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# FY 2011, First Quarter Report October – December, 2010

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Cover picture:

*Enterprise and Employment (E&E)* held the *Nicaragua a Flor de Piel* fashion show in November, showcasing new leather shoe and accessories designed with E&E support. The show gave an opportunity to 15 MSME's to present their new products to over five hundred people.

# Enterprise & Employment Project First Quarter Report

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## FY 2011



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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 first quarter of FY 2011, from October to December, 2010. 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, and the individual task order activities that fall under these core work areas.

Quarterly highlights include:

- Calzado Alex. E&E helped generate \$45,000 in sales for Calzado Alex and its suppliers, \$37,000 of which were exports, and helped create 19 new jobs at the main Calzado Alex workshop and its suppliers. Calzado Alex also financed over \$12,000 to help six of its suppliers purchase equipment.

E&E hosted a shoe and leather goods fashion show on November 19 at the Metrocentro shopping mall, displaying new and innovative designs from 15 MSME's in Calzado Alex's supply chain, to over 300 people in attendance in what was a "first" for Nicaragua of SMEs displaying products of such fashionable design. A catalogue of the new designs can be viewed at APEN's website:

[www.apen.org.ni/ofertaydemanda/18](http://www.apen.org.ni/ofertaydemanda/18)

- Chiles de Nicaragua. E&E technical assistance resulted in record yields, with Chiles de Nicaragua exporting \$414,000 worth of ground Tabasco chili mix to McIlhenny Company. Chiles de Nicaragua's rapid growth resulted in the creation of 85 permanent jobs. The company leveraged \$315,000 from several sources to finance 74 chili suppliers.
- Vegyfrut. E&E financed and prepared Vegyfrut's effective participation at the PMA Fresh Summit in Atlanta, where the company obtained a letter of intent to purchase seedless watermelon from Bagley Produce, a Texas-based importer, packer, and distributor. As a result, Vegyfrut planted 10 hectares for export, though Bagley's purchasing capacity (between late October and mid March) exceeds this amount by several hundred times. E&E assistance also helped generate \$67,000 in local sales of mini-vegetables, and the creation of 10 permanent jobs. In addition, Vegyfrut obtained \$55,000 in credit to finance mini vegetable and seedless watermelon production.
- Eskimo. E&E trained 104 dairy producers on animal health, implementation of best dairy production practices, and effective summer feeding. In addition, an increase in new suppliers to collection centers resulted in a 7% increase in milk collected, as well as 32 new permanent jobs at collection centers.
- RENISA. Generated 97 permanent jobs through the formation of a recycling cooperative in the Island of Ometepe and a recycling MSME, *Microreciclaje*

*Mendoza.* The formation of an Environmental Committee within AMCHAM, and their announcement that 18 businesses will sign agreements with RENISA to supply the latter with recyclable material, will support RENISA's growth and lead to future employment generation.

- Sabina. E&E helped develop the legal framework for Tiendagro's concession stores, helping to shorten several start-up processes for future store openings. These stores will help small farmers access and repair agricultural equipment. Sabina also began planning the opening of two new stores to be launched in Q2.
- Casa Mantica. E&E and Casa Mantica incorporated eight SMSE's as suppliers to the supermarket chain. E&E support these companies to expand sales by \$174,960 and create 18 permanent jobs.
- Exposur. E&E helped forge a sales contract for approximately \$5 million between Del Monte and Exposur, a cooperative which commercializes plantains from over 30 plantain producers in Rivas. The agreement has the potential to radically improve regional plantain growers' revenues.
- Grupo Raices. Quarterly sales increased by \$33,900 in comparison to the same period last year, while 67 new jobs were created. In addition, Grupo Raices obtained \$11,500 worth of venue space from Galerias Santo Domingo and CEI to conduct the Creative Hands Award Ceremony.
- Tecnoagro. In October, E&E and Tecnoagro signed an MOU aimed at expanding production of new, higher-yielding cassava varieties that could drastically improve earnings of small producers. Since signing the MOU, E&E and Tecnoagro focused on developing a plan to guarantee access to fresh seed in May, the start of the planting season, and in meeting with potential lenders to facilitate credit to these producers.
- Ingemann Honey. On November 2, E&E and Ingemann Food signed an MOU that will facilitate hive expansion and commercial opportunities for this anchor firm and its suppliers. During the quarter, Ingemann finalized the distribution of 400 hives and corresponding equipment to 23 producers (E&E financed half of associated costs). Benefitted producers began delivering honey provided by this effort in December, leading to local sales of \$7,647 and exports of \$12,746. Ingemann agreed to sign purchase contracts with producers for honey equivalent to that produced by a minimum of 2,000 additional hives for 2011 (approximately \$200,000 in exports), and 4,000 additional hives in 2012 (about \$600,000 in exports).
- Subprojects Under Consideration. E&E is at an advance stage of reviewing new anchor firm projects, including (1) Serviconsa, related to expanding productivity and profitability of small shrimp producers through an international shrimp processor and exporter; (2) MAPPINIC, to strengthen the wooden furniture value chain; (3) Hidroponica de Nicaragua (HDN), involving the integration of small hydroponic bell pepper producers to HDN's supply; (4) Café Don Paco, to assist cooperatives

providing specialty coffee for the anchor firm; and (5) Export Basket with *LosNicas Distributors*, based in Miami, to export ethnic agricultura products. We will have Concept Papers for USAID review beginning in early February and during Q2.

- Facilitating Access to Credit. In December of 2011, E&E's new Finance Specialist completed a comprehensive strategy to increase access to credit for E&E's partners, anchor firms, their suppliers, and the sectors in which they work. E&E signed MOU's with Banco de Finanzas (BDF) and LAFISE Bancentro to provide access to working capital and fixed investment credits to E&E anchor firms and their suppliers, of up to \$1 million, and \$1.5 million, respectively.
- APEN. A total of 52 people benefited from E&E's support of the Nicaraguan Producer Exporter Association's (APEN) Export Office (OFEX), as training recipients adopted proper use of agriculture chemicals, corporate social responsibility, export research, marketing, and how to calculate the additional costs of exporting their products to different markets.
- CEI. In collaboration with E&E, the Center for Exports and Investment (CEI) sponsored and prepared 6 SME's to participate in the PMA Fresh Summit in Orlando, resulting in new contacts that could yield exports valued at \$3.4 million. In addition, E&E facilitated a review session in which representatives of participating SME's and CEI reflected on their experience at PMA and provided lessons learned to be used to prepare for future fairs.
- CANATUR. With E&E support, CANATUR expanded regional membership by adding local branches in Matagalpa, Ometepe, Laguna de Perlas, Estelí, Leon, Nueva Segovia, San Juan del Sur, and Granada, thus integrating 28 new tourism SMEs. An E&E consultant supported CANATUR in workshops in to understand tourism stakeholders needs, receive feedback, and promote CANATUR membership. In each workshop, members developed work plans for 2011.
- Operations Research. On November 24, E&E and the National Free Trade Zone Commission presented the results of a study on the state of the Nicaragua textile and apparel industry and how to enhance its competitiveness. Dr. Gary Gereffi and Dr. Jennifer Blair from Duke University's Center for Globalization, Governance, and Competitiveness presented the study to over 100 members of the Government of Nicaragua (GON), the private sector, labor unions, civil society, and the press.

In collaboration with PRONICARAGUA, E&E also conducted a benchmarking assessment of apparel production costs in Nicaragua, Haiti, El Salvador, Guatemala, Honduras, China, Vietnam, and Bangladesh. E&E will review and formally present the study in the second quarter of 2011.

- CAFTA-DR. We worked with MARENA on planning Environmental Cooperation Agreement activities, with project implementation to begin in the second quarter. With regards to the National Action Plan, an E&E consultant presented its assessment of Nicaragua's administrative procedures for CAFTA-DR

implementation to the Superior Council for the Private Enterprise (COSEP) and GON officials on October 18. COSEP members agreed that the private sector needs to engage the public sector and together work on promoting GON compliance in areas of intellectual property, customs, the implementation of plant phyto-sanitary measures, and market access.

- Public-Private Sector Dialogue. E&E supported the Inter-Institutional Commission for Trade Facilitation (CIFCO), which brings together representatives of the public and private sectors related to trade in order to manage, expedite, and follow through with solutions for problems limiting commerce. E&E support included recommendations to streamline operations within CIFCO and its committees, an import and export guide that for the first time summarizes import and export requirements for twenty products, and a proposal to streamline import procedures.
- Government Procurement Legislation. We provided short term technical assistance (STTA) to help improve and pass government procurement reforms, drafted and approved by the National Assembly in October. The law provides for the establishment of quicker and more transparent procurement procedures, greater assurances that private sector companies will be able to compete fairly for government contracts, and by modernizing this law, the fulfillment of Chapter 9 requirements under CAFTA-DR.
- Human Capital Development. E&E conceptualized and negotiated the SOW for a study to be conducted by SNV that will analyze employer demand for specific jobs in five sectors, forming the base for future human capital development initiatives. In addition, E&E continued organizing an Export Management postgraduate course with CEI and the Catholic University (to begin in March, 2011), a Business Assessment training course with UCA (to begin in February, 2011), and workforce development courses in industrial maintenance and administration with an emphasis in marketing and sales with the Victoria Foundation (courses begin in January, 2011). USAID approved a grant that will be used to finance activities with uniRSE, aimed at training E&E anchor firms (at least 20) and their suppliers (at least 200) to adopt Corporate Social Responsibility (CSR) models as part of their day to day business operations.
- Outreach. E&E continued to generate a high level of awareness of USAID's efforts to promote equitable growth in Nicaragua among the press, stakeholders, and the public. E&E facilitated the dissemination of news related to E&E's activities and successes through a total of 26 newspaper articles, 23 television reports, and 9 radio stories, in addition to direct publication of 3 newsletters to over 200 stakeholders and beneficiaries, and the production of 2 videos describing project successes with Chiles de Nicaragua and Vegyfrut subprojects.

## 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 October to December, 2010. Progress against Performance Monitoring Plan (PMP) indicators is highlighted in Section III.

### A. Activity A – SME Development and Value Chains

E&E provides direct assistance to MSME's through three principal activities included in the task order: (1) anchor/value chain firm projects; (2) enhancing the capabilities of business services providers; and (3) operations research or studies aimed at better understanding and making specific recommendations on how SME's and sectors can increase their competitiveness, as well as export market assessment; (4) enhancing the capacity of SMEs to access finance and investment capital. These activities complement each other, creating synergies to more effectively assist SMEs.

#### A1. Anchor Firm Projects (Task Order Activity A)

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

This sub-project significantly improves product quality, inventory controls, capacity to fulfill consumer demand, and increases overall sales of Calzado Alex and its microenterprise suppliers. E&E now supports thirteen suppliers, up from the original six. Results during this quarter include:

- Calzado Alex quarterly sales reached a record high of \$403,000, \$45,000 more than sales achieved during the same period in 2009, \$37,000 of which were export sales. Part of these can be attributed to a new sales contract with the Government of El Salvador (GOES) for an additional 30,000 pairs of shoes. This new sale, which did not involve a middleman broker, will guarantee profits of at least \$4 per pair (\$120,000 in profit).
- E&E hosted a leather shoe fashion show on November 19 at the Metrocentro shopping mall, attended by over 300 people. Thirteen MSME's, many from Calzado Alex's supply chain presented new and innovative designs under the theme "Nicaragua a Flor de Piel." A large audience favorably reviewed the MSME's shoe designs, developed with the advice and training of an international leather



Original photograph for advertisement of a new shoe design, part of the *Nicaragua a Flor de Piel* catalogue

fashion expert contracted by E&E. E&E also helped to develop a digital catalogue of all designs presented during the fashion show, which can now be accessed at the Nicaraguan Producer Exporter Association's (APEN)'s website:

[www.apen.org.ni/ofertydemanda/18](http://www.apen.org.ni/ofertydemanda/18)

- Calzado Alex created 11 new jobs and six suppliers created an additional eight jobs as a result of increased sales and production volumes. Increased seasonal sales and an increase in demand resulting from November's shoe and leather product fashion show, "Nicaragua a Flor de Piel" led to Calzado Alex implementing two work shifts and hiring 30 temporary workers.
- E&E sponsored the participation of Disprocuero, Calzado Bronson (formerly known as ORDOGAR) and Marroquineria El Arte en Cuero BOP at the Latin American Industrial Shoe Fair in Guanajuato, Mexico. As a result of the valuable contacts gained at the fair, the National Shoe and Leather Council (CANCUNIC) decided on pooling its members' resources to procure better quality and more competitively priced shoe manufacturing inputs and equipment.
- Calzado Alex provided US\$12,360 to help finance equipment that will benefit Marroquineria El Arte en Cuero BOP, Calzado Giovanni, Calzado Mendoza, Calzado Rivas, Golmar Shoes, and Calzado KELF.
- In December, E&E met with CANCUNIC to develop their Action Plan for 2011. Among major initiatives being planned for the upcoming year are:
  - Coordinate import of better quality leather inputs, possibly from Mexico, and facilitate loan to cover the cost of importation for members of CANCUNIC.
  - Organize CANCUNIC member participation in a trade fair in Colombia in early 2011.
  - Strengthen CANCUNIC's management and basic organization.
  - Cleaner Production initiatives to improve the environmental conditions in their plants, the need for which stems from studies sponsored by E&E in 2010.

### Striving to Succeed

At Calzado Giovanni, the work day typically begins at 7:30 am, and ends at around 5:00 pm, but times are changing. As a result of increasing purchase orders, workers at Calzado Giovanni have recently had to continue working until at least 8:00 pm. Giovanni's workshop employs 25 men, between 25 and 54 years of age, not bad for a workshop that just eight years ago employed only four people including the business owner, Geovanny Rivas Zapata, who is 27 years old.

Calzado Giovanni began 8 years ago. Since it opened, it has focused exclusively on producing men's shoes. Geovanny took over the company from his father, Roberto Rivas, who handed over a company with four employees and very little understanding of the market. The company gradually grew, but has made its most dramatic strides since November of 2010. Today Calzado Giovanni has a new line of products, resulting from technical assistance from an international shoe design and manufacturing consultant, provided by E&E to renovate the company's collections.

For the first time in his life, Geovanny saw his best new designs presented in a promotional catalogue as part of a fashion show organized by E&E called *Nicaragua A Flor de Piel*. He launched a new brand, *GIO*, a collection comprised of eight new designs, with casual shoes for children. With E&E's support, Geovanny has not only transformed his way of designing shoes – he has also integrated technology to improve his marketing. He now has an email account, [geovannyrivas10@yahoo.com](mailto:geovannyrivas10@yahoo.com) and has created a Facebook account to promote his business.

The improvements Calzado Giovanni has made have impacted his business. "They have grown (his sales), I now am selling 100 pairs of boots a week," Geovanny proudly comments. Calzado Giovanni exports 100 pairs of casual and school shoes to Costa Rica each 15 days. His plans for continued growth are ambitious. He plans on soon opening his own store in San Jose, Costa Rica. He also hopes to begin to formally supply school shoes to the Nicaraguan Ministry of Education, through the National Chamber of Leather and Shoe Production (CANCUNIC).

Geovanny has become a good client at ProCredit Bank. He obtained a loan to purchase leather and other inputs. "I obtained my first loan for US\$15,000 from ProCredit, and I will finish repaying it this year after which I'll grow with my own capital," comments Geovanny.

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

This sub-project is increasing Nicaraguan exports of Tabasco chili pepper and enhancing productivity through the application of good production practices and harvesting techniques, so as to increase employment, sales, and rural incomes. Chiles de Nicaragua's accomplishments during this period include:

- Exports of \$414,000 of ground Tabasco chili mix to McIlhenny Co. in Louisiana. Associated local sales (by producers to the anchor company) were \$280,000.
- As a result of Chiles' investment in technology, producers lost only 1% of the winter harvest as opposed to 90% in previous years. E&E STTA assisted the company in obtaining a biological fungus, trichomax, (produced in a national laboratory in Sebaco) which Chiles inserted in the soil to control fungal diseases caused by the rainy season. Chiles is currently in negotiations with El Zamorano agricultural school in Honduras to acquire the fungus *Micorriza* to control other diseases that affect productivity.
- In November, Chiles de Nicaragua experienced a record yield, surpassing average yields by over 5,700 pounds per hectare.
- Chiles created 85 permanent jobs (annualized), most of these related to chili harvesting.
- E&E helped Chiles facilitate \$315,900 in loans to 224 suppliers to finance production costs. Root Capital and Cisa Agro provided a majority of credit for agricultural inputs.
- E&E provided STTA to 258 producers on Good Agricultural Practices (GAP's) and improving product quality through more effective cutting methods, and began training a fifth technical extensionist, who will provide support to producers in an area where chilies had not been grown previously.



A farmer harvesting chilies

As a result of Chile's ability to maintain product quality while nearly doubling its exports this year, McHillhany informed the company that they are once again interested in doubling their purchases from Chiles in 2011. This will double the number of jobs created by the company.

### Transferring Technical Know-How

Andres Diaz Gonzalez is an expert in cultivating Tabasco chilies. He began growing Tabasco chilies six years ago in Muy Muy, Matagalpa, where with his business partner he planted 4 hectares. He discovered that the Tabasco chili business was a good one. He was able to produce 3.2 MT's per hectare, which he sold to Chiles de Nicaragua and obtained a 50% profit margin. Andres no longer produces chilies directly, since his partner left Nicaragua, but his experience as a Tabasco chili producer positioned him well, as he is now one of several field extensionists providing technical assistance to about 200 Chiles de Nicaragua suppliers. He provides technical assistance in the municipalities of Boaco, Muy Muy, El Tuma La Dalia and Matagalpa.

One of the producers Andres provides assistance to is Gerardo Huerta, who during the last quarter planted 3.5 hectares of Tabasco chilies. Gerardo and his family have grown horticulture products for many years, though not successfully. *"When I went to the market to try to sell my products, the buyers would band together to keep prices low, so that they would win and horticulture producers would lose. Things are different with chilies, since from the outset we have a sales contract, we know how much we will profit, and we have a steady buyer,"* says Gerardo.

With the technical assistance provided to Gerardo by Enterprises and Employment (E&E) through Andres Diaz, Gerardo says that *"we have improved technical aspects of our farm, we have learned how to take care of the crops, and we need to take care of the land since our livelihood depends on it."*

*"We are generating employment as producers, and this impacts our community since people will no longer have to migrate to Costa Rica. They will have a job, people will have incomes, food which is most important, they'll be able to pay for electricity, medicine, and send their children to school,"* says Gerardo, whose house functions as a vaccination center, a preschool, and a school that teaches people in the area how to read.

Gerardo Huerta and his family generate 50 jobs in his community, men and women who dedicate themselves to producing Tabasco chili for E&E's anchor firm, Chiles de Nicaragua.

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

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

- Vegyfrut increased its local sales by \$67,000 in comparison to the last quarter of FY 2009 (see table below):

<b>Comparison of Sales in quarter 2009 vs. 2010</b>				
<b>Month</b>	<b>2010</b>	<b>2009</b>	<b>Difference</b>	<b>% Increase</b>
October	58,976.48	34,725.70	24,250.78	70%
November	60,973.37	37,455.70	23,517.67	63%
December	81,000.00	62,000.00	19,000.00	31%
Total	201,000	134,000	67,000.00	50%

- Vegyfrut generated 10 permanent jobs in Macuelizo for mini vegetable production and Tipitapa for seedless watermelon soil preparation (annualized) by employing seasonal workers during the growing cycles in November and December.
- The company nearly completed construction of a new collection center in Mozonte, Nueva Segovia. The collection center has storage capacity for 20,000 lbs of fruits and vegetables and will immediately directly benefit six producers in the area and employ about 4 workers to start.
- With E&E's assistance, Vegyfrut participated in the PMA Fresh Summit Fair in Orlando, where their *Soperita* product (a mix of pre-cut vegetables for making soup) caught the attention of potential buyers. Among the fair's positive outcomes, Vegyfrut identified a new type of vacuum sealed packaging that will extend product shelf-life by up to 15 days, significantly expanding the product's potential market.
- Vegyfrut obtained a \$40,000 loan from Agora Partnerships which it used to finance the planting of 12.5 hectares of seedless watermelon and 1.5 hectares of mini-vegetables. The seedless watermelon will be exported to Bagley Produce (Bagley Produce provided the seed to VegyFrut at the PMA Fresh Summit).



Producers from Comunidad "La Cañada" in Macuelizo placing plastic on new area for mini-vegetables

Based in Texas, Bagley Produce is a well regarded importer, packer, and distributor of seedless watermelon to major retailers in the US. If VegyFrut can harvest and send high quality product, it will likely need to significantly increase its suppliers in order to satisfy Bagley's demand.

- Through an E&E STTA consultant, VegyFrut produced a Hazard Analysis and Critical Control Points (HAACP) manual in December, together with manuals for

implementing Good Manufacturing Practices (GMP's). Training to implement GMP's will start in January of 2011. Adoption of these practices is critical in order to expand VegyFrut's international sales.

#### A1d. Eskimo, S.A. (Eskimo)

E&E is working with Eskimo and its suppliers to improve milk quality and productivity, and thus raise producer's incomes. Of greatest impact is the project's emphasis on creating a new pricing system based on milk quality, which has the potential to for the first time (for Eskimo milk suppliers) reward higher quality milk with higher prices. Progress this quarter includes:

- A 7% increase in milk collected at the centers. This is a reflection of an increase in producers that are supplying the collection centers.
- The generation of 32 new permanent (annualized) jobs by incorporating 51 new dairy producers to the Eskimo value chain (40 joined the *Asociación de Ganaderos de San José de los Remates* and 11 joined the *San José Cooperative*) and personnel contracted to work in the dairy farms and collection centers, sowing pasture, building silage storage centers, and tending to animal safety needs.
- E&E trained 107 dairy producers on animal health, good milking practices, summer feeding, and the implementation of best dairy production practices. Additionally, 35 small producers received training from Pfizer and Garsel, two animal medicine suppliers, on the use of silage equipment and products aimed at improving the quantity and quality of silage during the dry season.
- Producers leveraged \$100,371, from their existing revolving credit sources and investment by Eskimo, to grow pasture and purchase equipment.
- E&E finalized investment plans for each of the collection centers. E&E began assisting the *Cooperativa San José (CASANJO)* in implementing tracing logs and registries of all cattle that are free of tuberculosis and brucellosis.
- E&E began collecting milk samples to analyze their quality. The results of these samples will serve as a baseline, so as to better determine the project's impact in improving milk quality. This will help Eskimo implement a payment system based on milk quality for the first time, with E&E's assistance.



A collection center worker unloads milk.

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

Since signing an MOU with RENISA in May of 2010 to help transform informal waste collection, E&E has supported RENISA to improve its organization and expand business opportunities. The following important activities and results occurred during this quarter:



Mr. Sol signs agreement with RENISA

- E&E helped form and legally register a recycling cooperative with an initial membership of 30 MSMEs.
- RENISA generated 97 permanent jobs through, among other initiatives, the formation of a recycling cooperative in the Island of *Ometepe* and a recycling MSME called *Microreciclaje Mendoza*, which will assist the first MSME we formed, *MrSOL*, in gathering all recyclable material provided by members of the American Chamber of Commerce in Nicaragua's (AMCHAM) Environmental Committee.
- E&E helped facilitate the organization of an Environmental Committee led by private sector business members of the American Chamber of Commerce in Nicaragua (AMCHAM). E&E will train these businesses on how to adequately manage and dispose of all their recyclable material and advise them on other good environmental practices.
- RENISA hosted a major event in collaboration with E&E and AMCHAM, where AMCHAM presented its Environmental Committee to over 150 people. At the event, 18 prominent businesses such as Grupo La Fise, Ingenio Monte Rosa, and ESSO Standard Oil, signed agreements to supply recyclable material to the recycling MSMEs formed under our sub-project.
- E&E joined efforts with DED Germany (The German International Cooperation organization) and with the Nicaraguan Union for Corporate Social Responsibility (uniRSE) to organize the formation of an MSME that will collect garbage in Colonia Centroamerica and will form part of the RENISA network.

- E&E continued the process of contracting a legal expert to provide assistance to ASORENIC in the analysis of recycling legislation under discussion in the National Assembly. The expert will help ASORENIC in the revision of the legislation, the drafting of legislative proposals, and presenting them to the National Assembly. This legislation could create incentives for the proper disposal of waste, in order to provide waste collection companies with greater market opportunities.

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

As has been previously reported, E&E signed an MOU with Sabina to support 800 small rural producers in enhancing their access to technology and equipment by facilitating the establishment of joint venture equipment stores called TIENDAGRO's. Sabina will open these stores in alliance with local cooperatives and/or producer associations in 12 municipalities. During the quarter E&E assisted Sabina in obtaining clear legal clarification of the joint ventures, through the STTA of a legal expert. This legal clarification came late in the quarter, thus allowing Sabina to initiate the store expansions in Q2.

#### **A1g. Casa Mántica (La Colonia)**

With 13 La Colonia retail locations, and an additional 2 that will be opened in 2011, Casa Mántica represents an important client for any MSME. In its first phase, E&E and Casa Mántica are working to enhance the competitiveness of 10 MSMEs so they can become sustainable suppliers of standardized value-added products under La Colonia's own brand-name, *Economax*. Selected companies receive technical assistance to improve product quality, implement Good Manufacturing Practices (GMP's), and in some cases,

#### **Creating Environmentally-Friendly Business Opportunities**

With what most people consider useless, Manuel Solano guarantees his family's sustenance. In late 2010, Manuel, who collects solid waste, formally registered a microenterprise named Mr. Sol, to reflect both the initials of his name, and his commitment to the environment.

Mr. Sol was able to legally register the company with support from the E&E's and anchor firm RENISA. One of the main interventions of this project is to formally register 10 small businesses focused on collecting solid waste generated by other, larger businesses, like those that make up AMCHAM's Environmental Committee, also created with E&E support.

Manuel Solano used his life savings of \$15,000 to invest in a truck he now uses to collect waste, which Mr. Sol then sorts and delivers to RENISA, an exporter of recycled materials such as metals, paper, carton, and aluminum. One of Manuel Solano's business partners offered space in his home, which is now used as Mr. Sol's office. Together, Mr. Sol is the product of investments made by three partners, who expect to be able generate profits of at least US\$1,800 per month.

AMCHAM's membership includes over 250 businesses, and while its Environmental Committee currently involves 18 large businesses, AMCHAM plans on committee membership growing. These large businesses and the large volume of wasted generated by them, will provide significant business opportunities for micro and small waste collection enterprises who then supply RENISA, creating win-win business relationships that positively impact the environment. Nicaragua has exported an average of US\$40 million of recycled materials in the last two years.

standardize and expand processing capacity. During this quarter, E&E helped generate the following results:

- Casa Mantica and E&E selected 8 initial companies.
  - RODCEN (sauces)
  - Futec (disinfectants)
  - Palmito (Cheeses)
  - Hodegar (snacks)
  - El Chinito (snacks)
  - Corazon de Oro (baked goods)
  - Secreto de Mama (sauces)
  - Proniza (eggs)
- Increased sales and production resulted in 18 new jobs (in Palmitos, Corazon de Oro, PRONIZA, El Chinito, and RODCEN).
- Sales of selected La Colonia suppliers grew by US\$174,960 by selling under the *Economax* and other brands.
- La Colonia registered three new brands, now available to consumers at their supermarkets.



Palmito's Co-Owner, Mrs. Marlena Lanzas proudly displays her products.

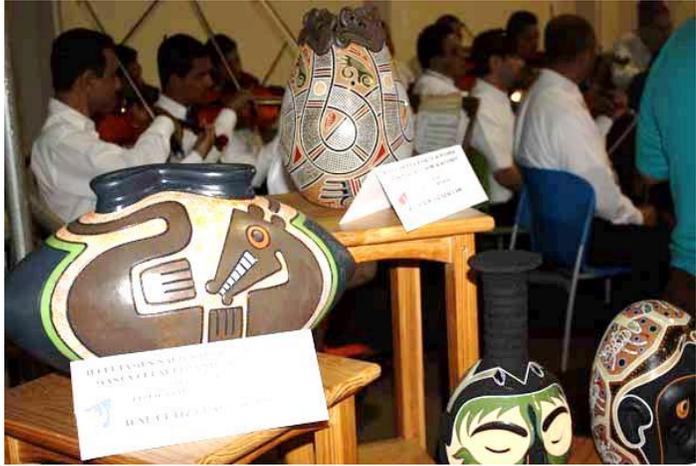
#### A1h. Exprosur (Del Monte)

On December 9, Del Monte and Exprosur signed a sales contract that will result in plantain exports of \$5 million in the coming 18 months, thanks largely to E&E assistance. The agreement has the potential to improve regional plantain growers' lives, providing a steady product outlet and a stable contract price. E&E worked with both parties to secure signing of the contract. Notable results include:

- Plantain prices are seasonal. Higher prices are usually seen between November and February, after which they tend to decline. The sales contract signed by Del Monte guarantees a purchase price of \$11 per 40 lb-carton, all year round. E&E will now assist Exprosur in delivering export quality product.
- Exprosur contracted a general manager to help manage activities including on-the-farm training and quality control (from the farm to the container), along with logistical responsibilities. This position is co-financed by Exprosur and E&E on a sliding scale, i.e., E&E's contribution lessens gradually so that by the end of the first year, the General Manager's salary will be covered entirely by Exprosur.
- Exprosur participated in the PMA Fresh Summit in Orlando with E&E support. The company received interest from potential buyers, including intentions to purchase up to 6 containers or approximately \$60,000 .

### A1i. Grupo Raíces

Grupo Raíces is an association representing approximately 2,000 Nicaraguan artisans and is part of a larger Central American network representing over 6,000 artisans. As an anchor firm supported by E&E, Grupo Raíces receives marketing support, much-needed quality and demand-based design support, and legal assistance, particularly as it relates to the development of a legal framework for franchising. During this quarter, E&E supported Grupo Raíces in obtaining the following key results:



Grupo Raíces artwork presented at *Creative Hands Award Ceremony*

- Quarterly sales increased by \$33,900 in comparison to the same time period last year. Grupo Raíces created 67 new jobs.
- Grupo Raíces leveraged \$11,500 from CEI and Galerías Santo Domingo in venue space to conduct the *Creative Hands Award Ceremony*, which with E&E's support occurred in December, involving the participation of more than 133 artisans.
- The group developed a new strategy for the next quarter, aimed at training artisans to produce new designs with a primary focus on products that are both artistic and have a functional purpose, rather than prior focus on only decorative products. E&E will support Grupo Raíces with design experts to support this change in strategy.

### A1j. Tecnoagro

In October, E&E signed an MOU with Tecnoagro, one of Nicaragua's fastest growing tropical root and tuber exporters and the principal cassava purchaser in Leon, a major cassava-growing area. The main thrust of this sub-project involves helping Tecnoagro's suppliers in Leon, nearly all small producers, introduce new cassava varieties that combined with recommended agriculture practices, will expand yields up to four-fold in comparison to traditionally grown varieties. The project also seeks to facilitate access to credit for Tecnoagro's suppliers, so that technical assistance can be implemented more fully, and will also be supporting Tecnoagro to generate higher-margin value-added products based on second and third-grade cassava. Q1 highlights include:

- E&E sponsored Tecnoagro's participation in the PMA Fresh Summit. Contacts there have the potential to result in sales of over \$1 million, though currently there is a limited supply of cassava, making it difficult to take advantage of this market demand. One of the goals of this sub-project is to help farmers calendarize production, so that not all of it is harvested at the same time, but rather steadily

throughout the year, which would allow Tecnoagro to be a steady, dependable cassava supplier to international markets.

- E&E helped collect data on the availability of several new cassava varieties. These varieties developed in Colombia and introduced in a small scale to Leon by the Millenium Challenge Corporation's project in Western Nicaragua include *Peru*, *Reyna*, *Claudia*, and *Isabel*. The analysis identified about 20 hectares of production, which will be harvested between January and May of 2011. E&E will help Tecnoagro secure some of the seed, so that 70 hectares can be planted by Tecnoagro suppliers in May 2011, and another 70 hectares can be planted in August 2011.



Meeting with group of cassava producers at Tecnoagro's plant in Leon

- E&E organized a meeting at Tecnoagro's packing plant in Leon, involving approximately 50 of Leon's best, small cassava producers. The meeting served to propose their participation in this project, determine their interest in planting these higher-yielding varieties and receiving technical support to expand yields and improve quality, and determine their need for financing.

### A1k. Ingemann Honey

In November, E&E signed an MOU with Ingemann, Nicaragua's fastest growing honey exporter. As an E&E anchor firm, Ingemann is one of few honey collection, processing, and exporting companies that proactively supports Nicaraguan producers to expand their honey production. This sub-project aims at helping it grow, along with the producers that supply it.

E&E will co-invest with Ingemann to acquire a honey moisture removal system, which lowers honey moisture to exportable levels, without damaging product quality. This equipment will prove particularly advantageous for honey that is harvested between June and August, which is usually significantly higher in moisture content, making it un-exportable. This will help provide honey producers with a viable market for this honey, at above market prices.



Del Monte and Exprosur sign contract for plantain exports

### **Exporting Production, Not Labor**

Unemployment is the principal cause of migration from Nicaragua. A study by the International School of Agriculture and Livestock in Rivas reveals that the majority of Nicaragua's migrating population leaves to Costa Rica, and does so through Rivas, which is the area that will benefit most from the recent signing of a plantain sales contract between the multinational agribusiness Del Monte and Exprosur, an E&E anchor firm, worth US\$5 million over the next 18 months.

The majority of plantain sourced by Exprosur for export to Del Monte will originate from the municipalities of Buenos Aires and San Jorge in Rivas, and expectations in these areas are high. Rolando Vadivia, mayor of Buenos Aires recently said: "This contract has great impact because Buenos Aires produces more plantains than Potosi, so there will be a lot of economic benefit to our municipality, there will be more work for our people and greater progress for our community. This in turn gives our workers job security so they don't have to emigrate. This agreement will help keep our people here. In the municipality of Buenos Aires we are experts in plantain production, with health and work we can live happily."

Under this contract Exprosur will collect production from about 30 producers to start. Ernesto Vargas, agronomist and consultant for the E&E Program (USAID) explains that through this contract, "Del Monte will transfer technology as it has done in other countries. This technology will be implemented in Rivas and other parts of Nicaragua, as plantain needs expand.

Del Monte's demand will depend completely on our capacity to supply them with fruit of good quality and consistency."

E&E is also co-financing a hive expansion program, in which Ingemann and E&E split the cost of providing 23 producers with 400 hives and required materials (valued at US\$48,000) with the understanding that producers divide the hives so that by the second year of the project, producers have 800 hives, and that producers sell all of their honey to Ingemann at market prices. Producers have reacted very positively.

In addition, E&E is working with Ingemann to facilitate credit to help producers expand their hives, cover operating costs, and invest in honey extraction equipment. This work has the potential to impact the honey sector in a big way, since there are very few lenders that have experience lending to finance honey production. The subproject with Ingemann generated the following results during the 1<sup>st</sup> quarter of FY 2011:



A honey producer co-financed by E&E delivers honey to Ingemann's plant in Tipitapa.

- Producers benefitting from the hive expansion program co-financed by E&E delivered honey produced from hives provided by this effort in December, leading to local sales of \$7,647 and exports of \$12,746.
- Ingemann agreed to sign purchase contracts with producers for honey equivalent to that produced by a minimum of 6,000 additional hives over the next two years (\$250,000 in sales).

#### A1I. Sub-projects under consideration

**Export Basket.** The Export Basket initiative will identify an anchor firm(s) interested in exporting a variety of Nicaraguan products from small producers, and help these suppliers meet export requirements (related to product quality, packaging, labeling, etc.). E&E identified a potential anchor firm, but discussions did not progress. Since then, E&E has reached out to other potential anchor firms, one of which is LosNicas Distributors, a Miami-based food and beverage importer that contacted E&E seeking support to find suppliers of several ethnic goods. E&E continues trying to identify the ideal anchor firm and potential suppliers that could participate in this initiative.

**Café Don Paco.** A major emphasis of this potential subproject is facilitating credit for producers so that they can expand production, sold to Café Don Paco, which exports coffee to the US to the Rogers Coffee Company. Currently, producers lacking formal access to credit are forced to borrow funds from middlemen, who then purchase the coffee from them at below-market prices. Under this project, E&E and Café Don Paco would help producers obtain financing, and sell their product at higher prices to Café Don Paco. In addition to facilitating credit, E&E would provide Café Don Paco suppliers with technical assistance to improve productivity. E&E is developing the Concept Paper and will present it to USAID in early February.

**MAPPINIC.** MAPPINIC, the parent company of *Simplemente Madera*, produces furniture for domestic and foreign markets, and exports lumber to the US and Asia. Through the project under discussion, E&E would work with MAPPINIC to address efficiency concerns within its own operation and the operations of its current and potential MSME suppliers, improving their business management, quality of service, and quality of production. Conservative impact projections demonstrate the possibility to significantly impact sales and generate jobs. The Concept Paper will be developed and presented to USAID for approval in February.

**SERVICONSA.** SERVICONSA currently has 900 hectares of shrimp farms and an established and growing market. They also purchase from small producers, whose shrimp farms were devastated by Hurricane Mitch but have slowly recuperated, though they still employ artisanal techniques resulting in low productivity. E&E and Serviconsa would work with five shrimp cooperatives that together have about 400 hectares of shrimp farms, to transfer technology to allow for semi-intensive shrimp production, potentially doubling their yield and profitability.

**HIDROPONICA DE NICARAGUA.** E&E has been in discussions with SNV regarding their implementation of select anchor firm/value chain activities. SNV has been preparing a subproject with Hidropónica de Nicaragua (HDN) for this exports. HDN currently exports more than \$3 million of hydroponic bell peppers to the US market. It has demands from its customers for much greater amounts but does not have the capacity to expand production. Instead, HDN is interested in E&E assistance to incorporate at least 150 new producers in the HDN supply chain over the next two year, and train them in good hydroponic production practices. The project would be implemented by SNV, with E&E oversight. Assuming the final project proposal is approved, we expect to present it to USAID in February.

## **2. Improving Capabilities of Business Service Providers (BSP's) [Task Order Activity B]**

### **A2a. Asociación de Productores Exportadores de Nicaragua (APEN)**

APEN's Export Office (OFEX), supported by E&E, conducted 3 trainings: (a) Use and Management of Agricultural Chemicals; (b) Corporate Social Responsibility (CSR); and (c) Export Research and Management. A total of 18 SMEs and 4 non-governmental organizations (NGOs) benefitted from these activities. OFEX trained another 30 agribusiness sector representatives from 13 businesses in product marketing and market research and how to calculate the export price for their products to different markets.

### **A2b. Cámara de Industrias de Nicaragua (CADIN) – CENAMI**

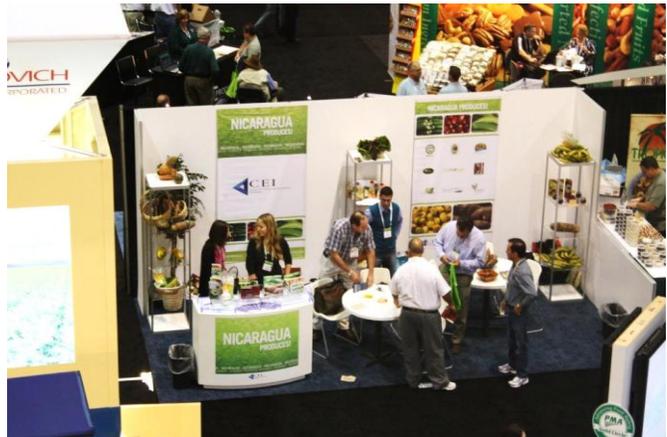
E&E supports CADIN's Business and Training Center for Industrial MSMEs (CENAMI). Specifically, E&E is supporting 60 MSME's (in textile, agro-industry, bakery, and footwear and leather sectors) to improve their production practices, and improve the quality of products. During this quarter, E&E worked with CENAMI to:

- Conduct 20 consultancies for industrial sector SMEs on marketing, business administration, branding, and legal procedures.
- Begin compiling data for 60 production process assessments under this sub-project. The next steps involve developing business plans for each of the participating industrial MSMEs.
- Hold a conference at the Central American University (UCA) to promote the services offered by the Center.

### A2c. Centro de Exportaciones e Inversiones (CEI)

In October, E&E signed an MOU with CEI to support 45 small producers in expanding their market opportunities and improving their exporting capacity by promoting their products in international markets.

Also in October, E&E collaborated with CEI to prepare and bring six Nicaraguan exporters to the PMA Fresh Summit Fair in Orlando. Contacts and intentions to purchase yielded potential exports of US\$3.4 million, distributed as follows: (a) Cooplarí \$30,000; (b) Distribuidora El Carmen \$121,440; (c) Exprosúr \$900,000; (d) Tecnoagro \$1,300,000; (e) Vegyfrut \$800,000.



Nicaragua's stand at the PMA Fresh Summit Fair

E&E also worked with CEI to understand “lessons learned” from the PMA Fresh Summit experience and incorporate these into future CEI Trade Shows.

### A2d. Cámara Nacional de Turismo (CANATUR)

Results from E&E's support of CANATUR during the last quarter include:

- Territorial membership expanded, by adding local branches in Matagalpa, Ometepe, Laguna de Perlas, Estelí, Leon, Nueva Segovia, San Juan del Sur, and Granada (integrating 28 new tourism SME's). E&E led this effort by providing a consultant to spearhead the effort. The regional chapters developed work plans for 2011 and E&E hired a consultant to follow up on these work plans.
- CANATUR conducted tourism marketing training to three new branches. The training was provided by APEN's AL INVEST project and facilitated by E&E.
- CANATUR sponsored the participation of six SME tourism entrepreneurs at the International Tourism Fair in Guatemala. E&E and CANATUR helped participants plan each of their activities beforehand and later conducted an analysis of lessons learned in preparation for future fairs and trade shows.

## A2e. uniRSE

This quarter we signed a grant with uniRSE that will permit the organization to develop corporate social responsibility (CSR) benchmarks for SMES. The grant activities (as well as individual STTA consulting contracts in support of uniRSE) will also permit the organization to deliver CSR training to E&E anchor firms and suppliers. The training will begin in the second quarter of 2011.

## A3. Operations Research and Export Studies [Task Order F]

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

In November E&E presented, in collaboration with the National Free Trade Zone Commission (NFTZC), the results of a study on the textile and apparel industry in Nicaragua and how to enhance its competitiveness. Dr. Gary Gereffi and Dr. Jennifer Blair from Duke University's Center for Globalization, Governance, and Competitiveness presented the study. The meeting was presided by General Alvaro Baltodano of the NFTZC and E&E COP Dan Cruz-DePaula. Economy and Industry Minister Orlando Solorzano also participated. The main conclusions and recommendations of this study, presented to over 100 GON, labor union, private sector, civil society, and press representatives included:



Duke University researcher presents results of study.

1. Increased development and promotion of the more value added “full-package” production segment (comprised of everything from product design and development capabilities, embroidering, washing, printing, cutting, sewing, finishing, as well as distribution and logistics capacities).
2. Distinguishing itself from Asian competition, through its more mature industrial relations environment and a better record of labor rights enforcement.
3. Taking better advantage of International Labor Organization’s “Better Work” Program. Nicaragua is the only country in Latin America where the US Department of Labor has initiated a *Better Work* Program for free trade zones. This is a potentially huge differentiating factor for Nicaragua, since it can attract companies that supply buyers who value responsible treatment of workers.
4. Taking advantage of CAFTA-DR programs, in particular the extension of the Trade Preference Levels (TPLs), which under the trade agreement only apply to Nicaragua and Costa Rica.

5. Better and more aggressive regional cooperation.

### **3b. Comparative Study of Clothing Production and Shipment Costs**

During the quarter, in collaboration with PRONICARAGUA we conducted a benchmarking assessment of clothing production costs in Nicaragua, in comparison to costs incurred in other countries such as Haiti, El Salvador, Guatemala, Honduras, China, Vietnam, and Bangladesh. The study compared competitiveness in Nicaragua with regards to the production of men's and women's jeans, polyester knit tops, and knit polo shirts. The E&E consultant will finish the study in January and present it in early February.

### **A4. Facilitating Access to Credit for MSME's**

In October, E&E officially welcomed a new team member, Finance Specialist Miriam Cuadra, who is assisting anchor firms and their suppliers to obtain credit. She conceptualized a comprehensive strategy aimed at facilitating credit not only to direct beneficiaries but to potential borrowers in corresponding sectors. During Q1:

- E&E signed an MOU with Banco de Finanzas (BDF) to provide access of up to \$1 million for working capital and fixed investments, to firms working with E&E. E&E signed another MOU with LAFISE Bancentro Bank in order to facilitate access to working capital and investment loans, also for MSME's supported by E&E. Under the MOU, LAFISE will extend financing of \$500,000 by March of 2011, another \$500,000 by June of 2011, and a third \$500,000 by September of 2011. Since signing the MOU's, E&E has met with BDF and LAFISE Bancentro to begin developing a work plan for 2011, geared towards achieving credit placement goals.
- E&E introduced MSMEs under the Calzado Alex sub-project to ProCredit, with whom we signed an MOU in September. Three of the firms that presented credit applications successfully obtained loans totaling \$30,000. E&E also arranged a meeting between Ingemann and *Fondo de Desarrollo Local* (FDL) to explore ways in which they could provide credit to Ingemann suppliers. FDL has initially agreed to grant access to credit to honey producers with only their hives as collateral. We are arranging a meeting between Ingemann and *ProCredit* to propose this same type of credit mechanism.

## **B. Support for CAFTA-DR and Improved Policy Environment [Task Order Activity B]**

### **B1. CAFTA-DR Work Plan Implementation**

E&E continues working to advance the Environmental Cooperation Agreement and the National Action Plan.

## **B1a. The Environmental Cooperation Agreement (ECA)**

Since receiving an assistance request from the Ministry of Environment and Natural Resources (MARENA) for the implementation of activities under the ECA, and much debate on how to proceed administratively and contractually, E&E and USAID agreed to the following activities requested by MARENA: 1) applying current environmental norms under domestic and industrial residual water regulations focusing on those industries and/or economic activities that dump residual water in Lake Cocibolca and other sources of water, 2) accrediting 4 environmental labs in Nicaragua, and 3) regionally accrediting the National Office of Accreditation, which falls under the Ministry of Development and Commerce (MIFIC). A fourth project, related to Iguana production was proposed by MARENA but was deemed technical unfeasible by E&E and USAID. As of December 31, 2010, MARENA was waiting for a clarification from USAID regarding the Iguana project. Progress on these programs include the following:

- The Lake Cocibolca Residual Water Management

E&E recommended that an experienced organization such as the Center for Investigation of Aquatic Resources (CIRA) of UNAN implement this project, however MARENA would rather work with the National Agriculture University (UNA), despite its relative inexperience in this field. As of December 31, E&E was waiting for MARENA to submit a letter to E&E, instructing the latter of its preference to work with UNA.

- The Laboratory Accreditation Project

The main objective of this project is to enhance the accuracy and credibility of environmental analyses conducted by four national laboratories. E&E will provide assistance in acquiring equipment and training laboratory personnel. Once all four laboratories have acquired necessary equipment and technical training, they have to each pay a fee to the Ministry of Finance and Commerce (MIFIC), which manages the National Office for Accreditations, in order to receive accreditation. E&E is assessing with USAID the exact nature of our cooperation.

### Accreditations from the National Office for Accreditations

E&E discussed support for this activity extensively with MARENA. We began drafting a specific SOW with their collaboration and began identifying consultants. The National Accreditation Office will have to obtain accreditation from the Inter-American Accreditation Cooperation, an association of accreditation bodies in the Americas based in Mexico.

## **B1b. The National Action Plan**

In support of the National Action Plan, E&E reports the following results Q1 results:

## Assessment of Nicaragua's Administrative Management of CAFTA-DR

E&E presented an assessment of Nicaragua's administrative procedures for the management of CAFTA-DR to members of the Superior Council for Private Enterprise (COSEP) and GON officials on October 18. COSEP members agreed that the private sector needs to engage the public sector and together work on promoting GON compliance in four main areas: intellectual property, customs management, the implementation of plant phyto-sanitary measures, and market access. The main conclusions of the assessment are:

- In order for Nicaragua to take full advantage of CAFTA-DR, there needs to be greater effort placed in offering products with adequate technical norms, that oblige sanitary and phyto-sanitary (SPS) requirements, and offer better quality;
- MIFIC's technical capacity and follow-through is diminished as a result of a high staff turnover;
- The Agreement on Customs Cooperation requires immediate discussion and adoption.
- The creation and operation of a National Free Trade Commission that oversees progress of inter-institutional committees managing issues related to customs, trade facilitation, services, and investment, is a high priority.
- MIFIC's Office of Free Trade Agreement Administration needs to be strengthened in order to improve its management and technical capacity to better take advantage of CAFTA-DR.

This study is the first analysis of Nicaragua's compliance with CAFTA-DR, clearly advises both the private and public sector of its shortcomings with regards to compliance, and provides recommendations to more fully take advantage of the Agreement's benefits. The results of this study will greatly influence the National Action Plan.

## **B2. Policy Reform [Task Order Activity D]**

### **B2a. Public-Private Sector Dialogue**

The Trade Facilitation Commission (CIFCO) is public-private organization comprised of COSEP (representing 18 sector chambers) and GON institutions related to trade (such as MIFIC, MAGFOR, Customs, CONIMIPYME, and the Ministry of Health). CIFCO serves as a platform for the private sector to present specific problems or barriers to commerce to all public entities involved, and allows members to identify problems or bottlenecks impeding imports and exports, develop solutions for them, and provide follow-through.

E&E support of CIFCO for a period of six months ended on November 30. During this period, E&E provided assistance to maximize the efficiency of CIFCO operations, and identify solutions for problems impeding trade. This involved a lot of work helping better organize sub-committees, and improving communication between the private and public sector. The principle results of this assistance include:

- E&E developed and presented a study with recommendations for improving the efficiency of CIFCO operations.
- In response to a request made by the private sector to CIFCO, E&E contracted STTA developed import and export procedure guides for 20 goods and/or sectors. For the first time all procedures and requirements imposed by every relevant actor (from CETREX to Customs, to MAGFOR and MIFIC, etc.) are located in a single document, so that a potential exporter or importer can access a single source of information to learn how to export or import.
- In response to a private sector petition for greater importation process efficiency, E&E helped CIFCO develop a proposal to expand the Export Facilitation Office (CETREX) so it also facilitates imports (versus just exports).
- CIFCO identified a lack of well informed customs agents and E&E helped develop a proposal aimed at developing a certified training course for them. We will address this issue with private stakeholders to see how E&E can contribute to its resolution.

## **B2b. Government Procurement Legislation**

In late September, E&E received a request from AMCHAM and COSEP to provide technical assistance in drafting regulation proposals to the GON's Administrative (Government) Procurement Legislation. The legislation, approved in 2008 to ensure greater transparency in government procurement practices, was under discussion in the National Assembly. E&E contracted a legal expert to assist AMCHAM and COSEP in conducting an analysis of the law and drafting regulation proposals to strengthen the articles related to transparency of the procurement process.

The National Assembly approved the reforms on October 20, 2010. The approval of this law represents:

- Greater representation of private commercial interests,
- The establishment of quicker and more transparent procurement procedures,
- An assurance that private sector companies will be able to compete equally for government contracts
- With the modernization of this law, Nicaragua fulfills Chapter 9 requirements under CAFTA-DR.

## **C. Human Capital Development [Task Order Activity E]**

During this quarter, E&E developed and worked on a number of human capital development activities, all which are relatively far along and should be signed early in Q2. These include:

### **C1. Training Courses for Entrepreneurs on SME Management with Cisco and Thomas More University**

Last May E&E reached out to Cisco Systems, a global technological solutions leader, as a possible Global Development Alliance (GDA) partner. Cisco Systems responded favorably, expressing an interest in establishing an entrepreneurship center with a local university, and by June, E&E had arranged a meeting with Thomas More University (TMU). Subsequently, E&E, Cisco, and TMU developed a feasibility plan for establishing the Cisco Entrepreneur Training Center at TMU, which will provide technological training to Nicaraguan entrepreneurs. USAID approved the concept paper in November. As of December 31, 2010, E&E and TMU were waiting for Cisco's legal department to finish reviewing the MOU. We expect this activity to be signed in Q2.

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

E&E is working with SNV to determine employer demand for human resource skill-sets in five sectors, so that future human capital development efforts are demand-driven. During the quarter, SNV delivered a Technical and Economic proposal which E&E reviewed. E&E plans executing an agreement with SNV in Q2. E&E will use the results of the study to design training programs that can develop the most sought-after job skill-sets in evaluated sectors.

### **C3. Technical Training with Victoria Foundation**

E&E continued negotiations and discussions to support the Fundacion Victoria in implementing two work force development courses courses, in *Business Administration with an Emphasis on Marketing and Sales* and *Industrial Maintenance*, which will train a total of 100 students over 22 months. The Victoria Foundation chose these two areas of study based on their own analysis of demand for these skill-sets. The courses will begin on January 31, 2010. We expect to sign the MOU and initiate the program in January.

### **C4. Postgraduate Program in Export Management**

With support from E&E, CEI and the Catholic University (UNICA) will deliver a six-month long Export Management postgraduate course that will benefit 25 representatives from the private and public sectors, a significant portion of which will be anchor firm and anchor firm supplier employees. E&E began recruiting potential course participants and planning the course with CEI. Courses will begin in March of 2011.

## C5. Enterprise Assessment Training

For several months, E&E developed a training course with INDE's PROSEDE project, but this quarter they advised E&E that since the PROSEDE project was ending in December, they would no longer be able to co-finance this training course with E&E. E&E will now implement this course, which will train 40 consultants to use enterprise assessment tools "Snapshot" and "Compass", directly with the University of Central America (UCA). We also expect to sign the agreement in Q2.

## D. Support Activities and Programs

### D1. Outreach – [Task Order Activity G]

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. During this quarter:

- E&E hosted MOU signings with CEI, Procredit Bank, LAFISE Bancentro, Banco de Finanzas (BDF) and between Exposur and Del Monte. These MOU signings generated nine newspaper articles in *La Prensa*, *El Nuevo Diario*, and *Bolsa de Noticias*. The signings also appeared in over nine television news stories on Channels 12, 14, 23, *100% Noticias*, COSEP's news channel, and *Univision*.
- E&E organized press conferences and hosted (in collaboration with partners) events to present studies (like the Assessment of Nicaragua's Administrative Management of CAFTA-DR), and a number of events (from the first annual Cheese Fair to the National Recycling Congress to a Leather and shoe fashion show) which generated 14 separate television news stories (on channels 2, 8, 12, 14, 23 CDNN, and *100% Noticias*), and 14 separate newspaper articles (in *La Prensa*, *El Nuevo Diario*, *Semenario Confidencial*, *La Estrella de Nicaragua*, *Hoy*, and *Estrategia y Negocios* magazine. The leather shoe fashion show *Nicaragua a Flor de Piel* itself generated three articles in *La Prensa*, one of which appeared on the front page. These events also generated 9 radio stories (on *Maranatha*, *Mundial*, *Republica Grafica*, *580*, *Nicaragua Empresaria*, *Radio Corporacion*, *La Primerisima*, *Radio Universidad*, and *Radio Stereo Yes*).
- E&E appeared in three special interest newspaper articles, in *El Nuevo Diario* (highlighting E&E's work to increase exports, and also specifically related to an increase in Grupo Raices exports), and *La Prensa* (which interviewed E&E's COP).
- E&E issued three newsletters, during the months of October, November, and December, which we distributed to USAID, the US Embassy, and over 200 E&E stakeholders and beneficiaries.
- We delivered to USAID the first two videos documenting the successful stories obtained by E&E by using the anchor firm approach in Chiles de Nicaragua and

Vegyfrut. E&E is in the process of producing a third video, about Alex Shoes, which will be released in Q2.

- E&E finished printing *Compitiendo*, its bi-annual magazine, which will have a circulation of 500 magazines, and will be distributed to project beneficiaries, government entities, private sector allies, other development organizations, among others. *Compitiendo* will be distributed in January.
- We continued nearly daily updates to content on our website, Facebook, and Youtube pages:

[www.nicaraguaempresayempleo.com](http://www.nicaraguaempresayempleo.com)  
[www.facebook.com/EmpresasyEmpleo,Nicaragua](http://www.facebook.com/EmpresasyEmpleo,Nicaragua);  
[www.youtube.com/user/empresayempleo](http://www.youtube.com/user/empresayempleo)

## **D2. Small Grants and Contracts**

- E&E developed and received approval for a grant for Calzado Alex for procurement of equipment to help them increase productivity levels and improve the quality of products, and a grant for uniRSE.
- E&E assembled grant applications for Casa Mantica (\$27,918 to be used to procure equipment for SME suppliers to Casa Mantica), CACONIC (\$17,646 to be used to develop CACONIC's Mediation Center), and Renisa (\$16,202), and began developing grant applications for Ingemann and Tecnoagro.