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First Quarter Report

FY 2012, October - December

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Cover: EXPORNICA suppliers stack harvested sesame in Villanueva, Chinandega. During the month of December, EXPORNICA purchased and exported 91 MT of sesame worth \$114,000. EXPORNICA plans on purchasing another 340 MT from the 497 producers benefitted through our alliance in January and early February.

Enterprise & Employment First Quarter Report FY 2012, October – December

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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 our first quarter of FY12 (October 2011 to December 2011). Highlights during FY12Q1 include:

SME and Value Chain Development

- E&E helped generate over \$2.3 million in new sales (74% exports) and more than 415 new jobs (35% of our FY12 goal) through anchor firm alliances, our support for six business service providers, and our facilitation of SME financing. The majority (86%) of new sales and 68% of new jobs created with E&E support occurred in the agriculture sector, with a significant portion occurring in highly food insecure areas.
- We helped facilitate more than \$2.6 million in loans to Nicaraguan SMEs (41% of our goal for all of FY12). We trained 183 Banco de Finanzas (BDF) SME clients to better manage their credit histories and to conduct financial statement analyses and implement internal business controls. We also helped BDF implement a new SME lending tool which will reduce BDF's SME loan analysis time by more than half. We agreed to help the Central American Bank (BAC), Nicaragua's largest bank, develop a new SME lending department beginning January 2012. Our alliance with FDL helped facilitate over \$520,000 in loans to 320 small producers in the highly food insecure Las Segovias (Madriz, Jinotega, Matagalpa, and Nueva Segovia) who used these loans to expand coffee and horticulture production and acquire cattle. In addition, USAID approved the grant for SINRIESGOS, allowing this credit risk assessment service to develop a new credit scoring tool.
- E&E provided training to 87 firms to improve their management practices and improve their export capacity. We also provided training to build trade and investment capacity to 924 people.
- We conducted and followed up on previous in-depth operations research/sector assessments that are helping to promote investments and jobs. We helped PRONICARAGUA pursue trade and investment leads following our study, *Benchmarking the Competitiveness of Nicaragua's Apparel Industry* and subsequent participation at the *Magic* trade show. PRONICARAGUA is collaborating closely with four companies interested in sourcing from Nicaragua and another two companies interested in investing, after learning of Nicaragua's competitiveness at MAGIC. We presented the results of our Medical Tourism Market study, which led to the formation of a Medical Tourism Commission, composed of physicians, hospitals, tourism leaders, as well as representatives from INTUR and the Ministry of Health.
- APEN concluded assessments for 20 exporters receiving certification support and helped ten of these develop action plans to implement requirements for needed certifications, including Hazard Analysis and Critical Control Points (HACCP), Good Agricultural Practices (GAP), and Good Manufacturing Practices (GMP). We also

facilitated HACCP certification for APEN's refrigerated warehouse at the Managua airport.

- E&E helped CEI organize the participation of seven Nicaraguan agriculture exporters (promoting fresh okra, tropical tubers, beans, plantains, and Asian vegetables) at the 2011 PMA Fresh Summit, North America's most important fresh produce trade show. Participating Nicaraguan companies received purchase intentions worth more than \$7 million.
- uniRSE helped three E&E anchor firms (Chiles, RENISA, and Calzado Alex) and 50 SMEs analyze their corporate social responsibility (CSR) practices and develop action plans to bolster these practices.

CAFTA-DR Implementation and Policy Reform

- We helped COSEP complete research to understand how highly vulnerable sectors under CAFTA (like rice, poultry, sorghum, pork, and dairy products) are preparing to compete with U.S. imports when tariff preferences are eliminated. We plan on presenting this study's findings in Q2.
- With E&E support, COSEP continued implementing their 2012 policy reform agenda, including financial regulations, and laws dealing with ports, customs, and solid waste management, which includes a chapter developed with E&E assistance, to provide incentives for the recycling industry. Our consultants completed a draft of the Export Product Promotion Law, which they vetted and validated with leading private and public sector representatives. COSEP will present it to the National Assembly in Q2.
- We supported MARENA in completing 265 business inspections to evaluate existing residual water management practices in Lake Cocilbolca, as well as develop 88 environmental management plans for lake-side businesses. They also conducted 20 workshops to spread awareness and educate the public about the importance of proper residual water management. In addition, E&E helped four private laboratories meet requirements for accreditation. The laboratories applied for accreditation from the National Office of Accreditations (ONA). We also helped ONA adopt all recommendations made by E&E's consultant to comply with ISO 17011.
- We helped PROCOMPETENCIA develop a proposal for a national antitrust policy, which they will present at the Second National Competition Forum in March.

Human Capital Development

- Ninety of the 100 at-risk youth we provided scholarships to study through Fundacion Victoria's (FV) *Business Administration with an Emphasis on Marketing and Sales* and *Industrial Maintenance* programs completed their first academic year. The average student performance is 87.4 out of 100 points.

- E&E and SNV completed a study analyzing employer demand for employee skill-sets in four sectors: agribusiness, light manufacturing, shoe and leather manufacturing, and tourism. The study identified 35 of the most sought-after skill-sets or job profiles by employers in these sectors. It also highlighted key policy constraints, including dissatisfaction with the ineffective use of their 2% of payroll contribution to INATEC. E&E and SNV presented the study's findings to COSEP, which agreed to lead efforts to implement the study's recommendations, including discussions with the GON on the aforementioned issue.
- Seventeen private and public sector professionals successfully completed the postgraduate program in Export Management conducted by CEI and the Catholic University (UNICA). We also held a graduation ceremony for 30 consultants who successfully completed the Business Assessment training conducted by UCA with E&E support. These 30 consultants completed 28 business assessments of food and tourism SMEs, using the business assessment methodology imparted by UCA.
- The CISCO Entrepreneur Institute trained 50 entrepreneurs to create a business and grow a business. Of those who completed the *Creating a Business* course, 12 began the process of formally registering a business once the course came to an end, while another 8 planned on using the business plan they developed through the course to obtain financing to eventually start their businesses.

Outreach

- E&E continued generating significant understanding of USAID's contribution to equitable economic growth in Nicaragua through monthly bulletins, extensive press coverage (over 47 news articles covering a wide range of E&E activities), and social media. By the end of December, E&E's web page had been visited by over 48,500 people. We have over 1,210 friends and regular users on Facebook.

Finance and Management

- E&E had Q1 accruals of approximately \$1.1 million, bringing cumulative expenses to approximately \$6.9 million. We expect Q2 expenditures of approximately \$1 million. Expenditures in FY11Q4, FY12Q1, and projections for FY2012 Q4 are in line with a dynamic project at its implementation zenith. We expect expenditures to drop off considerably in FYQ3 and into FY13.

II. Progress by Activity

The following sub-sections provide an overview of E&E's activities during the first quarter of FY12. 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. Annex I contains E&E's monthly newsletters for FY12Q1, and Attachment II includes press coverage of E&E programs in the local media for the same period.

A. SME Development and Value Chains

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

A1. Anchor Firm Alliances (Task Order Activity A)

During the first quarter of FY12, E&E anchor firm alliances generated more than \$2.3 million in new sales (74% were exports) and more than 415 new jobs. E&E continued implementing twelve alliances, while developing two new alliances E&E will present to USAID during the second quarter.

A1a. Calzado Alex, S.A. – Shoes and leather goods

E&E continued support for Calzado Alex and over 30 MSME members of the National Chamber of Shoe and Leather Manufacturers (CANCUNIC). Highlights include:

- E&E helped Calzado Alex and its suppliers increase their sales by \$193,830 (23% were exports to Costa Rica and Panama), and create 39 new jobs.
- We helped facilitate a six-month contract worth over \$450,000 between SCA Footwear, a Brazilian firm and Nicaragua's largest shoe manufacturing company and Calzado Alex, for the manufacturing of hand-made components for 160,000 pairs of shoes.



CANCUNIC members participate in shoe design training

E&E Alliance with FDL Allows Young Jinotegan Coffee Producer to Expand



In the community of Ventarron, in Santa Maria de Pantasma, Jinotega, approximately 80 families, the majority of which are quite poor, sustain themselves through agricultural activities. Their parcels are small, from $\frac{1}{2}$ an acre to 2 hectares. All grow basic grains, primarily beans. Some grow coffee, and the more prosperous have some livestock or produce tomatoes for the local market. Opportunities to diversify or expand production of higher-value products are few, and financing options scarce. It was thanks to his brother that 26-year old Donald Gonzalez heard about the loans the Local Development Fund (FDL) was providing for small producers like him, complete with technical assistance from NITLAPAN, with funding from E&E.

According to Donald, “I had never received a loan, and for that reason I never had money to improve my parcel, but when my brother told me about this opportunity with FDL, I went to their office, filled out my application, and they approved my loan very quickly, and on top of that, they provide us with technical assistance through NITLAPAN. With the loan I was able to double the size of my coffee farm (from .7 ha to 1.4 ha). NITLAPAN is helping us improve the management of our farm to improve both coffee yields and the yields of the beans we grow, which will help provide a higher income for my family.”

The new 0.7 ha of coffee Donald planted through his loan with FDL will begin bearing fruit in two-three years, and could provide approximately \$900 in additional income for many years to come (based on conservative yield and price estimates).

Donald is one of more than 700 beneficiaries in Las Segovias and neighboring, highly food insecure areas, who have already received loans from FDL, facilitated by E&E through its support of NITLAPAN. These producers are receiving loans to plant plantains, coffee, and other horticulture products, and to purchase dairy cattle.

- E&E consultants Catalina Navia and Catalina Ruiz trained 27 CANCUNIC shoe and leather MSMEs to design shoes based on market segments, from concept to material selection and costing, to construction of new shoe prototypes with clear specifications, allowing them to develop truly differentiated shoe styles instead of essentially copying existing models. Two trainees received more in-depth training, and will now provide design and modeling (prototype development) assistance to other CANCUNIC members.
- KUERO, an SME leather product manufacturer and CANCUNIC member, used the new product development training to develop a new product line and catalogue, which E&E co-financed. KUERO will launch the catalogue in January and plans on using it to target customers in the New York market.

A1b. Chiles de Nicaragua, S.A. (Chiles) – Tabasco chili exports

Our alliance with Chiles continued creating significant impact. Highlights this quarter:

- E&E helped Chiles export 11 containers of Tabasco chili paste worth \$483,000 to the U.S. Twelve producers became new Chiles suppliers. Their expanded production helped create 125 new jobs during the quarter.



Producer harvesting chilies in Macuelizo

- Since Chiles partnered with E&E, its sales have more than tripled from approximately 770,000 lbs, to over 2.4 million lbs, and our new target is to help Chiles source and export over 5 million pounds of Tabasco chilies from small and medium producers. E&E is now helping Chiles create the management systems required to allow them to better manage this tremendous growth. During this quarter, Chiles contracted new financial management staff E&E began training through STTA. In addition, Chiles also contracted more extensionists to provide technical assistance to its producers in Esteli, Jinotega, and Nueva Segovia.
- E&E began helping Chiles implement requirements it will need to obtain certification for Good Manufacturing Practices (GMPs), and develop manuals Chiles will use to help its suppliers implement Good Agriculture Practices (GAPs).
- E&E helped link Chiles and the Fabretto Foundation, which provides free school lunches to over 7,000 children in different parts of Nicaragua including highly food insecure areas of Somoto, Ocotal, and La Sabana. Fabretto wants to help some of the parents whose children it helps feed obtain higher-income generating agriculture opportunities, and Chiles wants to complement existing efforts with seven producers in Macuelizo who have already planted five ha with VIANSA-contracted TA. In

November and December, E&E, Chiles, and VIANSA met with over 60 Fabretto beneficiaries, 30 of which expressed interest in planting Tabasco chilies. E&E brought a representative from the Local Development Fund (FDL) who is considering providing these farmers with loans.

A1c. Vegetales y Frutas Procesadas de Nicaragua (Vegyfruit or VF) – Ag exports

Through Vegyfruit, E&E is supporting a young, fast-growing company to export non-traditional agriculture products including mini-vegetables, seedless watermelon and okra, while supporting it to strengthen and expand its formal market for pre-cut vegetables it sources from over 15 producers in Northern Nicaragua. FY12Q1 highlights include:

- E&E provided VF with expert STTA to plant 30 ha of seedless watermelon (with a sales value of approximately \$400,000) in Nagarote. VF will begin harvesting and exporting to Bagley Produce in Texas in mid-January 2012. The same STTA also helped VF plant 19 ha of okra it will also begin harvesting in January. To date, seedless watermelon and okra production activities have helped create 27 jobs.
- E&E's consultant helped Vegyfruit complete its business plan, which helped them prioritize seedless watermelon and fresh okra exports as key drivers for business growth. VF used the business plan to help convince their watermelon buyer, Bagley Produce, to invest over \$54,000 to finance the acquisition of irrigation equipment and cover some production costs.



Jeff Fawcett, General Manager of Bagley Produce, examines seedless watermelon with Vegyfruit owner Carlos Solorzano in Nagarote.

A1d. Eskimo, S.A. (Eskimo) – Milk

In partnership with anchor firm Eskimo, E&E is working with 123 dairy producers from the San Jose Cooperative (CASANJO) in San Jose Paiwitas, Matiguas, and 85 dairy producers from the Livestock Association of San Jose de los Remates (ASOGACA) in Boaco, who supply milk to Eskimo. E&E helps the cooperatives to implement a milk quality-based pricing system, rewarding higher quality milk with better prices. FY12Q1 progress includes:



A dairy producer delivers fresh milk to the CASANJO milk collection center in Matiguas

- E&E helped Eskimo suppliers from ASOGACA and CASANJO increase their sales by \$105,000 in comparison to FY11Q1, spurring investments in hygienic milking, double-milking, and the planting of improved pastures, which helped create 16 new jobs.
- In November, Eskimo raised the price it pays ASOGACA and CASANJO for “A” quality milk from \$0.35/lit to \$0.41/lit, leading to higher prices for member producers. Motivated by this price increase, ten milk producers joined CASANJO.
- E&E technical extensionists conducted 87 direct TA visits to help CASANJO address weaknesses along their supply chain. In addition, E&E’s milk quality consultant Jose Luis Munguia developed a GMPs Manual for CASANJO’s milk collection center, and began helping CASANJO staff implement GMP requirements.

A1e. Casa Mantica (La Colonia) – Supermarket suppliers

With 13 La Colonia supermarket retail locations and two store openings scheduled in the near future, Casa Mantica is an important client for many MSMEs. E&E and Casa Mantica joined forces to enhance the competitiveness of 14 MSMEs, permitting them to become sustainable suppliers of standardized value-added products under La Colonia’s brand-name, *Economax*. FY12Q1 results include:



Doña Marlene Lanzas (in middle) from Lacteos Palmito meet with Gabriel Icaza Mantica, La Colonia’s Assistant General Manager, to discuss how they can expand sales of their dairy products

- In October, E&E consultant Jaime Cruz helped FUTEC, RODCEN, Cereales Dona Zeneyda, Lacteos Palmito, D’LaGranja, and Proniza complete their business plans. The business planning process generated immediate benefits for these companies. For example, FUTEC used their business plan to secure a \$150,000 loan from BDF to manufacture a cosmetic line at its plant in Esquipulas, Proniza used their business plan to apply for a \$50,000 loan from the Inter-American Development Bank (IADB), and several companies identified improved business growth strategies.
- In December, our 15 month-long alliance with La Colonia came to an end, though we will continue reporting sales and employment impact through March 2012. To date, our alliance has helped:
 - Introduce products from six SMEs to La Colonia and another eight SMEs to expand their sales through La Colonia’s *Economax* brand. This important market breakthrough allowed 14 SMEs to increase their sales by

Cereales Doña Zeneyda Enjoys Healthy Growth through E&E's Alliance with La Colonia Supermarkets

In December of 2006, Ivette Juarez and her husband, Manuel, opened a small business processing cereals in Ciudad Sandino. She named her business Doña Zeneyda in honor of her mother who passed away in 1998 due to diabetes, and decided to process and market only healthy cereal beverage products, with limited or no sugar content.

During its first couple of years, Ivette's sales were primarily to clientele from her neighborhood in Ciudad Sandino. They sold about 50 lbs of cereal per month. Little by little she expanded her market through local pulperías (bodegas) and over the course of the next five years, Doña Zeneyda's sales increased to approximately \$2,500/month. In January of 2011, she heard of USAID's Enterprise & Employment Program's alliance with Casa Mantica, owner of the La Colonia supermarket chain, and she quickly contacted E&E to ask for assistance to become a La Colonia supplier.

Since reaching out to E&E, Ivette's business has grown considerably. Once La Colonia accepted them as a supplier, their monthly sales increased by 85%, from \$2,490 to \$4,600, punctuated by their record-high sales of \$10,100 in November of 2011. Their sales growth allowed Ivette to expand her staff, from two to 10 employees. La Colonia provides her products with preferential shelf-space – her products are not cast on the lowest shelves as those belonging to many small companies. E&E helped her develop a business plan, which outlines strategies she now plans on implementing to reach her sales target of \$190,000 in the next three years.

One year later, Ivette reflects on her experience of becoming a La Colonia supplier. According to Ivette, "Approaching E&E to ask for help to become a La Colonia supplier was one of the best decisions I've made. We are very happy to now be a supplier of this important chain, but also to have developed a positive relationship with La Colonia's management, which have been great to us."

\$666,000 (a 35% increase), and create 56 new jobs (a 29% increase). La Colonia suppliers expanded their sales by \$61,000 during FY12Q1;

- 12 SMEs launch 30 new or improved products; and
- Seven SMEs implement GMPs and industrial safety practices.

A1f. Exprosur - Plantain exports

E&E helped link Exprosur, a 32-member plantain cooperative in southern Nicaragua, to Del Monte of Costa Rica, which led to them signing a \$5 million sales contract for high quality plantain. Exprosur received TA from Del Monte and E&E, and by July of 2011 had begun exporting export-quality plantain. Word of high quality plantain production in Rivas quickly spread, and Exprosur began exporting to buyers in Miami at prices that are \$2-3 higher, per box, than what Del Monte offered to pay. In December, Exprosur visited Costa Rica and met with Del Monte's General Manager, who was not willing to increase their price offer for now, though they may increase their price offer in the near future. In the meantime E&E continues providing Exprosur with technical assistance to ensure that they maintain offering high quality plantain to its buyers. Highlights in FY12Q1 include:



Workers at Exprosur's packing house in Rivas disinfect plantains destined for the U.S. market.

- E&E helped Exprosur increase their sales by over \$169,800 (52% were exports to the U.S.). Exprosur's "second" grade plantain's quality exceeds that of what local market buyers consider "first" grade quality, allowing them to received a price of \$0.13/finger (30% higher than the average price paid for first grade plantain in the local market).
- Extreme rains in October caused flooding and significant losses for producers, resulting in the destruction of 48 ha (approximately 25% of Exprosur supplier plantations) of plantain destined for export markets (with a sales value of over \$400,000).
- In November, Exprosur conducted a commercial trip to Costa Rica to establish new sales contacts and visit Del Monte. Sales leads resulting from this trip totaled over \$490,000, and included a purchase order from FROMUSA for one container per month and a purchase order from Caminos del Sol, for up to six containers of 2nd and 3rd-grade plantain per week. Exprosur plans on signing contracts with these buyers beginning January. Its expanded sales obligations will require Exprosur suppliers to plant or implement better agriculture practices on 240 ha.
- Facing the need to source export-quality plantain from 240 ha, Exprosur took advantage of its trip to Costa Rica to meet with Root Capital, to discuss the possibility of obtaining \$100,000 in financing to help small producers acquire irrigation equipment. E&E also

linked Exprosur with Banco de la Produccion (Banpro), and helped organize meetings between small producers interested in supplying Exprosur and this bank in the municipalities of Potosi and Buenos Aires, Rivas. In November, E&E submitted a list of 208 producers interested in acquiring financing to supply Exprosur. In December, E&E organized another meeting with Banpro and 30 producers, most of whom began preparing loan applications. We also began organizing a similar meeting in January to take place on Ometepe Island. Our goal is to facilitate financing for a minimum of 50 new Exprosur suppliers.

- Three new Exprosur suppliers began bagging plantain hands, leading to the creation of 10 new jobs. During the quarter, 13 jobs were created to tend to plantain bagging and more attentive production practices.

A1g. Grupo Raíces (GR) - Handicrafts

Grupo Raíces represents nearly 200 Nicaraguan artisan SMEs. E&E provides GR with marketing and demand-based design support, as well as co-investment to purchase equipment to standardize quality or improve productivity. FY12Q1 highlights include:

- E&E helped GR increase their sales by over \$115,000 as compared to FY11Q1, and create 26 new jobs.
- E&E helped drive new sales by supporting the attendance of ten GR members at the Escazú Expoventa in Costa Rica in October, leading to sales of over \$100,000. E&E also supported participation of three GR members at the Milano Artiggianno Fairtrade in December by co-financing shipping of product samples to the fair. GR generated over \$15,000 in sales in Milano but, more importantly, introduced Nicaraguan handicrafts to the fair.
- As a result the E&E-sponsored commercial mission to the Dominican Republic last March, a Dominican arts and crafts buyer visited GR in Nicaragua and placed a purchase order for \$27,000-worth of hammocks, leather drums, and musical instruments.
- E&E TA helped 54 artisans from nine SME artisan workshops develop 37 new product designs in San José de Cusmapa, Solentiname and Masaya.



Top: Doña Tula Sánchez, of the "Padre Fabretto's Cooperative of Cusmapa" smiles as she applies dyed thread to pine fiber during one of E&E's new product development workshops in San Jose de Cusmapa. Below: Doña Tula's finished product.

A1h. Tecnoagro – Cassava and other tropical tuber exports

E&E is helping Tecnoagro's suppliers in Leon – nearly all small producers – to introduce new cassava varieties that will increase yields as much as four-fold in comparison to traditionally grown varieties, thus helping producers increase their profitability by up to \$1,100 per hectare. In FY12Q1:

- E&E's support for Tecnoagro's participation at the 2010 and 2011 PMA and the Expo-Alimentos Trade Show in Puerto Rico in April helped the anchor firm generate over \$175,000 in new exports.
- In December, due to the lack of availability of cassava, Tecnoagro's need to export cassava to its US-based clients, and high market prices, two alliance beneficiaries harvested 5.6 ha of Peru variety-cassava. Even though the Peru variety needs less time than other varieties (7 months to reach export-level size, vs. 10 months for traditional varieties), this cassava was harvested at five months (2 months early). The results from using this high-yield variety and receiving E&E TA were impressive. Yields averaged 234 hundredweight/ha, 37% more than yields of traditional varieties after 10 months of production. Even more importantly, the yield of exportable cassava (1st-grade) averaged 61%, a significant improvement over traditional varieties which only yield about 30-35%, for which producers receive, on average, \$3 more per hundredweight than 2nd and 3rd quality cassava. The producers who sold this cassava to Tecnoagro obtained a profit of \$1,000/ha (about five times as much as they made last year while producing traditional varieties), and all in just five months.
- We helped draft an agreement between Tecnoagro and FDL to facilitate financing to Tecnoagro's suppliers of high-yielding cassava varieties. FDL and Tecnoagro will meet in January to sign the agreement.
- We organized a field day between Tecnoagro and 12 suppliers in Chacraseca, Leon. Tecnoagro and its suppliers visited several cassava farms to analyze progress and compare notes. An FDL loan analyst participated, and got to see the difference in yields between the high-yielding varieties we helped farmers gain access to, and traditional varieties.



A Tecnoagro supplier examines his Reyna variety cassava at 5 months of age (five months before harvest time). The cassava is well developed for its age.

Small Sesame Producer Experience Large Productivity Gains through Alliance with EXPORNICA



At 54 years of age, Rigoberto Mercado Morales has been producing sesame for over twenty years on his 2 hectare farm in the Los Encuentros community near Somotillo, Chinandega. For two years he benefitted from the Millennium Challenge Account (MCA), which co-financed sufficient agriculture inputs to produce up to 3.5 hectares of sesame, but he never managed to really take advantage of this support because the inputs they provided always arrived late, the seed they received was of poor quality, and because of extreme weather problems caused by *El Niño* in 2008 and *La Niña* in 2009.

When the MCA's project ended, so did his access to agriculture inputs. He managed to scrap together sufficient capital to invest in 2 hectares last year, but was resigned to planting only 0.7 hectares this year due to insufficient funds. That was until a Fundacion Lider extensionist funded by USAID's Enterprise & Employment (E&E) Program visited him in May, and let him know of a new opportunity with EXPORNICA. During the next month, Rigoberto organized the documentation he would need to provide collateral to EXPORNICA, so that he could receive a loan (with 0% interest) from this anchor firm. Instead of planting 0.7 hectares, he decided to plant 2.1 hectares. He received certified seed, which he knew could in itself help raise yields by over 20%, all the inputs he would need, along with financing to cover harvest costs, and technical assistance from Fundacion Lider and EXPORNICA extensionists.

In November, Rigoberto began harvesting sesame. His yields were impressive. In fact, he could not remember ever experiencing such high yields – Rigoberto harvested 27 hundredweight/ha, 90% more than he was able to produce last year. In December, he sold his production to EXPORNICA for \$2,680, allowing him to obtain \$1,480 in profits, \$980 of which he would not have earned had he not been able to benefit from E&E's alliance with EXPORNICA.

According to Rigoberto, "I am happy with this experience with EXPORNICA. I know that as long as I sell them my sesame, they will continue financing me, and the access to certified seed really helps. The inputs arrived on time, and I am grateful for the assistance I received from Fundacion Lider and E&E. I look forward to expanding my production even more next year."

A1i. Ingemann Food Nicaragua – Honey exports

E&E is working with Ingemann, Nicaragua's largest honey exporter, to provide assistance to hundreds of Ingemann's current and potential honey suppliers. The project consists of: 1) co-financing 400 hives and related equipment to 20 producers; 2) co-financing a honey moisture removal system, which will allow Ingemann to purchase honey from producers all year long; 3) Training 400 honey producers (about a third of all producers in Nicaragua) to improve their honey yields and business management, and implementing a diploma course to 20 honey sector participants through our alliance with Swisscontact; 4) co-financing the installation of a new honey collection center in El Sauce, one of Nicaragua's most important honey production areas; and 5) 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. FY12Q1 results include:



Honey producers gather to observe hive during Swisscontact's training on bee health.

- Ingemann used the honey moisture removal system E&E co-financed to purchase 61,200 kg of exceedingly moist, un-exportable honey, process it to remove excess moisture, and export three containers worth \$183,600.
- E&E co-financed Swisscontact's training of 31 producer groups composed of 404 honey producers in Boaco, Chinandega, Esteli, Jinotega, Leon, Madriz, Matagalpa, and Nueva Segovia. Swisscontact completed training modules related to basic honey production management, bee health, and bee nutrition, and started training these producers to better manage the quality of honey.

A1j. MAPINIIC-Simplemente Madera (SM) – Wooden furniture exports

Through its alliance with MAPINIIC-Simplemente Madera, E&E supports their small carpentry SMEs from which SM outsources furniture manufacturing. Through this effort, SM will at least double the number of SMEs it outsources to, from five to no less than ten. SM projects that selected suppliers will receive \$3,000-\$5,000 in additional revenue per month, in several cases more than doubling their sales. The project will help SM suppliers in expanding production, improving business management, marketing, customer service, production efficiency, and quality control. The project will create over 70 jobs and increase sales and furniture exports by over \$1 million. More importantly, it will forge a stronger base of SMEs that will help the sector in the future. FY12Q1 results include:

- DAG, the consulting firm SM subcontracted the assignment of helping 15 SME furniture manufacturers develop business plans, delivered marketing and sales management training to these SMEs. They followed up on this training by helping

each SME develop their own marketing plans and sales projections. We plan on helping these SMEs complete their business plans in February.

- Big Green Egg distributors in the U.S. and Europe were pleased with barbecue set accessory samples, developed with E&E support. A Big Green Egg representative will visit SM in Nicaragua in early January to help develop additional samples, and will likely place a large order soon thereafter. SM plans on subcontracting a significant portion of Big Green Egg accessory manufacturing to the SME wood manufacturers we are training.

A1k. **SERVICONSA – Shrimp exports**

Through our alliance with SERVICONSA, an international shrimp production and export company, we support 64 small shrimp producers (part of four cooperatives and two small companies) located in some of the poorest areas of Chinandega to significantly increase their yields and incomes. FY12Q1 highlights include:

- Producers obtained average yields of 836 kg/ha (an 86% increase over the baseline yield of 450 kg/ha and 9% over our target). This first cycle generated \$2.1 in sales, \$1.05 million more than the baseline. Our support of these small SERVICONSA suppliers helped create 51 new jobs.
- SERVICONSA provided over \$594,000 in financing to the 64 producers benefitted through this alliance. Several producer groups planted larvae for a second and even third cycle. We will report results for these production cycles during the net quarter.
- Our technical team conducted 35 direct technical assistance visits and worked with producers to overcome negative effects from excess rains in October. Our technical team also conducted three trainings on detecting shrimp diseases benefitting 26 producers. In addition to production TA, E&E contracted an accounting specialist to help develop and implement accounting systems for the cooperatives. The accounting specialist analyzed their current accounting practices, developed a work plan, and will work on actual system implementation during the next quarter.
- E&E contracted a legal consultant to help legally establish the Association of Small and Medium Aquaculture producers (APEMAC). Our consultant drafted their certificate of incorporation, advised members of their responsibilities for managing an association, and presented their legal documentation to the National Assembly for approval, which is expected during the next quarter.



Shrimp producers from the Nicolas Chavez Cooperative

- USAID awarded our grant for the Lucrecia Lindo Cooperative to acquire equipment for APEMAC. Lucrecia Lindo used the grant to acquire a communications tower (to allow for internet access), radio equipment (walkie-talkies to allow for communication among shrimp producers), an electric winch to aide in shrimp handling, and a motorboat engine. Lucrecia Lindo will acquire solar panels (to pump water) and a digital microscope for the veterinary disease diagnostic laboratory we are helping establish in January.

A11. Expornica (Formerly Proniexport) – Sesame exports

In July 2011, we partnered with EXPORNICA, a major sesame exporter, to serve as an anchor firm and help over 400 new EXPORNICA sesame suppliers with sustainable access to certified seed (which can improve yields by over 20%), financing, and technical assistance to expand yields and boost producers' profitability. We also partnered with Fundacion Lider (FL), a Chinandega-based NGO. FY12Q1 accomplishments include:



Doña Francisca Varela stacking harvested sesame for drying. Doña Francisca planted 2.1 ha of sesame with financing from EXPORNICA facilitated by E&E.

- Producers harvested sesame from the “postrera” harvest (the postrera is the largest of three sesame production cycles in Nicaragua), helping create 87 new jobs.
- Fundacion Lider (FL) met with 437 sesame producers to help schedule harvesting and facilitate post-harvest tools and materials (like plastic carps, screens, and sacks) from the anchor firm. FL provided direct TA to 302 sesame producers in Leon and Chinandega (15% were female) to react to agronomic problems caused by excess rains in October and to properly harvest and store their sesame. FL also delivered two training seminars to 30 producers in Somotillo, Chinandega, on Good Agriculture Practices (GAPs).
- While we will not have the final results related to total sesame harvested and purchased by EXPORNICA until early February, EXPORNICA purchased and exported 91 MT worth \$114,000 in December. These exports correspond to new areas of production planted by alliance beneficiaries that could not have been planted without EXPORNICA's financing facilitated through this initiative.
- Some producers benefitted by E&E's alliance with EXPORNICA were negatively impacted by excessive rains in October. After heavy rains subsided, Fundacion Lider (FL) moved quickly to evaluate the impact on the 1,375 ha of sesame planted by our 497 beneficiaries and found that 31.5 ha were most affected (with estimated losses between 50-100%), including 8 ha which were completely destroyed by flooding. Another 130 ha suffered losses of between 15-50%.

Small Backpack Manufacturer Diversifies Product Offering with E&E Support



Prior to his 10th birthday, Geovanny Montes learned how to sew from his mother at his family's sewing business in Nagarote. Later, while he attended high school, he managed to cover his expenses by selling baseball caps he would make, to his schoolmates at the San Francisco School in Leon.

When he was 24 years old, he started his own business making school backpacks out of jean material. His business took off, and he expanded his labor force. However, over the next ten years business became increasingly competitive, with new backpack manufacturers sprouting in Nagarote and other areas of Nicaragua and extremely price-competitive Chinese imports. He came to realize that in order to survive he would need to diversify his product offerings, from solely school backpacks, which have highly seasonal demand; to other products he could sell all year round.

In July, faculty and post-graduate students from the Nicaraguan Polytechnic University (UPOLI) co-funded by E&E visited Geovanny and advised him of an opportunity to learn how to produce other products. Geovanny jumped at the chance. By November, he had received training from a Costa Rican new product development consultant financed by E&E, through which he learned how to manufacture purses and handbags.

In December, Geovanny began selling his new products, and that month alone sold approximately \$5,000 worth of purses and handbags (15% of his average yearly sales). He now sells 35 new unique handbag and purse designs, and is thinking of contracting three new employees in January to help him manufacture these bags.

Geovanny is optimistic about his future: "This business is tough. In order to survive, we must innovate and diversify. I am thankful for UPOLI and E&E, for now I've learned, in such a short time, how to produce new products that I know I can sell."

A1m. Sub-projects Under Consideration

During this quarter, E&E evaluated three alliances: an alliance with Nicacentro, a large milk cooperative in Matagalpa, which would help establish milk collection centers in remote areas of Northern Nicaragua, helping to link small producers to formal markets; an alliance with UCOSEMUN, a union of coffee cooperatives in Northern Nicaragua and the Specialty Coffee Association (ACEN), to help small coffee producers market more of their coffee to specialty coffee purchasers; and an alliance with Sukarne, a large beef exporter, to help small livestock breeders fatten cattle more efficiently. We plan on submitting concept papers for these alliances to USAID beginning in February.

A2. Other Cross-Cutting and Value Chain Support

A2a. Facilitating Access to Credit for MSMEs

Enhancing access to finance is priority which we are addressing through a comprehensive strategy involving assisting anchor firms and their suppliers obtain financing; helping local financial institutions to deliver credit more effectively to SMEs; and creating a better enabling environment for SME lending. The latter is discussed in the policy section further below. Other access to credit initiatives include:

- BDF SME Training.** In October we helped train 107 BDF SME clients to better manage their credit histories and in November held a graduation ceremony to recognize our training of 243 BDF SME clients on the same subject. In December, we finalized four courses on “Financial Statement Analysis and Internal Business Controls” through which we trained 76 BDF SME clients. BDF plans on extending lower interest rates on future loans to clients that successfully complete this course. According to BDF, our joint SME client training facilitated \$3 million in SME financing to 333 SME clients, of which E&E conservatively attributes 30%, or \$900,000 as a product of our support.



A BDF-E&E training graduate signs her loan approval with a BDF loan analyst.

- Improving Loan Analyses.** In December, E&E helped BDF successfully implement an SME lending analysis tool, which BDF is institutionalizing as their official methodology for analyzing loans to SMEs. This tool automatically creates cash flow statements, income statements, and balance sheets, along with debt and liquidity ratios, and information to gauge loan payment capacity. It generates a comprehensive risk analysis while reducing the time BDF takes to analyze an SME loan by more than 50%, thus allowing BDF to evaluate more loans and expand their SME loan portfolio more quickly.

- **Central American Bank (BAC) SME Lending Support.** E&E met with BAC (Nicaragua’s largest bank) representatives to discuss their interest in creating a new SME lending department, and how E&E can help them launch this new effort. We decided to begin working with BAC in January to develop a strategy which will likely involve supporting BAC with the tools and methodologies for analyzing loans for SMEs.

Supporting Local Development Fund (FDL) in Las Segovias

As part of an initiative supporting USAID’s food security strategy, we continued our partnerships with FDL and their technical assistance partner, Nitlaplan, both Nicaraguan NGOs. The program provides technical assistance to 3,000 small producers in Las Segovias, who in turn receive financing from FDL to produce plantains and other products (under their *Plantation Establishment* program – see textbox on page 5), as well as to purchase cattle for milk production (under their *My Dairy Cow* program). The project will generate over \$2 million in new sales and \$2.9 million in financing. From October – December, FDL lent over \$523,300 to 320 small producers in Las Segovias (51% of borrowers are female).

Credit Bureau Enhancement

In November, USAID approved a grant for SINRIESGOS, a private firm which provides credit risk assessment services to commercial banks and microfinance institutions, to develop a new credit scoring tool to help SME lenders make better lending decisions. In December, SINRIESGOS used the grant to contract EQUIFAX, a US consumer credit reporting agency, which will develop the credit scoring tool.

A2b. Strengthening Value Chain Associativity

Nicaragua’s National Assembly has yet to review legal documentation we submitted in September to formally recognize the National Honey Association, the Voces Vitales Association, and the Association of Small and Medium Aquaculture Producers (APEMAC). We hope that all three associations are formally recognized during the next quarter.

A2c. New Product Development Assistance to “La Bendicion” Cooperative

Our collaboration with the National Polytechnic University (UPOLI) to provide technical assistance to 20 backpack manufacturing SMEs in Nagarote and to diversify their product offerings beyond school backpacks, which began in July, continued during this quarter. In October we provided STTA to help these 20 SMEs develop 60 new products, mostly purses and handbags, which they began selling in November. In November and December, we linked La Bendicion to several CANCUNIC members to develop leather backpacks, which these CANCUNIC members agreed to purchase and commercialize. UPOLI also followed up on this new product development initiative by providing coaching support, which they will continue in January.

A3. Improving Business Service Provider Capabilities (BSPs) [Task Order Activity B]

E&E is supporting ten business service providers, including five with specific programs to reach a broad number of SMEs and make their assistance more effective. We are also helping to create strong synergies between these organizations and anchor firm-supported SMEs.

A3a. Asociación de Productores Exportadores de Nicaragua (APEN)

APEN is one of Nicaragua's leading business service providers (BSPs). Our focus in FY12 continues to center on supporting and enhancing service delivery in areas critical to its export promotion mission. FY12Q1 highlights include:



RODCEN's plant, which processes sauces, will receive GMP certification through our initiative with APEN

- As a first step for facilitating export-related certifications, APEN concluded business assessments for all 20 exporters benefitting from our certification initiative. Based on the assessments, in December these consultants developed "improvement plans" for 10 participating exporters, which provide specific tasks exporters must complete in order to qualify for the certifications they seek. We plan on completing improvement plans for the remaining 10 exporters in January, while helping the first 10 exporters complete their tasks.
- E&E provided STTA to facilitate Hazard Analysis and Critical Control Points (HACCP) certification for APEN's cold storage facilities at Managua's airport. The consultant presented manuals APEN can use to implement Sanitation Standard Operating Procedures (SSOPs), GMPs, and HACCP. APEN began implementing recommendations in December.
- The Export Training Office (OFEX) E&E helped APEN launch delivered five training sessions to help 11 SMEs learn about the export process. OFEX also delivered training to nine SMEs to help them understand how they can introduce their products to international markets and develop export marketing plans. In addition, E&E helped APEN deliver certification training to 124 SME representatives in Esteli and Leon. Participants learned about requirements for obtaining Good Agriculture Practices (GAPs), GLOBAL GAP, HACCP, and GMP certifications.

A3b. Centro de Exportaciones e Inversiones (CEI)

CEI is Nicaragua's leading export promotion BSP and a key E&E partner. In FY12Q1, our work continued concentrating on making CEI's organization of international trade fairs more effective. Highlights include:

- E&E helped CEI position Nicaragua as a relevant fresh produce source for the U.S. market at the Produce Marketing Association's Fresh Summit (North America's most important fresh produce trade show) in Atlanta, by co-financing an appealing booth and the participation of seven Nicaraguan exporters promoting fresh okra, tropical tubers, beans, plantains, and Asian vegetables. More than 18,500 industry representatives from over 70 countries visited the Summit. Participating Nicaraguan companies received purchase intentions worth more than \$7 million.



Nicaragua's booth at the Produce Marketing Association's Fresh Summit Show in Atlanta, financed by USAID, drew hundreds of potential buyers

- We developed a SOW and helped CEI select a consultant who we contracted to develop a guide for effective preparation for international trade shows. We plan on receiving a first draft of this guide in January.

A3c. Unión Nicaragüense para la Responsabilidad Social Empresarial (uniRSE)

uniRSE helped three E&E anchor firms (RENISA, Chiles, and Calzado Alex) and 50 SMEs analyze their corporate social responsibility (CSR) practices, using a software program developed to analyze practices under four areas of CSR: human resource management, supplier relations, environmental practices, and community support. After conducting the analyses, uniRSE helped these companies develop action plans for improving their CSR practices. For example, Oscaritex, which specializes in producing childrens' clothing decided to give back to their community by offering free sewing training to schools in their area. Chiles decided to better support their own employees by helping finance educational opportunities for their staff and ensuring the best medical insurance coverage available for them. Among the 50 SMEs who received this assistance were 3 artisans from Grupo Raices, 4 Exprosur members, 9 La Colonia suppliers, 16 CANCUNIC members, 5 solid waste collectors, and 13 CANATUR members. uniRSE will conduct the same analysis for another 20 SMEs in January.

A3d. Cámara Nacional de Turismo (CANATUR)

Tourism is one Nicaragua's fastest growing sectors. The National Tourism Chamber (CANATUR) is key to Nicaragua's tourism sector, ensuring that the industry develops sustainably from a business, social, and environmental perspective. With E&E assistance, CANATUR now has 14 regional chapters in Catarina, Granada, Masaya, Chinandega, Ocotol, Rio San Juan, Ometepe, Leon, San Juan del Sur, Esteli, Matagalpa, Tola, Pearl Lagoon, Tola, and Corn Island, which represent 307 tourism SMEs including hotels and restaurants, tourism operators, transportation companies, and other related businesses. CANATUR FY12Q1 highlights include:

- E&E helped CANATUR organize its Third National Chapter Representative Meeting, involving leadership from its 14 chapters across Nicaragua, where they discussed issues facing the tourism sector, including insufficient security in San Juan del Sur and Granada, the role of tourism sector enterprises in preventing child sexual exploitation, improving solid waste management, and competition from unregistered tourism businesses. We took advantage of this large congregation of CANATUR members to invite a representative from BDF to propose the tourism financial products they developed with E&E support. In November, CANATUR will follow up on this meeting by providing BDF with a list of members interested in obtaining loans, so that BDF can help these businesses develop loan applications.



E&E consultant Raul Calvett presents results from our Medical Tourism Market study

- After E&E presented the results of its Medical Tourism Market study (described more fully in section A4c), CANATUR organized a Medical Tourism Commission, integrated by eight prominent physicians, three hospitals, six tourism leaders, a representative from INTUR, and a representative from the Ministry of Health. Nicaragua's Minister of Tourism attended the first Commission meeting, and promised support for promoting Nicaragua's nascent medical tourism offerings.
- In an effort to respond to a common complaint among tourists related to insufficient street signage, CANATUR's chapter in Chinandega secured private sector sponsorship and coordinated with the Municipality of Chinandega, to install 60 street signs to help better direct tourists and the general populace to their desired destinations. To date, CANATUR has helped install 90 street signs in Chinandega.
- CANATUR's chapters in Ocotal and Matagalpa signed an MOU to collaborate in identifying and promoting tourism packages in northern Nicaragua. These chapters will co-finance a promotional guide promoting tourism offerings in Ocotal, Dipilto, Jalapa, and Jicaro. We also helped CANATUR's Rio San Juan Chapter to finish its annual operating plan.

A4. Operations Research and Export Studies [Task Order Activity F]

E&E undertakes studies that support enhanced market intelligence or analyze sector competitiveness, with the objective of serving as the foundation for concrete actions that generate results. FY11 highlights:

Dairy Producer Motivated by Quality-Based Milk Pricing System



Don Felix Guillen Cruz, member of the CASANJO Milk Cooperative, has produced milk on his 35 hectare farm called “El Paraidisito” (“Little Paradise” in English) for the last thirty years. His farm is located near Paiwas, in Rio Blanco, Matagalpa. He possesses 30 cows, which he milks daily. Don Felix has always tried to produce clean and high quality milk, even though buyers paid the same for un-hygienic milk.

In May of 2011, Don Felix learned that Eskimo, a large milk processor that purchases milk from CASANJO, had reached an agreement with CASANJO to pay higher prices for “A - quality” milk. Cooperative members would receive technical assistance from extensionists provided by Eskimo and USAID’s Enterprise and Employment (E&E) Program, to establish the payment system itself, conduct milk quality tests, separate milk according to quality, and help producers improve the quality and quantity of milk produced.

Eight months after joining this effort, Don Felix received an award from Eskimo and CASANJO, recognizing him as the producer who most consistently delivered high quality milk.

“My Paraidisito lacks sophisticated installations, and does not have a large corral. Producing clean milk is not easy, but if there is a willingness to do it, and a system in place to enable hygienic milking, it is possible. I have always wanted to produce high quality milk, but buyers did not pay any better for making that additional effort. Now that Eskimo and CASANJO pays better for clean milk, I am filled with satisfaction. I feel motivated. I feel like there is proper recognition for my efforts and dedication. Now that Eskimo pays better for better quality milk, more producers will improve the quality of their milk,” declares Don Felix.

Don Felix recently hired someone to help him milk his cows properly. With the additional income he receives from the higher price paid by Eskimo he plans on investing to improve his milking station and planting high quality pasture to improve the nutrition of his cows.

A4a. Comparative Cost Study of the Nicaraguan, Regional, and Asian Textile Industries

Since E&E and PRONICARAGUA began following up on sales and investment leads resulting from the *Sourcing at MAGIC trade show*, we became aware of communication problems between PRONICARAGUA (organization tasked with attracting investment), ANITEC (the private textile association), and the Free Trade Zone Corporation, or CZF (public operator that manages free trade zones and creates new ones). In order to overcome these communication problems we developed an MOU between the three organizations to encourage better information sharing, which they will sign in January.

PRONICARAGUA developed two questionnaires (one aimed at potential investors and the other for potential textile buyers) to obtain information from potential buyers/investors they met at MAGIC. PRONICARAGUA, ANITEC, and the CZF then began circulating these questionnaires to their own members and contacts made at MAGIC in November.

Preliminary results from MAGIC are encouraging. The four most important companies now in discussions with PRONICARAGUA about sourcing from Nicaragua are the Bob Baker Company (interested in importing uniforms), Dickies, Standard Textile (interested in sourcing medical uniforms as early as March, 2012), and Passport Brands (interested in sourcing sports shorts and golf shirts). In addition, several companies are now discussing potential investments in Nicaragua, including Narroflex, which will visit Nicaragua in January, and Nara Trading (interested in manufacturing tuxedos in Nicaragua).

A4b. Recycling Laws among CAFTA-DR and Other Latin American countries

Results since completing this operations research are presented in Section B3.

A4c. Market Study for Medical Tourism in Nicaragua

On November 3, E&E presented the results of its medical tourism market study, to over 40 tourism and medical sector representatives. The study found that:

- Nicaragua currently receives about 1,980 medical tourism patients from overseas, who undergo approximately 3,000 medical procedures (mostly dentistry and plastic surgery-related) worth over \$4.4 million. This is the baseline, and is a product of no national plan to coordinate efforts (like investments in certifications, creation of insurance plans for foreign visitors, liability reform, and destination promotion) to increase medical tourism opportunities in Nicaragua.
- If Nicaragua continues as is, with a disjointed effort, the study projects a 5% annual growth in medical tourism sales, leading to revenues of approximately \$7.2 million, ten years from now. However, the study conservatively projects that if Nicaragua's medical tourism sector were to organize itself and launch a coordinated action plan to position Nicaragua as a worthy medical tourism destination, Nicaragua's annual medical tourism revenues could increase to over \$35 million in 10 years.

Immediately following the presentation, CANATUR and audience members planned for a meeting to follow up on the study's recommendations. The results of this follow-up meeting are described in section A3c.

B. Support for CAFTA-DR and Improved Policy Environment [Task Order Activities C and D]

E&E continued its success in establishing a better business climate for equitable economic growth and SME development, especially considering the election year political environment. Our success is the result of carefully identifying policy and regulatory constraints around which there already exists some consensus, finding the right private sector partners and making sure they lead and have complete ownership of the issues and vet the issues thoroughly with the GON before taking to the Assembly.

B1. CAFTA-DR Work Plan Implementation

During FY12Q1, E&E focused on helping private sector representatives better understand how vulnerable sectors under CAFTA-DR (those that will lose trade preferences in coming years, especially agriculture) are preparing to compete without significant tariff preferences Nicaragua received through CAFTA-DR of 5, 10, 18, and 20 years. E&E helped COSEP research how the rice, poultry, pork, and dairy sectors are preparing to compete against US imports. We finalized the study in December and plan on presenting results to private sector representatives in February.

B1a. Complementary Agenda

E&E's support for CAFTA-DR's complimentary agenda is closely linked with policy and regulatory reforms we provide assistance for. E&E support to the complementary agenda came to a virtual standstill during the month of November as a result of the Presidential, National, and Departmental assembly representative, and Central American Parliament elections, and the Christmas holidays. However, E&E consultants wrote the Export Product Promotion Law and validated its contents with the private and public sectors including MIFIC, the Treasury Department, and the Central Bank. On November 25, the consultants presented the final version of the law to the private sector. In December, each COSEP chamber sent their final feedback. COSEP will present the law to the National Assembly in mid-January.

During this quarter, we helped COSEP ratify its upcoming legislative agenda, which will focus on the General Customs Law, the General Ports Law, the General Urban Planning Law, and the Solid Waste Management Law (which includes a chapter E&E helped develop, which provides incentives for the recycling sector).

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 the ECA. Specifically, we are helping to: 1) apply 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 (Lake Nicaragua) and other sources of water, 2) accrediting 4 environmental laboratories in Nicaragua, and 3) facilitating regional accreditation of the National Office of Accreditation (ONA), which falls under MIFIC. FY12Q1 progress includes:

- Lake Cocibolca (Lake Nicaragua) Residual Water Management: E&E-financed consultants completed 265 business inspections to evaluate existing residual water management practices, developed 88 environmental management plans for an equal number of businesses which agreed to implement them, and conducted 20 workshops to spread awareness and provide environmental education in the municipalities of La Concepción, Masatepe, Nandasmo, Niquinohomo, Rivas, Tola, San Jorge, Buenos Aires, Matagalpa, Sebaco, Jinotega, San Rafael, Yali, San José de los Remate, Boaco, Santo Domingo, Juigalpa, Acoyapa, El Almendro, Morrito, and San Miguelito. Beginning in January, E&E will visit the eight departments surrounding Lake Cocibolca to interview MARENA and industry representatives, and the general populace which have received residual water management to see if their residual water management practices have improved. MARENA will also analyze samples from Lake Cocibolca to determine if there has been a reduction in contamination.
- The Laboratory Accreditation Project and Regional Accreditation of the National Office for Accreditations. E&E helped the CISTA-UNAN, CIDEA-UCA, CIRA-UNAN, and Bengochea laboratorios implement requirements for accreditation, and these laboratories applied for accreditation from the National Office for Accreditations (ONA). We expect ONA will provide their accreditations by March 2012. The ONA also adopted all recommendations made by E&E's consultant to comply with ISO 17011. The ONA will apply for regional accreditation from the Interamerican Accreditation Cooperation (IAAC) in January. We plan on ONA receiving their regional accreditation by March 2012.

B2. Policy Reform

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



A MARENA extensionist visits coffee mill in Pueblo Nuevo, Jinotega, to inspect current practices and recommend better residual water management practices.



COSEP President Jose Adan Aguerri leads negotiations with Bayardo Arce, GON Economic Advisor, on the financial regulations.

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 supported COSEP and some of its 17 member chambers in a variety of policy and CAFTA-DR support areas. During FY12Q1, E&E helped COSEP finalize their proposals for factoring, trust fund, invoice exchange, and electronic regulations. COSEP finalized negotiations on these regulations with the GON in December, and will be approved by the GON during the next quarter. We decided to hold off on contracting STTA to calculate the additional revenues perceived by the GON as a result of the General Tourism Law (in order to justify more GON investment in promoting Nicaragua as a tourism destination) until January, when the best suited consultant for this task will be available.

B2b. Coastal Investment Legislation

During FY12Q1, E&E helped design a plan to promote awareness of the Coastal Investment Law. The plan will involve the use of radio vignettes, posters, and the publication and dissemination of the Coastal Investment Law guide we helped develop during FY11. We plan on starting the promotional campaign in January. During this quarter we also began coordinating with CANATUR and the municipality of Tola to launch a pilot program to implement the more sensitive aspects of this Law in Tola: the demarcation of public and private areas, public access to the coast, the provision of concessions, and the establishment of leases. The pilot program will begin during the next quarter.



A Coastal Investment Law educational poster developed by CANATUR and E&E

B2c. Supporting Antitrust Legislation

During this quarter, we developed a proposal for a national antitrust policy, based on a benchmarking analysis of antitrust policies in El Salvador, Costa Rica, Panama, and Mexico, as well as a revision of commercial, fiscal, and industrial policies in Nicaragua. COSEP will analyze this proposal in January, which PROCOMPETENCIA will present at the 2nd National Competition Forum in March.

B3. Supporting Recycling Legislation through RENISA, Nicaraguan Recyclers Association (ASORENIC) and COSEP

E&E's consultant developed a final proposal for a chapter that provides fiscal and non-fiscal incentives for recycling, which will be included in an existing legislative proposal related to solid waste management. The Nicaraguan Recyclers Association (ASORENIC) will formally present the chapter to the National Assembly in late January. The proposed fiscal incentives include tax exemptions and deductions for companies who invest in activities

Plantain Producer Benefits from Attention to Quality



“In 2010, I lost about \$0.01 for every plantain I produced and sold. At that time, the price of plantain in Rivas was about \$.04. I did not know what to do. I had been producing plantain for such a long time, and the market outlook was very dim. By December of 2010, Exprosurs leadership called for a meeting and announced that Exprosurs had negotiated an export contract with Delmonte, with support from USAID’s Enterprise and Employment Program. Del Monte representatives came to visit us and explained their quality standards, and the investments we would need to make to meet export market standards. The investments would be high, but USAID agreed to help co-finance the protective bags we would need. At that moment I decided to go for it. I invested all that I could, and obtained a loan from a local bank. I invested in 35 hectares using the practices recommended by Del Monte. One year later, in December of 2011, I now spend \$0.06 cents for every plantain I produce, but I sell my export-quality plantain for \$0.13/finger, and my second-quality plantain for \$0.08. I am very grateful for this turn of events,” explains Exprosurs member Donald Obregon Carrillo, who produces at plantain at the Nahualapa farm in Rivas.

Heavy rains in October destroyed at least 45 hectares of plantain belonging to Exprosurs members. The plantain was close to being harvested, and would have provided them with about \$400,000 in export sales. Losses among other producers in Rivas were significantly more extensive. However, Exprosurs members like Donald are optimistic. U.S.-based buyers are purchasing their plantain at \$12.50/70 lb-box, and the price is expected to reach \$15/box in January. Aside from benefitting Exprosurs members, the act of exporting this plantain positively affects prices paid to other, smaller producers, who sell in the local markets. In Tonalá, Chinandega, a large plantain-growing area, where no one exports their plantain, prices are significantly lower. When they did not export plantain from Rivas, the local markets were saturated. Now that they do, local market prices are higher.

While exports to Del Monte have slowed due to Del Monte’s unwillingness to at least match prices paid by other importers, Donald and other Exprosurs members are hopeful that Del Monte will reconsider its prices in the near future. After all, their current success is a result of Del Monte’s interest in sourcing from them. However, regardless of whom they sell to, Donald and his fellow Exprosurs suppliers understand that investments in producing high quality plantain pay off.

that better the environment. Proposed non-fiscal incentives include the reduction of regulations impeding recycling business growth, and the provision of technical assistance by the government. We plan on ASORENIC receiving approval for this law by March 2012.

C. Human Capital Development [Task Order Activity E]

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. Progress this quarter includes:

C1. Workforce Development Program with the Victoria Foundation

Fundación Victoria (FV) finalized the third semester of its work force development programs in *Business Administration with an Emphasis on Marketing and Sales* and *Industrial Maintenance*. After the first academic year, the student retention rate is 90% and the average student academic performance score is 87.4 out of 100 points. In early December, FV held the 1st Student Project Fair, in which students presented 16 entrepreneurial projects, 14 of which were presented by students receiving scholarships from E&E.



FV students present their projects to E&E's COP

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

In October, E&E approved the final report of SNV's study analyzing employer demand for employee skill-sets in four sectors: agribusiness, light manufacturing, shoe and leather manufacturing, and tourism. Among the more important findings and recommendations made by our study are:

- Employers face difficulties finding qualified employees for a number of positions,
- The study identifies 35 of the most sought-after skill-sets or employment positions by employers.
- If the employers could currently find qualified candidates that could fill these 35 job profiles, they could hire approximately 5,400 new employees in the short term, and an additional 3,000 in the medium term.
- The private sector demands that INATEC use their 2% of payroll contribution for workforce development more effectively.

In late November, E&E and SNV presented the study's results to COSEP's labor and judicial commissions in order to obtain their feedback and persuade COSEP to assume a leadership role in following up on the study's recommendations. COSEP agreed to work with E&E to lead in this effort, and will organize a work session in January involving private

sector, public sector, and education representatives to determine how to best implement these recommendations.

C3. Postgraduate Program in Export Management

CEI and UNICA held a graduation ceremony for the 17 private and public sector professionals who successfully completed the postgraduate program in Export Management. In attendance were CEI's Director Roberto Brenes, CEI's leader of the board and MIFIC Minister, Orlando Solorzano, UNICA's rector Dr. Michelle Rivas de Molina, and Timothy O'Hare representing USAID.

C4. Consultant/Enterprise Assessment Training

The Central American University (UCA) and E&E held a graduation ceremony for 30 consultants who completed the Business Assessment using Business Management Systems training. These 30 consultants completed 28 business assessments, for 28 food processing and tourism businesses who were able to prioritize obstacles to growth and create action plans with short and medium-term tasks to complete. E&E agreed to help UCA train 19 of its students to conduct business assessments using the Business Management Systems approach. These students will perform business assessments for 19 tourism sector SME's affiliated with CANATUR.

C5. The CISCO Entrepreneur Institute at Thomas More University

During this quarter, the CISCO Entrepreneur Institute trained 31 entrepreneurs through the *Creating a Business* course and delivered the *Growing a Business* course to 19 entrepreneurs. Twenty-four participants (77%) successfully completed the *Creating a Business* course. While four of the participants who successfully completed the course had already begun their businesses, 12 of these entrepreneurs (50% of course graduates) began the process of formally registering a business once they completed the course. Another eight entrepreneurs were planning on using the business plans they developed through the course to seeking financing. In December, we began recruiting participants for courses which will begin in late January. The Institute will deliver the *Use of Advanced Technologies to Grow a Business* course for the first time in late January.

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. Results during FY12Q1 include:

- The national press published a total of 47 news articles highlighting E&E's activities (19 articles in October, 21 articles in November, and 7 articles in December). Among the major activities that received press coverage were the press conference held by CEI and E&E to summarize the results from Nicaragua's participation at the 2011 PMA Fresh Summit, our presentation of the Medical Tourism Marketing Study, the

shoe and leather product design training held for CANCUNIC members, our support of 14 SME La Colonia suppliers (which *El Nuevo Diario* published on its front page), and the benefits received by the Lucrecia Lindo Cooperative through our alliance with SERVICONSA, which *La Prensa* published in a full page story.

- 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 in Nicaragua. During this quarter, *Nicaragua Empresaria* aired interviews with E&E specialists about the importance of the Coastal Investment Law, the CISCO Entrepreneur Institute, and E&E's work to draft a chapter within the Solid Waste Management Law providing incentives for the recycling industry.
- We continued assembling materials for our 3rd issue of our biannual magazine, *Compitiendo*, and continued planning to launch our blog with the Central American University (UCA) in January, to promote the exchange of ideas and opinions regarding issues related to economic development.
- E&E continues updating its web content on the project's website (over 48,500 visits to date), Facebook (over 1,210 friends and regular viewers), and YouTube accounts, which can be accessed at:

www.nicaraguaempresayempleo.com

www.facebook.com/EmpresasyEmpleoNicaragua

www.youtube.com/user/empresayempleo?feature=mhum

D2. Small Grants [Task Order Activity H]

E&E's small grants component leverages funds for projects that merit investment to create employment, expand sales, and increase income of grantees. During October through December 2011, E&E awarded five grants with a value of \$144,482. These included:

- Swisscontact, for \$28,000 to support training to strengthen the technical capacities of 400 honey producers in Nicaragua and conduct a Tropical Apiculture Diploma course with UNAN-Leon;
- The Artisan Women Fishers of Lucrecia Lindo Cooperative, in the amount of \$35,002, to support the procurement of inputs to increase production of shrimp and incomes of 64 rural families;
- TECNOAGRO, \$36,480, to strengthen TECNOAGRO's value chain and increase cassava production with the introduction of new seed variety and technical assistance.

- Cooperative of dairy producers San Jose (CASANJO), \$20,000, to improve CASANJO's milk quality and farmers incomes with the procurement of industrial milk cooling equipment.
- Sin Riesgos, S.A, \$25,000, to sub-contract consultants to design and develop a credit scoring tool.

We prepared the following grant applications which we submitted in December:

- EXPORNICA, \$28,600, to strengthen the sesame seed value chain and increase productivity with the procurement of certified sesame seed, digital scales, and technical assistance.
- GRUPO RAICES, \$26,300, for the development of competitiveness capabilities of 12 artisan workshops, with the procurement of carpentry and pottery tools, and a drying system.