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# Second Quarter Report

## FY 2012, January - March

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

Cover: Representatives from E&E anchor firms Tecnoagro and Serviconsa, along with Nicaraguan Producer and Exporter Association (APEN) and Banco De Finanzas (BDF) leaders discussing how to build from the anchor firm model to create greater sector-wide impact, during E&E's first Anchor Firm Forum, held on February 24 in Managua. Over 40 anchor firm, bank, and business service provider (BSP) representatives, along with USAID, World Bank, and Inter-American Development Bank (IDB) representatives participated in the Forum.

# Enterprise & Employment Second Quarter Report FY 2012, January – March

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## I. Executive Summary

This report highlights activities carried out by CARANA Corporation (CARANA) in support of USAID/Nicaragua's Enterprise and Employment Program (E&E) during the second quarter of FY12 (January – March, 2012 or FY12Q2). Highlights include:

### SME and Value Chain Development

- E&E helped generate over \$1.57 million in new sales (64% exports) and more than 230 new jobs through anchor firm alliances. The majority (78%) of new sales and 87% of new jobs were in the agriculture sector, with a significant portion occurring in food insecure areas. During the first two quarters of FY12, E&E reached 59% of its FY12 local sales growth target, 54% of its export sales growth target, and 54% of its job creation target.
- We conceptualized a new anchor firm alliance with NICACENTRO, Nicaragua's largest dairy cooperative, with more than 600 members in a high poverty area in Matagalpa and neighboring provinces of the Autonomous Region of the South Atlantic (RAAS) and the Autonomous Region of the North Atlantic (RAAN). The proposed alliance would help establish milk collection centers in remote areas of northern Nicaragua, helping to link small producers to formal markets, generating over \$2.5 million in new sales and creating over 300 new jobs. E&E will present the concept paper to USAID in April.
- We helped facilitate more than \$2.4 million in loans to Nicaraguan SMEs through alliances with anchor firms and formal lenders. During the quarter, E&E exceeded its FY12 target of facilitating \$5 million. We trained 91 Banco de Finanzas (BDF) SME clients to improve their financial management. We also helped BDF implement a new SME lending tool which will reduce BDF's SME loan analysis time by more than half. By the end of the quarter, BDF had successfully implemented this tool at their branches in Managua, Masaya, and Chinandega. According to BDF, our joint SME client training, the recent success of financial products aimed at the tourism sector (developed with E&E support), and the increased loan analysis capacity facilitated by E&E helped BDF lend over \$3.6 million (a single quarter SME-lending record for BDF), of which they attribute 100% to E&E but we modestly attribute 40%, or \$1.4 million to our support.
- Our alliance with FDL helped facilitate over \$863,000 in loans to 429 small agriculture producers in USAID food security target areas in Las Segovias (Madriz, Jinotega, Matagalpa, and Nueva Segovia). Small farmers used these loans to expand coffee and horticulture production and acquire cattle.
- We reached an agreement with the Central American Bank (BAC), Nicaragua's largest bank, to assist them in developing an SME loan department, as well as an SME loan market penetration strategy. In addition, we made considerable progress in assisting the SME-focused credit bureau, SINRIESGOS, to develop a new credit scoring tool to help SME lenders make better lending decisions.

- Together with APEN, we completed regional training on certifications (like Good Manufacturing Practices or GMPs, Hazard Analysis and Critical Control Points or HACCP, Good Agriculture Practices or GAP, etc;) to 193 SME representatives, and trained another 13 SME representatives on business planning and e-commerce.
- We finalized our Corporate Social Responsibility (CSR) Program with uniRSE, having trained 69 SMEs to analyze their current CSR practices and develop action plans aimed at improving them specifically as they relate to human resource management, supplier relations, environmental practices, and community support.
- E&E helped CANATUR hold the VII National Gueguense Awards for Excellence in Tourism, a yearly event aimed at motivating tourism businesses to improve the quality of their services.

### CAFTA-DR Implementation and Policy Reform

- The National Assembly began reviewing laws E&E supports such as the Ports Law, the Customs Law, and the Solid Waste Management Law, which includes a chapter, developed with E&E assistance, to provide incentives for the recycling industry. In January, the National Gazette No. 10 officially presented the regulations for Law No. 741 on the Trust Fund Law. In January, E&E submitted the final version of the Export Product Promotion Law to COSEP, which then submitted it to Nicaragua's Department of Treasury for review. COSEP plans on presenting it to the National Assembly for passage in May.
- We supported MARENA in completing 459 business inspections to evaluate existing residual water management practices affecting Rio San Juan and Lake Cocilbolca (Lake Nicaragua). Fifty percent of businesses inspected this quarter lacked an environmental permit. These businesses received TA to begin acquiring permits. MARENA conducted a census to determine the amount of people who will benefit from better residual water management among businesses affecting Basin 69 and Lake Cocilbolca, and found that 13,014 people (47% female) will benefit directly from improved residual water management practices, and an additional 8,550 people will benefit indirectly.
- We completed TA to the CISTA-UNAN, CIDEA-UCA, CIRA-UNAN, and Bengochea laboratories, to make improvements required to obtain environmental analysis accreditations from the National Office for Accreditations (ONA). We are now waiting for the ONA to extend accreditations to these laboratories. E&E's TA to help ONA comply with ISO 17011 also came to an end in February. The Interamerican Accreditation Cooperation (IAAC) in Mexico will likely extend ONA the ISO 17011 certification by June.

### Human Capital Development

- Over 70% of *Business Administration with an Emphasis on Marketing and Sales* and *Industrial Maintenance* students benefitting from scholarships from E&E and

Fundación Victoria (FV) participated in practical internships with businesses, facilitated by FV, during their vacation. Classes for the new school year began during the third week of January. By the end of March, the 44 students studying Business Administration with E&E scholarships finished their academic schooling. From April to June they will participate in professional internships. Meanwhile, the Industrial Maintenance students continue with their academic training.

- E&E, SNV, and COSEP presented the results of our study analyzing employer demand for employee skill-sets in four sectors: agribusiness, light manufacturing, shoe and leather manufacturing, and tourism, to workforce development institutions (including the Victoria Foundation), technical education providers, university personnel, and private sector representatives, on February 10. COSEP will lead dialogue efforts with the GON to reorient funds paid into INATEC by the private sector to workforce development needs identified by the study.
- The CISCO Entrepreneur Institute trained 40 entrepreneurs through the *Creating a Business* course and the *Growing a Business* course, 34 of which (85%) successfully completed course requirements.

### Outreach

- E&E continued generating significant understanding of USAID's contribution to equitable economic growth in Nicaragua through monthly bulletins, extensive press coverage (over 38 news stories 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 60,676 people. We have over 1,358 friends and regular users on Facebook.

### Finance and Management

- E&E had Q2 accruals of approximately \$871,000, or approximately \$290,000 per month. Our cumulative expenses are approximately \$7.8 million. We project expenditures of just over \$860,000 in Q3, and lower expenditures through the rest of FY12 and into FY13.

## II. Progress by Activity

The following sub-sections provide an overview of E&E's activities during FY12Q2. 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 FY12Q2, 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 FY12Q2, E&E anchor firm alliances generated more than \$1.57 million in new sales (64% exports) and more than 230 new jobs. E&E continued implementing 12 alliances, while conceptualizing a new alliance with NICACENTRO, Nicaragua's largest dairy cooperative, with more than 600 members in Matagalpa and neighboring provinces of the RAAS and RAAN. The proposed alliance will help establish milk collection centers in remote and food insecure areas of northern Nicaragua, helping to link small producers to formal markets, generating over \$2.5 million in new sales and creating over 300 new jobs. E&E will present the concept paper to USAID in April.

In February, E&E held an Anchor Firm Forum, to permit anchor firm alliance stakeholders to share experiences, identify lessons learned, and discuss ways to ensure that benefits created by the anchor firm model through E&E continue after the program ends. Over 40 anchor firm, BSP, and financial sector representatives participated, as did USAID, the World Bank, and the IDB.

As a result of the Forum, several anchor firms agreed to share information of mutual benefit and to cooperate along transsectoral lines. For example, Tecnoagro agreed to facilitate access of improved cassava varieties to Expornica's sesame suppliers, with the understanding that they sell their cassava to Tecnoagro. Participants applauded the anchor firm model, particularly in its capacity to facilitate financing for small producers. Participants also suggested several interesting ways to ensure sustainability and create wider impact through the anchor firm model, which E&E began considering.

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

E&E continued support for Calzado Alex and its SME suppliers. Highlights during FY12Q2 include:

- E&E helped Calzado Alex and its suppliers increase their sales by over \$134,000 (39% were exports to Costa Rica and Panama) and create 14 new jobs.
- We helped KUERO attend the WWD MAGIC trade show in the U.S. where it reached out to potential customers using its new product catalogue E&E STTA helped develop. As a result, KUERO will begin exporting 2,000 units (mostly purses) to approximately 25 boutiques in the U.S. in June.



Ana Alexandra Velazquez (fourth from left) attends the WWD-MAGIC design showcase in the U.S.

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

Highlights this quarter:

- E&E helped Chiles export three containers of Tabasco chili paste to the U.S., worth \$96,000. Twenty-one new producers became suppliers, planting over 35 ha, which helped create 66 new jobs.
- We brokered an MOU between Chiles and the Local Development Fund (FDL) to provide credit to Chiles' suppliers. Under the agreement, FDL will provide up to \$10,000 in loans (up to \$5,000 with no collateral other than the Chiles contract). In Q3, we will begin helping small producers from the ILOS Cooperative in Leon and others in Las Segovias (about 30 want to plant over 21 ha, which could generate more than \$300,000 in new sales), 20 of whom are parents of children the Fabretto Foundation feeds through its school lunch programs in Somoto, Ocotal, and La Sabana. This is market-driven, food security initiative which should yield very positive impact.



Tabasco chili producers during harvest

### Female Farmers Start Small, Dream Big



Francisca Vindel waits in anticipation. In two months, the chili Tabasco harvest will begin, and she, along with 88 other female farmers in Boaco, will begin receiving significant income they did not anticipate a year earlier.

Francisca and her 88 fellow farmers are the wives and daughters of members from six cooperatives in Boaco that form part of the “Tierra Nueva” Union of Cooperatives. Several months ago, they received Tabasco chili seedlings and agriculture inputs from Chiles de Nicaragua (a growing exporter of Tabasco chili powder to the Louisiana-based McIlhenny Company, the most important Tabasco sauce company in the world) and USAID’s Enterprise and Employment Program, which has a strategic alliance with Chiles de Nicaragua to support its suppliers.

They started out by planting 400 seedlings. In addition to providing inputs, Chiles de Nicaragua and E&E provided training and technical assistance. Chiles announced that the most responsible and higher-yielding producers will be selected as suppliers for a second cycle, in which producers will plant at least a quarter of a hectare (an area ten times larger than that of the initial cycle). Chiles and E&E will facilitate loans for these producers. Their harvest begins in May. If they reach their target: 1.5 pounds per plant, they’ll earn approximately \$200, and most importantly, be considered to receive continued assistance during a second cycle, which should allow them to generate a minimum of \$900 in additional income – a 30% increase to their current household income.

According to Francisca, this is the first time that a private business spearheads an initiative like this one in Boaco. In addition to being female, participants needed to have the space for 400 Tabasco chili plants, access to water, and a willingness to work. Chiles de Nicaragua and E&E provided each participant with notepads and pens so they could take notes at each training, which showed them everything they would need to successfully plant Tabasco chilies.

So far, Francisca’s expectations are high: “We hope to reach our goal of 1.5 lbs per plant, which will help us earn about \$200. This will be a big help for our family. We plan on then participating in a second round, where we can expect to earn much more.”

### 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. While our assistance to VF is near completion, this quarter E&E helped Vegyfruit increase its sales by over \$235,000 (93% corresponded to exports of 16 containers of seedless watermelon to Bagley Produce in the U.S. and over 12,000 15-lb boxes of fresh okra to other Miami-based buyers). Seedless watermelon and okra production helped create 14 new jobs.

### A1d. Eskimo, S.A. (Eskimo) – Milk and dairy production

In partnership with anchor firm Eskimo, E&E is working with 133 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. FY12Q2 progress includes:



A CASANJO member receives TA to prepare cheaper animal feed

- E&E helped Eskimo suppliers from ASOGACA and CASANJO increase their sales by over \$291,500 in comparison to FY11Q2, catalyzing investments in hygienic milking, double-milking, and the planting of improved pastures, which helped create ten new jobs. Motivated by CASANJO's success, 10 milk producers joined the cooperative during the quarter.
- E&E's success in helping CASANJO and ASOGACA milk producers improve the quality of the milk they sell to Eskimo motivated Eskimo to raise the price it pays for "A-quality" milk by \$0.05, from \$0.41 to \$0.46/liter. Eskimo is so pleased by the milk quality gains resulting from our alliance that they are now considering implementing similar efforts with other milk cooperatives.
- E&E technical extensionists conducted 139 direct TA visits to help CASANJO address weaknesses along their supply chain and help milk producers combat mastitis. In addition, E&E's technical team trained 102 producers to use local ingredients (like native fruits) to make high quality animal feed at a lower cost.

### A1e. Casa Mantica (La Colonia) – Supermarket suppliers

With 14 La Colonia supermarket retail locations and another store opening scheduled in the near future, Casa Mantica is an important client for many micro and small and medium enterprises (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*. While the alliance with Casa Mantica/La Colonia has formally finished, E&E has continued providing mentoring assistance to selected alliance suppliers through periodic STTA. FY12Q2 results include:



A Secreto de Mama employee labeling and packaging sauces destined for La Colonia store shelves

- E&E's support helped La Colonia suppliers expand their sales by over \$103,000 in comparison to FY11Q2, spurring them to hire seven new employees.
- PRONIZA used the business plan we helped them develop to apply for a \$100,000 loan from the Inter-American Development Bank (IADB). PRONIZA plans on using the loan to double its egg production capacity.

### A1f. Exprosur - Plantain exports

E&E continues providing Exprosur with technical assistance to ensure that they maintain offering high quality plantain to its buyers. E&E and Exprosur focused on recruiting new suppliers this quarter, in an effort to increase its medium-to-long term exports. Highlights in FY12Q2 include:

- Seasonal winds compounded problems resulting from excessive rains during FY12Q1 resulted in the loss of over 32 ha. of plantain destined for export markets. Nevertheless, E&E helped Exprosur export a sample container to EXPOFRUVE USA LLC worth \$5,700, and generate local sales of over \$28,000. Labor requirements associated with bagging plantain helped create five new jobs.



Exprosur teaches Ometepe Island plantain producers to properly bag plantain hands

- E&E helped Exprosur reach an agreement with 16 producers on Ometepe Island, who will begin implementing better production practices, including protective bagging and managing plantain maturity, with assistance from E&E and Exprosur. E&E's grant to Exprosur will cover the cost of protective bags and ribbons for the first 14 ha. E&E is working with BANPRO to facilitate financing. E&E also initiated negotiations with eight producers from the ILOS Cooperative in Leon, who are interested in investing to produce over 140 ha. of export-quality plantain.

### 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. FY12Q2 highlights include:

- E&E helped GR increase their exports by over \$109,000 (as compared to FY11Q2), driven in large part by their successful participation at the FIA Fair Trade Show in Costa Rica, which E&E helped them participate in. Sales growth helped create 10 new jobs.
- E&E TA helped nine GR-affiliated artisan groups develop 122 new products: 24 pine-needle products for the women artisans of Cusmapa (Madriz), nine ceramic products for the women ceramics artisans from Ducuale in Condega (Esteli), nine products for the Anselmo Workshop in Mozonte (Nueva Segovia), 19



A Ducuale ceramic artisan using stone to polish a dish.

stone products for the stone artisans of Limay, 30 products for the pottery artisans of San Juan de Oriente, 14 textile goods for Darling's in Masaya, three wooden products for Taller Cuevas in Nandasmo, nine balsam wood products for artisans on Solentiname Island, and five textile pieces for Bordados Sacuanjoche in Masaya. Special emphasis was placed on helping these artisans design products that allow for higher profit margins than the products they currently produce and market.

- E&E contracted CADIMO, a marketing company, to help GR open three new retail outlets in Managua, San Juan del Sur, and the International Airport. GR plans on inaugurating the first retail store in Managua in May.

### Don Carlos Expands from Laborer to Coffee Producer



Don Carlos Ríos Benítez lives in the municipality of Santa Maria de Pantasma in Jinotega, where he and his wife raise two children on a little more than five hectares of land. For many years, he worked his neighbor's coffee fields, earning enough money to plant beans for his family's consumption, and to fatten pigs for sale in the local market.

Several years ago, the Local Development Fund (FDL) advised Don Carlos of an opportunity to receive small loans he could use to plant coffee on his own land. Upon acquiring the loan, he would be required to receive technical assistance from FDL's partner, NITLAPAN, a local NGO. Don Carlos took the FDL representative's offer and with NITLAPAN's technical assistance planted 1.4 hectares of coffee. He planned on borrowing more to plant more coffee but then the "No Payment Movement" began in Las Segovias and extended to other parts of Northern Nicaragua.

The FDL is a non-profit, socially-driven lender. Its business model involves accompanying riskier loans like the one extended to Don Carlos, with technical assistance it provides through Nitlapan. Like several lenders, the FDL lost millions of dollars as a result of this movement, through which thousands of farmers refused to repay their loans to the financial entities who had lent them capital. As a result of its losses, the FDL was left with insufficient funds to provide technical assistance to potential borrowers, forcing them reduce their loans to the agriculture sector, and sharply decrease their lending to the Segovias and neighboring areas. They would have to stop lending to Don Carlos.

As part of USAID's food security strategy, which focuses on supporting producers in the highly food insecure areas of Northern Nicaragua, E&E reached out to the FDL and agreed to co-finance technical assistance required for making loans to producers in Northern Nicaragua. Through this alliance with the FDL, E&E will help over 3,000 producers in highly food insecure areas of Northern Nicaragua obtain over \$2.9 million in financing they will use to purchase cattle for milk production under the FDL's "My Cow Program" or plant coffee and other products.

Thanks to E&E's alliance with FDL, Don Carlos was recently able to borrow more funds to plant another hectare of coffee. The new hectare of coffee Donald planted through his loan with FDL will begin bearing fruit in two-three years, and could provide approximately \$1,300 in additional income for many years to come (based on conservative yield and price estimates).

Encouraged by high prices and encouraging price projections, Don Carlos is confident that his expanding coffee production will allow him to improve his family's quality of life. According to Don Carlos, "Before, I never received any kind of technical assistance. Now, I work with recommendations made by experts [from Nitlapan], and I feel confident in what I'm doing."

### A1h. Tecnoagro – Cassava and other tropical tuber exports

E&E is helping Tecnoagro's suppliers – 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 FY12Q2:

- Follow up sales from Tecnoagro's participation at the 2011 PMA and Expo-Alimentos Trade Show in Puerto Rico helped the anchor firm generate over \$226,600 in new exports.
- We brokered an MOU between Tecnoagro and FDL to provide loans to cassava suppliers. Under the agreement, FDL will provide up to \$10,000 in loans (up to \$2,400 with no need for collateral except for the sales contracts with Tecnoagro). By the end of the quarter, 78 producers had expressed interest in signing contracts with Tecnoagro (to produce more than 126 ha.), and in receiving loans from FDL.
- E&E helped Tecnoagro contract international cassava guru Fernando Calle, from Colombia's Latin America & Caribbean Consortium of Cassava Research and Development (CLAYUCA), a world leader in cassava research and extension, who visited Nicaragua in late February and trained Tecnoagro and 35 cassava producers from Leon and Chinandega on recommended planting methods, fertilization, and plant disease prevention, identification, and treatment.



Cassava producers from Western Nicaragua receive training from international cassava expert Fernando Calle

### 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. Recent support has centered on training over 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. FY12Q2 results include:

- Ingemann used the honey moisture removal system E&E co-financed to purchase exceedingly moist, un-



Tropical Apiculture Diploma course students learn by doing

exportable honey, process it to remove excess moisture, and generate new export sales of \$36,570.

- Swisscontact concluded its training of 31 producer groups composed of 404 honey producers in Boaco, Chinandega, Esteli, Jinotega, Leon, Madriz, Matagalpa, and Nueva Segovia to better manage their honey production and business management, increase yields, and improve the quality of their honey. E&E also helped Swisscontact and the National Autonomous University of Nicaragua in Leon (UNAN-Leon) launch the Tropical Apiculture Diploma course in late February. Twenty course participants, including honey cooperative members and an FDL loan analyst, enrolled in the course, which will include six modules related to basic honey production management, bee health, bee nutrition, GMPs, and honey marketing and business management.

#### **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 alliance will help SM suppliers in expanding production, improving business management, marketing, customer service, production efficiency, and quality control.



A wooden furniture SME constructing a rocking chair

The alliance aims to 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. FY12Q2 results include:

- SM decided to change its business model and establish itself in a free trade zone. This process will take several months, and will allow SM to benefit from several fiscal benefits, but will prevent it from manufacturing goods sold within Nicaragua. As a result, it will depend on the SMEs we are training to manufacture the furniture and fixtures it currently produces and sells locally, worth over \$1 million per year.
- DAG, the consulting firm SM subcontracted the assignment of helping 15 SME furniture manufacturers develop business plans, completed a national market study (involving over 400 consumer surveys), it is using to help these companies develop marketing strategies. By the end of March, DAG had completed four business plans, and plans on concluding all plans by early May.

### 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. FY12Q2 highlights include:



Serviconsa helped its suppliers prepare land before filling

- E&E-assisted shrimp producers harvested and sold over \$23,800 of shrimp to the local market. Thus far, our alliance with SERVICONSA has helped these 64 small shrimp producers *increase* their sales by over \$973,000 (as compared to FY11). In addition, harvesting and land preparation duties helped create four new jobs.
- TA helped SERVICONSA’s suppliers prepare shrimp production pools and “plant” larvae in February and March. SERVICONSA lent the six shrimp production groups we support more than \$35,000 to cover associated costs.
- Our technical team conducted 39 direct technical assistance visits and worked with producers to prepare shrimp production pools and plant larvae. In addition, the accounting specialist E&E contracted to help these producers improve their accounting practices, completed six accounting manuals (one for each group of producers), which guides the implementation of their improved accounting systems.

### A1l. **Expornica (Formerly Proniexport) – Sesame exports**

In July 2011, we partnered with EXPORNICA, a major sesame exporter, to serve as an anchor firm and help approximately 500 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. FY12Q2 accomplishments include:



A sesame seed producer stacking harvested sesame

### Creaciones Mariestela Diversifies Her Product Offerings



Maria Estela Gutierrez always wanted to be a fashion designer but she settled for working as a seamstress, constructing and delivering traditional suits and other clothes for clientele in Nagarote. Her work allowed her to put food on the table for her nine children she raised as a single mother, yet she wanted more for herself. She wanted to design her own products. Though she still makes clothes for clients, she now also designs, ceates, and sells handbags and purses thanks to a new product design and development training she received from the Polytechnic University (UPOLI), financed by USAID's Enterprise and Employment (E&E) Program.

Maria Estela joined the "La Bendicion" Cooperative in 2007, and now serves on the Leadership Board of the Cooperative. In mid 2011 she learned of the opportunity to take a new product development course, focused on handbags and purses, which would be delivered by UPOLI faculty and a fashion and design expert from Costa Rica. Working through UPOLI, E&E had decided to support twenty "La Bendicion" members, the majority of whom manufacture school bookbags, to help these MSMEs produce higher-margin, less seasonal products, which could boost their growth. The training, which lasted several months, helped these 20 MSME representatives develop over 60 new products. Each MSME developed their own, unique product line.

Since completing the course, Maria Estela has been busy designing, manufacturing, and marketing her new handbag and purse line. Trial and error helped her select the most marketable designs, and she now makes and sells anywhere from a dozen to three dozen bags per day. Her sales have grown by an average of \$100 daily, and her profit margin is considerably higher. While the school bookbags allow her to earn less than a dollar per unit sold, and seamstress work is similarly lacking in profitability, she can earn more than four dollars per bag she sells. According to Maria Estela, "I am very grateful of the opportunity to learn how to design and manufacture these products. I hope to continue learning how to design and make other products my customers want, and which will help my business grow."

- Expornica purchased and exported 203 MT of sesame harvested from our alliance's 497 suppliers, worth over \$255,360, helping create 86 new jobs. Eighty Expornica-financed producers who sold 26 MT of their production to other buyers generated \$25,200 in additional sales. In addition, E&E helped two farmers produce approximately 3.6 MT of certified seed, which helped create another 10 new jobs.
- Fundacion Lider (FL) decided to rescind their subcontract with E&E because of internal management problems. As a result, E&E began the process of contracting consultants to provide TA to Expornica's suppliers during the next "postrera" production cycle, which begins in July.

### A1m. Sub-projects Under Consideration

During this quarter, E&E drafted a concept paper to form 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, generating over \$2.5 million in new sales and over 300 new jobs. E&E will present the concept paper to USAID in April.

### 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:



A farmer in Matagalpa tends to coffee plants he acquired with a loan from FDL

- **BDF SME Training.** In FY12Q2 we helped train 91 BDF SME clients to better manage their credit histories and improve their financial management. Ten of these SMEs have since applied for loans to cover the cost of implementing accounting systems. According to BDF, our joint SME client training, the recent success of financial products aimed at the tourism sector (developed with E&E support), and the increased loan analysis capability facilitated by E&E (discussed below) helped BDF lend over \$3.6 million to SMEs during the quarter, of which E&E conservatively attributes 40%, or \$1.4 million as a result our support.
- **Improving Loan Analyses.** BDF successfully implemented their new SME lending analysis tool developed with E&E support at their branches in Managua, Masaya,

and Chinandega. 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 and BAC agreed to sign an MOU in April, under which E&E will help BAC develop an SME loan analysis methodology and loan management system, as well as an SME loan market penetration strategy. E&E will apply lessons learned from our highly successful SME training initiatives with BDF and help train BAC's new SME clients to manage their credit histories and improve their financial management.

### 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 10), as well as to purchase cattle for milk production (under their *My Dairy Cow* program). The alliance with FDL will generate over \$2 million in new sales and \$2.9 million in financing. During FY12Q2, FDL lent over \$863,000 to 429 small producers (approximately 50% of borrowers are female) in Jinotega and Matagalpa.

### Credit Bureau Enhancement

During this quarter, EQUIFAX, the company SINRIESGOS contracted to develop a new credit scoring tool to help SME lenders make better lending decisions, delivered a prototype of its tool to SINRIESGOS. SINRIESGOS will now test the tool and begin promoting its use to potential clients.

### **A2b. 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, came to a successful conclusion. The STTA E&E provided helped these 20 SMEs develop 60 new products, mostly purses and handbags, which they have begun marketing. We are now considering a small grant (worth approximately \$15,000) “La Bendicion” would use to purchase equipment to expand purse and handbag manufacturing and allow them to manufacture and sell school uniforms.

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

E&E is supporting four business service providers to reach a broad number of MSMEs 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 centers on supporting and enhancing service delivery in areas critical to its export promotion mission. FY12Q2 highlights include:

- APEN concluded action plans, manuals, and employee trainings for the 20 exporters included in E&E's certification initiative. We followed up to make sure these SMEs are implementing the changes required to obtain certifications. So far the results have been very promising. For example, since receiving this assistance, La Barranca, Nicaragua's largest egg producer, has invested more than \$1 million to make changes required to obtain HACCP certification.
- APEN concluded regional certification trainings, which helped 193 SME representatives (32% female) understand requirements for obtaining Good Agriculture Practice (GAPs), GLOBAL GAP, Hazard Analysis and Critical Control Points (HACCP), and GMP certifications.
- The Export Training Office (OFEX) E&E helped APEN launch delivered business planning and e-commerce trainings to 13 SME representatives.



SME "El Buen Sabor" constructing bathrooms to comply with GMP requirements, as per recommendations made through E&E's certification program with APEN

#### A3b. Centro de Exportaciones e Inversiones (CEI)

CEI is Nicaragua's leading export promotion BSP and a key E&E partner. In FY12Q2, our work continued concentrating on making CEI's organization of international trade fairs more effective. During this quarter, the consultant E&E contracted to develop a guide for effective preparation for international trade shows completed a first draft for the guide. E&E reviewed it and suggested improvements. We plan receiving a final version in April.

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

E&E's joint-initiative with uniRSE to help 69 firms improve their Corporate Social Responsibility (CSR) practices came to an end. All 69 SMEs received an analysis of 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 receiving this analysis, uniRSE helped all 69 companies develop action plans for improving their CSR practices. In addition, we published a booklet describing CSR best practices at Chiles de Nicaragua and Oscaritex, which was distributed to firms interested in implementing better CSR practices at uniRSE's National CSR Forum, in which more than 125 SME representatives participated.

### **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 FY12Q2 highlights include:

- We helped CANATUR hold the VII National Gueguense Awards for Excellence in Tourism, a yearly event aimed at motivating tourism businesses to improve the quality of their services.
- With E&E's support, CANATUR began the process of developing a new certification for Nicaraguan hotels, which combines elements from Canada's "Service Best" certification and Costa Rica's "Environmental Responsibility" certification. The Central American Office for Tourism Integration agreed to promote this certification among hotels in the region. During this quarter, E&E began helping CANATUR develop criteria for evaluating hotel compliance with this certification.
- With E&E's support, CANATUR trained over 50 tourism-related SMEs in Managua, Ometepe Island, and Rio San Juan to improve their negotiation skills and better participate in tourism fairs.
- CANATUR's Granada Chapter launched a promotional campaign to prevent child sexual exploitation.

### **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. FY12Q2 highlights:

### From Plastic Shoes to Differentiated Leather Goods: The Story of Don Jose Rivas



In 1984, Don Roberto Jose Rivas Gutierrez decided to start a business. The market in Granada was flooded with cheap, plastic shoes of Chinese origin. He decided to purchase a few pairs to use as molds, and use locally-produced leather to make higher quality shoes. Surely, he thought, people would pay a little more for longer-lasting leather shoes. He was right. He established his business, which he named Calzado Giovanni, in his childhood home, where his family moved to from the community of La Pitahaya in La Libertad, Chontales, when he was a young child.

Little by little his business grew, though competition was tough, and support almost unexistent. Sales became stagnant. Then, in 2007, he met Alex Delgado, owner of Calzado Alex, and he soon began supplying Alex with fifty pairs of shoes per week. In February 2010, Don Roberto and other Calzado Alex suppliers began receiving assistance from USAID's Enterprise and Employment (E&E) Program, which helps anchor firm suppliers.

Don Roberto learned how to design new shoes, based on market trends, and to develop them, from E&E consultant Catalina Navia. E&E then co-financed equipment to glue shoe soles, and leather-trimming equipment that permits Calzado Giovanni employees to cut leather faster and more precisely. Don Roberto now uses his ingenuity to design his own shoes, and recently introduced a line of "Executive" shoes targeted to working professionals.

Calzado Giovanni's sales have grown in the two years he's received help from E&E. Two years ago, he sold about 300 pairs of shoes a week. He now sells twice that amount (much of it to Calzado Alex), allowing his average monthly sales to more than double, from approximately \$15,000 to over \$36,000.

According to Don Roberto, "I owe my success to three fundamental causes: my experience, the help I've received from USAID through E&E, and above all things, the Grace of God."

#### **A4a. Recycling Laws among CAFTA-DR and Other Latin American countries**

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

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

E&E continued supporting the Nicaraguan private sector in establishing a better business climate for equitable economic growth and SME development. 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 FY12Q2, E&E helped COSEP analyze 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. We plan on reviewing the study with COSEP in April.

#### **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. The legislative session began operating on January 9, after which commission members were appointed. The National Assembly began reviewing laws we are supporting, like the Ports Law, the Customs Law, and the Recycling Law, in February. On January 22, E&E submitted the final version of the Export Product Promotion Law to COSEP, which then submitted it to Nicaragua's Treasury Department for review. COSEP plans on presenting it to the National Assembly for passage in April.

#### **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. FY12Q2 progress includes:

- Lake Cocibolca (Lake Nicaragua) Residual Water Management: E&E-financed consultants completed 459 business inspections to evaluate existing residual water management practices affecting sub-basins that feed Basin 69 of Rio San Juan and Lake Cocibolca. 50% of businesses inspected this quarter lacked an Environmental Permit. These businesses received assistance to begin obtaining required permits. E&E met with MARENA delegations in Rio San Juan, Chontales, Granada, Masaya,

and Jinotega to evaluate results. MARENA also conducted a census to determine the amount of people who will benefit from better residual water management among businesses affecting Basin 69 and Lake Cocibolca, and found that 13,014 people (47% female) will benefit directly from improved residual water management practices, and an additional 8,550 people will benefit indirectly.

- The Laboratory Accreditation Project and Regional Accreditation of the National Office for Accreditations. We completed TA to the CISTA-UNAN, CIDEA-UCA, CIRA-UNAN, and Bengochea laboratories, to make improvements required to obtain environmental analysis accreditations from the National Office for Accreditations (ONA). We are now waiting for the ONA to extend accreditations to these laboratories. E&E's TA to help ONA comply with ISO 17011 also came to an end in February. The Interamerican Accreditation Cooperation (IAAC) in Mexico will likely extend ONA the ISO 17011 certification by June.

## **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.

### **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. On January 18, the National Gazette No. 10 officially presented the Regulations for Law No. 741 on the Trust Fund Law. In February and March, E&E assisted COSEP in their negotiations with the GON regarding regulations proposals for the factoring, invoice exchange, and electronic signature laws. COSEP expects for these regulations to be approved during the third quarter of FY12. In addition, on January 22, E&E submitted the final version of the Export Product Promotion Law to COSEP, which plans on presenting it to the National Assembly for approval in April.

### **B2b. Coastal Investment Legislation**

While we previously planned on 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) in February we decided to limit our support to the translation of the Coastal Investment Legislation guide from Spanish to English, to help foreign investors better understand this important law. We plan on completing this translation in April.

## **B2c. Supporting Antitrust Legislation**

Due to budget limitations, PROCOMPETENCIA decided in February against holding the 2<sup>nd</sup> National Competition Forum (scheduled for March), where they planned on publically presenting the National Antitrust Policy developed with E&E support. Our support for a national antitrust policy ended in March.

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

On January 19, ASORENIC submitted the chapter (developed with E&E assistance) that provides fiscal and non-fiscal incentives for the recycling sector, to the Environmental and Natural Resource Management commission the National Assembly, requesting that the Commission includes this chapter within the Solid Waste Management Law, which could be approved during the third quarter of FY12.

ASORENIC represents 26 SMEs employing more than 1,000 people directly and more than 25,000 people indirectly. The recycling sector is growing rapidly, having reached exports of over \$374 million in 2012. ASORENIC projects that the chapter E&E helped develop, if approved, will help spur faster growth in this important sector.

We also developed the SOW to contract Bianca Mangas to lobby for passage of the Solid Waste Management Law, which includes the chapter on recycling developed with E&E assistance. We plan on contracting Ms. Mangas by May.

## **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**

Over 70% of *Business Administration with an Emphasis on Marketing and Sales* and *Industrial Maintenance* students benefitting from scholarships from E&E and Fundación Victoria (FV) participated in practical internships with businesses, facilitated by FV, during their vacation. Classes for the new school year began during the third week of January. By the end of March, the 44 students studying Business Administration with E&E scholarships finished their academic schooling. From April to June they will participate in professional internships. Meanwhile, the Industrial Maintenance students continue with their academic training.

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

In February, E&E, SNV, and COSEP presented the results of our study analyzing employer demand for employee skill-sets in four sectors: agribusiness, light manufacturing, shoe and

### Somoto Hotelier Makes Green Investments with E&E-Facilitated Financing



Doña Lilliam Vargas is the proud owner of La Posada del Angel, a small, 12-room hotel in the center of Somoto. Ever since she could remember, she had dreamed that Somoto would grow into a popular tourism destination, and that she could open a hotel to lodge tourists from around the world. After many years of working and saving, and an SME loan from BDF, Doña Lilliam was finally able to open the doors of her hotel in 2009.

While her business fluctuates throughout the year, she can always count on high electricity bills, which represent up to 70% of her costs. She knew that in order to grow her profits she needed to do something to curb her high energy costs. That's when she heard of a new financial product offered by BDF, developed in conjunction with E&E, tailored to hotels like hers, interested in acquiring solar panels to reduce their electricity bills. In February of 2012, she reached out to the local BDF branch and applied for a loan, which she will use to install solar panels that will provide the energy required to heat her hotel's showers.

According to Doña Lilliam, "we calculated the cost and benefit of installing solar panels with Tecnosol, the solar-panel provider recommended by BDF. The savings we gain from installing solar panels will allow us to pay BDF back in just two years. We will then obtain another loan from BDF to install more energy-efficient air conditioners. If we can make these green investments we will be able to lower our costs."

In mid 2011, BDF asked for help from USAID's Enterprise and Employment Program to develop financial products catered to the tourism sector. E&E facilitated focus groups with CANATUR members, to determine tourism company needs in terms of investments and loan terms. The tourism financial product developed with E&E times repayment of loans according to seasonal tourism variation, allowing borrowers to make higher payments during their "high season" and lower payments during their "low season."

leather manufacturing, and tourism, to workforce development institutions (including the Victoria. COSEP will lead dialogue efforts with the GON to reorient funds paid into INATEC by the private sector to workforce development needs identified by the study. COSEP's Labor Commission agreed to lead this effort.

### **C3. The CISCO Entrepreneur Institute at Thomas More University**

During this quarter, the CISCO Entrepreneur Institute trained 40 entrepreneurs through the *Creating a Business* course and the *Growing a Business* course, 34 of which (85%) successfully completed course requirements. No students enrolled in the *Use of Advanced Technologies to Grow a Business* course. Thomas More University and the regional office of the CISCO Entrepreneur Institute will meet in April to revise the curriculum for this course in an effort to make it more marketable to prospective students.

## **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 FY12Q2 include:

- Thirty-eight news stories highlighted E&E's activities (17 written news articles in *El Nuevo Diario*, *La Prensa*, and *La Jornada* newspapers; 14 television stories on Channels 2, 12, 23, and 14; and 7 radio interviews on COSEP's "Nicaragua Empresaria" show) covered E&E's work with uniRSE to improve CSR practices, our workforce demand study with SNV, the graduation of students from the CISCO Entrepreneur Institute, the MOU signing between FDL and Chiles, the MOU signing between FDL and Tecnoagro, the impact created by USAID through E&E during its first two years of implementation, E&E's Anchor Firm Forum held on February 24, our support of the "La Bendicion" Cooperative with UPOLI, and a full page article on Chiles de Nicaragua published in *La Prensa*.
- E&E continues updating its web content on the project's website (over 60,676 visits to date), Facebook (over 1,358 friends and regular viewers), and YouTube accounts, which can be accessed at:

[www.nicaraguaempresayempleo.com](http://www.nicaraguaempresayempleo.com)

[www.facebook.com/EmpresasyEmpleoNicaragua](http://www.facebook.com/EmpresasyEmpleoNicaragua)

[www.youtube.com/user/empresasyempleo?feature=mhum](http://www.youtube.com/user/empresasyempleo?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. From January through March 2012, E&E awarded five grants with a value of \$144,482. These included:

- Chiles de Nicargua, for \$98,280, to assist the anchor firm to increase and strengthen its supplier network to double its exports of chili peppers to the U.S.
- 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.