project would involve helping ACEN create a certification for specialty coffee with a quality rating above 80 points (specialty coffee is judged using a point system), and then helping ACEN-certified producers capitalize on ACEN's extensive specialty coffee buyer linkages to facilitate higher prices. We are now developing a concept paper, which we plan on submitting to USAID in August.
- **Jubilee House-COPROEXNIC (Organic cotton).** On June 17, we presented a project idea to E&E's technical committee, aimed at capitalizing on increased international cotton prices, and helping approximately 50 organically certified producers gain financing to expand their production of organic cotton by 280 ha, under contract with a cotton cooperative called COPROEXNIC which was formed by Jubilee House Community, an NGO specializing in organic agriculture. The project would also involve co-financing machinery with Jubilee House to process cotton into cardan. The project was positively evaluated for its employment impact and for the strategic impact of helping a Nicaraguan business obtain equipment to process cotton, though doubts were raised related to COPROEXNIC's capacity to function as an anchor firm, and our capacity to secure financing on such short notice (planting begins in July). The technical committee decided that E&E should try to facilitate loans for these producers, and to proceed with a concept paper if we are successful in obtaining financing.
- **MANGOSA.** We began meeting with MANGOSA, a large mango exporter in May, which recently installed a large Instant Quick Freezing (IQF) system, and wants to outsource the production of plantain, sweet potato, papaya, and other products to producers so that they can export frozen products during the 8 months of the year that they are not exporting mangoes. We plan on presenting a project idea to E&E's technical committee by early August.
- **CISA (Coffee).** We are developing a project idea with CISA Exporters, which would involve CISA co-financing several certifications with about 50 new producers

(including UTZ and Rainforest Alliance), providing technical assistance to improve yields, and developing a financial product aimed at small and medium-sized coffee producers, to help cover the financial costs of renovating coffee plantations or expanding their production areas. We plan on presenting the idea to the technical committee by August.

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 efforts to enhance SMEs and their value chains is sustainable, is to support BSPs. E&E currently works with APEN, CADIN, CEI, uniRSE, CANATUR, and the newly inaugurated CISCO Entrepreneurship Institute at Thomas More University.

A2a. Asociación de Productores Exportadores de Nicaragua (APEN)

On April 27 we signed the MOU amendment with APEN for \$110,600, the implementation of which will finance several key activities including the Exporter of the Year Award, a feasibility study for installing an airport cold storage facilities in Bilwi (the Atlantic Coast), training 20 SME's on Good Agriculture Practices (GAP's) and Good Manufacturing Practices (GMP's), providing technical assistance to these 20 companies, so that they can become better prepared to obtain HACCP certification, and helping develop and provide guides for the implementation of GAP, GMP, and HACCP. Under this MOU amendment, we will also support the 2011 ExpoApén trade fair to be conducted on September 23, by providing speakers, planning and budget support. Highlights this quarter include:



Azucena Castillo, ACEN's General Manager; Enrique Zamora Llanes, ACEN's Chairman of the Board; Danilo Cruz-DePaula, E&E's COP, and Timothy O'Hare, from USAID during the MOU amendment ceremony.

- APEN's Export Facilitation Office (OFEX) delivered 6 trainings to 137 representatives of 89 MSME's on food safety, the development of export plans, and on using the internet to improve business management.
- In early June, APEN obtained subscriptions with three market intelligence services (Blue Book, Red Book, and PMA), which APEN will use to provide its members with information about potential buyers.
- APEN prepared SOW's to contract the consultants who will provide 20 SME's with technical assistance to obtain certifications. We helped APEN define the criteria for selecting the 20 firms who will benefit from this support, and plan on selecting beneficiary companies early next quarter. APEN also developed a SOW for the

consultant who will help APEN's Managua Airport cold storage facility obtain a HACCP certification, tendered the contract, and selected a consultant from a pool of three finalists. We plan on contracting this consultant in July.

- Since signing the MOU amendment, APEN has repeatedly contacted Bilwi Airport authorities to obtain their formal approval for conducting the cold storage feasibility study, and have yet to receive a response. We decided to cancel this activity if we do not receive a formal approval by mid-July.

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). Quarter highlights include:

- CENAMI delivered marketing and sales management training to 43 MSME representatives and then helped 58 MSME representatives from the agro-industry, bakery, and shoe and leather sectors develop marketing plans. CENAMI also delivered quality management training to 20 MSME representatives.
- CENAMI followed up on the costing training it delivered in March, by providing direct technical assistance to 39 MSME's who received this training. Of the 39 companies who received the training and now have a better understanding of their current costs and how to cost products, 28 received direct technical assistance, and 19 of these have implement cost controls to improve their overall cost management. CENAMI also provided direct technical assistance to the businesses that participated in the marketing and sales management and quality control trainings, to help them implement knowledge transferred in the courses.
- CENAMI delivered training to 62 MSME representatives and Central American University (UCA) law students, on the Public Procurement Law (Law 737).
- We began developing CENAMI's website, which involves creating individual websites for affiliates, posted on the site (such that affiliates' website addresses will be: www.affiliatename.cenami.com). CENAMI created an alliance with a supplier website, www.proveedoresdenicaragua.com, which will allow 168 CENAMI affiliates to register as suppliers on this website, for free.
- CENAMI visited Catarina in order to recruit new affiliates, and 10 new MSME's joined, bringing CENAMI's beneficiaries to 160 MSME's.



A2c. Centro de Exportaciones e Inversiones (CEI)

In April, E&E signed an MOU amendment with CEI, under which we will provide up to \$70,000 to support CEI to develop a guide of best practices for international trade show preparation (to strengthen CEI's participation in future trade shows), and practical export guide ("The ABC's of Exporting). E&E will also support CEI's participation in 4 international trade shows including the 2011 PMA in Atlanta. Highlights since signing our MOU amendment with CEI include:

- CEI delivered a report summarizing results from Nicaraguan company participation at the 2010 PMA in Orlando. PROEXPORT, Tecnoagro, Vegyfrut, FRUVEX, and AGROESNICA generated over \$530,000 in new exports as a result of their participation at the PMA (discounting previously reported Vegyfrut sales that resulted in part from PMA participation, CEI's PMA participation actually contributed \$378,000 in new export sales). Distribuidora El Carmen, a bean exporter, which had reported a majority of the sales leads generated at the fair, ended up not capitalizing on the contacts it made at the PMA as a result of the Nicaraguan government's decision to ban bean exports earlier this year.
- We helped five companies, offering tropical roots and tubers, papaya, beans, beef, coffee, milk, and sesame, participate at the CPMA in Montreal, Canada from April 13-15, and as a result, these companies obtained sales leads worth approximately \$1.1 million. CEI will present actual export results from CPMA in October.
- We helped CEI organize a commercial mission to Belize, involving 18 Nicaraguan companies offering furniture, shoe and leather products, arts and crafts, basic grains, beef, milk, cookies, agriculture inputs, and plantain. Participating companies obtained first-hand knowledge about potential demand for their products in this market, as well as factors limiting their competitiveness, including logistics costs and information on competitors. The products which receive the most positive attention were cookies, milk, and shoes. CEI will help companies follow up on sales leads, and will deliver a report summarizing actual export results to Belize as a result of this commercial mission, by December.
- From May 31 to June 2, we helped six companies representing coffee, cookies, agriculture inputs, fish, and dairy products, participate at the Expo Alimentaria Show in Mexico City. Participating companies received over \$5.8 million in sales leads. CEI will deliver a report summarizing actual export results to Mexico as a result of this Fair, by December.
- CEI reserved space for their stands at this year's PMA, which will occur between October 14-17, in Atlanta. We are now working with CEI to prepare for this important trade fair.



Nicaraguan shoe company participates in meeting with a Belizean buyer.

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

The MOU with uniRSE, Nicaragua's leading social corporate responsibility NGO, provides technical assistance to 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 the program, 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.



Participants in uniRSE's 3-day seminar "A New Entrepreneurial Perspective" receive diplomas.

During this quarter, we held two introductory workshops. On May 17, we held a workshop in Managua, which included the participation of 40 representatives from 23 companies from Managua, Granada, and Masaya. On June 23, we held another workshop in Juigalpa, in which 16 SME's participated, including CANISLAC, a dairy association. From June 28-30, we held a workshop entitled "A New Entrepreneurial Perspective" ("Nueva Mirada Empresarial" in Spanish) in Managua, which involved the participation of 24 SME's. On June 30, the US Embassy held an event, "Sharing Experiences in CSR." E&E contributed by financing a guest speaker, Dr. Richard, Feinberg, a CSR expert. We are now planning for two more workshops in July—a workshop with our entire group of anchor firms to reinforce the importance of CSR initiatives, on July 22, and another workshop in Estelí on July 26 to introduce CSR to approximately 20 companies.

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. Highlights include:

- In April, we trained 134 CANATUR members to better understand the process of collecting recyclable materials, though the recycling project between RENISA and CANATUR chapters in Masaya, Catarina, Granada, Leon, Chinandega, and Ocotol. Since receiving these trainings, several chapters began collaborating with their municipalities to plan the establishment of recyclable material collection centers, and both the Leon and Chinandega CANATUR chapters established agreements with local solid waste collection SME's which are now collecting recyclable goods from chapter hotels in these two cities. In May, CANATUR's President met with the mayors of Granada, Masaya, and Leon to promote recycling efforts in these municipalities.



- Based on CANATUR chapter members' credit needs, E&E linked CANATUR to Banco Produzcamos which already has a financial product for tourism-related companies, allowing for loans of up to \$300,000, with a 3 year payback period and 10% interest, which can be used for infrastructure or equipment purchases. Since linking CANATUR branch members to this lender, E&E and CANATUR have facilitated follow up meetings between chapters and Banco Produzcamos' regional offices.
- In May, E&E helped CANATUR host the Second Annual National Tourism Fair, where 125 tourism companies promoted their businesses and 33 international tourism operators participated (16 from the US). E&E helped CANATUR organize the inaugural conference last year. CANATUR's Masaya, Catarina, Leon, Chinandega, Matagalpa, Granada, and San Juan Del Sur chapters promoted their tourism attractions.
- We continued helping CANATUR develop websites for its chapters, to help promote them as tourism destinations. Technical problems with CANATUR's server slowed this process down in June, and we expect for these websites to be completed in July.
- E&E contracted Calvet and Associates to carry out a medical tourism market study, to better understand overall medical tourism demand, medical tourism niches that Nicaragua could exploit in the short to medium term, and Nicaragua's potential to offer healthcare services internationally. We plan on receiving the first draft of this study by July 24.

A2f. The CISCO Entrepreneur Institute at Thomas More University

On May 31, we inaugurated the CISCO Entrepreneur Institute at Thomas More University, with the participation of Thomas More University's President and key faculty, Mr. Ravil Lingam (CISCO Central America Regional Manager) and Ms. Alejandra Mantilla (CISCO Central American and Caribbean Manager), as well as USAID and private sector representatives. During its first 2 years, the CISCO Entrepreneur Institute will offer a minimum of 320 entrepreneurs comprehensive training to start and grow businesses, and to incorporate technological solutions to improving productivity and gaining access to new markets, Highlights since the inauguration include:



Students receive training at the CISCO Entrepreneurship Institute

- On May 5, USAID approved a grant application to acquire equipment and furniture for the CISCO Institute.
- CISCO finished training the CISCO Entrepreneurship Center's Program Manager and two facilitators on May 27.

- We published newspaper advertisements to recruit participants for the training programs, and received over 100 applications. We are now beginning to enroll participants in the first course, slated to begin on July 9.

A3. Operations Research and Export Studies

E&E undertakes studies that support enhanced market intelligence or analyze sector 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 an analysis of competitiveness of the textile-apparel industry in Nicaragua and its linkages to the U.S. industry, including a follow-up action plan. During this quarter, we helped the NFTZC, the Nicaraguan Association of Textile and Apparel (ANITEC) and PRONICARAGUA finalize a work plan to implement recommendations made by E&E's study. The work plan prioritized high energy costs and slow customs processes as the largest obstacles to Nicaraguan textile and apparel industry competitiveness.

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, *Nicaragua's Competitiveness in Apparel Manufacturing* concluded that Nicaragua is the most competitive apparel manufacturing country, for most of the products studied. We presented the results to stakeholders in April and based on the overwhelmingly positive feedback and the study's encouraging results, we decided to support PRONICARAGUA's participation at *Sourcing at MAGIC* Trade Show in Nevada, an annual trade show that brings together thousands of clothing manufacturers, from August 21-24, and the Los Angeles International Textile Show from October 10-12, to promote Nicaragua as an apparel manufacturing location, using O'Rourke's study as a promotional tool. We believe some substantial investments could come from the combined study and trade show participation.

A3c. Legal Framework of Recycling Laws Among CAFTA-DR and Other Latin American Countries

Last quarter, we reported that E&E, in collaboration with RENISA and the Nicaraguan Recyclers Association (ASORENIC), 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 was 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 that provide incentives to recycling those specific products and export recycled materials do exist, 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 decided to provide RENISA and ASORENIC with technical assistance help to current and potential economic impact of the Nicaraguan recycling sector (in order to justify a law), and to draft and promote recycling legislation specifically for businesses. COSEP agreed to promote the passage of this legislation. Results since completing this operations research are presented in Section B3.

A3d. Competitive Benchmark Analysis of Nicaragua's Footwear Industry

PRONICARAGUA sent E&E a proposed Scope of Work for conducting a benchmarking analysis of shoe manufacturing costs (comparing those in Nicaragua to costs in leading shoe-manufacturing countries). After analyzing our budget, we decided that we cannot finance this study, though we plan on meeting with FUNIDES during the next quarter, to determine if they can finance the study with our technical support.

A3e. Market Study for Medical Tourism in Nicaragua

As mentioned in our last quarterly report, CANATUR 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. During this quarter, we contracted Calvet and Associates to implement this study, and plan on receiving a first draft of their results by July 24.

A3f. Analyzing Wood Furniture Demand in Guatemala, El Salvador, Costa Rica, Panama, and the Dominican Republic

We began drafting the SOW for a study analyzing demand and providing sales contacts with furniture buyers in Guatemala, El Salvador, Costa Rica, Panama, and the Dominican Republic, and are waiting for Simplemente Madera to provide feedback before finalizing the SOW and tendering it. We plan on initiating the study next quarter, although it is subject to availability of funds.

A3g. 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 in July. If funding allows, we may organize a number of forums to

discuss the study's results with a wide audience of Nicaraguans, including private producers, the government, donors, and civil society.

A4. Facilitating Access to Credit for MSME's

Access to finance is critical for SME's. In addition to tending to individual anchor firm and anchor firm financing needs, E&E's finance specialist began implementing several high impact initiatives, with potential multi-sector-wide results, this quarter. Q3 highlights include:

- BDF MOU. We helped BDF develop financial products for the tourism and agro-exporter sectors. After drafting both financial products in May, we facilitated opportunities for BDF to obtain private sector feedback through focus groups and meetings with potential borrowers. After incorporating their feedback, BDF finalized the 2 products, and plans on introducing them in August. The products have the following characteristics:
 - The Tourism Financial Product: BDF will provide credit lines for working capital, and 3-year loans for infrastructure improvements or the purchase of equipment (including solar panels, which have been shown to drastically decrease energy costs at hotels and restaurants).
 - The Agro-Exporter Financial Product: BDF will provide a revolving credit line to finance the procurement of exported agriculture products. With sales contracts, agro-exporters will receive factoring services, and financing for the purchase or improvement of warehouses, cold storage, and equipment. BDF will partner with APEN to finance certification costs.

E&E also helped BDF train 30 credit analysts and branch managers to better analyze SME credit applications.

- SINRIESGOS: USAID approved our concept paper with SINRIESGOS in June, and we signed an MOU with SINRIESGOS on July 7, to develop a new "Credit Scoring" tool, to help SME lenders make better lending decisions. In June, SINRIESGOS conducted a pre-feasibility study, the results of which helped BDF and E&E to begin drafting a SOW to contract a consultant to help design the credit scoring prototype. We plan on contracting this consultant during the next quarter.
- FDL: USAID approved our concept paper with the Local Development Fund (FDL) in June, for a project with this lender, to provide technical assistance to 3,000 small producers in Las Segovias, who will in turn receive financing to produce plantains and other products, as well as to purchase cattle for milk production. We estimate that this project, which will provide financing to 3,000 small producers, will generate \$2.2 million in new sales and \$2.9 million in financing. We hope to sign an MOU with FDL in July.



Rafael Garcia (standing at right) oversees production at his small factory

Entrepreneur Sees Benefits of Implementing Financial Controls

“Good organization is the foundation for saving and helps control cash.” According to Rafael Garcia, proprietor of COVENIC, an 8 year-old company based in Managua, this is one of the best business management lessons he has learned. COVENIC manufactures automobile seat covers, and employs 13 people.

7 years ago, after several years helping to construct automobile seat covers at his cousin’s business, Rafael decided to start his own business with help from his wife. In order to obtain a sewing machine, he obtained a \$2,500 loan from Banco de Finanzas (BDF). Today, he is repaying a \$30,000 loan, which he has used to purchase specialized machinery and expand his business.

Like many SME’s in Nicaragua, Rafael’s business expanded, and the lack of formality in his accounting system became an obstacle for business growth. After joining his daughter in an inventory and cash flow management training BDF offered with support from USAID’s Enterprise and Employment Program, Rafael realized that “If I want my business to keep growing I have to formalize my accounting system.” Since receiving this course, Rafael has begun implementing a formal accounting system.

B. Support for CAFTA-DR and Improved Policy Environment

B1. CAFTA-DR Work Plan Implementation

In June, E&E helped COSEP complete a baseline, composed of a number of competitiveness-related and social indicators, to help better understand how Nicaragua is taking advantage of CAFTA-DR, and evaluate progress in this respect. Starting in July, COSEP will compile a monthly report keeping track of progress in each indicator, which COSEP will use to identify specific problems to resolve and help shape future economic policy.

Also this quarter, we began consulting with exporting sector representatives, particularly APEN, to identify recurring problems facing Nicaraguan exporting companies. Problems with exporting beef to Guatemala and cheese to El Salvador were prioritized. In the next quarter, we will investigate potential barriers to market access, and develop plans for overcoming these problems.

B1a. Complementary Agenda

- We continued in close dialogue with PROCOMPETENCIA, the mixed private public competition policy institution, on their implementation of a national antitrust policy agenda. We helped PROCOMPETENCIA write SOW's and select three consultants to develop the national antitrust policy agenda, which COSEP will help validate, and we plan on contracting them next quarter.
- Based on the request of representatives from over 14 private sector chambers to help them develop an export promotion law, we developed SOW's and received USAID approval to contract two consultants, who will provide an economic justification for an export promotion bill, draft the bill, and present it to the National Assembly.
- In April and May, we provided technical assistance to review the technical and legal considerations of implementing the Customs Law and the Microfinance Law (to regulate microfinance institutions). On June 9, the National Assembly passed the Microfinance Law, which will regulate how microfinance companies are established, operated, and are supervised.

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. Highlights this quarter include:

- Lake Cocibolca Residual Water Management: E&E signed an MOU with the National Agriculture University (UNA) on March 11. In April, UNA wrote the SOW's for 14 technicians (legal and environmental consultants). In May, UNA began contracting the technicians who will begin improving water quality in priority areas of Lake Cocibolca, while strengthening MARENA's environmental compliance management with municipal governments and the private sector. While we planned on contracting UNA to administer the funds for this activity by June, UNA's bureaucracy and MARENA's slow approval process have delayed finalization of the subcontract to UNA until July or August.
- The Laboratory Accreditation Project and Regional Accreditation of the National Office for Accreditations. In April, we developed and facilitated discussion of the statutes governing the National Laboratory Network, which were approved by network members in May. In May, the Network's 10 members began developing an action plan.

In June, our consultant, Eduardo Zamora, finished auditing the National Accreditation Office's (ONA) management system to ascertain their compliance with ISO 17011 (the minimum requirements of a national accreditation office to be accredited internationally), and provided his recommendation for obtaining international accreditation to MARENA and MIFIC.

B2. Policy Reform

E&E continued working closely with private sector counterparts, especially COSEP, CACONIC, and AMCHAM, 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 17 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. During this quarter, we contracted key consultants to help COSEP in implementing its work plan for 2011 and we continued working with COSEP to make progress with access to finance, tourism, and the development of an export law. We helped COSEP obtain a legislative victory on June 9, when the National Assembly approved the Microfinance Law, which will regulate how microfinance companies register, are authorized to operate, function, and are supervised.

B2b. Coastal Investment Legislation

In February, we contracted Calvet & Associates, 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. During this quarter, Calvet met with key players, such as the National Coastal Zone Development Commission, which is responsible for enforcing this law in the municipalities. In June, Calvet visited the municipalities of Tola, Corn Island, and Granada to organize workshops to begin establishing municipal coastal committees consisting of local government and private sector representatives we will train to understand the application of the Coastal Investment Law. We also retained the services of Comunica, a consulting company that began developing a media campaign (radio broadcasts and written media) on the importance of correctly applying the Coastal Investment Law to promote investment. We expect Calvet to deliver the final report of the guide for implementing the Coastal Law in July. INTUR's legal department also asked for a copy of the guide, to provide feedback that we will use to improve the guide.



Tourism sector SME's participate in Coastal Investment legislation workshop in Tola, Rivas

B2c. Support for the American Chamber of Commerce (AMCHAM)

In June, the American Chamber of Commerce of Nicaragua (AMCHAM-Nicaragua) asked E&E for support to help strengthen AMCHAM's capacity to design and write project proposals and improve how AMCHAM manages its committees. AMCHAM also asked E&E to help train them on the Public Procurement Act. We agreed to provide this support, and began drafting a SOW to contract a consultant to help them.

B2d. Supporting the Creation of a Mediation and Arbitration Center for the Nicaraguan Chamber of Commerce (CACONIC)

During this quarter, CACONIC contracted 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, make recommendations to strengthen the use of alternative dispute resolution methods, and develop new products for the MSME sector, to facilitate their access to quick, flexible, and low-cost solutions, and to significantly reduce the costs of dispute resolution. On June 15, the Arbitration and Conciliation Center presented their results to CACONIC, Supreme Court Judges, and the general public, at the Commercial Science University (UCC). Their work was well reviewed by CACONIC. CACONIC plans on promoting the use of commercial mediation through a media campaign beginning next quarter.



Rafael Bernal, from the Arbitration and Conciliation Center, presents his recommendations to CACONIC

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

During this quarter, we drafted the SOW's for the two consultants who will estimate the economic impact of the recycling industry and draft the legislation, and identified the most suitable consultants to carry out this work. We plan on sending proposed STTA contracts to USAID for approval in July.

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

We signed a grant with Fundacion Victoria on April 28 for \$107,179 to co-finance 100 scholarships for at-risk youth, who will receive 2-year technical training in *Industrial Maintenance* and *Administration with an Emphasis on Marketing and Sales Management*. The first course module concluded in late May, and although six students dropped out (94 students remain), this is the highest retention rate Fundacion Victoria has experienced since it began offering these two technical-vocational courses. Students performed well, with students' grades averaging 89%. Once the first module finalized, Fundacion Victoria held a personal development workshop, aimed at helping these students establish goals.



Students from Fundacion Victoria's Industrial Maintenance Program receive hands-on training

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

In May, we modified our SOW with SNV to reduce the amount of sectors to study, from five to four, in order to look at each of the four chosen sectors more carefully. SNV selected tourism as the fourth sector, which they began studying along with pre-selected sectors of light manufacturing, shoe and leather, and agribusiness. SNV interviewed businesses in these sectors between May and June, and delivered a first draft in the last week of June. SNV will deliver the final report of the study next quarter.

C3. Postgraduate Program in Export Management

On April 9th, we signed a tripartite MOU with CEI and the Catholic University (UNICA), to implement an Export Management Postgraduate course for 18 representatives of exporting companies, potential exporters, association leaders, government employees, and a journalist. Two of the three classes delivered each week are virtual, and though CEI experienced some initial technical problems with Linkserve, their distance education system, these were quickly resolved. So far, course participants have completed the first module, which involved 66 hours of course work (about a third of the entire postgraduate program).

C4. Enterprise Assessment Training

On April 29, we signed an MOU with the Central American University (UCA) to train 40 consultants on conducting business assessments using a comprehensive approach called Business Management Systems. The first cohort included 16 course participants, who were each linked to SME's (several of whom were anchor firm suppliers or BSP beneficiaries), so that they can conduct enterprise assessments of these companies. The assessments will provide these 40 companies with a clear understanding of their shortfalls, and prioritize action plans for overcoming them. We worked with the National Association of MSME Consultants (ACONMYPIME), which was established by INDE PROSEDE, to

identify the consultants. The 16 consultants in the first cohort will present the 16 business assessments they completed, in early July. The second cohort of course participants, included 24 consultants from Chinandega, Leon, Chontales, Granada, Masaya, and Managua, and began on June 24



Transforming lives of young people at the Victoria Foundation

In January of 2011, 100 at-risk youth began technical education programs in *Industrial Maintenance and Administration with an Emphasis on Marketing and Sales Management*, both delivered by the Victoria Foundation. By June they have already completed the first module and participated in a personal development workshop, where for the first time in their lives they thought about their life goals.

These 100 students, who are receiving full scholarships co-financed by the Victoria Foundation and USAID's Enterprise and Employment Program, come from very similar backgrounds – low income households in at-risk neighborhoods. Thinking about the future and setting life goals occurs seldom for their peers. Alba Obando, Josué Barrios, and Julio Moscosa, first year students at the Victoria Foundation, consider themselves privileged to have qualified from nearly 500 applicants to study at the Foundation.

After finishing high school three years ago, both Alba and Josué had no opportunities to further their education. Since joining the Victoria Foundation, they have performed well, scoring 85% or above, something they claim they could not have achieved had it not been for their teachers' commitment and dedication to seeing them succeed.

The personal development workshop helped Alba, Josué, and Julio see themselves as leaders, who can rely on themselves to improve their lives. All three plan on finishing their technical education at the Victoria Foundation and then going to the university, after which they want to work. After completing the personal development workshop, Josué concluded: "If you set your own goals, you can reach them, nothing is impossible."

C5. New Product Development Assistance to “La Bendicion” Cooperative

During this quarter we developed a SOW to provide technical assistance to 20 backpack manufacturing SME’s in Nagarote, to diversify their product offerings. Most of these 20 SME’s had previously manufactured school backpacks using the Jansport brand name; however, they stopped doing so after receiving a warning in late 2010. We plan on contracting the Polytechnic University (UPOLI) at the beginning of next quarter to help these SME’s develop their own brand and expand beyond the highly seasonal school backpack market.

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:

- The national press published a total of 56 news articles highlighting E&E’s activities (17 articles in April, 13 articles in May, and 26 articles in June). Annex II, *Communications and Press Coverage*, includes clippings from most of these articles. Among the major activities that received press coverage are CAFTA-DR’s 5th Anniversary event (17 news stories) the presentation of the apparel industry competitiveness study with ProNicaragua (11 news stories), and the inauguration of CISCO’s entrepreneurial Institute (5 news stories). Our Enterprise Assessment training initiative with UCA, the inauguration of a new ecological kiosk in Managua, and our support of CEI’s commercial mission to Mexico also received press coverage.
- E&E continued cooperating with COSEP’s *Nicaragua Empresaria* radio and television program, in order to improve programming related to SME development and improving the business climate. During April, May, and June, *Nicaragua Empresaria* covered topics such as: electronic commerce, the impact SME’s have on Nicaragua’s economy, CISCO’s Entrepreneurship Institute, access to finance, and the impact of USAID’s support to Nicaragua’s development the coastal law’s importance on investments and economic development.
- We continued preparing a blog to promote the exchange of ideas and opinions regarding issues related to economic development, and plan on launching the blog by July.
- We also continued assembling materials for our biannual magazine, *Compitiendo*, which we plan on publishing in late July.
- E&E continues updating its web content on the project’s website (over 25,000 visits to date), Facebook (over 900 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 \$158,912 during this quarter. E&E awarded funds as follows:

- On April 28, we awarded a grant to Fundacion Victoria in the amount of \$107,179 to support youth at risk with scholarships for courses for vocational training on industrial maintenance and/or business management.
- On May 5, we awarded a grant to Thomas More University, in the amount of \$11,450, to procure equipment and furniture for the establishment of a local Cisco Training Center to be housed at the university and offer training to young entrepreneurs.
- On May 19, E&E awarded Ingemann Food Nicaragua, S.A. a grant in the amount of \$40,283, for procurement of inputs for honey producers and honey moisture removal equipment, developed in the US.
- On June 3, E&E submitted a grant application to USAID benefiting Simplemente Madera, S.A-MAPIINICSA, for the procurement of carpentry tools and technical assistance and training for small workshop suppliers of wooden furniture and accessories, in the amount of \$65,000.