

PD-ABL-589

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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

NICARAGUA

PROJECT PAPER

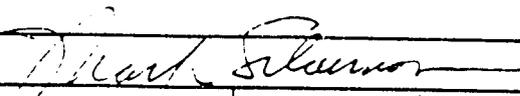
PRIVATE AGRICULTURAL SERVICES
AMENDMENT NUMBER 2

AID/LAC/P-908
CR-851

PROJECT NUMBER: 524-0315

UNCLASSIFIED

PL 480-589

Agency for International Development PROJECT DATA SHEET				1. Transaction Code (A) A = Add Amend. 1 C = Change D = Delete		Document Code 3			
2. Country Entry <p style="text-align: center;">Nicaragua</p>				3. Project Number <p style="text-align: center;">524-0315</p>					
4. Bureau/Office <p style="text-align: center;">LAC</p>		<p style="text-align: center;">[05]</p>		5. Project Title <p style="text-align: center;">PRIVATE AGRICULTURAL SERVICES</p>					
6. Project Assistance Completion Date (PACD) <p style="text-align: center;">MM DD YY 09 30 98 </p>				7. Estimated Date of Obligation <p style="text-align: center;">(Enter "B" below when 1 2 3 or 4) A. Initial FY 91 B. Quarter (4) C. Final FY 97</p>					
8. Costs \$000 or Equivalent \$ 1 =									
A. Funding Source		First FY 91			Life of Project				
		B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total		
AID Appropriated Total:		1,250	250	1,500	8,470	4,530	13,000		
(Grant)		(1,250)	(250)	(1,500)	(8,470)	(4,530)	(13,000)		
(Loan)									
Other									
U.S.									
Host Country Counterpart Contributions (Title III)		--	--	--	--	4,500	4,500		
Other Donor(s) Local NGOs		--	--	--	--	1,618	1,618		
TOTALS		1,250	250	1,500	8,470	10,648	19,118		
9. Schedule of AID Funding (\$000)									
A. Appropriation	B. Primary Purpose	C. Primary Tech. Code		D. Obligations to Date		E. Amount Approved This Action		F. Life of Project	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ESF				1,500				1,500	
(2) DA				5,500		6,000		11,500	
(3)									
(4)				7,000				13,000	
TOTALS									
10. Secondary Technical Codes (maximum 6 codes of 3 positions each)							11. Secondary Purpose Code		
12. Special Concerns Codes (maximum 7 codes of 4 positions each)									
A. Code									
B. Amount									
13. Project Purpose <p style="text-align: center;">To improve agricultural productivity and profitability of small and medium-scale farmers through support of representative organizations at the community, department, and national levels.</p>									
14. Schedule Evaluations					15. Source/Origin of Goods and Services				
Interim	MM	YY	Final	MM	YY	[X] 000	[] 941	[X] Local	Other (specify) <u>CACM</u>
	03	96		03	98				
16. Amendments/Nature of Change Proposed (This is page 1 of a ___ page PP Amendment)									
This amendment expands the number of private sector agricultural organizations to be assisted, extends the PACD, and increases the DA LOP funding by \$6.0 million not including Title III PL 480 resources.									
Approved by	Signature 				DATE DOCUMENT RECEIVED IN AID/W. OR FOR AID/W DOCUMENTS. DATE OF DISTRIBUTION				
	Title: Acting Director USAID/Nicaragua		Date Signed: 9/13/94						

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**Project Authorization
Amendment No. 2**

Name of Country: Nicaragua
Name of Project: Private Agricultural Services
Number of Project: 524-0315

1. Pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, the Private Agricultural Services Project (PAS) was authorized on June 26, 1991 and subsequently amended. The authorization for this Project is hereby further amended as follows:

A. The first paragraph of the authorization is amended by replacing "Seven Million United States Dollars (\$7,000,000) in grant funds over the period from the date of obligation through a Project Assistance Completion Date of August 31, 1996" with the phrase "Thirteen Million United States Dollars (\$13,000,000) in grant funds over the period from the date of obligation through a planned Project Assistance Completion Date of September 30, 1998".

B. Paragraph 2 of the authorization is deleted in its entirety and replaced with the following paragraph 2:

"The Project consists of three components: (a) Cooperative Support - farmers who are members of agricultural cooperatives will be provided with technical assistance, information, and training related to non-traditional agricultural exports and traditional agricultural products; (b) Production and Marketing Services - privatized commissions, associations, and cooperatives will be provided with production-related grants, marketing support, training, field research and technical assistance; and (c) Institutional Strengthening and Integration - the Union of Agricultural Producers of Nicaragua and the Nicaraguan Association of Producers of Non-Traditional Exports as well as the privatized agricultural commissions and the Nicaraguan Union of Agriculturalists (UNAG) will receive support under this component."

2. Except as amended herein, the authorization for the Private Agricultural Services Project, as amended, remains in full force and effect.

Signature: Mark I. Silverman
Mark I. Silverman
Acting Director
USAID/Nicaragua

Date: 9/13/94

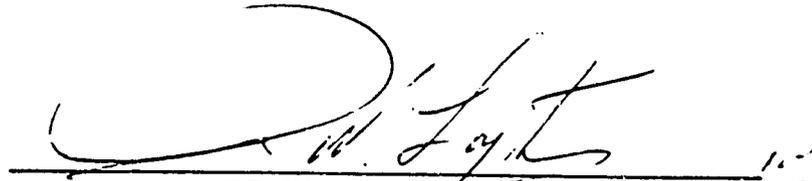
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Drafted: PDIS:EHolleran EH Date: 9/12/94
Clearances:

PDIS:LOdle	<u>LO</u>	Date: <u>9/12/94</u>
PEPS:SMerrill	<u>SM</u>	Date: <u>4/12/94</u>
CO:MKenyon	<u>MK</u>	Date: <u>9/12/94</u>
RLA MVelazquez	<u>draft</u>	Date: <u>9/7/94</u>
OFIN:RLayton	<u>RL</u>	Date: <u>09/12/94</u>
ARDO:JDorman	<u>JD</u>	Date: <u>9/12/94</u>
A/DD:BRudert	<u>BR</u>	Date: <u>9/12/94</u>

PRIVATE AGRICULTURAL SERVICES (AMENDMENT NO.1)
PROJECT NO. 524-0315

THIS PP AMENDMENT COMPLIES WITH CURRENT AGENCY GUIDELINES ON THE
METHODS OF FINANCING AND IMPLEMENTATION AND HAS PROVIDED FOR
ADEQUATE AUDIT COVERAGE IN ACCORDANCE WITH THE PAYMENT
VERIFICATION POLICY IMPLEMENTATION GUIDANCE.

A handwritten signature in black ink, appearing to read 'R. Layton', is written over a horizontal line. The signature is fluid and cursive.

RICHARD W. LAYTON
CONTROLLER
USAID/NICARAGUA

**Private Agricultural Services
(524-0315)
Project Paper Amendment #1**

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GLOSSARY/ACRONYMS

AIF	Asociacion Internacional de Fomento/Banco Mundial
AGRIDEC	Agricultural Development Company
ANAR	National Rice Growers Association
APENN	Association of Non-Traditional Exports Producers
CATIE	Centro Agronomico Tropical de Investigacion y Ensenanza
CEA	Center for Cotton Research (now FUNDA)
CIAT	International Center for Tropical Agriculture
DA	Development Assistance (AID funds)
EAP	Escuela Agricola Panamericana
EARTH	Escuela Agricola de la Region Tropical Humeda
EOP	End of Project
CONAGAN	Nicaraguan Livestock Commission
FNI	National Investment Fund
FUNDA	Nicaraguan Agricultural Development Foundation
GON	Government of Nicaragua
IDB	Inter-American Development Bank
INTA	National Agricultural Technology Institute
MAG	Ministry of Agriculture and Livestock
MARENA	Ministry of Natural Resources
MEDE	Ministry of Economy and Development
NCBA	National Cooperative Business Association
NTA	Non - Traditional Agriculture
NTAE	Non - Traditional Agricultural Exports
PAS	Private Agricultural Services Project
PL 480	Public Law 480 (Food Aid)
PROEXAG	(Regional) Promotion of Exports in Agriculture Project
PSC	Personal Services Contract
PSMO	Project Management and Support Office
PVO	Private Voluntary Organizations
UNAG	National Farmers Union
UNDP	United Nations Development Program
UNICAFE	Union of Coffee Producers
UPANIC	Union of Nicaraguan Agricultural Producers
WB	World Bank

I. Summary

A. Basis for the Amendment

After less than three years of activities under the Private Agricultural Services Project (PAS), certain Nicaraguan private sector organizations have been strengthened and have expanded their ability to serve their members and participating associations in a variety of ways. Provision of targeted technical assistance, training, information, and productive/institutional strengthening grants, have made significant contributions to growth in production, acreage planted, export earnings, and income.

The Union of Nicaraguan Agricultural Producers (UPANIC) and the Association of Non-Traditional Export Producers (APENN) have developed into lead organizations representing important segments of the farming community. Their contributions, with the help of USAID, have played a major role in the significant progress made to date in the sector. However, large segments of the farming community, namely farming cooperative members and small-scale unaffiliated farmers, have not yet been reached. Because of progress made to date and the desire to rapidly expand assistance to include additional small-scale farmers, agricultural cooperatives, and privatized agricultural commissions, this amendment is being implemented.

B. Description

The amended PAS activities consist of Cooperative Support, Production and Marketing Services, and Institutional Strengthening and Integration.

Cooperative Support largely consists of providing cooperative member farmers with technical assistance, information, and training in the following areas: (1) Non-Traditional Agricultural Exports (NTAE) and basic grain production technology; (2) NTAE marketing; and (3) Strengthening of Cooperative agribusiness management. Most assistance will be provided through a U.S. PVO experienced with developing the capacities of Latin American agricultural cooperatives and small-scale farmers.

The second component, Production and Marketing Services, consists of a series of production-oriented training activities, field research, and technical assistance to the privatized coffee, cotton and Cattle Commissions (using PL480 Title III resources and a contracted grant facilitation expert); production promotion activities with both UPANIC affiliates and non-affiliated associations and cooperatives (but through the UPANIC Project Management and Support Offices called the PSMO); productivity support activities to UPANIC, APENN, and the Nicaraguan Union of Agriculturalists (UNAG) using PL480 Title III resources; and legume

inoculant production and marketing support from the University of Hawaii to the Nicaraguan Agricultural Development Foundation (FUNDA).

The third component, Institutional Strengthening and Integration, will: build on and extend the capabilities developed at UPANIC and APENN through amended Cooperative Agreements; and provide direct technical assistance and training to the privatized commissions, UNAG, UPANIC and APENN through an institutional contractor.

The cost of these additional activities, spread-out over the next four years (until 9/30/98), is estimated at \$7,847,948 with \$1,847,948 remaining in unused resources from the original Project and an additional \$6,000,000 to be obligated between FY94 and FY97. A brief financial summary is provided, showing budgetary changes and overall life-of-project funding.

Illustrative Budget (in US\$,000's)			
Activity/Element	Original Budget	Additional Resources	Total Budget
I. Cooperative Support			
PVO Grantee	0	2,921	2,921
II. Production and Marketing			
A. UPANIC Cooperative Agreement			
1. Sub-Grants	3,432	42	3,474
2. Operational Support	738	323	1,061
3. Non-PSC Contractor	290	32	322
B. Inoculant Grant	0	91	91
III. Institutional Strengthening/Integration			
A. APENN Cooperative Agreement	945	510	1,455
B. Institutional Contractor	1,526	1,039	2,565
IV. Evaluations	69	110	179
V. Inflation	0	375	375
VI. Contingency	0	557	557
AID Total	7,000	6,000	13,000
UPANIC Counterpart ¹	52	108	160
UPANIC Subgrants	0	1,012	1,012
APENN Counterpart ²	206	240	446
Title III Grants	0	4,500	4,500
Grand Total	7,258	11,860	19,118

C. Results

The results of PAS activities will have a major, lasting impact on Nicaragua's agricultural sector. Amended project activities will directly affect thousands of farm families (13,050 families

¹ Since UPANIC has provided no counterpart to date, UPANIC will provide a total of \$160,000 during the amendment period to reach the amount required by the LOP budget.

² APENN has only provided \$23,000 of the \$206,000 counterpart budget. So, APENN will provide \$423,000 during the amended period resulting in a total LOP contribution of \$446,000.

directly through PAS and about 8,500 families through Title III grants). Their "benefits" will include income improvement, production increases and market accessibility, crop diversification, and new job creation. The capability to serve members with information, training, and technical assistance will be greatly improved at three commissions (coffee, cattle and cotton), APENN, UNAG, UPANIC, about 20 agricultural cooperatives, and about 30 regional or municipal agricultural associations.

II. Background

This section provides background to the amendment, progress to date, and problems and opportunities.

A. Sector Status

The Private Agricultural Services (PAS) Project was a response to the tremendously deteriorated production base and divided institutional environment in the Nicaraguan agricultural sector at the time the project was authorized in June 1991. The country had just emerged from a centralized, state managed economy; levels of production and productivity were at historic lows in many important agricultural sub-sectors; and private sector institutions were weak and disorganized. The strategy of the PAS Project has been to provide critically needed productive services via selected viable private sector farm associations, including APENN and affiliates of UPANIC.

Up to 1991, Nicaragua had been left out entirely from the NTAE boom in the rest of Central America, and APENN had just recently been formed. UPANIC associations, once the leaders in agricultural technology and production, had experienced over ten years of isolation and inactivity, in which their primary role was political opposition to the Sandinistas.

The PAS Project is now at the end of the third of its five year life, and is being amended to reflect:

- the successful initial implementation of the original three components;
- the changing institutional environment in the Agricultural Sector; and
- increased participation by a broader range of small and medium-scale farmers in the rural sector.

The bottom line of the changing institutional environment is that Nicaragua is developing a stronger base of private sector organizations. During the first three years of PAS implementation, the institutional environment of Nicaragua's agricultural sector has changed dramatically. The country actively pursued privatizing the

services of three parastatal Commissions via the creation of national level, private producer associations or foundations. Also within the public sector, the government has taken steps to revitalize the country's technology system by creating a National Agricultural Technology Institute (INTA). As these organizations mature, the PAS Project will be in an increasingly strengthened position to increase the levels of participation and access to services of a larger number and diversity of farmers.

USAID has a unique opportunity to assist in the national reconciliation process by supporting efforts of the various politicized agricultural associations which will be the "owners" and founders of the privatized commissions. Provision of technical assistance to the commissions and UNAG will aid in transferring the focus of individual members attention from political issues to technical issues of how to rebuild their sector. Working with these groups provides USAID a good means of supporting a large number of small and medium-scale producers.

Through the PAS Project amendment, USAID will support a technical assistance effort to put in place a systematic process for involving farmers, researchers, and extensionists in a collaborative way to identify production problems with suitable technologies for addressing those problems and the most effective means of extending those technologies to farmers.

A summary of the three commissions follows. (In December 1993, USAID/N conducted an institutional assessment of the three emerging privatized agricultural commissions. Annex C.)

1. UNICAFE (formerly CONCAFE, the Coffee Commission)

Land under coffee production before 1979 reached 140,000 manzanas and accounted for 31% of Nicaraguan exports, and 45% of the \$442 million of agricultural exports; now only 107,000 manzanas are actively tended, the rest having been abandoned due to conflicts of land title and lack of technical assistance to maintain them. Coffee is a very important source of income to small farmers. UNICAFE is now the only national institution capable and willing to provide the necessary research, extension, and technical assistance to increase coffee productivity.

In early 1992, the GON agreed to turn over the management of the Coffee Commission to the industry but without further funding. In October of that year, representatives from all the key coffee associations signed an agreement among themselves to deduct a fee on exports, the revenue from which is used to finance the commission (renamed as UNICAFE). With the signing of the Agreement, UNICAFE became an independent, private entity. Of the newly privatized producer associations, the most advanced has been the Coffee Association. UNICAFE has developed a full program of

services and an operational budget financed by an export check-off system. UNICAFE is the principal regulatory organization for the sector, manages three experimental stations, and provides technical assistance and training.

2. CONAGAN (Livestock Commission)

Nicaragua has a long tradition of producing cattle and at one time had one of the most modern progressive cattle industries anywhere in Latin America. Since 1979, when the cattle herd peaked at 3.2 million head, the herd has shrunk to about 1.8 million and beef exports have dropped from \$93 million in 1979 to below \$40 million in 1993. The decrease is due to a number of factors; confiscation of cattle and land, high past extraction rates for immediate profit, and general lack of sound policy and technical assistance, management and leadership from the top. For the small producer, cattle has traditionally been an important source of income; however, the lack of good cattle management practices has seriously affected the incomes of all producers. There is no major technical assistance program in place today for the cattle sector except for the small but effective USAID-financed UPANIC cattle subgrants to local livestock associations.

CONAGAN was founded in 1988 with a major purpose of providing policy direction to the sector. More recently, after negotiations among various livestock sector groups (UNAG, FAGANIC, UNILECHE, ANCGAP and the three export slaughter houses), an agreement was reached to privatize CONAGAN. The new privatized commission represents the entire sector through participation of the above member associations. CONAGAN enjoys strong producer support and is developing a fee deduction, check-off system similar to that of UNICAFE. CONAGAN is in the process of developing technical programs, in which it will function primarily as a wholesaler of technology.

3. FUNDA (formerly the Cotton Commission)

Cotton production peaked in 1977, when the area under cotton reached 310,000 manzanas (about 500,000 acres). Since that time cotton cultivation declined due to falling prices on the world market and high production costs. The future of the cotton growing areas, especially the Chinandega/León area, is in the diversification into other crops.

The Cotton Commission itself has not been privatized; rather producers in the region organized themselves into a foundation known as Fundación Nicaragüense de Desarrollo Agrícola (FUNDA). The FUNDA charter was recently formed for the purpose of improving the productivity of previously cotton-growing areas through upgrading research on and extension of technologies to support the diversification of crops in the region.

The principal asset controlled by the FUNDA is the Centro Experimental de Algodon (CEA) at Posoltega. The station also has a nitrogen fixation inoculant production facility which is and can be an even greater income generator for FUNDA. The CEA and FUNDA provide a foundation for managing a coordinated and integrated effort with other national institutions (INTA, APENN, and UPANIC) and donors to revitalize this geographic region once described as a potential breadbasket for Central America.

FUNDA is less developed than the Coffee and Livestock Associations, but is expected to play a key role in technology development in the Occidente, an extremely rich and arable stretch of land along the Pacific Coast.

4. Union of Agriculturalists and Livestock Producers (UNAG)

UNAG is a national producer association formed during the Sandinista regime. It represents thousands of smaller farmers primarily in producer cooperatives, including most of the agrarian reform sector. UNAG reportedly has about 120,000 members of which 80,000 are members of different cooperative organizations and 40,000 are individual farmers. UNAG is a federated organization similar to the U.S. Farmer's Union.

Many of the cooperatives associated with UNAG are interested in export agriculture, as well as in increasing productivity of existing basic grains. The decision to include UNAG as a direct recipient of assistance at this stage is based on the objective of expanding coverage of the PAS project to include cooperatives, associations, and farmers who are not affiliated with UPANIC associations, thereby expanding the project's impact on increasing the income of the rural poor. Although UNAG continues to receive considerable support from other donors, meetings and field trips with UNAG management during the last three years have demonstrated that this organization has the interest and capability to manage additional assistance, and the need for additional support.

B. Progress to Date

After less than three years, the PAS Project has:

- strengthened APENN and UPANIC administration and services, and brought both to the forefront in the renovation of Nicaraguan agriculture;
- developed a subgrant selection process and monitoring system that has made 20 subgrants that include both institutional strengthening and productivity projects to local associations across the country;

- developed and installed a uniform project accounting and financial controls system; and
- provided direct support to the development of a \$30 million annual export NTAE industry.

Although the signing of the UPANIC Cooperative Agreement was delayed almost one year by a Congressional freeze on obligation of PAS Project funds, the Project has made significant progress in strengthening its member association service delivery capability. Specific achievements include:

- Subgrants have been signed with 20 associations, including three in basic grains, nine in livestock, and eight in coffee. The total value of these subgrants is approximately \$2.5 million;
- The subgrants support productivity-based programs consisting of on-farm technology validation, technical assistance to small coffee farmers, development of coffee nurseries, artificial insemination, hay and silage production, mineral block production, technical assistance in livestock production, and livestock marketing facilities.
- Beneficiaries of the subgrants include approximately 2800 coffee farmers, 1500 cattlemen, and 350 basic grain farmers.
- All of the subgrants are designed to support commercial activities that will generate income beyond the life of the grant. All of the subgrantee associations have received institutional strengthening support such as computers, a uniform accounting system, and training in accounting and administration.

APENN and UPANIC have the capacity to improve and expand their impact on the smaller farmers including: access to technology, increased farmer incomes, and expanded participation by them in the traditional and non-traditional sectors. Both organizations have already demonstrated that they can effectively promote the agricultural sector's growth and have the ability to deliver or coordinate the delivery of technical production and marketing services.

Over the last few years, APENN and UPANIC have progressed on many fronts including the capability to manage consultants, policy dialogue, and budget management. Both organizations have gained considerable experience in managing short-term consultants, including Farmer to Farmer volunteers, PROEXAG advisors, and AGRIDEC short term advisors. They both continue to make important contributions to policy improvements that lead to the removal of constraints to production and marketing of traditional and non-traditional commodities such as the establishment of the

Ventanilla Unica, the CBT incentive and to reductions in Customs bureaucracy and excessive charges. They are both involved with on-going dialogue with the GON to resolve other constraints on inter-regional trade issues and transport and lack of financing for specific commodities.

With respect to management practices, APENN and UPANIC are both able to manage budgets and procurement in accordance to USAID requirements. UPANIC has demonstrated its capability of training local associations to manage subgrant funds and report on its use. Additionally, both organizations have the capability to sponsor and conduct training courses, field demonstrations, and other dissemination activities to enable many more farmers access to the production and marketing know-how to increase productivity. The fundamental capabilities and outreach strategies are in place for APENN and UPANIC to substantially increase their impact on the rural sector.

While improving their fundamental institutional capabilities, UPANIC and APENN have established roles in the agricultural sector. UPANIC is now an active participant with many agricultural organizations and has directorships in INTA, UNICAFE, CONAGAN, the National Investment Fund (FNI) and the National Agro-chemical Commission; leadership positions in committees in the MAG and MARENA; and active participation in trade negotiations with MEDE.

APENN has been the leader in the development of Nicaragua's non-traditional agricultural exports, with exports of non-traditional agricultural products increasing rapidly in the last three years. The total value of the major products, including onions, cucurbits³, mangoes, and ginger, has increased about 70% from 1993 to an estimated value of over \$30 million attributed to the 1994 harvest. Non-traditional agricultural products are expected to be among the fastest growing exports of Nicaragua due to growing demand for fresh fruits and vegetables in the United States and elsewhere and expanding local capabilities to meet a portion of that demand. Currently, the industry generates over \$30 million in income, and employs over 7500 full time workers. The recent evaluation of APENN's performance showed progress, but also a need to expand coverage to broader sectors and continued assistance for institutional strengthening.

C. Problems and Opportunities

This Amendment addresses the same fundamental technical problems as did the original PAS project. But with the emergence of the new private sector institutions and the creation of INTA, lessons learned in project implementation during the first three years of the project, and the political and economic realities of

³ Cucurbits are plants of the gourd family.

broadening, consolidating, and integrating AID's assistance to a much larger group of small farmers and cooperatives, the Project faces a newer but manageable set of needs and opportunities.

The primary need of the agricultural sector is access of small and medium-sized farmers to improved production technologies in order to exploit market opportunities and increase incomes. This applies across the board, from traditional export commodities (i.e., coffee and livestock), to non-traditional agricultural export commodities, and to basic grains. The major challenge will be to efficiently raise the productivity and income of as many small and medium-sized farmers within the constraint of existing markets and limited project resources.

The amended Project will directly address the root causes of reduced competitiveness, namely lack of access to information, knowledge of optimum production schedules/practices, and other technological advances needed for increased productivity and income. Yields in Nicaragua for most crops are considerably below those of neighboring country producers. But Nicaragua is fortunate in that some of the needed technology is readily available and has already been tried and tested in neighboring countries, while other technologies can, with appropriate research and testing, be adapted to Nicaraguan growing conditions. The task at hand is to efficiently provide large numbers of small and medium-scale farmers with access to these technologies and adapting them to the specific and immediate needs of Nicaraguan producers.

For coffee, productivity can be increased by having farmers renovate their coffee stands, using modern techniques. The project will assist the coffee associations in delivering production and marketing technical assistance to farmers.

For livestock, there is a general need to improve a dismal calf survival rate (presently below 50% on a national average), to adopt improved feeding regimes (pastures, feed supplement, mineral blocks, etc.) and watering systems that will enable producers to adequately maintain their stock throughout the dry season. There also is a need to improve the genetic makeup and health of the herds via access to improved semen and veterinary medicines.

For basic grains, producers lack access to improved high yielding varieties. Farmers face a major challenge in developing a diversification strategy out of cotton and into profitable farming operations to help revitalize underutilized areas in the countryside. The lack of local "know how" in the region in regards to growing maize, sorghum, and other basic grains, and producing these crops competitively are major thrusts of the Project.

Lack of technical assistance often has been cited as a major factor prohibiting small farmers from getting into successful NTAE ventures. Another hindrance in promoting NTAEs throughout Central

America is the ability to supply quality produce in sufficient volume in a timely manner. Not only is there a lack of technological information but also of infrastructure/equipment for land preparation, product handling/processing, packing, and shipping. There also is a need to "pool" efforts and motivate existing cooperative structures to attain economies of scale for viable production and marketing.

NTAE production, coffee renovation, crop diversification, improved cattle nutrition are areas of farming enterprises this Project will support, requiring technical and/or financial assistance to increase productivity and farmer income.

The current land tenure situation may likely preclude many groups from using land as collateral. Typically, the local banks are collateral-based, where collateral exists, (as opposed to cash flow-based lenders). Crop liens are not widely used. Security of land titles is one of the principal factors impeding infrastructure investment and agricultural development in Nicaragua. The Project already is providing some assistance in helping farmers become credit worthy by helping them to negotiate financial restructuring or in providing cost of production and cash flow analysis to bankers. Some farmers have been given legal help in securing land titles and registration.

NTAE producers must deal with complex farm management and marketing decisions. Cost control, planning, budgeting, work scheduling, and risk taking are all qualities important to agricultural development and success. These qualities are precisely the weaknesses most commonly observed in land reform groups and cooperatives. Most of the cooperatives do not keep formal accounting records and are not well managed and motivated.

Growers with few resources in Nicaragua require education in many aspects of agricultural management including use and application of inoculants instead of nitrogen fertilizer, appropriate crop rotation techniques, use and proper application of appropriate pesticides/fungicides, to cite a few examples. Of course, producers also need assistance in determining the economics or cost effectiveness of each technology. The amended Project will rely on what has worked during the last two years under the APENN and UPANIC cooperative agreements, coordinate with INTA and other local and international research centers to carry out technology adaptation, and provide appropriate information to optimize yields.

Although participation of women in agricultural programs has not been cited as a problem area, activities must incorporate and factor into any decisions on program participation the full participation of women. Neither program eligibility nor association membership or leadership should exclude full participation because of gender considerations.

Credit access is a significant constraint to Nicaraguan agricultural producers. The problem of agricultural credit is a complex one and affects many producers. There are many farmers who feel that there is an inadequate supply of credit at an interest rate affordable to them. That said, high interest rates do not exclude farmers from the market, but they limit the amount of borrowed capital as compared to ownership equity that can be profitably employed.

The agricultural credit problem has several facets: lack of liquidity, institutional inefficiency, inadequacy of financial markets in setting an economically efficient interest rate, and lack of borrowers' credit worthiness. Currently, over 85% of all agricultural credit flows through the Nicaraguan Development Bank which is experiencing severe financial difficulties. Additionally, institutional inefficiency has created problems with the timely disbursement of loans. With respect to credit worthiness, there are two important elements - repayment record and title to property. To that end, specific PAS activities propose to assist small coffee farmers to obtain title to their property, and at the same time help them to access long-term, formal credit on the basis of their land titles.

In addition to improving small coffee farmers' credit worthiness, the PAS Project will address some aspects of financial resource availability. More specifically, there are three primary groups of PAS beneficiaries or participants - traditional crop farmers, cattlemen, and non-traditional export farmers. Within these groups are small and large-scale farmers and cooperatives whose needs for both short and long-term finance vary. Long-term credit is primarily available for livestock and coffee enterprises, both of which are important emphases of the Project. Short-term credit is available for production loans for both traditional and non-traditional agriculture. The project will try to work with the financial system to encourage lending for farmer beneficiaries of the technical assistance program as started in Matagalpa.

The Project will emphasize even greater work with resource poor, small, and subsistence farmers of basic grains, many of whom are effectively self-financing. Assistance directed toward these groups will be designed to take into consideration their limitations in entering the formal credit system.

III. Strategy

Given the aforementioned changes and progress to date in implementing the PAS Project, the Amended Project's strategy is to increase the number of farmers (particularly limited resource farmers and farmers in the former zones of conflict) who have access to the resources essential for increased agricultural

productivity and farmer income. The Amended Project will implement this strategy by:

- Continuing to support institutional strengthening of UPANIC and APENN and the delivery of productive services via local level producer associations and diversification into food crops, NTAEs, and/or other income-earning production opportunities (e.g., farm forestry); and
- Expanding PAS assistance and incorporate Title III resources to include Productive-oriented assistance for UNAG and the three private commodity associations (UNICAFE, CONAGAN, and FUNDA) representing a broad spectrum of Nicaragua's agricultural producers.
- Providing direct long and short term technical assistance through an Institutional Contractor, the Cooperative Agreements and a U.S. non-PSC to strengthen various productivity-enhancing components of the Project. (See Annex J.)

A. Mission Strategy

USAID/Nicaragua has revised its strategic objectives in support of economic growth with an emphasis on productivity, open free markets, and participation. The key constraints to growth and poverty reduction involve a lack of access to resources, technology, credit, markets, and efficiency of production.

The Mission's strategy for addressing these constraints as related to PAS activities is to increase economic access and opportunity by improving private sector transfer of technology, to expand employment opportunities and to improve market efficiency and performance through expansion of the role of the private sector in agriculture as well as to reduce production costs and to increase marketing opportunities for producers.

Project assistance will contribute to progress towards achievement by helping to improve productivity by strengthening local associations and cooperatives in their provision of services to their members. Some of the key indicators of progress are: (1) agricultural productivity increases of average yields for certain non-traditional crops (including cucurbits, onions, livestock, coffee, basic grains); (2) new members in agriculture associations; (3) growing number of farmers using improved technologies; (4) long-term farm employment increases; and (5) increased farm income from the agricultural sector. The Project components of Cooperative Support, Production and Marketing Services, and Institutional Strengthening will all contribute to these strategic objectives and improvements in these measures of progress. Cooperative Support activities can lead to increased foreign exchange earnings, increased rural

incomes and employment, and increased production. The Production and Marketing Services component will also help expand foreign exchange earnings and rural income, as well increase farm use opportunities. Institutional Strengthening activities will enable associations and cooperatives to be more responsive in meeting members needs, in representing their members and thus helping to create a facilitating policy and structural environment for the agricultural sector.

The Mission has several projects which complement in various fashions the work to be carried out under PAS. The Natural Resources Management Project (524-0314), PVO Co-Financing Project (524-0313), Private Sector Support Project (524-0317), and the Food for Development (PL 480 Title III) Program all contain activities which tie closely with PAS initiatives. The Natural Resources Management Project, besides helping the GON with policy determination in such areas as forestry and environmental protection, also has an integrated pest management component which provides farmers with training and research in pest control, specifically with coffee and cotton. The PVO Co-Financing Project supports non-profit, voluntary groups with activities related to sustainable natural resource management and employment creation (largely through credit programs to microenterprises). The Private Sector Support Project seeks to increase exports and competitiveness which complements the PAS Project's activities to expand agricultural exports. The Food for Development Program generates local currency which has and will provide funds for agricultural grants to farmer representative groups. The PL 480 Title III local currency funds will support activities which have the same basic goals and purposes as PAS. PAS funds will be used to help administer some of these grants, provide technical assistance for their activities, and help train grant recipients. A new project, Rural Savings Mobilization (524-0347), is planned for FY '95 through which help will be provided for expanding the availability of financial resources in farming areas.

B. Relationship to Global Strategy

The Mission has modified its overall objectives to concentrate on activities that improve participation and productivity through increased access and opportunities. Complementing this objective in promoting the most effective means of assuring that opportunities and benefits are widely distributed, while also creating the conditions for economic revitalization, is the objective of improved market efficiency and performance. Expanded activities for the amended PAS are directly targeted at providing assistance to larger numbers of Nicaraguan agriculturalists, principally small-scale farmers. Working with cooperatives and individual farmers, technical assistance personnel will provide information and training on productivity, processing and marketing. The Project will also provide

productivity grants to agricultural associations and cooperatives representing small scale farmers. Market efficiency and performance are also targeted objectives of Project technical assistance, and by improving Nicaraguan agricultural competitiveness, helping create economies of scale for selected farm products, and introducing Nicaragua to appropriate markets, overall efficiency and earnings will be improved significantly.

C. Relationship to GON and Other Donor Strategies

The GON, through the Ministry of Agriculture and Livestock and the Ministry of Natural Resources, is also emphasizing increased private sector participation in agricultural production for local and external markets. There is widespread acknowledgement that the GON does not have the resources, financial or human, to provide the technology and necessary information to assist all farmers nationwide. The activities of private associations, unions and commissions which help farmers with access to markets and with improvements in production and efficiency are viewed as extremely important to growth and progress in the agricultural sector.

Numerous other donor organizations recognize that overall progress in Nicaragua requires progress in the agricultural sector. All major donors (individual nations, multilateral organizations and private groups) have programs in agriculture. Some concentrate on credit, others on research, others on individual products, while others are more general in their approach but specific in the geographic area of concentration. All, however, view productivity, efficiency, and access as key elements in any strategic approach and incorporate them into the objectives of their assistance.

The following list includes project/programs with activities complementary to those within PAS.

National Project for Rural Development (PNDR) Inter-American Development Bank, \$3.4 million - PNDR seeks to promote rural development in Nicaragua through institutional strengthening and the adoption of sustainable development practices at all levels in addition to rural-targeted activities such as employment generation. Various project components address the goal of recuperating and preserving Nicaragua's productive and competitive agricultural potential. Operating in Jinotega, Matagalpa, Boaco and Chontales, PNDR will improve the business capacity of those small and medium producers who can be competitive in the national and international markets. PAS project activities will also seek to improve business management practices, which include establishing a performance reporting system as a means of sustainable institutional strengthening.

The Development of Agricultural Production in Meseta Region IV

EEC, \$9.378 million - This project concentrates its efforts in strengthening and diversifying Nicaraguan agriculture in a region largely unreached by PAS, including traditional and nontraditional production, as well as small-scale cattle raising. Components consist of training cooperative members and individual producers in the organization, commercialization and marketing of non-traditional crops and offering credit for non-traditional production. A major PAS activity centers on the promotion and development of non-traditional agricultural products which will complement this EEC effort to strengthen and diversity Nicaraguan agriculture. Both projects will expand opportunities for the sale of agricultural products.

Technical Development Program (PRODETEC) Finland, \$4.6 million - PRODETEC focuses on technology transfer to address food security needs, increase agricultural production and strengthen institutional capacity. One project component will concentrate on strengthening agricultural extension through fertilizer distribution. The goal is to improve farm-level productivity and generate rural production alternatives. Oriented to the problems and needs of small/medium-scale producers, PRODETEC seeks to promote institutional and environmental sustainable development. Like this PRODETEC project, PAS also focuses on improving farm-level productivity through production services which provide and transfer new technology. PRODETEC focuses directly on input supply mechanisms.

Dairy Farmer Development Program: PMA, \$15.339 million - This project consists of many components to support the dairy farmers including; a milk collection network, an individual and cooperative credit system, and technical assistance to bolster productivity. Ultimately, the project seeks to achieve national self-sufficiency in milk and meat production. This program will complement PAS efforts to bolster milk production and provide small-scale milk processing services.

Techniques for Immunization Analysis Elisa Test: AIEA, \$1.2 million - The objective of the project is to improve the quality of Nicaraguan cattle. The expansion of the usage of the Elisa test will extend diagnostic testing opportunities for such a disease as brucellosis. The immunization project is based in Managua. The PAS project also has activities which concentrate on improving the cattle sector. Under the Project, cattle associations will receive assistance for herd management/genetic improvement, feeding, breeding, and others which will improve the quality of Nicaraguan cattle.

Areas for Preparation and Policies, Programs & Projects for the Agricultural Sector: Japan (through the IDB), \$2.8 million. This project seeks to assist the GON restructure the agricultural sector including the establishment of sectoral policies which permit sustainable agricultural development. Project components

address such issues as property rights, land tenure, food security, technology transfer, and small producer constraints. Additionally, the project will offer technical assistance directed at analyzing and formulating agricultural policy projects and programs. The project will undertake technical studies in the agricultural sector from which reform recommendations will be made. Based in Managua, the project anticipates making an impact at the national level. Whereas the PAS activities center on improved agricultural productivity, this policy-oriented project addresses agricultural concerns from another necessary direction. Policy reform activities will complement farm-level efforts for sustainable agricultural development.

Agricultural Technology and Land Management Project: World Bank, \$57.8 million - The project consists of two components; (1) technology transfer and (2) land titling administration. The principle objectives are to assist Nicaragua in the development of a market economy and to increase and diversify agricultural outputs and exports. The national project will contribute to job creation, increased agricultural productivity, and improved basic service access. Two of the PAS services will include land titling, consolidating, and disseminating technology for small-scale traditional and non-traditional commodity farmers which complements the efforts described above and addresses impediments to agricultural development - land ownership and productivity.

Post-Harvest Grains Technology Transfer: COSUDE (Swiss Development Cooperation), \$1.322 million - The objective of the project is to transfer post-harvest basic grain technology to decrease the enormous losses which have occurred. Additionally, the project includes a credit promotion component. The project targets small and medium-scale producers in 11 departments. Under the PAS project, services will be provided for basic grain technology validation to facilitate the adoption of new grain technologies. Both PAS and the COSUDE project acknowledge the importance of production and marketing of basic grains.

Export Development and Investment Program: UNDP, \$7.526 million with the integrated Export Development Program (called PRIDEX) - The project component of interest focuses on the promotion and support for exporting black beans, melons, peanuts, yucca, baby corn, onions, and shrimp (farming) through the Ministry of Agriculture and Livestock (MAG), Ministry of Economy and Development (MEDE), and the private sector. Complementing this UNDP activity, the PAS project will also focus on agricultural export promotion. One of the PAS efforts will be to establish an inoculant laboratory which underscores the focus on the provision and transference of new technologies.

IV. PROJECT AMENDMENT DESCRIPTION

A. Project Goal and Purpose

The project goal is to increase the stability and incomes of private agricultural producers in Nicaragua. The project purpose is to improve agricultural productivity and profitability of small and medium-scale farmers through support of representative organizations at the community, department, and national levels.

B. Activities

AID support consists mostly of long and short-term technical assistance, training, grants, and overall Project implementation costs, as discussed under each of the following components; Cooperative Support, Production and Marketing Services, and Institutional Strengthening and Integration.

1. Cooperative Support

a. Overview

Support to the NTAE industry had been provided by USAID/ROCAP's Promotion of Exports in Agriculture (PROEXAG) Project in Guatemala. Under that project, which has now ended, short-term specialists provided technology transfer support to interested Nicaraguan growers and seminars were organized to promote the industry. Within Nicaragua, the most important support to the industry has come from the USAID-financed assistance provided by APENN.

Currently, APENN has approximately 300 members (120 active) who are producing and/or exporting NTAEs. The association promotes agricultural and agro-industrial development, promotes Nicaraguan products outside the country, provides technical assistance, finds or creates markets for new and/or existing products, and represents exporter interests in Nicaragua and abroad.

Most of the NTAE development work over the past several years has revolved around producers associated with APENN and the UPANIC groups and other private farmers who were not a part of the land reform and Sandinista government. USAID's efforts in the NTAE industry will now include a large part of Nicaragua's agricultural sector. Large numbers of small-scale farmers and production cooperatives have hitherto not been reached by existing projects and programs. Yet this segment of Nicaraguan society offers great potential for NTAE activities, providing large numbers of jobs in rural areas, and putting thousands of hectares of good land back into production, land primarily owned by small growers and land reform beneficiary groups associated with and/or affiliated to UNAG.

Although APENN has been successful in its initial efforts to provide production and marketing assistance to members (export

value reached \$30 million in 1993), this first component of the amended PAS Project will expand and extend small farmer opportunities for entering the NTAE market.

b. Activities

Through an unsolicited proposal submitted by NCBA, assistance will be provided in the following three areas.

- (1) NTAE and Basic Grains Production Technology Transfer
- (2) NTAE Market Promotion and Facilitation
- (3) Strengthening Cooperative Agribusiness Management

This component is designed to promote and strengthen NTAE (and to a lesser extent basic grains) production and marketing. The first two activities focus on accomplishing this objective, while the third focuses on the need for continued strengthening of cooperative agribusiness management essential for ensuring that other productive and organizational needs are met.

(1) NTAE and Basic Grains Production Technology Transfer

This activity creates a structure wherein limited resource producers can access agricultural technology appropriate for the production and post-harvest handling of high value crops for export markets. The Project will employ an integrated strategy to improve the flow of information and technologies to the target group. The strategy will consist of intensive training for limited resource farmers and of linking producers, private sector suppliers, processors, exporters and/or U.S. buyers. This strategy has been successfully employed elsewhere in Central America and can be applied in Nicaragua. Examples are:

- Training in product use and safety by agro-chemical companies;
- Visits to production, packing and processing facilities in other Central American countries;
- Field trips to observe and understand U.S. importation requirements (Customs, FDA, USDA/APHIS), marketing, handling and distribution systems;
- Negotiation of marketing and technical assistance agreements with appropriate U.S. agricultural enterprises; and
- Establishment of direct contacts with research and training institutions, such as CATIE, CIAT, CIMMYT, and EARTH.

In addition to linking target groups with existing institutions, the Project will facilitate emergence and growth of small rural input supply/service businesses. These businesses provide a critical link between the producer and new production, harvest, and handling technologies. Examples of agricultural services enterprises that will be encouraged by the project include:

- Apiary management and pollination services (an expansion of services already provided);
- Heavy tillage and land preparation services (APENN and FUNDA);
- Soil testing and inoculant application services (expansion of FUNDA services);
- Management, accounting and loan packaging services (extension or expansion of the kinds of services UPANIC associations provide now); and
- Pre-cooling, packing and post-harvest management services (similar to APENN PL480 program).

(2) NTAE Market Promotion and Facilitation

Related to Nicaragua's potential for NTAE growth, APENN and a small pool of exporters and processors have only limited capacity to respond to the technical assistance needs of a large number of cooperatives and small farmers not being reached under the current PAS project. This second activity, by creating an expanded pool of technical assistance in NTAEs, will assist the rural sector's poorer, but potential NTAE growers in ways that will increase the potential for market success.

Under this component, the Project will promote a more competitive environment among exporters and buyers of NTAE crops. The Project will provide facilities to screen and contact reliable brokers and buyers in the U.S. and other prime markets. These buyers will receive information and will be encouraged to establish business relations with exporters and producers of key products. The Project will promote forward contracting by buyers and other activities such as broker purchase of cartons and packing material, joint investments in production technology, and training in agricultural export processing. The Project will also strengthen the marketing capabilities of producer/exporters by promoting a system of quality control inspection and certification of exports prior to leaving Nicaragua and establishing feedback systems to provide timely information regarding load arrivals at ports of destination.

(3) Strengthening Cooperative Agribusiness Management

Assistance will be provided through a Cooperative Agreement with the National Cooperative Business Association (NCBA) to improve the management and financial capability of land reform cooperatives and related organizations. These activities will be integrated with production and marketing functions of the overall project. Some activities will include the following.

- Formulation of operational action plans for different farming enterprises. Action plans will distinguish between NTAE crops and all other traditional modes of production. Many of the agronomic practices and management systems that make NTAE crops profitable to cooperatives will also improve productivity of traditional production sectors. For example, agro-forestry may represent the best use of a cooperative's marginal, currently non-productive lands. Growing native and exotic species of trees for the production of fuel wood, fence posts, and/or construction timber could introduce a new crop with potential of meeting important local market needs.
- Installation of practical management and accounting systems in the cooperatives will provide specific information relating to production and marketing functions.
- Design functional management structures in participating cooperatives and improving communication skills between directors and membership will be fostered.

There will be two basic types of producers in the target population: cooperative members who produce or can produce NTAE crops; and a limited number of individual, small to medium-scale farmers who produce or can produce NTAE crops. To be eligible to participate in the project, the target population will be required to meet the selection criteria. MAG estimates that there are over 300 active agricultural production cooperatives. In addition, individual growers who group together and farm at least 10 hectares will be invited to participate in project activities as long as they satisfy the minimum criteria of producing or planning to produce an NTAE crop, are within the geographical coverage of the Project, and are willing to follow the guidance of the technical assistance team.

Some of the basic criteria will include location in selected regions and farm gate accessibility; credit worthiness; size and absorptive capacity of the farm groups/cooperatives; and certain

physical assets necessary for NTAE production and post harvest handling.

This component will be implemented as a pilot effort for three years. Under a cooperative agreement with a U.S. PVO specializing in agricultural cooperative and business development (NCBA), two long-term advisors will implement Project activities as described above and will coordinate the work of a core group of Project experts and short-term technical assistance. The long-term advisors will be specialists in agribusiness (NTAE production and marketing).

To facilitate rapid start up and maximize the benefits of other similar and successful projects in the Central American region, the project will finance a core group of Central American experts in key production and marketing fields to help establish the critical first steps of project initiation. These advisors will be experienced in different aspects of NTAE production/processing/marketing and the art of negotiating with exporters and buyers.

The project team from NCBA will prepare work plans, detailed selection criteria, and will undertake rapid rural surveys to identify cooperatives, associations and individual farmers willing to work with the project and accept the discipline necessary to ensure recommended production and management practices are done right, on time, and with the correct inputs.

Traditional or non-traditional commodities to be promoted will be selected based on an assured market and proper agro-ecological conditions. Producers will be linked with an exporter, processor or U.S. broker through a written agreement. Commercial trials of new items or varieties will be carried out with project funds and inputs (land, labor) provided by producers.

The project team from NCBA will coordinate closely with the local organizations APENN, UNAG, INTA, UPANIC, and other non-governmental groups and donors capable and willing to assist Project clients.

2. Production and Marketing Services

a. Overview

This component is designed to increase access to productive and marketing services among a broad group of small and medium-scale Nicaraguan farmers. The amended Project continues to emphasize participation of farmers in the design and management of productive service activities that respond to their felt needs. It will continue to focus on the local, community level associations that are well managed and highly representative of

farmers' interests. However, the overall scope of the Project is expanded by:

- Opening the UPANIC sub-grant facility to non-affiliated associations and cooperatives;
- Including assistance to additional Project participants, including UNAG and the three newly privatized agricultural commissions that represent a broad spectrum of farmers who may not be served by APENN and UPANIC; and
- Providing additional assistance to APENN and non-affiliated farmers for the implementation of expanded NTAE development support.

The most significant change is the inclusion of four new Project participants, namely UNAG, UNICAFE, CONAGAN, and FUNDA. The inclusion of these associations as eligible to receive productive grants will increase the base of farmers with access to services essential for increasing agricultural productivity and farmer income, and will provide complementary technical services and training to the technicians at the local association level, thereby improving the quality of services provided under the Project. UPANIC subgrants will continue to be funded under the amended Project through DA grant funds. PL480 Title III funds will be used to finance UNAG, UNICAFE, CONAGAN, and FUNDA activities.

The amended Project builds upon APENN's success to date by providing expanded technical assistance in support of the development of NTAE production and marketing. APENN has received a \$1.0 million PL480 Title III grant to increase farmer access to non-traditional export technology and markets. The amended Project provides additional technical assistance to APENN to support this activity and attempts to broaden the NTAE industry to a larger number of producers.

b. Institutional Relationships

The amended Project will include four new major recipients of assistance. The inclusion of UNAG, UNICAFE, CONAGAN, and FUNDA contributes to an expansion of the Project's scope in two important ways:

- By increasing access (horizontally) to more farmers who are not served by UPANIC and APENN; and
- By developing vertical and horizontal linkages between the organizations to create complementarities of services that will mean better and greater farm level impact. For example, when certain and specific farm level problems are identified in the production/marketing of a given product,

the implementing group who has identified the problem but does not have the direct means to resolve it, will communicate with the appropriate organization to take appropriate action. NCBA might identify a viral condition on upland rice during its work with a participating UNAG NTAE cooperative. NCBA would notify UPANIC and the National Association of Rice Growers (ANAR), an UPANIC sub-grantee recipient, in order for them to resolve the problem to inhibit negative spread.

These are both very important to the amended Project. Additional Project participants will be selected not only on the basis of their own merits but also because they each fill a role that complements the others. The amended Project builds upon these naturally complementary roles. The following summary will help provide an understanding of the basic institutional relationships in the Project.

- UNICAFE, CONAGAN, and FUNDA are private organizations primarily acting as technological and/or market service wholesalers. They conduct basic research, develop agricultural technology, and provide training and technical assistance to agricultural professionals. Their clients are usually organized groups, associations, and cooperatives, although they also will work directly with farmers in some circumstances. Under the amended project, these associations will work directly with UNAG and UPANIC association technicians.
- APENN is a private association that provides technical and market services directly to individual farmer members. The association's membership also includes member associations and cooperatives. Since APENN is the only organization currently working with NTAE crops, many members of APENN are also members of UPANIC or UNAG-affiliated cooperatives or associations. Under the amended project, APENN will work directly with its own members and increasingly coordinate its work with UPANIC and UNAG.
- UPANIC and UNAG are federations of farmer associations. Their member associations are the most direct line of assistance to the small and medium-scale farmers and are the primary production focus of the PAS Project.

UPANIC is entirely decentralized, i.e. the member associations are independent and all technical services are managed at the community association level. UNAG has member associations and cooperatives similar to UPANIC, but also maintains a vertical management structure and centralized technical services program. UPANIC and UNAG are competitive organizations, both trying to increase membership via provision of more and better services.

Yet at the community level UPANIC and UNAG members frequently promote and participate in joint programs and activities.

The agricultural technicians and extensionists employed by the UNAG and UPANIC member associations will receive training, technical materials, information, and support from UNICAFE, CONAGAN, and/or FUNDA. In some cases, these technicians will be supervised or certified by UNICAFE, CONAGAN, and/or FUNDA professionals.

c. Productive Service Grants and Subgrants

Under the amended Project, the primary focus of assistance continues to be at the producer association level. Farmers, through their local associations, continue to participate in designing and developing projects responsive to their felt needs. Under the amended Project, access to grants that fund these projects is expanded to include additional organizations as eligible grantees.

Grants for the development of productive service projects will be financed through two mechanisms: (1) subgrants under the UPANIC Cooperative Agreement; and (2) PL480 Title III Grants through the Title III Secretariat.

(1) UPANIC Subgrants

The Project has established a Project Management and Support Office (PMSO), which employs a system for developing and selecting subgrants and an accounting and monitoring system for implementing them. Several subgrant projects already implemented serve as technical models that can be replicated in whole or part by other associations. The amended Project will build on this successful start to increase the scope of this subgrant activity and provide greater access to more farmers for productive and market services.

The UPANIC Cooperative Agreement will be amended to expand and modify the subgrant facility to limit "institutional support", increase the number of "productive" subgrants, open the subgrant facility to nonmembers, and increase PMSO support slightly. Subgrants under the amended Project will follow the model of integrating productive services and income earning capacity.

An individual consultant will be contracted directly by AID under a two year non-personal services contract to provide continued management assistance to UPANIC and the PMSO in the development, implementation, and monitoring of UPANIC subgrants, including development of a system for measuring project impacts.

Additional funding will be provided through DA funds to continue the Cooperative Agreement and fund additional productivity

grants. Additional resources will be added to the UPANIC Cooperative Agreement at the same time that it is amended to reflect the other changes detailed below. UPANIC is already managing limited short-term technical assistance and has established contacts with agricultural professionals capable of providing this type of assistance. The AID non-personal services contractor will assist with this management function.

The amended UPANIC Cooperative Agreement will include subgrants to non-affiliated associations and cooperatives that fulfill the institutional and financial management criteria established for UPANIC affiliates. These new sub-grantees will be drawn from the approximately 15 independent service cooperatives and associations that have been active since the mid-1970's in dairy, coffee, and general agriculture. They may also include newly formed non-affiliated cooperatives or associations. All of these subgrantees will be required to fulfill the financial management standards of the Project, and will be subject to the same management, monitoring, and audit provisions as are UPANIC affiliates.

Project activities will increase the management burden on the PMSO, both to manage the additional UPANIC subgrants and to assist UNAG, UNICAFE, CONAGAN, and FUNDA with the establishment of adequate financial controls and monitoring systems. An important lesson of the initial stage of subgrant implementation has been the importance for adequate accounting and monitoring, including direct assistance in adoption of accounting and control procedures required by AID.

Specific management responsibilities and relationships are detailed below (Section VB). It is important to note that the additional management burden can be minimized by taking advantage of experience and lessons learned. Project personnel will:

- consolidate subgrants where possible;
- select subgrantees carefully on the basis of demonstrated management ability; and
- design subgrants so that the grant contribution to an activity is simple to manage and monitor.

The Project has identified a strong demand among farmers for locally-managed technical assistance. Other services needed include; commercial scale technology validation, development of coffee nurseries, cattle, artificial insemination, manufacturing of mineral supplement blocks, rental of equipment for hay and silage production, development of local auctions, and small farm coffee renovation. In the amended Project, there will be a variety of new services that have strong producer interest and potential for success and may include the following.

- small-scale milk processing
- improved milk refrigeration and quality control

- bean seed production in coffee producing regions
- basic grain technology validation
- integrated pest management in coffee production
- water development for arid livestock regions
- small farm grain marketing
- ecologically improved small farm coffee processing
- integrated livestock services for small-scale enterprises
- pasture improvement

(2) PL 480 Productivity Project Grants

Under the amended Project, PL480 Title III resources may be made available to UNAG, UNICAFE, CONAGAN, and FUNDA. The 1994 PL480 Agreement earmarks \$3 million for private agricultural associations like these organizations and UPANIC. Additional funding may become available in FY 1995. UPANIC will manage its PL480 funds through the same subgrant process described above. Mechanisms for assistance to the three privatized Commissions and UNAG will be evaluated consistent with these organizations' management capabilities.

Grants made with PL480 Title III funding will be selected under the terms of an agreement between USAID/N and the PL480 Title III Secretariat. Under this agreement, the eligible organizations will develop and submit pre-proposal concept papers, to be reviewed by both USAID/N and the PL480 Secretariat, both of which will either reject the concept or provide written guidance for the development of a project proposal. As needed, that guidance will include a procedure for working together with other project participants and/or developing activities that complement ongoing or proposed activities.

UPANIC and UNAG are both represented in UNICAFE and CONAGAN, and working relationships among the organizations at this level are generally constructive and supportive. The AID non-personal services contractor will coordinate working meetings among the organizations to reinforce these relationships in the development of PL480 proposals.

Short-term technical assistance can be provided by the AID institutional contractor in support of implementation of these grant projects. As mentioned earlier, short-term TA will probably total about four person months per year for 2½ years. The provision of technical assistance will be part of a larger institutional support plan.

Financial support to UNAG will be similar in nature to those made under the UPANIC subgrant facility. They will emphasize farmer participation and service access, productivity enhancement, and impact at the farm level. The same selection criteria applied to the UPANIC subgrants will be applied to these grants, with the exception that the financial limit used by UPANIC will not apply.

Assistance will not be provided to beneficiaries on lands under which U.S. citizens have claims.

The grants made to UNICAFE, CONAGAN, and FUNDA provides USAID an excellent means of supporting a much larger and broader number of small and medium-scale coffee, livestock and basic grain farmers. Coffee and livestock production are very important income generating activities for the small farmer and both UNICAFE and CONAGAN as national level organizations designed to serve all producers can provide this critical link and input to a technically sound diffusion program to increase coffee and livestock productivity. The basic proposed PL 480 concepts of fortifying local growers and producers' associations is complementary to the UPANIC subgrant process of increasing members' access to technical services and needed inputs to increase their productivity.

UNICAFE and CONAGAN both enjoy strong producer support and both are strong proponents of service delivery through local associations. Grants to both will provide additional training for technicians that are already funded under UPANIC subgrants and additional technician training programs to be funded in the future. Many of the technicians hired at the association level have good practical experience and close relationships to the farmers of the area, but are frequently inexperienced in formal training methodology and in working effectively with groups of farmers. Training they receive from UNICAFE and CONAGAN will not only be in technical specialty areas, but also will include a strong emphasis in extension methodology.

The relationship established between UNICAFE and CONAGAN and the local coffee and cattlemen's associations will greatly enhance the impact of work conducted at the local association level, both in terms of the quality of the technical assistance and the number of farmers that are able to participate. Moreover, in both the livestock and coffee sectors, additional credit for medium- to long-term investments is expected to be available. In both cases, the credit is expected to be tied to the delivery of technical assistance. The relationship between the local technician and the technical team at the UNICAFE/CONAGAN level takes on even greater importance for the development of a sound technical program to support investment credit funds.

The UNICAFE and CONAGAN grants also will fund additional support activities that complement the work of the producer associations. CONAGAN might, for example, develop improved semen or pasture seed for sale to the associations. UNICAFE might, for example, sell specialized services in design of low water use coffee processing plants.

Assistance to UNICAFE, CONAGAN, and FUNDA will emphasize sustainability and responsiveness to a viable demand demonstrated

through the willingness of farmers to pay for their services. UNICAFE already has an operational check-off system of an automatic deduction paid on coffee exports that generates its principal operating income. CONAGAN has avoided a check-off system at this stage in favor of direct payment for services, to be gradually phased in. FUNDA also will operate under a direct fee system.

(3) APENN PL 480 Productivity Grant

The FY 1993 PL 480 Title III Agreement with the GON provides for the use of up to \$1.5 million in local currency generations to support expansion of APENN's capability to provide non-traditional export technology in production and marketing, as well as processing and storage facilities. This PL 480 program begins during the 1994 agricultural cycle (beginning September 1994) and has three major components: (a) agro-industrial activities in the Sébaco and Leon Regions of Nicaragua; (b) refrigeration plant in Managua; and (c) institutional strengthening of APENN. These components provide the mechanisms necessary to perform validation trials, bring small-scale farmers into NTAE production, and produce, process and market economically viable quantities of selected crops. To expand and promote NTAE production in Sebaco/Matagalpa/Esteli and the Occidente and to complement and offer equipment and processing services to the many cooperatives which will participate in that project component, this program will carry out the following activities (See Annex G for a summary of the APENN PL480 Title III program):

- Establish a pool of specialized farm equipment for rental/contracting to farmers;
- Conduct and operate an onion seedling nursery;
- Conduct intensive workshops covering specific production constraints, marketing problems and opportunities;
- Contract with farmers to grow, under supervised conditions, priority horticultural crops and to handle all packing;
- Conduct validation trials;
- Operate a sorting and packing plant which will process NTAE of contracted farmers, validation trial production, and private cooperatives, reform cooperatives, and other farmers on a fee for service basis;

- Renovate and complete installations of the Managua airport refrigeration rooms/cold storage to improve quick and efficient loading and unloading of perishable commodities; and
- Provide technical assistance in areas of production, marketing, management, financial and accounting to provide a base for sustainability of the agro-industrial and cold room activities of APENN.

d. Legume Inoculant Production

FUNDA is a small organization of farmers, agricultural researchers, and technicians in the Occidente (Pacific North West). It has been given title to the agricultural experiment station in Posoltega that has been a center of both cotton and commercial grain research. FUNDA will develop a proposal to complement the efforts of UPANIC in commercial scale basic grain technology validation and APENN in crop diversification of the Occidente. They will also serve as a technology distribution center for information generated in farm level trials with UPANIC and UNAG associations. AID will provide direct assistance to upgrade the laboratory in Posoltega to produce more legume inoculant through provision of appropriate training, equipment, and technical assistance. A more detailed description of this project activity and budget is found in Annex F.

An assessment of the Centro Experimental del Algodón (CEA) inoculant facility was conducted during the design phase of the Project. The rationale for assessing the physical plant and resources of the experiment station was two-fold: 1) Due to the high unemployment and economic depression of the Occidente, related to the drastic drop in world cotton prices, the majority of cotton producers in the region need an agricultural diversification strategy; and 2) since producers have decided to diversify into grain legumes, the existing inoculant laboratory at the CEA is operating at full capacity and needs to be upgraded to meet the current and expected demand. By the middle of the 1994 inoculant production season, it was estimated that the demand was twice that of 1993. Native rhizobia or bacteria fixed to legume root nodules can expand effectiveness of nitrogen nutrients to the plant if the quality of the rhizobia is high. The inoculant is processed by fermenting native bacteria found in soils, expanding growth, mixing it with the peat carrier and selling it in 1 pound bags which are then mixed with soybean, peanut or other leguminous plant seed prior to planting. Upgrading the quality and capability of the inoculant laboratory facility could save the area's soybean and peanut farmers a considerable amount of money (Inoculant sold to farmers costs about \$5 per manzana, whereas urea costs \$25 per manzana). Inoculant does not have the potentially damaging effect nitrogen run-off has to the population's water supply.

The Project will also provide the necessary facility upgrade and expansion in equipment. The end of Project results are expected to be: 1) An increase in manzanas under soybean, peanut and common bean inoculation from the current 10,000 manzanas to 50,000 manzanas at an estimated cost saving to the region's farmers of \$500,000 per year, and 2) a profitable commercial inoculant laboratory business venture which should add considerable operating support to the experimental center (Details of this project are more fully described in Annex F).

3. Institutional Strengthening and Integration

a. Overview

The amended Project increases the number of organizations receiving direct assistance from two to six or more and promotes increased cooperation/integration of services in the sector. This assistance responds to the needs of a changing environment, in which the privatized commissions have emerged as leadership institutions.

The new participants in the Project (UNAG, UNICAFE, CONAGAN, and FUNDA) have assets donated by the GON or foreign donors, and sources of funding to provide basic operating requirements. The Project will not subsidize their operations. All assistance provided will be complementary to their basic operations, and will be part of business plans that demonstrate clear institutional viability.

Significant progress has been made in the institutional strengthening of APENN and UPANIC and they continue to be important organizations in the private agricultural sector in Nicaragua. Institutional sustainability continues to be an important component of the Project. The focus of this component of the Project will be more on the "service capability" and "the results", i.e., farmer participation and actual productivity improvements attributable to the service provided", rather than "building a quality institution measured by equipment, trained people and adequate office space. Although progress has been made in this area, much remains to be done.

b. Institutional Strengthening of APENN

The Project proposes to improve its support to a "client-driven approach" in order to develop a client base to sustain the organization financially over time; to expand its definition of mission, driven first and foremost by improving its delivery of services, and expanding and broad-basing the services to as many small to medium-scale farmers as possible.

An institutional evaluation of APENN was conducted in June and July, 1994. The evaluation summary is attached (Annex D). In order for APENN to improve and expand its impact on smaller farmers, including access to farmers to technology; increase impact on rural employment; enhance its reputation as a supplier of NTAE products into world markets and increase Nicaragua's foreign exchange revenue, APENN will require long and short-term technical assistance. The Project will provide an Institutional Contract with primary assistance to APENN. APENN has been in great need of guidance by a person with a wide enough vision to get it integrated into the mainstream of Nicaraguan economic growth, particularly to help enhance its impact on a broad range of medium and smaller farmers. The APENN-housed Advisor will have extensive experience in NTAE marketing, production and business development.

The major areas of responsibilities of the long term advisor will be to assist APENN implement its new Strategy, Workplan and Business Plan, developed in August 1994 which has as the objective promoting opportunities for small farmer participation in contract growing operations for processors and exporters. The advisor will also keep APENN's focus on marketing rather than production and keep expanding its marketing horizons with the concurrent growth in new exportable commodities. The advisor will assist APENN to identify and efficiently schedule short term consultants provided under the Institutional Contract to implement the priority requirements in areas of production and marketing, broad based dissemination programs, business development and other financial and technical sustainability issues which were recommendations of the August 1994 Evaluation of the Cooperative Agreement (See Annex J.). The Advisor, in coordination with the U.S. non-PSC, will identify and manage the short term advisory services under the institutional contract for services provided to the three Agricultural Commissions and UNAG.

The evaluation report identifies specific sources of income and includes a business plan to phase in these income-generating activities. Based on this report, the APENN Cooperative Agreement will be amended to reflect a more extended phase out of Project support, and a technical assistance plan to be implemented through an institutional contract.

APENN is currently generating revenues at the rate of \$40,000 annually, according to financial statements with sources including membership dues, sales of technical services, seminars, and data and publications. It has also obtained donations from FOPEX and the Swedish International Development Authority (ASDI). It has made some progress toward "leveraging" support by charging producers directly for a portion of technical services.

Based upon a review of past performance and plans for the future, APENN is expected to increase its own revenues by at least 25%

each year over the next five years. Under the amended Cooperative Agreement with USAID, APENN will be required to make a contribution equal to \$423,000 adding to the \$22,788 for a total \$445,938.

There is good reason to believe that APENN can and will continue to generate the kinds of revenues it has over the past two years. The PL 480 Title III local currency cash flows could affect the Business Plan and its self-sufficiency. If the projections are correct, at the end of the project, APENN would have generated, apart from its other activities, the equivalent of \$232,000. These monies would be important and timely as a counterpart contribution to the Cooperative Agreement and to expand APENN "outreach programs". In this sense, the monies could actually be used as a tool to attract additional donor support, where APENN could propose initiatives that it would finance some part of by itself. In reference to the projected APENN revenue table below, Annex B (Table I, page 3) and Table V, it is explicit that USAID finances 80% in FY 95, 70% in FY 96, 60% in FY 97 and 50% in FY 1998 of all costs in the Cooperative Agreement. In reference to Table V and Annex B, APENN will contribute at a minimum \$60,450 (20%) in FY 1995 and continue increasing its contribution on a graduating scale each year until the PACD. In FY 1998, APENN will contribute 50% of all operational costs under the Cooperative Agreement. By the end of FY 1998, the total contribution to operational headquarter costs will be over \$445,000. It is expected that by the beginning of the 1998 production year (September/October) APENN will be financially self sufficient.

The following table presents how APENN will meet its counterpart contribution to the Cooperative Agreement:

Estimated APENN Revenue (\$ 000s)

	FY 95	FY 96	FY 97	FY 98
SOURCES				
DUES	4	5	6	8
SALES				
Seminar Income	3	5	6	9
Technical Service	4	7	9	10
Data/Market info	4	5	6	8
Other	1	2	4	6
DONATIONS	5	10	10	20
PL 480	40	60	80	92
TOTAL	61	94	121	153

c. Institutional Strengthening of UPANIC

UPANIC has completed one year of operations under the PAS Project Cooperative Agreement. Most budget support is for the operation of the PMSO and most of UPANIC's activities have been in the development of subgrant projects at the local association level. Under the amended Project, the priority will continue to be support of sustainability activities at the community level and additional resources will be made available to fund the PMSO. At the same time, UPANIC will begin to develop sources of operating revenue at the Managua home office level, and the amended Project will provide assistance in the development and implementation of the UPANIC business plan.

The UPANIC Cooperative Agreement will be amended to add operational support to the PMSO, and to reprogram the UPANIC budget to reflect the one year delay in implementation due to Congressional hold and to the previously lost year and phase in the UPANIC contribution over the amended time frame (through 1998). The AID resident non-personal services contractor will provide assistance to UPANIC in the development of the business plan, and short-term technical assistance will be provided through a selected institutional contractor.

UPANIC has a considerably different business profile from APENN, in that UPANIC is highly decentralized. The business strategy for UPANIC will be to keep overhead to a minimum, increase the membership base and member contributions, and provide highly specialized and clearly profitable services (such as a commercial trade publication, computer information downlink services, and commission trading of commodities).

At the end of the Project UPANIC will have a functioning office with a full time, qualified Executive Secretary, Accountant, and support staff. Economic analysis will continue to be contracted out on a job basis. The operating budget will include funds for technical materials, meetings/seminars/etc, public relations, travel, and office rental, operation, and maintenance. The principal coordinating activity will continue to be monthly director's meetings. The UPANIC President, Executive Secretary, and other Board members will continue to represent the membership through seats in COSEP, Directorships in banks and other organizations (such as INTA, CONAGAN, UNICAFE, INDRA, etc), and participation on GON and other working committees in the agricultural sector, trade delegations, etc.. Additional services and sources of revenue will include a monthly publication, a seat on BAGSA and trade services for agricultural commodities, and rental of office space and meeting facilities, both to members and non-members.

Current dues should be doubled by FY 1997, and additional dues from new members will supplement these by FY 1998. New membership will include independent cooperatives and other commodity organizations (such as the poultry growers). UPANIC will also capitalize on the experience gained in the development and management of agricultural development projects by capturing additional resources from other donors, either grants or contracts. A 10% overhead rate for the administration of other projects could generate considerable income.

Estimated revenues over the next years (95-97) are over \$170,000 whereas the counterpart contribution is \$160,000. Revenues are projected from dues, sale of publications, training fees, grants, trade services, office rentals.

In reference to the projected UPANIC revenue table below, Annex B (Table I, page 5 and 6) and Table V, it is explicit that USAID finances 90% of all costs of the Cooperative Agreement in FY 1995 while UPANIC finances 10% or \$15,965. A similar sliding scale formula used for APENN is used for UPANIC (i.e., USAID contributes 90% of total costs in FY 1995 while UPANIC contributes 10% and a 10% UPANIC contribution increase each year continues until the end of FY 1998 whereby in that year UPANIC contributes 40% of the costs of the Agreement). The total UPANIC contribution will be approximately \$160,000 for operational costs at headquarters.

The current Project Management and Support Office is funded specifically for the purpose of strengthening the UPANIC member associations under this Project. It is designed to be phased out. The management and administrative experience will be maintained in the Executive Secretary and Accountant.

Estimated UPANIC Revenue (\$ 000s)

	FY 95	FY 96	FY 97	FY 98
SOURCES				
DUES				
Ordinary	6.72	6.72	13.44	13.44
Extraordinary	0	0	0	6
PUBLICATIONS	2	6	6	12
SEMINARS/EVENTS	5	2	2	3
CONTRACTS/GRANTS	5	10	20	20
TRADE SERVICES	1	5	5	5
RENTALS (OFFICE)	1.2	2.4	2.4	4.8
TOTALS	16.42	32.12	48.84	64.24

C. Cost Estimates

The cost of all activities unprogrammed under the original Project and to be conducted from September 1994 until the PACD total is estimated to be \$7,847,948 (Annex B, Table I). This sum does not include PL480 Title III activities which use local currency generations, nor does it include on-going previously fully-funded subgrants made by UPANIC. The estimates of the balance of funds, which should be available by September 30, 1994, are \$1,847,948 and with new funds to be obligated for new or amended agreements or contracts (\$6,000,000), the total is \$7,847,948 as broken down in Annex B, Table III. Table II in Annex B shows a summary of the detail in Table I by activity. Table IV of Annex B provides a separation of foreign exchange and local currency requirements by element and by year. Table V shows estimated counterpart requirements and level of PL 480 Title III local currency grants.

In the following budget summary, please note that an inflation factor is shown as a separate line item, calculated at 5% in FY96 and compounded annually thereafter. A contingency of 7.6% on all costs is used. Historical figures were used throughout, taken from current cooperative agreements and comparable contracts and grants. The budget summary corresponds to both Project Elements and Activities.

Illustrative Budget by Activity (in US\$)					
Activity	FY95	FY96	FY97	FY98	Total
I. Cooperative Support					
PVO Grantee	1,077,101	907,581	936,701	0	2,921,383
II. Production and Marketing					
A. UPANIC Coop. Agreement	230,685	214,720	198,755	182,790	826,950
• UPANIC Sub-Grants	250,000	250,000	250,000	0	750,000
• Non-PSC Contractor	157,240	165,240	0	0	322,480
B. Inoculant Grant	66,780	16,920	7,320	0	91,020
III. Institutional Strengthening/Integration					
A. APENN Coop. Agreement	241,800	211,875	181,350	151,125	786,150
B. Institutional Contractor	254,273	415,786	427,786	0	1,097,845
IV. Evaluations	0	60,000	0	60,000	120,000
V. Inflation	0	112,106	200,191	63,026	375,323
VI. Contingency	173,953	179,783	168,166	34,895	556,797
Grand-Total	2,451,832	2,534,011	2,370,269	491,836	7,847,948
UPANIC Counterpart	15,965	31,930	47,895	63,860	159,650
UPANIC Subgrants	337,000	337,000	337,000	0	1,012,500
APENN Counterpart	60,450	90,675	120,900	151,125	423,150
Title III Grants	1,534,000	1,483,000	1,483,000	0	4,500,000
Grand Total	4,399,247	4,476,616	4,359,064	706,821	13,943,248

Estimates on foreign exchange requirements are for about 70% of the total and 30% for local currency. Please refer to Annex B, Table IV for details.

Methods of Implementation and Financing
(in \$,000's)

Budget Item	Methods of Implementation	Meth. of Financing	Approx. Amount
I. Coop. Support			
PVO Grantee Coop. Agreement	Direct AID Contract	Direct Pay	2,921
II. Production and Marketing			
A. UPANIC Coop. Agreement Amendment (Grants, non PSC, Core)	Direct AID Contract	Direct Pay	398
B. Inoculant Grant	To Be Determined		91
III. Institutional Strengthening			
A. APENN Coop. Agreement Amendment	Direct AID Contract	Direct Pay	510
B. Institutional Contractor	Direct AID Contract	Direct Pay	1,098
IV. Evaluations	Buy-in or Direct Contract	Direct Pay	110
V. Contingency and Inflation	N/A	N/A	932
Total			6,000

D. Project Achievements

1. Purpose Level

The following list of major indicators of progress is consistent with the Mission's strategic objectives, program outputs, and indicators as reflected in the USAID/Nicaragua 1995/96 Action Plan. The list contains quantitative and qualitative indicators for each component of the Project which includes cooperative grants, as well as Title III grant recipients. This list represents the highest performance level of Mission reporting on the progress of the national agricultural sector (for amendment activities) which is attributable to USAID financing.

Strategic Objective 2: Increase economic access and opportunity.

Indicator 1: Agricultural Productivity-Expected Average Yield for Non-Traditional and Traditional Crops.

	Non-Traditional (quintals per manzana)	Traditional (quintales per manzana)
	cant/honeydew/onion	coffee/rice/bean
Baseline--1993	350/ 600 /400	9/ 22 / 8
1994	400/ 650 /450	12/ 23 / 8.5
1995	550/ 850 /600	15/ 24 / 8.7
1996	550/ 900 /625	20/ 25 / 9

APENN will measure yields of new commodities such as sweet corn, oriental vegetables and other products in the cucurbit family as appropriate. Cantaloupe, honeydew, and onion were chosen as representative products of the industry and growth attributable to APENN. Since NCBA will be working with cooperatives who have little, if any, experience in production and marketing of NTAEs, a major output and indicator of project success will include an "increase in manzanas dedicated to NTAE production" (see Project Output 2 below). The list of NTAEs and appropriate measurements of productivity and product growth will be updated as research and validation progress. UPANIC will measure the yield changes in basic grains and livestock productivity.

Important Indicators of following two program outputs which will be measured and which contribute to the achievement of this strategic objective will be:

Program Output 1: Improved private sector transfer of technology

Indicator 1: Net new members in business organizations*

	UNAG**	APENN	UPANIC
Baseline--1993	N/A	130	7,500
1994	N/A	140	7,800
1995	50	200	8,200
1996	150	250	8,800

*Agricultural business organizations only

**UNAG cooperative members as recipients of NCBA assistance

Indicator 2: Number of Farmers Using Improved Technologies

	UNAG	APENN	UPANIC
Baseline--1994	---	---	---

Note: Targets will be developed based on a survey of potential beneficiaries. The individual Cooperative Agreement Amendments proposed will reflect measurement reporting requirements. Title III recipients will also be required in their Bipartite progress reporting to measure the number of technical packages (by user) adopted and adapted.

Program Output 2: Increased opportunity for employment and ownership of productive assets. On the whole, it is expected that there will be an increase in the number of employment days from 7,500 to 15,000 for project activities.

Indicator: Long and Short-term Employment Generated in Non-Traditional Agriculture

	UNAG*		APENN-related	
	Short	Long	Short	Long
1994	N/A	N/A	1800	170
1995			2500	250
1996			3500	300

*NCBA will calculate UNAG-related increases in employment specific to project-attributable operations.

Indicators chosen to reflect the achievement of the Mission's third strategic objective entitled, "Improved Market Efficiency and Performance in the agricultural sector are: 1) Value and volume of non-traditional agricultural exports; and 2) Improved marketing margins for agricultural exports. These two indicators will be measured by APENN and NCBA. It is expected that by the end of the project a minimum of \$75 million of NTAEs will have been exported and are attributable to NCBA and APENN efforts. Marketing margins will be measured on onions and melons at the beginning of the project and commodity lists will be adjusted when new products come on stream. It is expected that APENN and NCBA will add new commodities/products to the existing list of exportable ones as research and commercial validation progress during the next few years. Currently, there is a lag on information gathering to report on marketing margins. The baseline for determining margins under the NCBA grant will be developed and incorporated into its reporting requirements. In addition, APENN's amended cooperative agreement will ensure compliance to this important efficiency measurement. It is

expected that at least 8 new products will be added to the 7 products already produced and exported and currently measured by APENN.

Indicator: Value of Non-Traditional Agricultural Exports.

	APENN value	NCBA value
Baseline--1993	\$30 million	N/A
1994	\$45 million (est.)	N/A
1995	\$50 million (est.)	0
1996	\$60 million (est.)	\$5 million (est.)
1997	\$70 million (est.)	\$8 million (est.)
1998	\$80 million (est.)	\$15 million (est.)

Indicator: Improved Marketing Margins for the Agricultural Exports.

	APENN freight costs/sales commissions melons/onions	NCBA freight costs/sales commissions melons/onions
Baseline--1993	\$2.85/11% -\$5.90/10%	
1994		
1995		
1996		
1997		
1998		

*Reduced freight costs and sales commissions for melons/onions are a first indicator of progress.

Two indicators have been chosen to support the Mission's Strategic Objective, "Increased Use of Environmentally Sound Productive and Extractive Practices": 1) reduction in pesticide use on melon, cotton, and other traditional and non-traditional agricultural commodities ; and 2) increase in manzanas producing soybean, bean and peanut that are being fertilized by inoculant. Source reporting for these two indicators will be provided by the Experimental Research Station (CEA) at Posoltega, APENN, NCBA, and UPANIC.

Indicator 1: Reduction in pesticide use on melon and cotton and other traditional and non-traditional agricultural commodities.

Number of Pesticide Applications per Crop Season

	Melon	Cotton	Coffee
1993	14	16	N/A
1994	14	8	8
1995	12 (planned)	6 (planned)	6 (planned)
1996	10 (planned)	5 (planned)	5 (planned)

Indicator 2: Increase in manzanas under soybean, bean and peanut being fertilized by inoculant.

Area Under Inoculant (1,000s of manzanas)*

	Soybean	Bean	Peanut
1994	10	0	0
1995	15	10	5
1996	20	15	10

*Inoculant sells at \$5.00 per manzana which directly replaces urea costing about \$25.00 per manzana.

2. Project Output Level

The following expected outputs are listed as additional targets which contribute to the achievement of the project goal and the accomplishment of the Mission's strategic objectives. These outputs are related to specific activities and reflect both quantitative and qualitative targets, as well as "people level impact" measurements. This list is categorized by implementation entity/recipient of a direct AID grant or Title III grant. Annual targets have not yet been established. The following list reflects the major project outputs which is sufficient for general USAID reporting requirements. The Project will develop a monitoring and evaluation framework and system (developed and implemented by the proposed institutional contractor) to establish targets and the methodology of statistical gathering, summarization and reporting for each component.

a. NCBA Cooperative Agreement:

i. Technical Outputs:

LOP

• Rapid rural surveys to identify cooperatives and farmers willing to work with the project	20
• Detailed client selection criteria	1
• Management/information systems in place	10
• Participating cooperatives	20
• Increase in Manzanas dedicated to NTAE	500
• New NTAE products	5
• Collaborating exporters	3
• Collaborating processors	2
• Foreign investors in NTAE production, post harvest handling or marketing infrastructure	1

ii. Institutional Capabilities:

Cooperatives participating in the NCBA program will be capable of:

- All cooperatives and other clients will be preparing annual plans and budgets and will be evaluating results vs plans at the end of the crop cycle;
- Average return on investment by cooperatives in NTAE is at least equal to the opportunity cost of the funds invested in NTAE;
- All cooperatives and independent clients will have inspected their lands and will be implementing a plan for improving the long-term sustainability of farming operations, including soil conservation methods, agro-forestry practices/enterprises, IPM techniques, etc...; and
- All cooperatives will have had at least one Annual General Meeting (AGM) before the EOP.

iii. Beneficiaries:

- 15 agrarian cooperative groups with approximately 200 individual farmers each (equaling 3,000 beneficiaries).

- 5 credit cooperatives representing individual farmers with a total of 550 heads of household (equaling 2,750 people).
- 10 small and medium-scale unaffiliated farmers, but grouped with each agrarian cooperative (150 farmers and 825 family members).
- Members and/or owners of service enterprises, either created through demand for services generated by the project, or already existing, will benefitted and reach about 100 people.
- Indirect beneficiaries will total about 30,000 people. This number was calculated by assuming that the beneficial spread effect will be generated to the majority of UNAG cooperatives.

The above direct and indirect benefit numbers do not include long and short-term employment which is detailed in the Purpose level Output section above.

**b. APENN Cooperative Agreement, including PL 480
Title III Program:**

i. Technical Outputs:

- Establish agro-industrial activities in North Sebaco and Leon areas:
 - a) Establish a pool of specialized farm equipment for rental/contracting to farmers producing 125-175 manzanas of NTAEs.
 - b) Conduct and operate an onion seedling nursery sufficient for 150 manzanas of production.
 - c) Conduct and finance validation trials on 50 manzanas in the first and second year.
- Establish refrigeration plant at the Managua airport:
 - a) Revenues earned from the refrigeration plant are estimated at C\$3,430,350.
- Improve APENN's overall capacity for provision of services to members.
 - a) Provide technical direction for APENN in assistance with horticulture programs and cold room operations.

ii. Institutional Capabilities:

- APENN as an institution will have adopted business management practices that will allow it to become increasingly self-sufficient by end of LOP. Similarly, APENN will adopt sell-off procedures for Title III operations and will use resources generated by sell-off to move these operations to other geographic areas.
- APENN will adopt benefit packages for members including contacts with investors and buyers; assistance in obtaining credit; low-cost access to current information; technical assistance in production and marketing; a voice in the establishment and reform of agricultural policy.
- APENN will design and implement a system for monitoring member's activities and needs by crop, land, soil and topography type, area under irrigation, water source, production input and output, credit needs and others.
- APENN will establish a multi-year and annual workplans which will lay out objectives and targets and clearly demonstrate technical and financial self sustainability by the end of LOP.

iii. Beneficiaries

There will be three types of project beneficiaries: 1) small to medium-scale farmers who will negotiate direct agreements with APENN to produce commodities such as the proposed onion seedling activity, validation trials activity; 2) farmers who will produce NTAEs independently and will receive TA and training; and 3) processors/marketers of these farmers' production.

Assisted farmers as direct beneficiaries will total a minimum of 150 in the Sebaco/Esteli/Matagalpa area who will benefit from the technical assistance and processing know how of producing and marketing NTAEs. This will include at least 10-15 new producers who own 150 manzanas which will be used for validation and demonstration purposes, and used for the onion seedling land.

Additionally, there are numerous indirect beneficiaries. Several hundred small-scale subsistence farmers in the Matagalpa/Esteli/Sebaco triangle will indirectly benefit from the demonstration and validation farms and will be offered training in a diverse, but detailed set of production/marketing courses. It is also expected that there will be an increase of about 700-900 new part-time jobs created during the production and harvesting period in direct farm labor.

c. UPANIC Cooperative Agreement, including PL 480 Title III:

i. Technical Outputs:

- Increase Coffee Productivity:
 - a) Production doubled on over 4,400 mz of coffee among participating associations; and
 - b) Over 1,500 mz of small-scale coffee farms in renovation program.

- Increase Livestock Productivity:
 - a) Productivity in milk and meat increased in over 70,000 head of cattle among participating associations; and
 - b) Achievement of the following indicators, on the average, among participating cattle associations:
 - Birth rate 55%
 - Weaning age 3 years
 - Milk production 6 liters per day
 - Days lactation 250

- Increase Basic Grain Productivity:
 - a) 10% reduction in costs of production on more than 300 commercial farms (46,000 manzanas in production) for sorghum, rice and corn;
 - b) 10% reduction in costs of production on more than 4 agrarian reform rice cooperatives (1,000 mz in production) for irrigated and upland rice;
 - c) 10% reduction in costs of production on more than 200 small farms in the Western Region of Nicaragua, (2,000 manzanas in production) for sorghum and corn; and
 - d) 20% reduction in costs of production on more than 1,500 small farms in mountainous regions of Nicaragua, (7,500 manzanas in production) for corn and beans.

- Increase Access to Markets:
 - a) Over 2,000 small-scale farmers selling coffee in joint blocks through participating associations;
 - b) Over 1,200 small-scale livestock producers selling cattle through the marketing facilities of participating associations;
 - c) Over 1,000 small-scale farmers selling basic grains through participating associations; and

d) Over 400 small dairy farmers selling milk through association collection centers.

• Increase Access to Means of Production:

a) Over 3,000 small-scale coffee farmers with title to their property;

b) Over 1,000 small-scale coffee farmers with approved long-term loans, and over 3,000 small farmers with approved short-term loans;

c) Over 30 associations with input supply stores with individual annual sales of more than \$50,000 and over a total of 7,500 farmer clients; and

d) Over 100 association employees and 5,000 farmers receive training in safe pesticide use and integrated pest management.

ii. Institutional Capabilities:

• More than 30 Associations will have:

a) Accounting systems, including inventory control, budgeting, and timely financial reports;

b) Membership increases of 25% per year during three years;

c) At least one permanent technical employee; and

d) Positive income and net worth statements; and

e) Ability to conduct training programs and supply marketing, production, and processing information.

iii. Beneficiaries:

• 3,000 small-scale coffee farm families, equivalent to about 16,500 family members;

• 1,500 small and medium-scale livestock farm families, equivalent to about 7,500 people.

• 1,000 small to medium-scale basic grain producers, equivalent to about 5,500 people.

d. PL 480 Title III:

At this stage of design, it is possible to specify outputs for the APENN and UPANIC Title III programs (incorporated above).

However, the PL 480 Secretariat has not received proposals from the three Agricultural Commissions nor UNAG as of this date. The three commissions have prepared concept papers on intended use of the 1994 program's generated local currency, but proposals have not been made which are necessary to complete the output and beneficiary section.

USAID and the Secretariat will require the recipients of PL 480 Title III grants to establish a detailed "results" section in each proposal. This section will specify appropriate outputs, including a beneficiary section, and indicators of progress toward achievement of Project objectives. The reporting requirements of each project will be indicated in Bipartite Agreements and will also be an Institutional Contract reporting requirement.

V. IMPLEMENTATION PLAN

A. Implementation Schedule

PAS is being amended to adjust activities to a refocus of Mission and Project strategies and to provide additional resources and time to accomplish expanded objectives. The following schedule lists key events in the amended Project and the estimate of the quarter in which these events will take place or be initiated, as well as the organizations(s) involved in implementation.

<u>Activity</u>	<u>Actor(s)</u>	<u>Date (FY)</u>
PP Amendment Approved	USAID/N	4th qtr, 94
PVO Cooperative Agreement Signed	USAID/N, PVO	4th qtr, 94
Non-PSC Contract Signed	Contractor, USAID/N	1st qtr, 95
FY 1995 DA funds obligated	USAID/N, AID/W	1st qtr, 95
UPANIC and APENN 1995 Workplan drafted	UPANIC/APENN	1st qtr, 95
RFP for institutional contractor issued	USAID/N, AID/W	1st qtr, 95
PVO staff arrive, TA starts	PVO	1st qtr, 95
UPANIC Cooperative Agreement amended	UPANIC, USAID/N	2nd qtr, 95
APENN Cooperative Agreement amended	APENN, USAID/N	2nd qtr, 95
UPANIC Sub-Grant program restarted	UPANIC, associations	2nd qtr, 95
Institutional Contractor selected	USAID/N inst. contractor	2nd qtr, 95
Institutional Contractor TA starts	USAID/N, Inst. contractor	3rd/4th qtr 95
FY 1994 Title III Grants program started	Secretariat, Commissions	3rd qtr, 95
UPANIC and APENN workplans drafted	UPANIC, APENN	1st qtr, 96
FY96 DA funds obligated	AID/W, USAID/N	2nd qtr, 96
Overall Project Evaluation conducted	Contracted consultant	3rd qtr, 96

<u>Activity</u>	<u>Actor(s)</u>	<u>Date (FY)</u>
UPANIC and APENN workplans drafted	UPANIC, APENN	1st qtr, 97
Non-PSC contract completed	Contractor	1st qtr, 97
PVO Cooperative Agreement completed	PVO	4th qtr, 97
APENN Title III Grant completed	APENN	4th qtr, 97
UPANIC and APENN Workplans drafted	UPANIC, APENN	1st qtr, 98
Final Evaluation conducted	Contracted consultant	3rd qtr, 98
Project close-out	USAID/N, contractors, associations	1st qtr, 99
Project PACR done	USAID/N	2nd qtr, 99

B. Management and Administration

1. USAID/Nicaragua

USAID/Nicaragua will be responsible for revising the Cooperative Agreements with UPANIC and APENN, with contracting the services of a non-PSC responsible for grants coordination, for selection and contracting an institutional contractor to support institutional development and performance of grant-funded activities, and with entering into a cooperative agreement with a PVO for support to local agricultural cooperatives. All of the contracting actions will be done at the Mission.

Basic project administration will be performed by USDH Project Manager, with assistance from an FSN-PSC Project Assistant. Oversight of the grants and cooperative agreements will be handled by the Mission Contracting Officer, although general operations and administrative oversight will be the responsibility of the Project Manager. Support for drafting amendments, implementation letters, periodic activity reviews, and any formal GON documentation will be provided by the Office of Project Development and Implementation Support. PL480 Title III assistance to Nicaraguan commissions and associations will be awarded and monitored by the Title III Secretariat (Ministry of Finance), but USAID/Nicaragua will have to approve in advance in writing all grants awarded and will track performance under the grants.

2. Associations

Numerous associations/organizations from the Nicaraguan private sector will be responsible for conducting various activities relating to their participation in PAS. The principal groups include the following; (1) UPANIC - Cooperative Agreement, (2) APENN - Cooperative Agreement and Title III Grant, (3) NCBA Cooperative Agreement (4) UNICAFE, CONAGAN, FUNDA and UNAG - Title III assistance, and (5) other associations - subgrants from UPANIC. Under the terms of individual grants/agreements, each organization will be responsible for implementing its individual projects. Appropriate administration and management of all resources are expected from each recipient grantee. Their responsibilities will be included in each grant or agreement and if institutions cannot be certified, consideration will be given to have resources channelled through already approved organizations.

Project implementation under the UPANIC agreement will continue to be managed by UPANIC's Project Management and Support Office (PMSO) with assistance from an individual non-personal services contractor. The only difference in this contractual arrangement will be the mode of contracting for technical assistance necessary to continue to design, implement, and monitor the UPANIC subgrants and the limited assistance required to assist in upgrading the financial and accounting capabilities of UNAG, UNICAFE, CONAGAN, and FUNDA. USAID/Nicaragua will amend the existing Cooperative Agreement to place funds that will be used by USAID to finance a U.S. non-personal services contractor. This individual also will coordinate integrated design programming with the above entities. Since UPANIC already has the contractual authority and management capabilities to contract for short-term technical assistance, those monies once reserved and used in the present institutional contract will be released to UPANIC to provide for necessary short-term assistance. The amended Agreement will reflect specific changes in roles and responsibilities of personnel and indicate the added responsibilities of coordination and monitoring responsibilities of assisting in the design and monitoring of the PL480 assistance to the three privatized commissions and UNAG.

APENN recently developed a set of recommendations and an implementation framework to build and improve its service responsibilities to the NTAE sector in Nicaragua. The management of the implementation guidelines will require long and short-term technical assistance for technical production and marketing services and for the strengthening of APENN and its developmental field operations and programs as a financially self sustaining, business-oriented entity. Pursuant to the recommendations from the evaluation and the implementation framework by the Inter-

Americas Group, completed in July 25, 1994, USAID/Nicaragua will amend the Cooperative Agreement to reflect the following:

- Revision of the overall budget to realistically allow APENN to meet its financial contributions in future years by adding limited resources and extending the PACD;
- Revision and tightening of personnel responsibilities and specific objectives to reflect the business and profit orientation mandate of APENN. (Refer to Annex B, Table V for required counterpart contribution including amount and percentage targets for each year);
- Implementation of the revised Work Plan which matches budget resources to results of specific activities;
- Financing and authority to acquire and administer flexibly technical assistance which can be provided locally in Nicaragua. The institutional contractor, to be selected as a part of this amendment, will further assist APENN's institutional development capability and its role with PL480 project components; and
- A new monitoring and performance reporting requirement which will match inputs with outputs and clearly show performance for each producer and commodity grouping on an annual basis.

3. Contracting Arrangements

In addition to the grant agreements and cooperative agreements described above, USAID/Nicaragua will implement project activities through three different sources; a PVO, an institutional contractor, and an individual non-PSC. Each of these entities require different contracting modalities.

USAID/Nicaragua has received an unsolicited proposal to assist with support to cooperatives from the National Cooperative Business Association (NCBA). The Mission Contracting Officer will award a cooperative agreement to NCBA under Handbook (HB) 13 requirements. The Mission issued an RFP for an individual non-PSC and expects to contract with a qualified individual shortly. The individual will work both with the UPANIC PSMO and the Title III Secretariat to assist grantees.

NCBA will appoint a project director (Chief of Party) who will also act as the marketing/cooperative and farmer organization development specialist. This person will hire a deputy with experience managing private sector enterprises and with contacts in the agricultural sector. They will be assisted by a staff of Nicaraguans with production and marketing experience who will be

responsible for the overall implementation. The PVO will run operations from a strategically located field office close to the greatest number of cooperatives that have the absorptive capacity to participate in the project. Provision of technical assistance and commodities will be managed by NCBA/Washington. In addition, the Washington office will assist in seeking markets, contacting brokers and/or venture partners and importers seeking specific NTAE products.

Since this is a 36 month, geographically-specific pilot effort which will be breaking new ground in an area where farmers have no experience with NTAE production, the NCBA team will coordinate closely with APENN. APENN is embarking on its own developmental growth program (PL480) and will have in place the infrastructure and technical experience of production and marketing of different commodities to complement NCBA's movement into the cooperative sector (specifically UNAG cooperatives). NCBA will implement and perform monitoring of this component of the project and will be directly submitting monitoring reports to the USAID Project Officer. NCBA will also provide limited technical assistance required to complement PL480 grants.

The institutional contractor will be selected through full and open competition based on HB 14 (FAR) requirements. Technical review of proposals will be performed by USAID/N and APENN representatives and final award will be made by the Contracting Officer. The institutional contractor shall provide a long-term TA person who will have an office at the APENN headquarters. He/she will provide services over an estimated 2½ years. In addition, the institutional contractor shall provide short-term TA totaling approximately 15 person months will be provided over the same time period.

C. Audits

Audits will be performed at dates to be established during the life of project and in accordance with established procedures. In general, such audits will be performed in coordination with the USAID/Nicaragua Controller and the Regional Office of the Inspector General in San Jose (RIG/SJ). An amount of \$40,000 has been set aside under the UPANIC agreement to cover the required audits for that institution. Additionally, each UPANIC sub-grant includes funds to audit the specific activities under the sub-grants. Furthermore, an amount of \$25,875 has been set aside under the APENN agreement to cover the audit requirements of that institution. Audit requirements for the Institutional Contractor, the non-PSC contractor and the U.S.- based PVO will follow the audit provisions applicable to those type of agreements (HB14 and OMB circular A-133). No project funds are deemed necessary to meet these audit requirements.

D. Evaluation and Monitoring

Funding will be provided under the PAS amendment for two major evaluations, one to take place in FY96 and a final evaluation in FY98. The scope of work for the first evaluation will focus on the required inputs from the contractors and grantees and the outputs achieved by that time. It is expected that this evaluation will provide guidance for the amendment of overall outputs and for changes in implementation systems, if necessary. Two person-months of expatriate expertise are budgeted for the evaluation.

The final evaluation will focus on the determination of what aspects of PAS have been most successful and might be continued under a new (or further amended) project. The PAS outputs and determination of what activities/methodologies were responsible for a given output will be crucial parts of the final evaluation. As many activities under PAS are being tried for the first time with new Nicaraguan organizations, this evaluation will provide important information for planning of future directions and strategies by the Mission. At that point, the Mission will be in a far different resource and development phase than they are now. Again, two months of technical assistance expertise is budgeted.

Monitoring responsibilities were discussed earlier and fall principally on the USDH Project Officer and FSN Project Assistant for all implementation, on the Office of Financial Management for use of funds, and on the Title III Secretariat for grants made by that body. Quarterly reports will be required from all USAID grantees and contractors. The Project Officer will be responsible for compiling a consolidated semi-annual report in April and October of each year.

E. Environmental Analysis

PAS was given a deferred positive recommendation for the Initial Environmental Examination (IEE) because of potential purchase and use of pesticides in certain productive subgrants. An environmental analysis was done for PAS and the Natural Resource Management Project (524-0314). The requirements governing the purchase and use of any pesticides or other agro-chemicals are laid out in that document which is on file and is/will be provided to all relevant grantees and sub-grantees. Compliance is strictly monitored by the Mission Environmental Officer.

Annex A

Logical Framework

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ANNEX A LOGICAL FRAMEWORK
Private Agricultural Services (524-0315)
Amendment One

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>II. Production and Marketing Services:</p> <p>(a) Provision and transference of new technologies which are environmentally-sound;</p> <p>(b) Establishment of CEA inoculant laboratory;</p> <p>(c) Increase the agricultural export value for NTAEs;</p> <p>(d) Increase number of NTAE products exported;</p> <p>(e) Increase number of employment days.</p>	<p>(a) Increase in manzanas under inoculant for soybeans, beans, and peanuts from 10,000 to 50,000; Number of farmers using improved technologies;</p> <p>(b) CEA lab established;</p> <p>(c) Increase export value from \$30 million to \$75 million;</p> <p>(d) Increase from 8 NTAEs exported to 15;</p> <p>(e) Increase number of days from 7,500 to 15,000 for project activities.</p>	<p>PAS records and CEA establishment, reports and evaluations, GON and U.S. commerce statistics.</p>	<p>Nitrogen fertilizer is not subsidized. Private farmers and associations continue to accept and adopt technical assistance. Good weather prevails.</p>
<p>III. Institutional Strengthening/Business Development:</p> <p>(a) Participating institutions adopt improved business management practices;</p> <p>(b) Establishment of standardized financial and technical performance project reporting system;</p> <p>(c) Strengthen and expand number of cooperatives and farm groups receiving assistance.</p>	<p>(a) Number of management information systems in place with cooperatives total 10;</p> <p>(b) Reporting system in place;</p> <p>(c) Increase number of assisted groups from 0 to 20 agricultural cooperatives and associations from 19 to 30.</p>	<p>CLUSA, APENN, and UPANIC records; evaluations.</p>	<p>Institutions are willing and accept participation in the Project. Business climate remains stable.</p>

**ANNEX A LOGICAL FRAMEWORK
Private Agricultural Services (524-0315)
Amendment One**

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
INPUTS:			
<p>Project Activities/Elements (See Annex B for details)</p> <p>I. Cooperative Support Amendment level PVO Grant 2,921</p> <p>II. Production and Marketing</p> <p>A. UPANIC Subgrants 750</p> <p>B. Non-PSC Contracts 323</p> <p>C. NIFTAL Inoculant Grant 91</p> <p>III. Institutional Strengthening</p> <p>A. APENN Cooperative Agreement 786</p> <p>B. UPANIC Cooperative Agreement 826,950</p> <p>C. Institutional Contractor 1,098</p> <p>IV. Evaluations 120</p> <p>V. Contingency and Inflation 932</p> <p align="right"><u>\$7,848*</u></p> <p>*Remainder of \$1,847,948 from original project and \$6,000,000 in new obligations.</p>	<p>TA contracts, contractor reports, subgrant activities carried out, ongoing Project operations in APENN and UPANIC.</p>	<p>Project Reports, USAID Controller records, Title III Secretariat reports, Cooperative agreement reports, and Project evaluations.</p>	<p>U.S. Congress makes funds available on a timely basis. Title III Secretariat provides local currency funds. GON continues support for private sector agricultural development.</p>

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ANNEX A LOGICAL FRAMEWORK
Private Agricultural Services (524-0315)
Amendment One

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Goal: To increase stability and income of private agricultural producers in Nicaragua.	Increase in family income/rural employment.	USAID Project Progress Reports, Surveys by association membership.	GON policy continues to favor and support NTAE and traditional agricultural production and marketing. Nicaragua maintains competitive advantage.
Purpose: To improve agricultural productivity and profitability of small and medium-scale farmers through support of representative organizations at the community, department, and national levels.	Increase in yields per manzana in coffee and onions, Reduced transaction costs (reduced freight costs/sales commissions), Increase in manzanas dedicated to NTAEs.	USAID Project Impact Reports collected by PAOs on annual basis, packer processor reports.	Nicaragua experiences good weather for agricultural production. TA in field production complements non-traditional and traditional agriculture needs.
OUTPUTS:			
I. Cooperative Support: (a) Increased organizational membership; (b) Expanded opportunities for sales of agricultural products; (c) Establishment of profitable NTAE and traditional centers.	(a) Net new members in participating organizations; (b) Increased number of collaborating exporters/brokers assisted from 4 to 15 and increased number of foreign investors assisted from 0 to 5; (c) Increase number of NTAE centers from 1 to 5.	Membership records from UNAG, APENN, & UPANIC; CLUSA records; evaluations.	Private investors, processors and exporters maintain and increase investment.

Annex B
Budget Details

Private Agricultural Services Project Amendment
Table I - Budget Details For All Activities

Annex B

Activity	FY95	FY96	FY97	FY98	Total
I. Cooperative Support - PVO Grantee					
A. Agribusiness Specialist (COP)					
Salary @ \$5,000 per month (pm)	60,000	60,000	60,000	0	180,000
Fringe Benefits @ 35% of salary	21,000	21,000	21,000	0	63,000
Post Differential and COLA @ 20%	12,000	12,000	12,000	0	36,000
Intl Travel - 4 persons @ \$800 each	3,200	3,200	3,200	0	9,600
Shipping - \$10,000 in yr1 and yr3	10,000	0	10,000	0	20,000
Storage - \$1,000 per yr	1,000	1,000	1,000	0	3,000
Medical and Insurance - \$1,000 per yr	1,000	1,000	1,000	0	3,000
Housing and Utilities - \$2,400 pm	28,800	28,800	28,800	0	86,400
Educ. Allowance - 2 @ \$3,700 each	7,400	7,400	7,400	0	22,200
Guard Service - \$500 pm	6,000	6,000	6,000	0	18,000
Sub-Total	150,400	140,400	150,400	0	441,200
B. Production/Farm Mgmt Specialist					
Same as 1. Agribusiness Specialist	150,400	140,400	150,400	0	441,200
C. Consultants					
Salary - \$330 per day (pd) for 48 days per yr (from US)	15,800	15,800	15,800	0	47,400
- \$180 pd for 48 days per yr (TCN)	8,600	8,600	8,600	0	25,800
Per Diem - \$182 pd (MGA) for 12 days, \$64 for 100 days per yr	8,584	8,584	8,584	0	25,752
Communications - \$5 per working day (96)	480	480	480	0	1,440
Insurance, Incidentals	1,200	1,200	1,200	0	3,600
Sub-Total	34,664	34,664	34,664	0	103,992
D. Travel and Transportation					
Intl. - Specialists, 4 py @ \$1500 each	6,000	6,000	6,000	0	18,000
- Consultants, 6 py @ \$800 each	4,800	4,800	4,800	0	14,400
Local - Consultant vehicle rental 112 days @ \$45 total cost	5,040	5,040	5,040	0	15,120
Project vehicle operations/maintenance	20,000	20,000	20,000	0	60,000
Sub-Total	35,840	35,840	35,840	0	107,520
E. Office Operations					
Office Rent and Maintenance @ \$1500 pm	18,000	18,000	18,000	0	54,000
Utilities @ \$500 pm	6,000	6,000	6,000	0	18,000
Supplies @ \$300 pm	3,600	3,600	3,600	0	10,800
Communications (all) @ \$600 pm	7,200	7,200	7,200	0	21,600
Research, Subscriptions, Info Services	2,000	2,000	2,000	0	6,000
Vehicle, Property Insurance	7,000	7,000	7,000	0	21,000
Sub-Total	43,800	43,800	43,800	0	131,400

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Private Agricultural Services Project Amendment

Annex B

Table I - Budget Details For All Activities

Activity	FY95	FY96	FY97	FY98	Total
F. Local Staff					
Technical - Dep Drtr, \$2000 pm (13ms)	26,000	26,000	26,000	0	78,000
- Prod Spclst, \$1500 pm (*)	19,500	19,500	19,500	0	58,500
- Prod Technicians, 6 @ \$1000 each pm (13ms)	78,000	78,000	78,000	0	234,000
Support - Admin/Secret, \$800 pm (*)	10,400	10,400	10,400	0	31,200
- Acct/Fin Analyst, \$1000pm (*)	13,000	13,000	13,000	0	39,000
- Filing Clerk, \$500 pm (*)	6,500	6,500	6,500	0	19,500
- Driver, \$500 pm (*)	6,500	6,500	6,500	0	19,500
- Cleaner, \$200 pm (*)	2,400	2,400	2,400	0	7,200
- Security, 2 @ \$300 pm (*)	7,800	7,800	7,800	0	23,400
Fringe Benefits @ 20% salaries	34,020	34,020	34,020	0	102,060
Sub-Total	204,120	204,120	204,120	0	612,360
G. Training and Seminars					
Regional Study Tours - 10 persons, \$300 travel, 1 wk @ \$120 per day	11,400	11,400	11,400	0	34,200
Local Seminars/Workshops - 8 seminars, 3 days each, 50 people @ \$10 day	12,000	12,000	12,000	0	36,000
Sub-Total	23,400	23,400	23,400	0	70,200
H. Overhead - 40% of 1-7	257,050	249,050	257,050	0	763,150
I. Commodity Procurements					
Computers & Peripherals - 2 computers, printer, UPS, software	8,000	0	0	0	8,000
Vehicles - 2 4wd vehicles & shipping	42,000	0	0	0	42,000
- 4 M/Cs @ \$2000 each	8,000	0	0	0	8,000
- Spares & Misc @ \$1000 pa	1,000	1,000	1,000	0	3,000
Radios - 2 field, 1 office, 2 home	5,000	0	0	0	5,000
Generators - Expats (2) and Office (1)	12,000	0	0	0	12,000
Household Furniture & Appliances - \$15000 per family	30,000	0	0	0	30,000
Office A/C and Furniture	15,500	0	0	0	15,500
Office Equip - Telephones, copier, typewriters, calculator, etc...	14,500	0	0	0	14,500
Sub-Total	136,000	1,000	1,000	0	138,000
J. General and Administrative Costs 4% of A - I	41,427	34,907	36,027	0	112,361
Grand Total - (A-J)	1,077,101	907,581	936,701	0	2,921,383

**Private Agricultural Services Project Amendment
Table I - Budget Details For All Activities**

Annex B

Activity	FY95	FY96	FY97	FY98	Total
II. Production and Marketing					
A. Competitive Productivity Grants					
UPANIC Sub-Grants	250,000	250,000	250,000	0	750,000
B. Technical Assistance - Non PSC Contractor					
Salary and Differential (15%)	78,200	78,200	0	0	156,400
Fringe Benefits (20% of above)	15,640	15,640	0	0	31,280
Travel (to/from Post, R&R)	3,800	1,800	0	0	5,600
Shipment of Goods and vehicle	0	10,000	0	0	10,000
Storage	1,000	1,000	0	0	2,000
COLA (5%)	3,400	3,400	0	0	6,800
Education Allowance (\$7,400 yr)	7,400	7,400	0	0	14,800
Communications (\$100 pm)	1,200	1,200	0	0	2,400
Rent, Utilities and Security (\$3000 pm)	36,000	36,000	0	0	72,000
Insurance and Medical (\$1,000 pa)	1,000	1,000	0	0	2,000
Local travel Per Diem (\$300 pm)	3,600	3,600	0	0	7,200
Office Operations (\$500 pm)	6,000	6,000	0	0	12,000
Sub-Total (c)	157,240	165,240	0	0	322,480
C. NiFTAL/University of Hawaii Grant					
CEA Legume Inoculant Lab Equipment	33,600	0	0	0	33,600
Manpower Training	7,700	0	0	0	7,700
Research Support	0	8,000	0	0	8,000
Technical Assistance (ST)	12,300	6,100	6,100	0	24,500
Admin Costs	2,050	0	0	0	2,050
Overhead and Modified Indirect Costs (20%)	11,130	2,820	1,220	0	15,170
Sub-Total (D)	66,780	16,920	7,320	0	91,020
Total (2) PL 480	474,020	432,160	257,320	0	1,163,500
* Title III Grant funds, not Project funds.					
III. Institutional Strengthening and Integration					
A. APENN Cooperative Agreement - In FY95@80% of all costs, FY96@70%, FY97@60%, FY98@50%					
1. Personnel Salaries					
a. Management and Administration					
General Mgr - \$30,000 pa + 25% fringe	30,000	26,250	22,500	18,750	97,500
Exec. Asst. - \$13,200 pa + 25% fringe	13,200	11,550	9,900	8,250	42,900
Accountant - \$14,400 pa + 25% fringe	14,400	12,600	10,800	9,000	46,800
Receptionist - \$4,800 pa + 25% fringe	4,800	4,200	3,600	3,000	15,600
Driver - \$3,600 pa + 25% fringe	3,600	3,150	2,700	2,250	11,700
Guards (2) - \$2,400 each + 25% fringe	4,800	4,200	3,600	3,000	15,600
Janitor - \$2,400 + 25% fringe	2,400	2,100	1,800	1,500	7,800

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Private Agricultural Services Project Amendment
Table I - Budget Details For All Activities

Annex B

Activity	FY95	FY96	FY97	FY98	Total
b. Marketing and Technical Info					
Info Training Mgmt - \$18,000 + 25% fringe	18,000	15,750	13,500	11,250	58,500
Info Techn. Asst. - \$7,800 + 25% fringe	7,800	6,825	5,850	4,875	25,350
Secretary - \$7,800 + 25% fringe	7,800	6,825	5,850	4,875	25,350
Public Coord. - \$3,600 (part-time) + 25% fringe	3,600	3,150	2,700	2,250	11,700
c. Crop Program					
Crop Program Mgr - \$14,400 + 25% fringe	14,400	12,600	10,800	9,000	46,800
Crop Program Assts. (2) - 12,000 + 25% fringe	12,000	10,500	9,000	7,500	39,000
Training Officer - \$9,000 + 25% fringe	9,000	7,875	6,750	5,625	29,250
Sub-Total (a-c)	145,800	127,575	109,350	91,125	473,850
2. Operating Costs					
Rent and Repairs - \$ 31,600 annual	25,280	22,120	18,960	15,800	82,160
Office Supplies - \$7,000 annual	5,600	4,900	4,200	3,500	18,200
Utilities - \$6,500 annual	5,200	4,550	3,900	3,250	16,900
Communications - \$14,400 annual	11,520	10,080	8,640	7,200	37,440
Publicity - \$2,400 annual	1,920	1,680	1,440	1,200	6,240
Sub-Total	49,520	43,330	37,140	30,950	160,940
3. Travel and Transport					
Vehicle Operations and maintenance- \$17,000 annual	13,600	11,900	10,200	8,500	44,200
Vehicle Insurance - \$4,500 annual	3,600	3,150	2,700	2,250	11,700
Local Travel and per Diem - \$3,000 annual	2,400	2,100	1,800	1,500	7,800
International Travel - \$3,000 annual	2,400	2,100	1,800	1,500	7,800
Sub-Total	22,000	19,250	16,500	13,750	71,500
4. Training					
Local Seminars - \$4,800	3,840	3,360	2,880	2,400	12,480
Staff Training - \$3,000	2,400	2,100	1,800	1,500	7,800
Agric. Training Materials \$2,400	1,920	1,680	1,440	1,200	6,240
Sub-Total	8,160	7,140	6,120	5,100	26,520
5. Information Services					
Foreign Subscriptions - \$2,400	1,920	1,680	1,440	1,200	6,240
Photocopies & Printing - \$3,000	2,400	2,100	1,800	1,500	7,800
Information Service Fees - \$3,000	2,400	2,100	1,800	1,500	7,800
Books \$2,000	1,600	1,700	1,200	1,000	5,500
Sub-Total	8,320	7,580	6,240	5,200	27,340

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Private Agricultural Services Project Amendment
Table I - Budget Details For All Activities

Annex B

Activity	FY95	FY96	FY97	FY98	Total
6. Evaluation - Funded elsewhere	0	0	0	0	0
7. Audit - \$10,000	8,000	7,000	6,000	5,000	26,000
Grand-Total (A)	241,800	211,875	181,350	151,125	786,150
B. UPANIC Cooperative Agreement -					
In items 1a-5 in FY95@90% of costs FY96%@80%, FY97@70%, and FY98@60%					
1. Personnel					
a. Mgmt/Admin					
Executive Secret - \$28,200 + 25% fringe	31,725	28,200	24,675	21,150	105,750
Economist - \$14,400 + 25% fringe	16,200	14,400	12,600	10,800	54,000
Admin Asst. - \$9,600 + 25% fringe	10,800	9,600	8,400	7,200	36,000
Secretaries (2) - \$3,00 each + 25% fringe	6,750	6,000	5,250	4,500	22,500
Security Guard (2) - \$2,700 each + 25% fringe	6,075	5,400	4,725	4,050	20,250
Driver/Messenger - \$3,000 + 25% fringe	3,375	3,000	2,625	2,250	11,250
b. Project Management and Support Office					
Agribusiness advisor - \$20,400 + 25% fringe	25,500	25,500	25,500	25,500	102,000
Technical Advisor - \$20,400 + 25% fringe	25,500	25,500	25,500	25,500	102,000
Admin/Fin. Analyst - \$19,800 + 25% fringe	24,750	24,750	24,750	24,750	99,000
Program Asst. - \$6,000 + 25% fringe	7,500	7,500	7,500	7,500	30,000
Driver/Messenger - \$3,000 + 25% fringe	3,750	3,750	3,750	3,750	15,000
Sub-Total (a, b)	161,925	153,600	145,275	136,950	597,750
2. Office Operations					
Rent and Maintenance - \$26,000 pa	23,400	20,800	18,200	15,600	78,000
Utilities - \$6,300	5,670	5,040	4,410	3,780	18,900
Office Supplies - \$5,000	4,500	4,000	3,500	3,000	15,000
Communications - \$2,000	1,800	1,600	1,400	1,200	6,000
Photocopies, - \$1,000	900	800	700	600	3,000
Sub-Total	36,270	32,240	28,210	24,180	120,900
3. Travel and Transport					
International Travel - \$3,000	2,700	2,400	2,100	1,800	9,000
Local Travel - \$3,000	2,700	2,400	2,100	1,800	9,000
Vehicle Maintenance and Operation \$6,800	6,120	5,440	4,760	4,080	20,400
Vehicle Insurance - \$2,000	1,800	1,600	1,400	1,200	6,000
Sub-Total	13,320	11,840	10,360	8,880	44,400

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Private Agricultural Services Project Amendment
Table I - Budget Details For All Activities

Annex B

Activity	FY95	FY96	FY97	FY98	Total
4. Member Services					
Subscriptions, Tech Mats. - \$2,500	2,250	2,000	1,750	1,500	7,500
Meetings, seminars - \$2,500	2,250	2,000	1,750	1,500	7,500
Public Relations - \$6,300	5,670	5,040	4,410	3,780	18,900
Sub-Total	10,170	9,040	7,910	6,780	33,900
5. Audit - \$10,000	9,000	8,000	7,000	6,000	30,000
Grand-Total B	230,685	214,720	198,755	182,790	826,950
C. Institutional Strengthening/Integration Contractor					
1. Instit. Strengthening/Integration Advisor					
Salary - @ \$6,000 pm, 6 ms in FY95, 12 ms in FY96 and FY97	36,000	72,000	72,000	0	180,000
Post Differential and COLA - 20% of salary	7,200	14,400	14,400	0	36,000
Overhead and Fringe - 75% of salary	27,000	54,000	54,000	0	135,000
Family Travel (four people), R&R in FY96	4,000	4,000	4,000	0	12,000
Household and Shipping	10,000	0	10,000	0	20,000
House Rent and Rehab (\$2,000 pm); Rehab (\$2,000 pm)	18,000	24,000	24,000	0	66,000
Utilities and Security (Sec. \$500 pm, utilities \$500 pm)	6,000	12,000	12,000	0	30,000
School Fees (2@\$3,700 pa)	3,700	7,400	7,400	0	18,500
Insurance (all)	1,500	3,000	3,000	0	7,500
Per Diem (10d intl, 20d local pa)	1,550	3,100	3,100	0	7,750
Work Travel (i intl, 4 local pa)	1,400	2,800	2,800	0	7,000
G&A and fees (20% of above)	23,270	39,340	41,340	0	103,950
Sub-Total	139,620	236,040	248,040	0	623,700
2. Consultants					
Salary - \$300 pd, for 24 days in FY95 96 days in FY96 and FY97 (US)	7,200	28,800	28,800	0	64,800
-\$180 pd for 24 days in FY95 and FY98, 96 days in FY96 and FY97 (TCN)	4,320	17,280	17,280	0	38,880
Per Diem - \$182 pd (Managua) for 6 days in FY95 and 24 days in FY96 and FY97, \$64 for 48 days in FY 95 and 200 days in FY96 and FY97	4,164	17,168	17,168	0	38,500
Travel - Intl 6 trips in FY95 and FY98 12 trips in FY96 and FY97	6,000	12,000	12,000	0	30,000
- Local - Car rental 56 days in FY95 and 224 days in FY96 and FY97 @ \$45 day	2,520	10,080	10,080	0	22,680
Communications, Insurance, Misc.	1,000	2,000	2,000	0	5,000
Overhead and Fringe (75% of salary)	8,640	34,560	34,560	0	77,760
G&A and Fees(20% of above)	6,769	22,578	22,578	0	51,925
Sub-Total	40,613	144,466	144,466	0	329,545

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Private Agricultural Services Project Amendment
Table I - Budget Details For All Activities

Annex B

Activity	FY95	FY96	FY97	FY98	Total
3. Office Operations					
Admin Asst/Secret - \$800 pm + 25% fringe	6,000	12,000	12,000	0	30,000
Driver/Messenger - \$400 pm + 25% fringe	3,000	6,000	6,000	0	15,000
Office Supplies & Misc - \$200 pm	1,200	2,400	2,400	0	6,000
Rent & Utilities (to APENN) - \$500 pm	3,000	6,000	6,000	0	15,000
Vehicle Use and Maintenance - \$250 pm	1,500	3,000	3,000	0	7,500
G&A and Fees (20% of above)	2,940	5,880	5,880	0	14,700
Sub-Total	17,640	35,280	35,280	0	88,200
4. Commodity Procurements					
Computer and Peripherals	4,000	0	0	0	4,000
Vehicle - 4 WD and Shipping	21,000	0	0	0	21,000
Radio (Household)	1,000	0	0	0	1,000
Household Furniture and Appliances	19,000	0	0	0	19,000
Office Equip & Furniture (2 desk, chairs, typewriter, filing cabinet, telephone, calculator, misc.)	2,000	0	0	0	2,000
G&A and Fees (20% of above)	9,400	0	0	0	9,400
Sub-Total	56,400	0	0	0	56,400
Contractor Total	254,273	415,786	427,786	0	1,097,845
IV. Evaluations- 2 pm@\$30,000 each in years FY96 and FY98.	0	60,000	0	60,000	120,000

PAS Amendment Activity Budget
Table II - Summary (in US\$)

Activity	FY95	FY96	FY97	FY98	Total
I. Cooperative Support	1,077,101	907,581	936,701	0	2,921,383
II. Production and Marketing	474,020	432,160	257,320	0	1,163,500
III. Inst. Strengthening and Integration	726,758	842,381	807,891	333,915	2,710,945
IV. Evaluations	0	60,000	0	60,000	120,000
Sub-Total	2,277,879	2,242,122	2,001,912	393,915	6,915,828
V. Inflation (5% in FY96, compounded thereafter)	0	112,106	200,191	63,026	375,323
VI. Contingency (7.6% on all costs)	173,953	179,783	168,166	34,895	556,797
Grand-Total	2,451,832	2,534,011	2,370,269	491,836	7,847,948

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**Table III - PAS Consolidated Budget
and Resource Requirements**

Activity/Element	Original Level	Committed funds	Estimated Expenditures through 6/30/94	Estimated Resources Avail. for amended activ.	Amendment Activities	Amendment Budget	Overall Budget
1. APENN Cooperative Agreement (Activity III)	945,000	945,000	593,000	276,000	786,150	510,150	1,455,150
2. AGRIDEC Contract (Activity III)	1,525,991	1,525,903	1,402,000	60,091	0	(60,091)	1,465,900
3. UPANIC							
A. Cooperative Agreement (Activity III)	738,248	738,248	233,599	504,649	826,950	322,301	1,060,549
B. Sub-Grants (Activity II)	3,431,752	2,527,092 *	1,457,698	707,660	750,000	42,340	3,474,092
C. Non-PSC Contract (Activity II)	290,000	0	0	290,000	322,480	32,480	322,480
4. Cooperative Support - PVO Grant (Activity I)	0	0	0	0	2,921,383	2,921,383	2,921,383
5. Institutional Contractor (Activity III)	0	0	0	0	1,097,845	1,097,845	1,097,845
6. Niftal Inoculant Grant	0	0	0	0	91,020	91,020	91,020
7. Audits (included under elements)	0	0	0	0	0	0	0
8. Evaluations	69,009	59,461	59,461	9,548	120,000	110,452	179,461
9. Inflation	0	0	0	0	375,323	375,323	375,323
10. Contingency	0	0	0	0	556,797	556,797	556,797
AID - Total	7,000,000	5,795,704	3,745,758	1,847,948	7,847,948	6,000,000	13,000,000
UPANIC Counterpart	52,060	0	0	0	159,650	159,650	159,650
APENN Counterpart	206,281	0	22,788	0	423,150	423,150	445,938
Title III Grants	0	0	0	0	4,500,000	4,500,000	4,500,000
UPANIC Subgrants	0	0	0	0	1,012,500	1,012,500	1,012,500
Grand-Total	7,258,341	5,795,704 *	3,768,546	1,847,948	13,943,248	12,095,300	19,118,088

* This represents subgrants being implemented. Another subgrant with ANAR at \$197,000 is pending.

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Table IV - PAS Budget Detail Amendment
Foreign Exchange (FX) and Local Currency (LC)
(Rounded to nearest \$000's)

Activity	FY95		FY96		FY97		FY98		Total	
	FX	LC	FX	LC	FX	LC	FX	LC	FX	LC
I. Cooperative Support										
PVO Grantee	1,077	0	908	0	937	0	0	0	2,922	0
II. Productivity and Marketing										
A. Productivity Grants	25	225	25	225	25	225	0	0	75	675
B. Non-PSC Contractor	157	0	165	0	0	0	0	0	322	0
C. NiFTAL Grant	67	0	17	0	7	0	0	0	91	0
Sub-Total	249	225	207	225	32	225	0	0	488	675
III. Institutional Strengthening										
A. APENN Coop. Agreement	24	218	21	191	18	163	15	136	78	708
B. UPANIC Coop. Agreement	23	208	21	194	20	179	18	164	82	745
C. Institutional Contractor	254	0	416	0	428	0	0	0	1,098	0
Sub-Total	301	426	458	385	466	342	33	300	1,258	1,453
IV. Evaluations	0	0	60	0	0	0	60	0	120	0
V. Inflation (70% FX, 30% LC)	0	0	78	34	140	60	45	19	263	113
VI. Contingency (70% FX, 30% LC)	122	52	126	54	118	50	25	10	391	166
Total (I-VI)	1,749	703	1,837	698	1,693	677	163	329	5,442	2,407

Annex C
Commission Institutional
Assessment Summary



DRAFT

***INSTITUTIONAL ANALYSIS AND RECOMMENDED PROGRAM OF
SUPPORT FOR PRIVATIZED COFFEE, LIVESTOCK
AND COTTON COMMISSIONS***

PRESENTED TO:

USAID/NICARAGUA

PREPARED BY:

**William H. Barbee
John B. O'Donnell
Brian Noble**

THROUGH:

CHEMONICS INTERNATIONAL CONSULTING DIVISION

UNDER THE AUSPICES OF:

**THE EXITOS PROJECT
Contract No. 596-0165-Q-00-2030
Delivery Order Number 3**

November 24, 1993

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COFFEE

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ACRONYMS

ACBN	Asociación de Criadores de Ganado Brahman de Nicaragua (Brahman Cattle Breeders Association of Nicaragua)
ACM	Asociación de Cafetaleros de Matagalpa (Matagalpa Coffee Growers Association)
ANCGAP	Asociación Nicaragüense de Criadores de Ganado Puro (Nicaraguan Association of Breeders of Purebred Cattle)
ANSCA	Algodoneros Nicaragüenses R.L. (Nicaraguan Cotton Producers R.L.)
APENN	Asociación de Productores de Productos No Tradicionales de Nicaragua (Nicaraguan Association of Producers of Non Traditional Products)
APT	Areas Propiedades de Trabajadores (Workers Property Areas)
ASGANIC	Asociación de Ganaderos de Nicaragua (Nicaraguan Cattlemens Association)
BND	Banco Nacional de Desarrollo (National Development Bank)
CABEI	Central American Bank Of Economic Integration
CEA	Centro Experimental de Algodón (Cotton Research Station)
CENAMEGE	Centro Nacional de Mejoramiento Genético (National Center for Genetic Improvement)
CONAL	Comisión Nacional de Algodón (National Cotton Commission)
CONCAFE	Comisión Nacional de Cafe (National Coffee Commission)
COSEP	Consejo Superior del Sector Privado (Superior Council of the Private Sector)
CORNAP	Corporaciones Nacionales del Sector Publico (National Private Sector Corporations)
EXCAN	Asociación de Exportadores de Cafe de Nicaragua (Nicaraguan Coffee Exporters Association)
FAGANIC	Federación de Asociaciones Ganaderos de Nicaragua (Nicaraguan Federation of Cattlemens Associations)

FUNDA	Fundación Nicaragüense de Desarrollo Agrícola (Nicaraguan Agricultural Development Foundation)
FUNDILAC	Fundación de la Industria de Lácteos (Milk Industry Foundation)
IFAGAN	Meat packing plant in Managua
GON	Government of Nicaragua
GTZ	German Development Program
INTA	Instituto Nicaragüense de Tecnología Agropecuaria (Nicaraguan Agricultural Technology Institute)
MAG	Ministerio de Agricultura (Ministry of Agriculture)
MIDINRA	Ministerios de Desarrollo Agropecuario y Reforma Agraria (Ministry of Agricultural Development and Agrarian Reform)
PNUD	Programa de las Naciones Unidas de Desarrollo (United Nations Development Program - UNDP)
UNAG	Union Nacional de Agricultores y Ganaderos (National Union of Farmers and Cattlemen)
UNCAFENIC	Union de Cafetaleros de Nicaragua (Nicaraguan Coffee Producers Union)
UNICAFE	Union Nicaragüense de Cafetaleros (Nicaraguan Union of Coffee Producers)
UNILECHE	Union Nicaragüense de Productores de Leche (Nicaraguan Milk Producers Union)
UPANIC	Union de Productores Agropecuarios de Nicaragua (Nicaraguan Agricultural Producers Union)

**INSTITUTIONAL ANALYSIS AND DESIGN RECOMMENDATIONS FOR
ASSISTANCE TO THE PRIVATIZATION OF THE COFFEE, LIVESTOCK AND
COTTON COMMISSIONS - November 1993**

I. BACKGROUND AND PURPOSE OF THE STUDY

This study and initial design proposal for the PAS amendment was contracted by the USAID/N mission through the buy-in mechanism with the EXITOS Project, which promotes non-traditional agriculture exports from Central American. A team consisting of three people, one from the EXITOS Project and two recruited from outside, carried out the work in October and November 1993. The purpose of the study was to complete an institutional analysis of the soon to be privatized Coffee, Livestock and Cotton Commissions. Based on this analysis design recommendations were to be prepared for the amendment to the PAS Project Cooperative Agreement.

Since the original design and authorization of the PAS Project, the institutional environment in the agricultural sector has changed. The emergence of these three privatized commissions have the potential of offering very important high impact technical services to the coffee and livestock sectors. These sectors are very important to the economic recovery of Nicaragua and the privatized Commissions are needed to provide leadership to these industries.

After an initial briefing by the USAID/N agricultural and rural development staff, the team continued to meet periodically with them to provide perspective on initial findings on the Commissions which would have later impact on amendment design. It was quite evident from the outset that USAID was very interested that the impact of any support provided to any of the Commissions be oriented towards the small and medium sized farmers. Throughout the study this issue was analyzed carefully.

Nicaragua still faces serious political problems which are slowing the resolution of land tenure and clarification of lands title related to previously confiscated property. This slow moving process has reduced the recovery of agricultural production. Land owners and producers are not willing to invest to improve their productive capability until they are assured that they will receive equal treatment under the law. An additional complicating factor is the politicization of agricultural sector institutions such as UNAG and UPANIC. The political disagreement between these institutions continues to divide efforts to revitalize production. Reconciliation will be a must if technical problems affecting the modernization of production are to be solved for the long term. It was considered prudent by the team to look at this issue to see if amendment design could support this process.

II. METHODOLOGY

The team utilized numerous interviews and several field trips to gather information for this study. Initial meetings were held with the Presidents of each of the three Commissions to gather perspective on background for the Commissions and their plans for the future. Additional interviews were made of key Commission Board members, managers and technical personal. Other people contacted were representatives from UPANIC, UNAG, INTA, FAGANIC, UNDP, CORNAP, APENN and UNCAFENIC as well as members of local level producer associations. Five different field trips by various members of the team were made to producer associations and the CONCAFE and Cotton Commission experimental stations. These field trips were used to confirm with local producers and managers information gathered from the national representatives. The IFAGAN meat packing plant, the CENAMEGE insemination center and the Centro Comercial de Managua were visited to better understand their future impact on the privatized Livestock Commission should they be received from the GON.

Institutional analysis was not done on APENN and UPANIC as this was not part of the scope of work. However, the UPANIC grant programs to local level producer associations was looked at closely, as well as APENN's program, to determine complimentary of the these programs to the proposed design of the PAS amendment. Due to the early identification of the importance of the reconciliation process taking place in the existing Commissions and their soon to be privatized counterparts, a number of key interviews were held with UNAG representatives to learn more about how it is organized at the national and at the local producer association and cooperative levels. Although a full institutional analysis was not completed on UNAG, impressions of the institution are reported. A more in depth look at UNAG as it is operating today, without the previous high level of give always and credit funds which were not intended to be paid off, is warranted in the view of the team. The political realities of the country are forcing UNAG to change its strategy very quickly.

III. SUMMARY FINDINGS

A. GENERAL

- With the creation of INTA, there will no longer be any technology transfer or research carried out by the GON for coffee, livestock and cotton. This is to be the responsibility of the private sector through the privatized commissions and other farmer organizations.
- The privatized commissions, particularly in coffee and livestock, can and should play a key role in a two-tiered, private sector technology generation and transfer system in which the Commissions fund and direct research activities, the preparation and distribution of technical materials and the training and technical back stopping of extensionists who are

employed by local level organizations.

- The sub-projects funded by USAID/UPANIC are playing an important role in developing such a two-tiered private sector system by building sustainable technical capacity in local level organizations. The UPANIC program should be continued and expanded with consideration given to establishing a similar program within the Coffee and Livestock Commissions to build sustainable technical capacity in non-UPANIC local level organizations.
- In order to establish an effective, two-tiered private sector technology development and transfer system which makes the best use of the human, institutional and financial resources available, USAID/N should consider providing funding for a technical assistance effort to design and put in place a systematic process for involving farmers, researchers and extensionists in a collaborative effort to identify production problems, suitable technologies for addressing those problems, and the most effective means of extending those technologies to farmers. Such a process has been tested and proven under the USAID/W centrally funded Communications for Technology Transfer in Agriculture (CTTA) Project and could make a real contribution to creating an efficient and cost-effective private sector system technology generation and delivery system in coffee and perhaps in livestock.
- There is a unique opportunity for USAID/N to assist in the national reconciliation process by supporting the efforts of the various politicized agricultural associations which will be the founders and "owners" of the privatized Commissions. Provision of financial assistance to the Commissions will aid in transferring the focus of the individual members attention from political issues and differences to technical issues of how to rebuild their sector.
- Working with both UNICAFE and CONAGAN (Livestock) provides USAID a good means of supporting small and medium sized coffee and livestock producers. The coffee proposal specifically targets small and medium sized coffee farmers for assistance and the livestock proposal emphasizes this also.
- Self-sufficiency has already been achieved by CONCAFE through a check off system. By the end of the third year of the technical program, increased revenue from the check off on increased exports will also make the new technical program self-sufficient. The same model can be used by CONAGAN to achieve its sustainability as the livestock sector also has a history of a check off system on beef exports.
- Assistance to the coffee and livestock sectors at this time will contribute greatly to the economic recovery of the country. These two agricultural sectors have the greatest potential of any export oriented activity in the country to expand rapidly with competitive quality product.

B. COFFEE COMMISSION

In early 1992, the GON agreed to turn over management of the Coffee Commission to the industry but without further funding. In October of that year representatives from all of the key coffee associations signed an agreement among themselves to add a fee on exports, the revenue from which was to be used to finance CONCAFE. With the signing of this agreement CONCAFE achieved full privatization and independence. This agreement was the final signal that all sides were prepared to join forces to work for the good of the sector. A check off system on exports makes them self-sufficient not only for the commission core institutional expenses but also the operation and maintenance of three experimental stations and a limited technology transfer program. The reconciliation achieved by the sector has allowed them to get on with the rebuilding of the coffee industry.

CONCAFE has a very effective management group which provides good leadership to the sector. It has developed good internal management systems and control of its finances. Financial reporting systems appear to be good. Management has the capacity to take on additional programs. The technical proposal presented to USAID/N was prepared by IICA at the request of and with the assistance of CONCAFE. It is a well thought out and designed proposal to provide technical assistance to the small and medium-sized coffee farmers to increase their productivity and production quality in a sustainable way. Beneficiaries of the program will be: over 300 coffee technicians and 120 coffee mills (beneficio) administrators and managers trained; 8,380 small and medium coffee farmers receiving technical assistance for the maintenance of 32,000 mz. of coffee being renovated. Specific goals are: 22 training courses, 4 observational trips to other countries, distribution of 150,000 technical bulletins, technical assistance for 55,400 mz. of coffee, 360 meeting with coffee technicians, 360 visits to coffee farms, 360 meeting with coffee farmers, 1,560 inter-institutional coordination meetings and the creation of six coffee specialists organizations.

This team recommends that USAID/N fund the CONCAFE efforts and proposal with \$1,620,000 of DA funding and \$2,175,000 of local currency resources.

C. LIVESTOCK COMMISSION

The livestock sector was one of the hardest hit sectors by the Sandinista Government. Confiscations of land and cattle herds, stealing of cattle with little or no recourse, lack of credit, rapid slaughter of breeding animals, high cost of animal health medicine and supplies, excessive margins of state-owned slaughter houses convinced ranchers that cattle farming was too risky of a business to attempt to maintain as a capital intensive enterprise using expensive progressive management techniques. This hard hit sector has been very difficult to unite to settle its differences and discuss the future of its industry. However, sector representatives, after two years of difficult negotiations have just now agreed to create a new commission-Comision Nacional de Ganaderia (CONAGAN). This will be a non-profit institution created under the association law. CONAGAN will be the lead institution in the sector with representation from all active groups in the cattle industry: UNAG, FAGANIC,

UNILECHE, cattle breeders and the export slaughter houses. It will provide policy leadership, information and statistics for the sector, and technical assistance for producers.

This sector also has a history of a check off system to fund its activities. Questioned use of these funds under previous Commission management contributed to bringing about the end of these fees in May 1992. The Livestock Commission limped along with almost no funds until May 1993, when all employees except the President and a secretary were released. Basically, the Commission closed its offices for lack of funding. Only the Board has been functioning since that time on an irregular basis. It now faces a serious problem of no funds for working capital to allow itself to regroup and reorganize under CONAGAN. Agreement has been reached among the industry associations and with the GON that CONAGAN will receive the various assets which the old cattle association ASGANIC had confiscated in 1980. Recovery of these assets will be a drawn out exercise requiring close follow-up. The new CONAGAN Board will have to address its interim financial needs quickly in order to move on assisting the sector to rebuild the cattle herd.

Because the sector is just now getting together, they do not have a proposal ready to present to USAID/N for financial assistance. A scope of work for the preparation of a technical proposal is now being prepared which will be funded by UNDP. The intention is to contract Latinoconsult, the Argentine cattle consultants, to do the study. They are also going to do a study of the cattle sector credit needs for the Banco Nacional de Desarrollo. The idea is to establish a three year technical program through the use of foreign technical expertise.

This team believes that USAID/N should provide financial support to CONAGAN and the livestock sector, but only once it has organized itself and has established a check off system which will cover core institutional operating costs as well of some modest in house technical assistance capability. Recommended financial support would be \$90,000 of DA funds and \$1,500,000 of local currency.

D. COTTON COMMISSION

This is the most controversial of the Commissions. Cotton dropped from a high of 300,000 mz. of production in the Occidente to around 4,000 mz. for this season. Unless there is a big change in the world supply and demand situation for cotton, this crop will never recover its former position of importance as a generator of jobs, income and foreign exchange. The main asset of the Cotton Commission is the 90 mz. cotton experimental center in Posoltega. During the last year the main jockeying has been to get control of this farm. The most recent proposal is to create the Fundacion Nicaraguense de Desarrollo Agricola (FUNDA) which would be granted the station. FUNDA is being promoted by 10 cotton producers and about 65 employees from the experimental station. The bylaws of the foundation put the employee founders in a privileged position in terms of founder fees to be paid, future employment, future quotas to be collected and management of the station.

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The station has a good facility and its buildings and labs that are still in relatively good condition. However, the research being conducted is not focused and there is little interaction between the station and producers in the region in terms of identification of alternative crops. Under the proposed structure there is little prospect that the station will become an important player in the development of the region. There is little possibility that the station will ever be self-sufficient. Most people interviewed believe that the station should be turned over to INTA for management and not be turned over to a small group of people who have their own intentions for use of the farm. No proposal for assistance was ever presented to this team.

This team believes that USAID/N should not provide assistance to FUNDA because: its membership does not represent a broad spectrum of producers from the region, there is no focus to research being carried out, it will be an employee-lead institution, it will be difficult to reduce the number of employees on the payroll since most are founders, no plans for operating the center were ever presented and it is very doubtful that self-sufficiency could ever be achieved by the station.

E. ILLUSTRATIVE BUDGET FOR USE OF \$3,000,000 PAS AMENDMENT AND LOCAL CURRENCY

PROPOSED USE OF FUNDS

A. UNICAFE	<u>DA funds (Dollars)</u>	<u>PL 480 Local Currency</u>
(1) Long term-3rd. country national-technical advisor in coffee production at an estimated cost of \$200,000/yr. for three years.	\$600,000	
(2) Short-term T.A. in technical constraints to coffee production. Four person months/yr at \$15,000/mo. for three years.	\$180,000	
(3) Long-term advisor and home-office back stopping for agricultural extension and communications program (CTTA) at \$250,000/yr. for three years.	\$750,000	
(4) Short-term T.A. in data collection, processing and presentation. Three person months/yr. at \$15,000/mo. for two years.	\$ 90,000	

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(5) Institutional strengthening grants to non-UPANIC local organizations. Six grants at \$150,000/grant. \$ 900,000

(7) Support for UNICAFE technical training and communications program and support for small and medium producers \$425,000/yr. for three years. \$1,275,000

Subtotal \$1,620,000 \$2,175,000

B. CONAGAN (Comision Nacional de Ganaderia)

(1). Long term advisor in (See UNICAFE budget 3) agricultural extension and communications. (Funding included in support to Coffee Commission.)

(2). Short-term T.A. in data collection, processing and presentation. Three person months/yr. at \$15,000/pm for two years. \$ 90,000

(3). Institutional strengthening grants to non-UPANIC organizations. Six grants at \$150,000/grant. \$ 900,000

(4). Support for Livestock Commission technical training and communications. \$250,000/yr. for three years. \$ 750,000

Subtotal \$ 90,000 \$1,650,000

C. APENN \$750,000

(1). Horticulturist to serve as technical director \$250,000/yr. for 3 years.

D. PAS PROJECT MANAGER \$120,000

Local hire official \$40,000/yr. for 3 years

E. EQUIPMENT \$130,000

Vehicles, computers

F. PROJECT EVALUATION \$ 40,000

G. SHORT TERM TECHNICAL ASSISTANCE \$250,000

To be used by APENN and UPANIC in support of their programs.

Grand Total \$3,000,000 \$3,825,000

IV. INSTITUTIONAL ANALYSIS

A. BACKGROUND

In the 1980s prior to the Sandinista revolution, the Ministry of Agriculture provided support to the coffee, livestock and cotton sectors. Technical programs were in place and various experimental stations carried out research to support technology development. With the entrance of the Sandinistas, a number of changes adversely affected the long term performance of these sectors and contributed to the decrease of exports and GDP per capita to about 40 percent of the levels attained in the early 1970s. The Sandinista Government utilized a system of centralized planning that rendered market institutions extremely weak or non-existent, exports of these products was controlled by state-trading companies, the financial system was nationalized and bankrupted, confiscation of farms and productive assets discouraged production and there was little effective technology generation and transfer.

During the Sandinista years, the mismanagement of the policy environment for these three products contributed to major drops in production and productivity. Additionally, cotton was hit with declining prices and increasing production costs due to inadequate crop management practices. In 1988, the Sandinista Government created the Coffee, Livestock and Cotton Commissions whose missions were to act as government institutions responsible for policy formulation and advising the government on sector problems, issues and needed direction. These Commissions had control over the development of each respective sector.

By 1979, there were a number of private sector agricultural producer associations: 15 cattle producers associations, 5 coffee associations, UPANIC (which begun in 1979), FAGANIC-the umbrella cattle association and UNCAFENIC, a similar umbrella organization for coffee growers. As the Sandinistas became more entrenched, the split between them and the private sector associations widened. In 1982, UNAG was created by the Sandinistas to counter opposition from the private sector associations by grouping many farmers particularly small into a single union. Membership in UNAG at its height was estimated at 150,000 farmers. Various mechanisms and institutions were created to channel large quantities of funding to the UNAG membership. The opposition private sector received no funding and in many instances faced confiscation of their land and property. Thus was born a long standing distrust between UNAG and UPANIC.

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Annex D
APENN Evaluation Summary

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Resumen Ejecutivo

APENN ha logrado un progreso significativo hacia la implementación exitosa del Acuerdo Cooperativo USAID-GdeN-APENN. Esto, junto con el desempeño en general de APENN como una institución de apoyo a la exportación de productos agrícolas no tradicionales, ha contribuido al logro de la meta del proyecto PAS (524-0135). Hay ciertas fallas en los programas de APENN de producción y mercadeo, y los evaluadores han identificado varias debilidades en la implementación del proyecto. Estas debilidades y fallas son sobrepasadas por los éxitos de la institución hasta la fecha.

Después de 33 meses (30/IX/91 a 30/VI/94), APENN está esencialmente en el camino correcto para lograr a cumplir con sus cuatro productos originalmente anticipados en el proyecto: 1) Un Centro de Información ha sido establecido; 2) tres de los cinco módulos de cultivos proyectados han sido establecidos y exitosamente aplicados en la generación de ANTE; 3) APENN ha participado en, y en algunos casos ha iniciado, diálogos continuos sobre políticas con el Gobierno de Nicaragua; y 4) se han ejecutado 55 cursos de capacitación hasta la fecha.

Durante los 21 meses que quedan hasta el 31 de marzo de 1996, APENN habrá completado y aplicado por lo menos dos módulos de cultivos más, y habrá ejecutado otros 40 cursos de capacitación. También se prevén mejoramientos, refinamientos y expansión del Centro de Información y de los diálogos con el GdeN.

El Impacto Agregado del proyecto, medido en términos de niveles de 1993/94 anualizados de la generación de empleo nuevo, ingreso de empleados y divisas atribuibles a APENN es el siguiente:

- Puestos de tiempo completo en ANTE creados: 1.496
- Ingreso bruto a empleados: \$863.491
- Divisas generadas: \$8.692.463

Las cifras acumuladas para los 33 meses del proyecto son las siguientes:

- Puestos de tiempo completo en ANTE creados: 4.181
- Ingreso bruto a empleados: \$2.413.273
- Divisas generadas: \$22.802.737

La transferencia de tecnología, medida en términos del establecimiento de nuevos cultivos, de mejoramientos en rendimientos y del establecimiento de la ANTE como una industria, ha sido moderadamente exitosa, tanto para cada una de los módulos de cultivos de exportación como para otros cultivos. Esto es

significante debido a cuan nueva es aquella industria en Nicaragua y cuan riesgosa es en general. Estos impedimentos han sido complicados por el hecho que el ambiente del desarrollo industrial es todavía débil, con una falta de capital e incertidumbres políticas. La capacidad propia aunque necesariamente limitada de APENN de entregar asistencia técnica ha sido complementada razonablemente bien por contratación afuera, mediante los enlaces entre APENN y donantes internacionales y, en algunos casos, como resultado de los contactos de APENN en el comercio. Por último, APENN ha hecho una modesta pero significativa contribución al fomento del financiamiento de las ANTEs.

En algunas áreas, el desempeño de APENN es menos que adecuado. Las áreas de debilidad son: 1) la planificación estratégica; 2) la distribución del personal; 3) la generación de ingresos no de donantes; 4) el reportaje; y 5) la coordinación administrativa.

Los planes de APENN son normalmente demasiado generales y no genuinamente "estratégicos". Sus operaciones son mayormente reactivas en vez de proactivas y programadas. Tampoco siguen ellas los planes satisfactoriamente cuando éstos existen. La falta de personal ejecutivo, específicamente la falta de un asistente al Gerente General, ha dejado esta persona con un cargo excesivo de trabajo. Como resultado, ciertas prioridades no están recibiendo la atención adecuada. Tampoco ha enfocado APENN suficientemente en la importancia y la manera de obtener ingresos no de donantes. Como consecuencia, APENN no va a poder cumplir con sus niveles programados de contribuciones en el año fiscal entrante.

Las recomendaciones para ayudar a eliminar las deficiencias arriba mencionadas y a indicar la orientación estratégica para el futuro caen en cuatro categorías. Aquellas teniendo que ver con los Productos Originales y Anticipados se enfocan en la necesidad de expandir la habilidad ya comprobada de APENN de entregar y coordinar la entrega de servicios de asistencia técnica en ANTE, especialmente para poder llegar mejor al pequeño productor. Aquellas en la sección sobre Organización, Estructura y Financiamiento son diseñadas a hacer que APENN sea más eficaz desde un punto de vista administrativo; es decir, permitir que funcione más como un negocio que se sostiene a si mismo. Las recomendaciones sobre Membresía indican la necesidad de incluir a pequeños agricultores, en particular aquellos que están organizados en asociaciones, en la membresía. Con respecto al Crédito para ANTEs, se recomienda que APENN intensifique su búsqueda para financiamiento para ANTEs y que aumente su participación en la implementación de créditos para ANTEs. Se recomienda también que un componente de crédito sea incluido en futuros proyectos de la ANTE.

Los evaluadores creen que es importante que APENN empiece inmediatamente de implementar estas recomendaciones, por las siguientes razones:

- * para mejorar y aumentar el impacto en los pequeños agricultores, incluyendo el acceso a tecnología, ingresos mejorados, y una mayor participación de ellos en el sector ANTE de Nicaragua.
- * para aumentar el impacto en el empleo rural, incluyendo más puestos de trabajo y mejores ingresos para trabajadores rurales.
- * para aumentar el flujo de divisas a Nicaragua y embellecer su fama como proveedor de productos ANTEs en los mercados mundiales.
- * para permitir que APENN mejore y posiblemente expanda su participación en diálogos sobre políticas con organizaciones públicas y privadas.
- * para mejor permitir que APENN logre todo lo mencionado en colaboración con otros proyectos de ANTE existentes o contemplados.

APENN ha justificado la continuación y expansión de su presencia y sus actividades en el sector ANTE por lo menos durante los próximos 3 a 5 años. Ya ha demostrado que puede eficazmente promover el sector ANTE de Nicaragua. Ha comprobado su capacidad de entregar o coordinar la entrega de servicios técnicos de producción y mercadeo a productores de productos ANTEs. Además los asociados siguen pidiendo seguimiento y nuevos tipos de servicios.

Annex E

Statutory Checklist

5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE? Yes!

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. **Host Country Development Efforts (FAA Sec. 601(a)):** Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.
 1. (a) Expanded production of both traditional and non-traditional exports will increase the flow of international trade. (b) Recovery of private agricultural producers and improvement of agricultural competitiveness to make the producers the engine of growth in the agricultural sector is the purpose of the project. (c) The project will work with small farmer groups and associations and encourage their development. (d) The project will seek to help farmers overcome monopsonies in the purchase/marketing of agricultural produce. (e) Improvement of production technology and increased yields in agriculture are primary project activities. (f) N/A

2. **U.S. Private Trade and Investment (FAA Sec. 601(b)):** Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).
 2. The project will help introduce U.S. technology and farm inputs into Nicaragua. This is expected to lead to increased U.S. exports of farm inputs to Nicaragua.
 - a. A Congressional Notification was sent to Congress and expired without objection on July 28, 1994.

- a. **General requirement (FY 1993 Appropriations Act Sec. 522; FAA Sec. 634A):** If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the Appropriations Act notification requirement has been waived because of substantial risk to human health or welfare)?

- b. Notice of new account obligation** (FY 1993 Appropriations Act Sec. 514): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures? **N/A**
- c. Cash transfers and nonproject sector assistance** (FY 1993 Appropriations Act Sec. 571(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted? **N/A**
- 4. Engineering and Financial Plans** (FAA Sec. 611(a)): Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? **N/A.**
- 5. Legislative Action** (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance? **No legislative action is required.**
- 6. Water Resources** (FAA Sec. 611(b); FY 1993 Appropriations Act Sec. 501): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.) **N/A**

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| <p>7. Cash Transfer and Sector Assistance (FY 1993 Appropriations Act Sec. 571(b)): Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?</p> | <p>N/A</p> |
| <p>8. Capital Assistance (FAA Sec. 611(e)): If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?</p> | <p>N/A</p> |
| <p>9. Multiple Country Objectives (FAA Sec. 601(a)): Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.</p> | <p>See Item A.1 above.</p> |
| <p>10. U.S. Private Trade (FAA Sec. 601(b)): Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).</p> | <p>See Item A.2 above.</p> |
| <p>11. Local Currencies</p> | |
| <p>a. Recipient Contributions (FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.</p> | <p>The Project provides assistance to private sector Nicaraguan organizations. The Project will have a mechanism to assure organizations provide a significant contribution and work toward self-sustainability.</p> |

b. **U.S.-Owned Currency** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No.

c. **Separate Account** (FY 1993 Appropriations Act Sec. 571). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

N/A. This Project will not generate local currency per se. Some Title III local currency grants will help generate revenues, but these are separate activities.

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

N/A

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

N/A

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

N/A

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

N/A

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12. Trade Restrictions

a. Surplus Commodities (FY 1993 Appropriations Act Sec. 520(a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

No.

b. Textiles (Lautenberg Amendment) (FY 1993 Appropriations Act Sec. 520(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

No.

13. Tropical Forests (FY 1991 Appropriations Act Sec. 533(c)(3)(as referenced in section 532(d) of the FY 1993 Appropriations Act): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

No.

14. PVO Assistance

a. **Auditing and registration** (FY 1993 Appropriations Act Sec. 536): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

Yes. The PVOs will be registered with AID prior to obligation.

b. **Funding sources** (FY 1993 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

N/A

15. Project Agreement Documentation (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

N/A.

16. Metric System (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and

Yes.

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technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

17. **Women in Development** (FY 1993 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased?

Yes. Inclusion of NTAE activities will provide significant employment opportunities for women.

18. **Regional and Multilateral Assistance** (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

No. The A.I.D. project assistance will be tailored to the unique Nicaraguan situation.

19. **Abortions** (FY 1993 Appropriations Act, Title II, under heading "Population, DA," and Sec. 524):

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

No.

b. Will any funds be used to lobby for abortion?

No.

20. **Cooperatives** (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?

Assistance will be channelled to union producers and cooperatives. Rural poor will participate through significantly increased employment opportunities.

21. **U.S.-Owned Foreign Currencies**

a. **Use of currencies** (FAA Secs. 612(b), 636(f); FY 1993 Appropriations Act Secs. 507, 509): Are steps being taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.

N/A. The U.S. owns no Nicaraguan currencies.

b. **Release of currencies** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No.

22. Procurement

a. **Small business** (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

Yes. Small qualified firms will be invited to submit proposals for the provision of services under the Project.

b. **U.S. procurement** (FAA Sec. 604(a) as amended by section 597 of the FY 1993 Appropriations Act): Will all procurement be from the U.S., the recipient country, or developing countries except as otherwise determined in accordance with the criteria of this section?

Yes.

c. **Marine insurance** (FAA Sec. 604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?

N/A

d. **Non-U.S. agricultural procurement** (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

N/A

e. Construction or engineering services (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firm to compete for construction or engineering services financed from assistance programs of these countries.)

N/A.

f. Cargo preference shipping (FAA Sec. 603): Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?

No.

g. Technical assistance (FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

Yes. Technical assistance will be provided by U.S. firms (full and open competition).

h. U.S. air carriers (International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

Yes.

i. **Termination for convenience of U.S. Government** (FY 1993 Appropriations Act Sec. 504): If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

Yes.

j. **Consulting services** (FY 1993 Appropriations Act Sec. 523): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

Yes.

k. **Metric conversion** (Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

Yes.

l. **Competitive Selection Procedures** (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes.

23. Construction

a. **Capital project** (FAA Sec. 601(d)): **N/A**
If capital (e.g., construction) project, will U.S. engineering and professional services be used?

b. **Construction contract** (FAA Sec. 611(c)): **N/A**
If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

c. **Large projects, Congressional approval** (FAA Sec. 620(k)): **N/A**
If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress?

24. **U.S. Audit Rights** (FAA Sec. 301(d)): **N/A**
If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

25. **Communist Assistance** (FAA Sec. 620(h)): **Yes.**
Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

26. **Narcotics** **Yes.**

a. **Cash reimbursements** (FAA Sec. 483): Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated?

- b. **Assistance to narcotics traffickers** (FAA Sec. 487): Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance?
- Yes.
27. **Expropriation and Land Reform** (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President?
- Land reform efforts will not be supported through this project. However, some assistance may be provided to help with land titling. No resources will be provided for any activity related to property over which U.S. citizens have outstanding appropriations claims.
28. **Police and Prisons** (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?
- Yes.
29. **CIA Activities** (FAA Sec. 662): Will assistance preclude use of financing for CIA activities?
- Yes.
30. **Motor Vehicles** (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?
- Yes. All four wheel motor vehicles financed under this project will be manufactured in the U.S.
31. **Military Personnel** (FY 1993 Appropriations Act Sec. 503): Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel?
- Yes.

32. **Payment of U.N. Assessments** (FY 1993 Appropriations Act Sec. 505): Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues? **Yes.**
33. **Multilateral Organization Lending** (FY 1993 Appropriations Act Sec. 506): Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? **Yes.**
34. **Export of Nuclear Resources** (FY 1993 Appropriations Act Sec. 510): Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? **Yes.**
35. **Repression of Population** (FY 1993 Appropriations Act Sec. 511): Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? **Yes.**
36. **Publicity or Propaganda** (FY 1993 Appropriations Act Sec. 516): Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? **No.**
37. **Marine Insurance** (FY 1993 Appropriations Act Sec. 560): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate? **Yes.**

38. Exchange for Prohibited Act (FY 1993 Appropriations Act Sec. 565): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law? **No.**

39. Commitment of Funds (FAA Sec. 635(h)): Does a contract or agreement entail a commitment for the expenditure of funds during a period in excess of 5 years from the date of the contract or agreement? **No.**

40. Impact on U.S. Jobs (FY 1994 Appropriations Act, Section 547):

(a) Will any financial incentive be provided to a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of that business? **No.**

(b) Will assistance be provided for the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U.S.? **No.**

(c) Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country? **No.**

B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

- 1. Agricultural Exports (Bumpers Amendment) (FY 1993 Appropriations Act Sec. 521(b), as interpreted by conference report for original enactment):** If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?
- No. Target for non-traditional exports is the U.S.A., when seasonal variations create possibilities of local advantage.
- 2. Tied Aid Credits (FY 1993 Appropriations Act, Title II, under heading "Economic Support Fund"):** Will DA funds be used for tied aid credits?
- N/A
- 3. Appropriate Technology (FAA Sec. 107):** Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?
- Yes. The project emphasizes cost-efficient, sustainable technologies to improve agricultural productivity.
- 4. Indigenous Needs and Resources (FAA Sec. 281(b)):** Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.
- The project was developed to impact agriculture which is the nation's major income. It provides TA and training to improve production and strengthen organizations, thereby increasing economic access and opportunity for producers.

5. Economic Development (FAA Sec. 101(a)): Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes. Strengthening private agricultural organizations in Nicaragua and increasing agricultural productivity is essential to sustainable development.

6. Special Development Emphases (FAA Secs. 102(b), 113, 281(a)): Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

(a) Efficient use of agricultural resources should lead to improved delivery of agricultural inputs, processing, marketing, and technology which will directly impact all citizens. (b) The project seeks to strengthen private agricultural organizations and increase the role of the private sector in the economy. (c) The project supports existing farmer associations and production cooperatives. (d) The project will reach a broad range of agricultural producers, many of whom are women. (e) Consultants under the project will apply relevant, successful experience of countries in the region.

7. Recipient Country Contribution (FAA Secs. 110, 124(d)): Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

The participating institutions will make progress towards self sufficiency by the end of the project. This is not a bilateral project and host country contributions are not required.

8. Benefit to Poor Majority (FAA Sec. 128(b)): If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

Yes, the project will result in assisting private agricultural organizations to be more knowledgeable and more efficient, which will improve the level of services provided to the poor.

- 9. Abortions (FAA Sec. 104(f); FY 1993 Appropriations Act, Title II, under heading "Population, DA," and Sec. 534):** **No.**
- a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions? **No.**
- b. Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations? **No.**
- c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? **No.**
- d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? **No.**
- e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? **N/A**
- g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization? **No.**
- 10. Contract Awards (FAA Sec. 601(e)):** **Yes.**
Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

11. Disadvantaged Enterprises (FY 1993 Appropriations Act Sec. 563): What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

The PP amendment calls for full and open competition. 8(a) firms are eligible to bid. No funds are set aside for disadvantaged firms

12. Biological Diversity (FAA Sec. 119(g): Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

Yes. Assistance will support training efforts to improve the Nicaraguan producer's ability to sustainably manage natural resources.

13. Tropical Forests (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act):

a. A.I.D. Regulation 16: Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?

An environmental assessment has been performed for the project. Should any of the activities require an environmental analysis, the relevant studies will be undertaken.

b. Conservation: Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental

Yes. Assistance will support the adoption of sustainable, productive farming practices and will also support methods to achieve the best sustainable use of the land.

impacts of the proposed activities on biological diversity?

c. **Forest degradation:** Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

No on all points.

d. **Sustainable forestry:** If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

N/A

e. **Environmental impact statements:** Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment?

Yes

14. **Energy** (FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act): If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases? N/A
15. **Debt-for-Nature Exchange** (FAA Sec. 463): If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management. N/A
16. **Deobligation/Reobligation** (FY 1993 Appropriations Act Sec. 515): If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified? N/A
17. **Loans**
- a. **Repayment capacity** (FAA Sec. 122(b)): Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest. N/A. Project is DA grant funds.
- b. **Long-range plans** (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities? N/A. Project is DA grant funds.

c. **Interest rate (FAA Sec. 122(b)):** If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter? N/A

d. **Exports to United States (FAA Sec. 620(d)):** If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest? N/A

18. Development Objectives (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

(1) Strengthening agricultural organizations and cooperatives will increase economic access and opportunity for producers, thereby providing an improved, efficient delivery of agricultural related services to all citizens including the poor. (2) Technical assistance will target associated small farmers which belong to the cooperative sector. (3) The project will assist the associated farmer groups to produce more at a lower cost and to market their products better. (4) Some of the direct project beneficiaries will include women producers. (5) In the past, the project worked closely with the ROCAP/PROEXAG/EXITOS Project.

a. Rural poor and small farmers: If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

Assistance targets small and medium-scale farmers and is specifically designed to increase agricultural productivity and income of the rural poor.

b. Nutrition: Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of endogenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

N/A

c. Food security: Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

Assistance will help reduce post-harvest food losses and improve food distribution which will positively impact national food security concerns.

20. Population and Health (FAA Secs. 104(b) and (c)): If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

N/A

21. Education and Human Resources Development (FAA Sec. 105): If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

N/A

22. Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106): If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

N/A

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| <p>a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;</p> | <p>N/A</p> |
| <p>b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;</p> | <p>N/A</p> |
| <p>c. research into, and evaluation of, economic development processes and techniques;</p> | <p>N/A</p> |
| <p>d. reconstruction after natural or manmade disaster and programs of disaster preparedness;</p> | <p>N/A</p> |
| <p>e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;</p> | <p>N/A</p> |
| <p>f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.</p> | <p>N/A</p> |
| <p>23. Capital Projects (Jobs Through Export Act of 1992, Secs. 303 and 306(d)): If assistance is being provided for a capital project, is the project developmentally sound and will the project measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level?</p> | <p>N/A</p> |

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Annex F
NIFTAL/University of Hawaii for
Legume Assessment Inoculant
Production Laboratory
Assistance Proposal

Project: Agricultural Diversification in the North-West Pacific Coast Region of Nicaragua

Component: Improved Legume Inoculant Production and Marketing

I. Background

The production facility located within Centro Experimental del Algodon (CEA) at Posoltega produces only soybean inoculant. This production facility was designed and set up by FAO in 1985. Field studies have shown yield increases from inoculant use ranging from 15% to 172%. The inoculant replaces the use of nitrogen fertilizer on soybeans. The production staff of 4 persons works 6-7 months exclusively on this activity. The facility, along with the entire CEA station, will be privatized next year. The inoculant is sold to farmers at a price of \$5 per manzana (=0.7 hectare), with volume reaching 10,000 units (250 g, one unit per manzana) in the 1993 season. Area planted to grain legumes is increasing in the region formerly dominated by cotton.

Problem Statement: An assessment of the CEA inoculant facility was conducted by NifTAL in Nov., 1993. It was found that though the facility was producing a good product to meet current demand, the existing production system was operating at/near maximum capacity, there was no real-time quality control procedures in effect, and there was no inoculant product available for peanut and common bean. By the middle of the 1994 inoculant production season, the manager estimated the demand at twice that of 1993, making necessary immediate implementation of some of the recommendations by NifTAL to increase production capacity.

II. Program Description

A. Outputs (component objectives):

1. Capacity and efficiency of facility increased.
2. Latest, simple and real-time quality control procedures incorporated in production runs.
3. Inoculant products developed for peanut and common beans.

B. Activities

1. Facility upgrade and expansion.
 - a. Modification of the existing facility based on the production of sterile-carrier inoculant combined with sterile dilution of the fermentor broth will increase the capacity up to 100-fold. NifTAL will design specifications, procure, ship and install all equipment necessary for the modification - including water treatment and sterilization equipment, fermentor and miscellaneous item required for renovations.
 - b. NifTAL staff will also test run the new systems and provide on-the-job training to laboratory technicians.
 - c. NifTAL's enterprise development specialist will develop a business plan with a budget and financial analysis.

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- d. CEA inoculant production manager trained at NifTAL in advanced techniques of inoculant technology and quality control for 4 weeks.
2. Quality control procedures.
 - a. NifTAL will procure, ship and set up quality control systems to enable real time assessment of starter cultures and fermentor broths, and improved procedures for assessment of peat-based inoculant.
 - b. NifTAL staff will provide on-the-job training in quality control procedures to laboratory technicians.
 - c. NifTAL will produce a custom inoculant production system/quality control manual specific for the CEA facility.
3. Development of inoculants for bean and peanuts.
 - a. CEA staff will screen select rhizobia strains for effectiveness with local peanut and bean varieties and soil conditions.
 - b. CEA staff will develop a granular inoculant for peanut, to separate it from the fungicide-coated seed.
 - c. NifTAL will select an inoculant quality strain for peanut that is tolerant of fungicides used on seed.
 - d. CEA staff will conduct station and regional on-farm trials of peanut and bean inoculants versus nitrogen fertilizer.
 - e. NifTAL's enterprise development specialist will provide a market assessment on the demand and distribution of peanut and bean inoculants.
 - f. CEA will sponsor farmer field days in to demonstrate use of inoculants and benefits for grain legumes.
4. Impact assessment report.

NifTAL will produce an economic impact assessment report in the final (3rd) year of the project.

C. Inputs

1. Technical Assistance - short term consultants only.
 - a. NifTAL's inoculant production specialist one trip to CEA for 20 p/d for assembly and modification of production system and training of production staff.
 - b. NifTAL's soil microbiologist; one trip concurrent with production specialist to assist in assembly, testing of modified system, training, implementation of quality control procedures, development of operations and research plan with CEA inoculant manger, for 20 p/d; and two subsequent trips (one per year) to update production and quality control techniques and assist in farmer demonstration days, for 10 p/d each year.
 - c. NifTAL's enterprise development specialist one trip to develop overall business plan and a market assessment for the new peanut and bean inoculants, for 10 p/d.
 - d. NifTAL laboratory technician will select fungicide resistant strain(s) of peanut rhizobia, 22 p/d.

- e. NifTAL's enterprise development specialist (or outside consultant) one trip in final year of project to develop an economic impact assessment report, 15 p/d (10 p/d in Nicaragua), with the assistance of a local, free-lance economist for 10 p/d.
- 2. Training
 - a. CEA inoculant production manager one trip to NifTAL to learn advanced techniques of Rhizobium microbiology, quality control and inoculation technology, for 4 weeks.
 - b. CEA and NifTAL staff give one day farmer field day demonstrations in years 2 and 3 (also see C.1.b above).
 - c. NifTAL staff (see C.1.a above) provide on-the-job training to CEA inoculant production staff in year 1, and NifTAL's soil microbiologist to provide update training in years 2 and 3.
- 3. Commodities

Commodity budget not to exceed \$32,000 to procure and ship equipment and supplies for production facility upgrade and quality control systems.
- 4. Budget Support (CEA - non-commercial)
 - a. Research supplies for CEA to screen select rhizobia strains for local peanut and bean varieties, and develop granular inoculant, \$ 1,000.
 - b. Research supplies, temporary labor, fuel and miscellaneous field supplies for CEA to conduct station and regional on-farm trials of peanut and bean inoculants versus nitrogen fertilizer, \$ 5,000.
 - c. CEA will conduct two farmer field days in to demonstrate use of inoculants and benefits for grain legumes, \$ 2,000.

III. Project Component Justification and Impact

The need for expansion of capacity at the CEA legume inoculant production facility is a result of client driven demand, which is almost double that of last season, and is expected to increase further in the coming years. This is a result of the region's emerging diversification out of cotton into other crops including grain legumes. Nitrogen is the most expensive input for any crop, and in grain legumes it can be replaced at substantial savings to the farmer with high quality rhizobial inoculants. Regional field trials have shown that use of the CEA inoculant can double yields. The current limitation on production capacity at CEA can be easily eliminated through implementation of newly developed, efficient inoculation technology combined with technical assistance and training. As a result, the facility's 100-fold expansion in capacity would enable CEA to produce inoculants for any legume for Nicaragua for the foreseeable future. Immediate benefits would include farmer savings through replacement of nitrogen fertilizer use on peanuts, and the availability of inoculants for the small-holder common bean growers.

IV. Component Implementation

The NifTAL Center can be sub-contracted through the Research Corporation of the University of Hawaii to perform all of the services (including transfer of funds to CEA) listed in this proposal. The current overhead rate for an off-campus project is 2.02% of direct costs (less equipment). NifTAL is a fully integrated center that will provide current staff and existing technologies to complete all designated activities.

V. Attachments

1. Budget (summary and detailed)
2. Time line
3. Logical framework

Prepared April 25, 1994, by NifTAL Center, University of Hawaii, for the USAID Mission to Nicaragua.

IMPROVED LEGUME INOCULANT PRODUCTION AND MARKETING

BUDGET

Prepared by Harold Keyser, NifTAL Center, University of Hawaii, 1000 Holomua Road, Paia, Hawaii 96779. April 25, 1994

1. COMMODITIES (facilities improvement)	<u>PRICE \$ US</u>
Fermentor; 141 liter NDF system with electric option	12,609
Dilutor/dispenser pump system	5,900
UV water sterilizer	600
Water treatment & storage	1,000
Quality control supplies	450
Natural gas accessories	200
Top loading balance	633
Phase contrast 100 x binocular microscope and accessories	1,745
Portable steam sterilizer	820
Laboratory & storage renovations	1,500
Hemocytometer (cell counter)	101
TI 486 laptop computer	1,873
HP desk jet 500 printer	509
Lotus 1-2-3	309
Wordperfect 5.1	289
Miscellaneous commodity contingencies	1,500
Subtotal of commodity purchases	30,038
Shipping of commodities (equipment & supplies)	1,700
<i>Commodities Subtotal</i>	31,738

2. TRAINING

CEA lab director training course at NifTAL - 4 weeks;

Round trip air fare Managua to Kahului, Hawaii

1,500

Per diem in Maui, Hawaii; \$ 72 M&IE per day X 28 days, \$ 150 housing per month at NifTAL campus

2,166

Training course fee

3,000

NifTAL bench fee

2,000

Training Subtotal

8,666

3. TECHNICAL ASSISTANCE	
a. NifTAL's inoculant production specialist and head of research to CEA for 4 weeks to install equipment, train staff and develop operations plan:	
Two round trip air fares Kahului, Hawaii to Managua	3,000
Per diem;	
3 days in Managua (\$177)	1,062
25 days in Leon (\$55)	2,750
NifTAL staff salary;	
Inoculant production specialist at \$ 144/day X 22 p/d	3,168
Head of research at \$ 242/day X 22 p/d	5,324
b. NifTAL's head of research to visit CEA for two weeks each in two subsequent years for inoculant production, quality control research updates and assist with farmer demonstration/field days:	
Two round trip air fares Kahului, Hawaii to Managua (5% increase/yr)	3,229
Per diem;	
2 days in Managua (\$177) each year	708
12 days in Leon (\$55) each year	1,320
Salary at \$242/day X 10 p/d each year	4,840
c. NifTAL's enterprise development specialist one trip to CEA in first year to develop business plan and market assessment, 5 p/d:	
One round trip air fare Kahului, Hawaii to Managua	1,500
Per diem;	
2 days in Managua (\$177)	531
3 days in Leon (\$55)	165
Salary at \$272/day X 5 p/d	1,360

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d. NifTAL consultant one trip to CEA in final year to produce impact assessment report, 15 p/d (10 p/d in Nicaragua):	
One round trip air fare Kahului, Hawaii to Managua	1,654
Per diem;	
2 days in Managua (\$177)	354
10 days in Leon (\$55)	550
Salary at \$272/day for 15 p/d	4,080
e. Nicaraguan free-lance economist to assist with impact assessment for 10 p/d:	
Salary at \$100/day for 10 p/d	1,000
f. NifTAL research technician to conduct laboratory research to select fungicide resistant peanut rhizobia, 22p/d:	
Salary at \$2,010/month	2,010
<i>Technical Assistance Subtotal</i>	38,605

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4. BUDGET SUPPORT	
Budget support for CEA (non-commercial):	
Rhizobia strain selection for peanut and beans, development of granular inoculant for peanut	1,000
Research station and regional farm trials on peanut and bean inoculation versus nitrogen fertilizer	5,000
Farmer demonstration field days (in year 2 and 3) preparations including plots, brochures and refreshments	2,000
<i>Budget Support Subtotal</i>	8,000

5. INDIRECT COSTS	
Univ. Hawaii - Research Crop. of Univ. Hawaii overhead for component contract:	
Overhead rate of 2.02% (current) of direct costs less equipment;	
total direct costs = \$87,009	
equipment costs = \$25,689	
modified direct cost = \$61,320	
2.02% of MDC = \$ 1,239	1,239
<i>Indirect Subtotal</i>	1,239

SUMMARY BUDGET

Commodities	\$ 31,738
Training	\$ 8,666
Technical Assistance	\$ 38,605
Budget Support	\$ 8,000
Indirect Costs	\$ 1,239
TOTAL	\$ 88,248

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Timeline of Activities

Project Component: **Grain Legume Inoculant Production and Marketing**

QUARTER	Year 1				Year 2				Year 3			
	1	2	3	4	1	2	3	4	1	2	3	4
Procure and ship equipment and supplies (upgrade and QC)												
Install and test run equip. for production												
Install and test run systems for quality control												
Production and QC manual												
Prepare business plan and financial analysis												
Production training at NITL												
Screen rhizobia strains for peanut and beans												
Granular inoculant for peanut developed												
Fungicide tolerant strain for peanut isolated												
Field trials for bean and peanut												
Farmer field days												
Market analysis for peanut												
Impact assessment												

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Project Name : Agricultural Diversification
 Est. Completion :
 Date of Revision: April 94
 Design Team : NIFTAL/BNF Component

0270.000 V.1310.7

Narrative Summary (NS)	Measurable Indicators (OVI)	Means of Verification (MOV)	Important Assumptions
Goal: 1 Overall Project Goal is...	1.1	1.1	(Goal to Supergoal) 1
Purpose: 1 High quality inoculants available to all farmers diversifying to grain legume crops through a commercial production and marketing enterprise	1.1 Increase in hectares under soybean cultivation being inoculated from 7000 to 25,000 1.2 7000 hectares under peanut cultivation being inoculated 1.3 Profitable commercial venture	1.1 AID EOP evaluation 1.2 Impact assessments 1.3 Audited accounts 1.4 DOA statistics	(Purpose to Goal) 1 Grain legume commodity markets remain stable 2 Environmental factors remain stable 3 Subsidies on nitrogen fertilizer are prohibited
Outputs: 1 Efficiency and output of existing inoculant facility improved. 2 Quality control systems incorporated. 3 New inoculant product line for peanut introduced.	1.1 Reduction in variable cost per unit 1.2 Increase in production output capacity 1.3 Reduction in production cycle requirement 1.4 Fewer production inputs required 2.1 Increase in frequency of testing during production 2.2 Speed of product testing improved 2.3 Fewer "batches" rejected 2.4 Reduction in volume of substandard inoculant released for sale 3.1 Inoculant for 7,000 ha of peanut sold	1.1 Company/factory cost accounting records 1.2 Sales figures 1.3 Factory records, historical data 1.4 Factory procurement records, historical records 2.1 Testing protocol, records 2.2 Company records 2.3 Company records 2.4 Company records; farmer interviews 3.1 Sales records	(Output to Purpose) 1 Crop cultivation conditions remain stable 2 Government policy on privatization and diversification remains positive 3 Research on peanut strains is positive for inoculant use 4 Farmers confidence in technology remains high 5 Company management recognizes long term benefits of quality control, product expansion and high volume. 6 Management accepts and pursues contractor recommendations
Activities: 1.1 Facility design, equipment installation and test runs of new production system 1.2 Procurement of equipment and supplies 1.3 Training for production supervisor 1.4 Business plan and budget prepared 1.5 On job training for technicians 2.1 Procure necessary equipment and supplies 2.2 Installation and set-up 2.3 On job training of	Inputs/Resources: TA \$38,605 Commodities 31,738 Training 8,666 Budget Support 8,000 Indirect costs 1,239 Total \$88,248	1.1 Contractor progress and financial reports 1.2 Training evaluations 1.3 Consulting reports 1.4 Procurement reports 2.1 Manuals 2.2 QC testing documents 2.3 Procurement reports	(Activity to Output) 1 Contract start-up appropriate to production cycles 2 No serious procurement delays 3 No restrictions on inoculant production and marketing

Narrative Summary (NS)	Measureable Indicators (OVI)	Means of Verification (MOV)	Important Assumptions
technicians 2.4 System manuals and protocols 3.1 Research on rhizobial strains for peanut and bean 3.2 Screening of fungicide tolerant rhizobia 3.3 Production of granular peanut inoculant 3.4 Station and on-farm trials 3.5 Market assessment for demand and distribution systems		3.1 Research reports 3.2 Training reports	

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Annex G
APPEN Title III
Grant Summary

Summary of APENN Title III Grant

The GON Title III Secretariat (with USAID/N as a cosigner) signed a P.L. 480 Title III local currency-financed Bipartite Agreement with APENN (Asociación Nicaragüense de Productores y Exportadores de Productos no Tradicionales) this year (1994) to support the expansion of APENN's capability to provide non-traditional agricultural export (NTAE) technology in production, marketing, processing, and storage services.

In 1991, USAID/N entered into a cooperative grant agreement with APENN to promote NTAE production and marketing which resulted in a substantial increase in NTAE exports. Although Nicaragua has demonstrated a potential for NTAE producer and product expansion, it lacks the knowledge of producing and marketing high-value agricultural products in addition to having an inadequate infrastructure. This new P.L. 480 Title III agreement explores NTAE producer expansion possibilities.

The three Title III grant components provide the mechanisms necessary to perform validation trials, bring small farmers into production, and to produce, process and market economically viable quantities of selected crops. The components are: (1) Establishment of agro-industrial activities in North Sebaco and Leon areas; (2) Establishment of a refrigeration plant to assist with storage; and (3) Institutional Strengthening to improve APENN's service provision capacity. The initial grant is for \$1.0 million in local currency to be used over a three year period.

The results of the Title III-funded activities will include: introduction of small farmers to NTAE production and income opportunities; establishment of certain NTAE production, processing, and storage facilities; and testing of NTAE products and processing systems.

There will be both direct and indirect project beneficiaries. Direct project beneficiaries will include: 1) small to medium-scale farmers who will negotiate agreements with APENN to produce commodities such as the onion seedling activity and validation trials activity; 2) farmers who will produce NTAEs independently and will receive TA and training; and 3) processors/marketers of these farmers' production. Additionally, there will be indirect beneficiaries such as several hundred small subsistence farmers who will benefit from the demonstration and validation farms and from training.

The APENN Grant Proposal and Title III Bipartite Agreement are available in the USAID/N files.

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Annex H

CN Expiration Cable

UNCLAS

AIDAC

SECSTATE 207618

ACTION: AID-2
INFO: TOTAL-5 ECON-1 DCM-1 AMB-1

DISTRIBUTION: AID
CHARGE: AID

VZCZCMU0965
OO RUEHMU
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ZNR UUUUU ZZH
O 032244Z AUG 94
FM SECSTATE WASHDC
TO AMEMBASSY MANAGUA IMMEDIATE 5427
BT
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Due Date: 8/9
Action Taken:
Initials:

READING FILE

Date AUG 4 - Received:	
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PEPS	✓
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Reading File	✓
Chron	✓

AIDAC

E.O. 12356: N/A

TAGS:

SUBJECT: CONGRESSIONAL NOTIFICATION ALERT

1. THE FOLLOWING CONGRESSIONAL NOTIFICATION HAS EXPIRED WITHOUT OBJECTION ON JULY 28, 1994. OBLIGATION MAY BE INCURRED AS SOON AS FUNDS ARE AVAILABLE.

524-0315, PRIVATE AGRICULTURAL SERVICES - DOLS 1,000,000
DAF
CHRISTOPHER
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#7618

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UNCLAS

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SECSTATE 207618

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Annex I
NCBA Proposal Summary

An Unsolicited Proposal for
BROAD-BASED NON-TRADITIONAL AGRICULTURAL
EXPORTS (NTAE) IN NICARAGUA

(for Cooperatives, Small and Medium Sized Farmers
and Other Group-Based Businesses)

COOPERATIVE LEAGUE OF THE USA

CLUSA

August 1994

1401 New York Avenue, N.W., Suite 1100
Washington, D.C. 20005-2160
Tel: (202)638-6222
Fax: (202)638-1374

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I. Executive Summary

Nicaragua's economy has experienced a period of contraction over the past several years and the agricultural sector has been particularly affected with land tenure and security problems, lack of credit, lagging technology and the inability (and in some cases unwillingness) of producers to produce and market agricultural products.

In the same time, U.S. agriculture has shifted and, as labor costs have escalated, opportunities have appeared for offshore producers, especially as technology has made it possible to ship perishable products over long distances. U.S. consumers have become accustomed to fresh fruits and vegetables year around, and the Caribbean Basin Initiative and other aid and trade programs have resulted in production of non-traditional agriculture exports (NTAE) in many Caribbean, Central and South American countries. NTAE, particularly organics, offer an opportunity to provide employment for relatively large numbers of workers, earn foreign exchange, and, most importantly, provide an opportunity for small farmers and groups of farmers to increase their incomes through production and export of fruits, vegetables and other "exotic" agricultural products, albeit not without risk, which can be minimized by encouraging producers to grow more than one crop.

The Agency for International Development (AID) has supported and promoted the production and marketing of non-traditional agricultural products in all the countries of the Central American region. However, in Nicaragua, programs to encourage production and export of non-traditional products have been limited and have focused primarily on institution building/strengthening of representational associations such as APENN and UPANIC. Through these organizations assistance is primarily reaching medium to large private producers.

But this effort, though laudable, is missing a large segment of the agricultural sector in Nicaragua and large amounts of good land remains out of production. Small-scale farmers, production cooperatives, and medium-size associated producers are not being reached in large numbers by existing projects and programs. Yet this segment of Nicaraguan society offers potential for broad-basing the benefits of NTAE, providing large numbers of jobs in rural areas, and putting thousands of hectares of good land back into production.

The CLUSA proposal that follows describes an effort to reach the "reformed" sector and other low resource small and medium farmers, based on successful experiences with similar grower groups in El Salvador.

The Concept: The basic concept is to undertake a concentrated effort in the private sector to link together various participants in the NTAE sector for their mutual benefit. Participants include the small/medium farmers, producer cooperatives, the processors, the

exporters, the U.S. brokers, the CLUSA team, and national, regional and local organizations representing the NTAE and agricultural sectors.

The proposed project has three basic components:

- ◆ NTAE production technology transfer;
- ◆ NTAE market promotion, facilitation, and linkages and
- ◆ Strengthening cooperative and farmer organization agribusiness management.

The project is designed to promote and strengthen NTAE production and marketing. The first two components specifically focus on ways to accomplish this. The third component addresses the corollary needs of cooperatives and farmer organizations to ensure that other production and organizational activities provide real support to NTAE production and to prevent these other activities from draining the resources and profits from the NTAE sector.

Goal: The goal of the CLUSA NTAE project is to increase rural employment and incomes of small and medium sized farmers and their families associated with agricultural cooperatives and other farmer associations and/or firms who have been awarded land under the Nicaraguan land reform program, as well as small to medium independent farmers. Accomplishment of the project goal will also contribute to the realization of the Government of Nicaragua (GON) and the USAID/N rural sector goal of increased employment and family incomes. The project also contributes to the macroeconomic goal of increasing foreign exchange earnings.

Project Purpose: In order to accomplish the project goal, the CLUSA project will: a) increase and improve production and export of non-traditional agricultural products by the Nicaraguan cooperative sector, and by small and medium farmers; b) strengthen existing and develop new linkages between producers and processors/exporters, and c) strengthen participating cooperatives and associated producer business organizations.

Methodology: CLUSA will assign two expatriate technicians to implement the project, which replicates a Nicaragua-customized approach used successfully by CLUSA in El Salvador. This program will provide service and develop capabilities in the following areas:

- ◆ Production and post harvest handling;
- ◆ Agribusiness, including establishment of linkages with processors and/or exporters, marketing and business development;
- ◆ Monitoring and evaluation, for AID reporting purposes, but primarily for use by CLUSA clients, including production record keeping, technical and administrative

reporting, reporting of financial results for each economic activity, and other information useful to client businesses in making their decisions, and

◆ Training, production and management extension.

Products to be grown will be selected based on an assured market and proper agro-ecological conditions. IPM procedures and practices will be introduced and where possible, organically grown products, such as coffee and sesame, will be developed. Each cooperative or farmer will be encouraged to operate in consonance with the environmental needs of Nicaragua. Producers will be linked with the exporters and buyers, processor or U.S. broker through written agreements. Trials of new products or varieties will be carried out with inputs by the producers, processors and buyers.

The project team will coordinate closely with such local organizations as the Association of Producers of Nontraditional Exports (APENN), the Union of Agricultural Producers of Nicaragua (UPANIC) its federations and local associations, the National Union of Farmers (UNAG), the Nicaraguan Agricultural Technology Institute (INTA), and other local and international non-governmental organizations and donors capable and willing to assist project clients. CLUSA is very interested in collaboration to maximize available resources and to ensure that the clients do not receive conflicting messages from the different sources. It will also work to achieve donor coordination to achieve maximum development and impact from these resources for project beneficiaries.

Time Frame: The initial pilot phase of the CLUSA project will last three years. An evaluation at 24 months will assess progress, suggest corrective actions and recommend whether a larger more comprehensive project is needed.

Total Cost: The total estimated cost of the proposed project is \$3,175,850.

CLUSA Experience in NTAE and Cooperatives: In addition to the well known and successful El Salvador project which serves as the model for this program, CLUSA has experience implementing and learning from export promotion projects by cooperative organizations or by linking cooperatives to exporters: Haiti (coffee); Guatemala (NTAE); Egypt (fruits and vegetables); Indonesia (variety of agricultural and non-agricultural products); Equatorial Guinea (coffee, cacao; produce to neighboring countries). In addition, CLUSA has provided management and organizational assistance to cooperatives and secondary level cooperative organizations willing to serve the needs of farmer-members. CLUSA's bottom-up, highly participatory approach which incorporates local management is widely recognized. Annex A contains CLUSA's corporate capabilities statement.

Annex J

Institutional Contract

Long and Short-Term Technical Assistance Requirements

I. Guiding Principals:

A. The Institutional Contract will provide long and short-term technical assistance services to the amended Private Agricultural Services Project (PAS). Assistance requirements have been identified for APENN, UPANIC, the three newly privatized Agricultural Commissions (UNICAFE, CONAGAN, and FUNDA), and UNAG.

B. The Institutional Contract will provide one long term advisor for a period of about 30 months. This advisor will be housed in APENN and have primary technical responsibility to APENN. The advisor will identify short term technical assistance requirements on production, marketing and business development needs for APENN. In addition, the advisor will be required to assist the recipients of the FY 1994 Title III Grants to identify exact short term technical assistance needs required to implement the grant projects. Approximately 15 person months of short-term technical assistance have been identified and will be financed and provided under the Institutional Contract. The Advisor will also coordinate the establishment of the PAS monitoring and evaluation system which will reflect performance measurement on all components of the project. An illustrative Scope of work for the Long Term Advisor follows.

C. The Institutional Contract will provide about 15 months of short-term technical assistance. The short term advisory services will be procured primarily from the United States and Third Country National (TCN) sources. Some short term technical assistance may be locally procured in Nicaragua, as appropriate. An illustrative division and responsibilities of short term technical assistance follows.

II. Long Term Technical Assistance

The primary responsibilities of the long term advisor will be to guide APENN into a fast growth track and assist the organization broaden its vision. There is a need for APENN to enhance its impact into the rural sector by validating and expanding the commodity mix, identifying additional markets and buyers, institutionalizing financial and systems business into all operations and activities, and promoting increased opportunities for small farmer participation. The advisor will work in the APENN office and assist the General Manager to integrate himself into the mainstream of Nicaragua's policy makers, commercial financial systems and production/marketing entities involved with the production and exportation of Nicaraguan commodities. The advisor will be qualified and experienced in agricultural export marketing and experienced in establishing financially self sustainable businesses.

The advisor will be the resident advisor for the Institutional Contract and as such will coordinate the identification, preparation of terms of reference, and logistical support for all short term assistance required under the Project.

Because the Project requires leadership in the "integration and coordination" of all major grant recipients, the advisor will work closely with the non-PSC contractor financed under the UPANIC Cooperative Agreement to assist in the design, implementation and monitoring of the Title III grants and subgrants. The Contract will provide for specific short term technical assistance to implement this and also provide for the establishment of an exact performance measuring system which tracks all Project progress consistent with data requirements in Section IV. D. of the Project Paper. The major elements of the long term advisor's terms of reference include:

- A. Provide key advisory guidance on production and marketing of NTAE. This includes coordination and utilization of lessons learned throughout Central America on priority products APENN desires to promote. The advisor will provide direct production and marketing assistance to farmers and cooperatives involved with APENN operations and provide on-the-job training to APENN technical staff.
- B. Coordinate closely with CLUSA, INTA, CEA, EEC, and other donor and public or private entities implementing NTAE activities, including their dissemination programs which attempts to broad-base impact and adoption of proven technology. The advisor will also actively coordinate with USDA, U.S. and Central American Universities who are actively engaged in NTAE research and extension.
- C. Assist the APENN General Manager and staff to develop an improved and easily accessible country, regional, and international production and marketing data bank with information on market and product information, prices, changes in laws and regulation, and trade data.
- D. Coordinate the identification of short term technical assistance needs for APENN's production/marketing and institutional or business development activities including PL 480 Title III activities. The advisor will also be responsible to identify short term assistance needs for the recipients of the Title III grants (CONAGAN, FUNDA, UNICAFE and UNAG). He will identify, prepare SOWs, and program/schedule the provision of the short term advisors and provide logistical support under the Contract.

E. Provide an overall PAS Project monitoring and evaluation system which tracks the measurement of project performance at the purpose and output level. The advisor will also be responsible for assuring APENN comply with the Cooperative Agreement requirements for Workplan and Progress reporting to AID.

III. Short Term Technical Assistance

The following illustrative list of short term technical assistance needs under the PAS project will be provided by the Institutional Contract. The long term advisor has primary responsibility to identify, prepare terms of reference, and to program this important input to the project. It will be his responsibility to work closely with the AID project manager, the non-PSC contractor, financed under the UPANIC Cooperative Agreement, the General Manager of APENN and the Directors of Agricultural Commissions to identify appropriate candidates, mix and levels effort for the technical assistance. There is approximately 15 months of short term technical assistance which will be provided under the Contract.

A. Production and Marketing field operations. This may take the bulk of short term resources. During the life of the APENN and UPANIC Cooperative Agreements there have been very exact and detailed requests for specific knowledge on production and marketing constraints to improve productivity on all major products including livestock. These have included constraints on production such as weed control, seed improvement, fertilizer use and application, disease control, water use and application, cattle nutrition and management, post harvest issues and a wide array of marketing, contractual and transportation concerns. Due to the expansion of organizations receiving technical assistance under this amendment, the Project will provide approximately 8-10 months of short term technical assistance which will have direct impact at the production farm level.

B. A major area of short term technical assistance will be the establishment of the overall PAS monitoring and evaluation system. The long term advisor will coordinate this effort but he will rely on short term technical assistance to establish and institutionalize the systems. The advisors will coordinate this work with each major recipient of grant funds and gather and summarize data from them and also other sources such as UNDP/MAG. This will require approximately 2 months of short term assistance.

C. The last major area of short term technical assistance will be placed under the rubric--New Business Development. The thrust of this area of assistance will be to assist the national associations of APENN and UPANIC and their local associations or activity programs (in this case, APENNs PL 480 program in Sebaco, Leon, and Managua's cold storage facility) to become financially self-sustainable. Some limited technical assistance in this area may also be required by the Agricultural Commissions and other non affiliated groups. This type of assistance will require approximately four to six months of short-term assistance.

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