



USAID | **NICARAGUA**
FROM THE AMERICAN PEOPLE

PROMOTING EQUITABLE ECONOMIC GROWTH

NICARAGUA ENTERPRISE AND EMPLOYMENT PROGRAM FINAL REPORT



AUGUST 2013

This publication was produced for review by the United States Agency for International Development. It was prepared by Danilo Cruz-DePaula and Katie Kenworthy for CARANA Corporation.



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ACRONYMS

ACEN	Nicaragua Specialty Coffee Association	ECA	Environmental Cooperation Agreement
APEN	Association of Producers and Exporters of Nicaragua	EXCAN	Nicaragua Coffee Exporters Association
ASORENIC	Nicaraguan Recycling Association	FDL	Local Fund for Development
BAC	Central American Bank	FUNIDES	Nicaraguan Foundation for Economic and Social Development
BDF	Finance Bank	FV	Victoria Foundation
BSP	Business Service Provider	HACCP	Hazard Analysis and Critical Control Points
CACONIC	Nicaragua's Chamber of Commerce	IDB	Inter-American Development Bank
CADIN	Chamber of Industry	INDE	National Institute for Development
CAFTA-DR	Central America and Dominican Republic Free Trade Agreement	ISO	International Organization for Standardization
CANATUR	National Tourism Chamber	MARENA	Ministry of Natural Resources and Environment
CANCUNIC	National Chamber of Shoe and Leather Manufacturers	MFI	Microfinance Institution
CAP	Potable Water and Sanitation Committee	MIFIC	Ministry of Finance and Industry
CEI	Center for Export and Investment	MSME	Micro, Small or Medium Enterprise
CENAMI	Business and Assistance Center for Industrial Sector MSMEs	OFEX	Office of Exportation
CETREX	Center for Export Procedures	SME	Small or Medium Enterprise
CIFCO	Inter-institutional Commission on Trade Facilitation	UCA	Central American University
CONMIPYME	Nicaraguan Association of Micro, Small and Medium Enterprises	UNDP	United Nations Development Program
COSEP	Superior Council of Private Enterprise	UNICA	Catholic University of Nicaragua
CSR	Corporate Social Responsibility	UniRSE	Nicaragua Association for Corporate Social Responsibility
		UTM	Thomas More University





MISION
LA SATISFACCION
NUESTROS CLIENTES A NIVEL
NACIONAL Y E INTERNACIONAL

Shrimp in Chinandega



Mini vegetables in Madriz and Nueva Segovia



Cassava in Leon



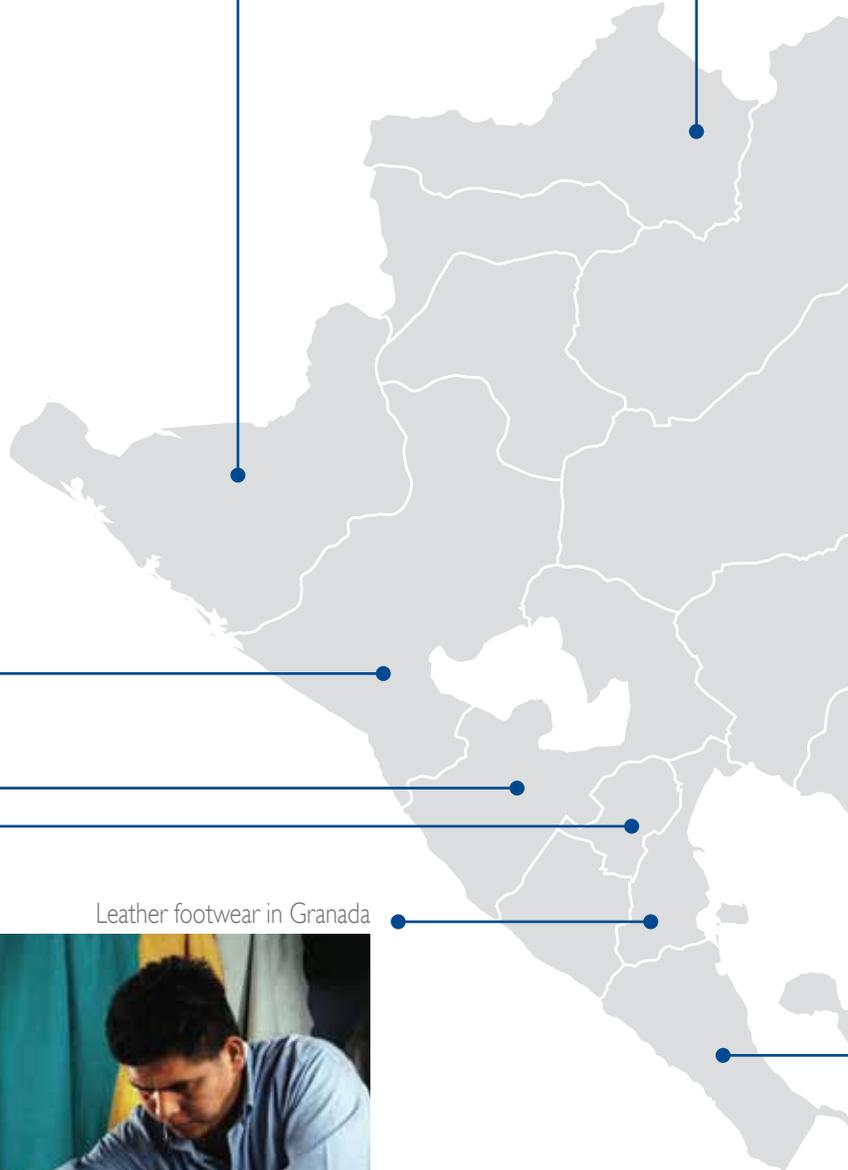
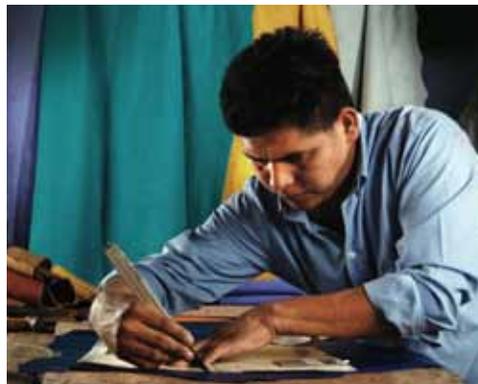
Wood furniture in Managua



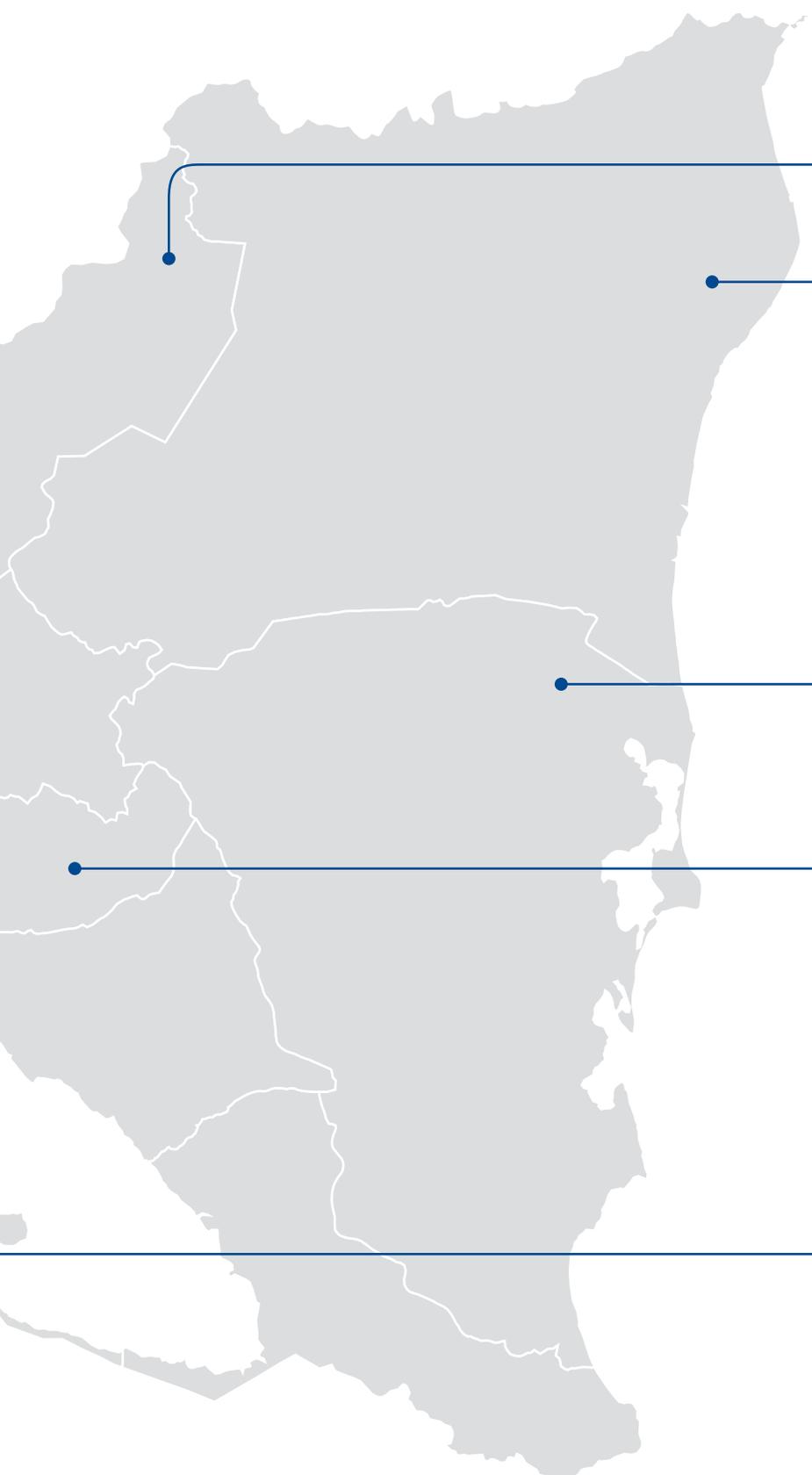
Artisanship in Masaya



Leather footwear in Granada



Industries supported by the
**USAID NICARAGUA ENTERPRISE
AND EMPLOYMENT PROGRAM**



Coffee in Jinotega



Dairy in RAAN and RAAS



Chili in Boaco



Tourism in Rivas





INTRODUCTION

Nicaragua's accession to the Central America and Dominican Republic Free Trade Agreement (CAFTA-DR) in 2005 provided the country with an opportunity to promote economic growth by significantly enhancing the role of international and regional trade. Subsequent trade agreements with the European Union, Chile, Mexico, and other countries have expanded these opportunities. Indeed, among the CAFTA-DR member countries, Nicaragua has been the most successful in expanding exports to the U.S. International trade accounts for a higher percentage of Gross Domestic Product than most countries in Latin America.

Nonetheless, as USAID designed the Enterprise and Employment (E&E) Program, serious obstacles and bottlenecks kept Nicaragua from taking full advantage of its geography, natural endowments, and people. Many of Nicaragua's businesses were not competitive

THE ENTERPRISE AND EMPLOYMENT PROGRAM: A SNAPSHOT

Budget	\$11.4 million
Duration	October 2009 through August 2013
Components	1. SME and Value Chain Development 2. CAFTA-DR and Policy Support 3. Human Capital Development
Sectors	Agriculture, Agro-industry, Shrimp, Furniture, Handicrafts, Recycling, Light manufacturing
Geographic Coverage	Throughout Nicaragua with special focus in the north central region

in the international marketplace. The economy was characterized by a large gap between a relatively few medium-to-large companies -- which dominate commercial agriculture, exports, and modern services -- and the large number of small and micro-sized farms and firms that employ most of the poor. As of 2008, over 60% of these small and micro firms were informal and had limited or no access to the formal financial sector. From 2008 to 2011, access to finance for micro, small and medium enterprises (MSMEs) contracted sharply. The international economic crisis and, in particular, the No Pago or “No Payment” movement drastically affected the national banking system and microfinance institutions (MFIs). The crisis reduced bank and microfinance portfolios by 50% and 70%, respectively. A major result of these constraints has been inequitable growth, where many small producers and small companies are left out or receive few benefits from growing international commerce.

Another impediment concerned Nicaragua’s economic policy and regulatory environment, which was not fully conducive to promoting economic growth. Laws and regulations, or the absence of these, in sectors as diverse as finance and tourism increased perceived risks by lenders and investors. There were also significant administrative issues and commitments under CAFTA-DR that needed to be addressed to ensure compliance with the agreement.

Finally, it was clear that to tap the rich resource of its people, Nicaragua needed a labor force that was better prepared in key skill areas needed to effectively compete in an increasingly globalized world.

Overall Program Approach

The Enterprise and Employment Program contemplated eight distinct activities designed to address these constraints. The E&E team strategically grouped them into three program focus areas in order to better generate synergies among these diverse activities. They included (1) SME and Value Chain Development; (2) Enhancing CAFTA-DR Implementation and Enhancing Nicaragua’s Policy Environment; and (3) Human Capital Development. Complementing one another, the three focus areas presented a strategic whole, greater than the sum of individual Task Order activities. For example, five policy reforms supported by E&E were the result of “bottom-up” feedback from SMEs and institutions supported through the value chain component. In implementing these components, several key tenets drove E&E initiatives.

Task order components such as a competitive grant fund and a strategic communications program become crucial cross-cutting support functions to strengthen these three focus areas. In the case of communications, our initiatives supported not only USAID’s important

PROGRAM MILESTONES AND ACCOMPLISHMENTS

6,200
new, full-time
jobs
directly attributed
to E&E

\$34M
sales increase

\$18.6M
sales from new
exports

472
MSMEs
adopted new
technologies

\$40M
in finance for
7,000
MSMEs

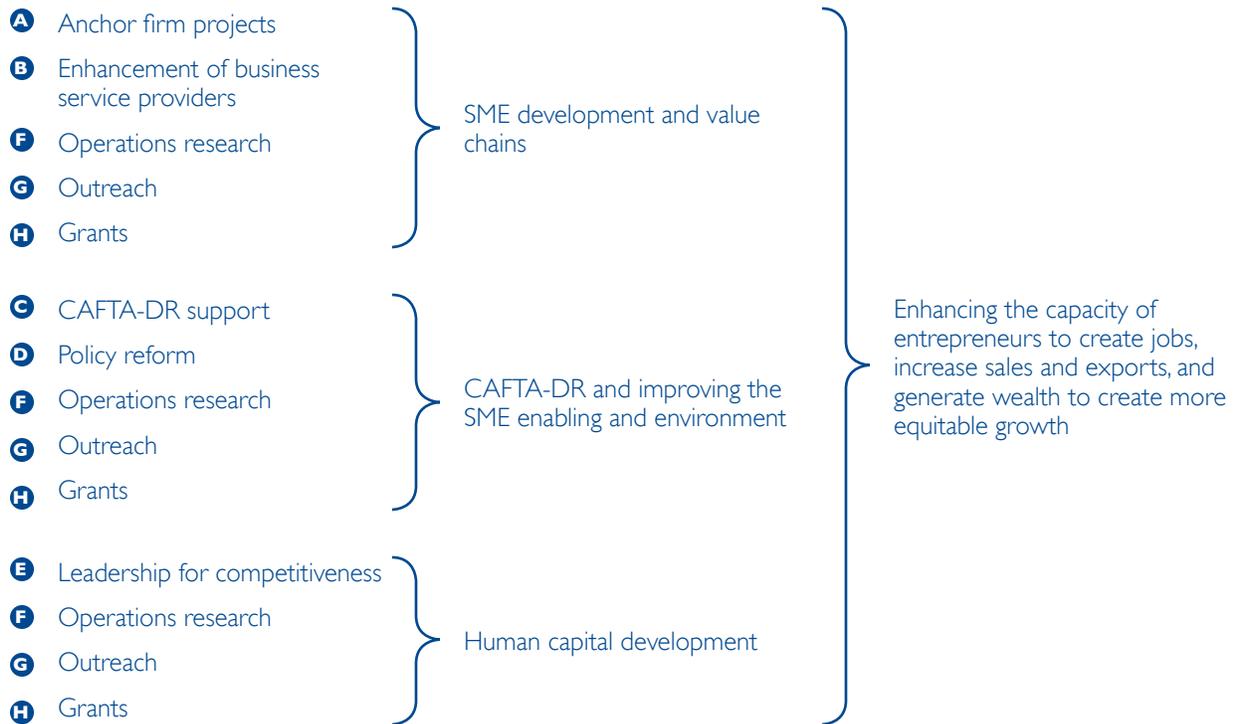
39
commercial
missions and
trade fairs

20
regulations
and laws
supported

7,600
people trained
including at-risk youth

3,050
MSMEs and
producers
assisted through
15
anchor firms

STRATEGIC OVERVIEW OF PROGRAM ACTIVITIES



public diplomacy objectives, but also disseminated the program’s story to shift paradigms and promote new ways of doing business, such as the anchor firm model. A few of the program’s guiding principles, which cut across all components, are detailed below.

Focus on transformational change and sustainable impact. In partnership with USAID, E&E established a detailed list of targets in areas such as exports/sales generated, jobs created, finance accessed, and number of SMEs assisted. These benchmarks provided ongoing feedback on implementation progress and, more importantly, how USAID assistance was impacting small farmers, SMEs, and other USAID target groups.

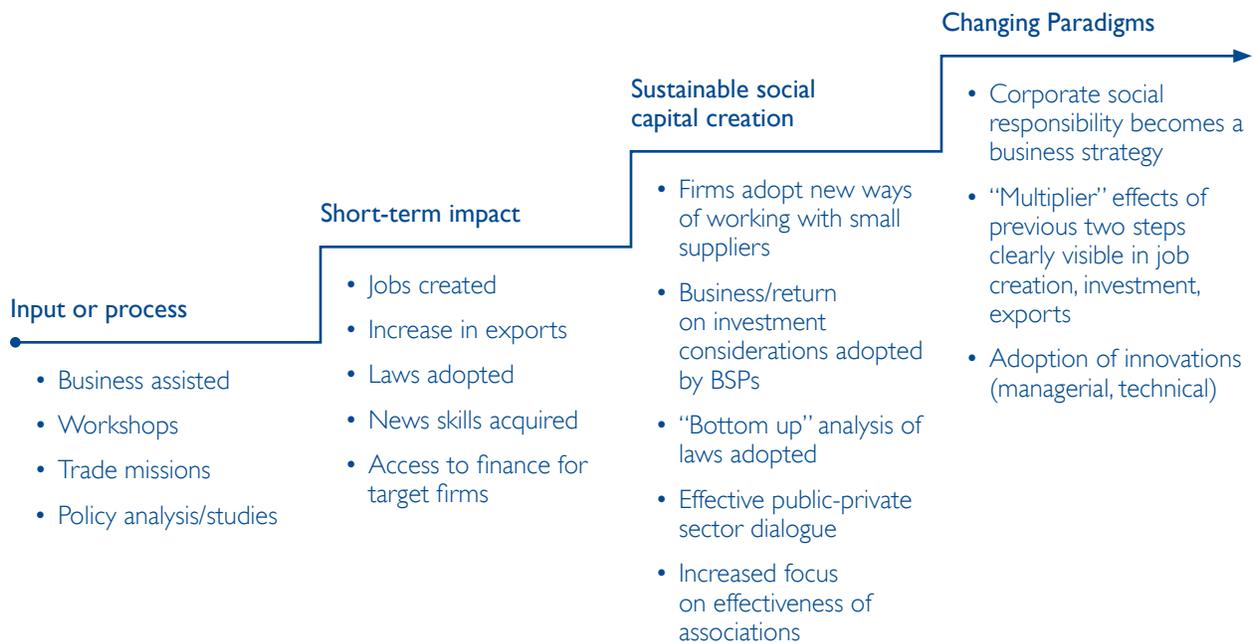
Development projects often focus on input or process indicators such as workshops held, or SMEs assisted. While E&E placed emphasis on short-term results such as jobs created and sales increases, the real focus for E&E was to help stakeholders to take the next step on the ladder of transformational change. Transformational change comes from people thinking differently about how they do business and cooperate. A key program tenet was that creation of “social capital” is at the heart of transformational change. When partners and beneficiaries understand that new ways of doing business generate better results for all, activities become sustainable as all parties have

incentives to continue them, long after development assistance is completed.

Partner commitment is essential. In all program activities, E&E’s role was to lend a hand to those willing to help themselves. This approach ensured stakeholder ownership. It also generated considerable leverage and co-financing from public, private, and civil society partners. For every \$1.00 USAID invested, partners invested \$4.40.

All activities are demand driven. Development nomenclature has made “demand driven” a necessary term in economic growth and even social programs. E&E’s assistance to SMEs, however, was true to the concept. E&E did not begin with small farmers productivity, but on demand from specific buyers. This permitted us to develop solutions for small farmers that would result in new sales and jobs, rather than just increased production. Collaborating with BSPs and financial institutions, E&E always had the needs of the end user in mind, mainly small farmers and SMEs. Human capital interventions focused explicitly on preparing the workforce to fill in-demand positions, and to establish cadres of professionals in key areas to spur economic growth, such as export management. E&E selected policy interventions to overcome critical bottlenecks and obstacles for the private sector.

FROM SHORT-TERM TO SUSTAINABLE IMPACT







SUPPORT FOR SMEs AND VALUE CHAINS

E&E supported Nicaraguan SMEs through a multi-tiered approach, focusing on value chains and the introduction of the “anchor firm” model as a means to increase SME productivity and income. To strengthen value chains and SMEs, the program also supported BSPs, conducted in-depth studies to identify sectoral bottlenecks and opportunities, sponsored trade missions, and strengthened and created producer associations to enhance cooperation among value chain segments. Access to finance was another key component of our strategy. The program catalyzed synergies between these activities and other program components such as policy and regulatory reforms and human capital development.

ANCHOR FIRM ALLIANCES

15 anchor firm alliances

2,228 SMEs integrated into anchor firm alliances

3,709 jobs created

\$23.5 M in new sales

\$10.3 M in financing facilitated for SMEs and producers

PARTNERSHIPS FOR INCLUSIVE ECONOMIC GROWTH

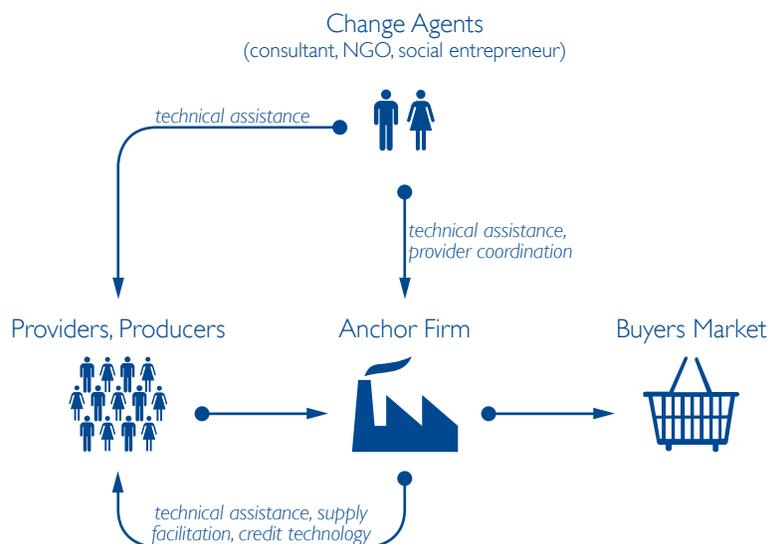
Sector	Partner	Objective	Key Interventions	Key Results
Shoes and leather	Calzados Alex	Increase exports, integrate small workshops into value chain	Trade missions, TA	<ul style="list-style-type: none"> • Association established • \$2.3 million in new sales
High value horticulture	Vegyfrut	Increase value added sales	International trade shows, TA	<ul style="list-style-type: none"> • \$1.2 million in new sales • 182 jobs created
High value horticulture	Chiles de Nicaragua	Expand Tabasco chili production to include more small farmers	TA, technology transfer, finance	<ul style="list-style-type: none"> • 1,429 new jobs created • \$4.7 million in new sales
Recycling	RENISA	Formalize solid waste collection SMEs, increase recycling exports	Legal registration, TA	<ul style="list-style-type: none"> • 9 SMEs registered • 147 jobs created
Handicrafts	Grupo Raíces	Design new products, access new markets, open more sales points	Trade shows, design training, equipment	<ul style="list-style-type: none"> • \$1.2 million in new sales • 315 new jobs created
Supermarket	Casa Mantica	Expand SME supplier base, improve quality	Manufacturing TA, access to finance	<ul style="list-style-type: none"> • 118 new jobs • \$880,000 in new sales
Honey	Ingemann Foods	Increase amount of exportable honey produced, increase yields	TA, equipment, technology transfer	<ul style="list-style-type: none"> • 80,000 kg additional exports • 40% increase in yields
Roots and tubers	TecnoAgro	Improve cassava yields to increase small farmer income	Introduction of high-yield seed, TA	<ul style="list-style-type: none"> • 100% increase in yields • \$1.1 million in new sales
Plantains	EXPOSUR	Improve productivity and quality of plantain production	Technology transfer	<ul style="list-style-type: none"> • 189 new jobs created • \$1.3 million in new sales
Sesame	EXPORNICA	Expand access to guaranteed market, improve productivity	TA, financing, new varieties	<ul style="list-style-type: none"> • 572 producers' yields up 29% • \$2.5 million in new sales
Shrimp	Serviconsa	Increase yields, improve quality, increase sales to create jobs	TA, equipment, infrastructure, finance	<ul style="list-style-type: none"> • \$4.5 million in new sales • \$12,000 annual income/family
Wood products	Simplemente Madera	Build capacity of SME suppliers, expand sales of wood products	TA in production and management	<ul style="list-style-type: none"> • 120 new jobs created • \$945,000 in new sales
Dairy	Eskimo	Improve quality of milk supply, increasing producer income	TA in good milking practices	<ul style="list-style-type: none"> • 266 new jobs created • Increase 52% to 94%
Dairy	Nicacentro	Integrate rural producers into formal markets	Establishing collection centers	<ul style="list-style-type: none"> • 3 new centers for 300 producers
Livestock	Sukarne	Increase producer income by selling higher value cattle	TA, financing	<ul style="list-style-type: none"> • \$265,000 in financing accessed • 150 producers benefitted

Anchor Firm Alliances

MSMEs in Nicaragua face several constraints: unreliable markets, limited know-how and technical capacity, and limited access to capital, among many others. The anchor firm model addresses many of these constraints by linking small producers to large to medium-sized enterprises that can provide secure markets, facilitate financing, and transfer technology. Anchor firms are companies that have weight in their respective sectors and value chains, have an existing network of suppliers which they may wish to expand, and can impart their technical skills, know-how, and financial resources to these suppliers to create “win-win” alliances, which increase productivity and incomes for all partners. In this sense, anchor firm alliances are business models rather than “development projects.” Anchor firms participate in the alliance not because of their social impact, but because they will increase their own competitiveness, productivity, and profitability. As there are strong economic incentives for the alliances to continue, they are inherently sustainable and will continue long after E&E has completed its mission.

The “change agent,” as defined by competitiveness guru Michael Porter, is key to forging these alliances. E&E played this role in fifteen anchor firm alliances by bringing together anchor firms, producers, financial institutions, and service providers in dialogue, developing common objectives, and creating trust and associativity among them. Through grants and direct technical assistance, E&E complemented the efforts of anchor firms, producers, and other stakeholders to increase the effectiveness of anchor firm support to small producers. Except for smaller anchor firms which were still relatively young companies themselves, E&E assistance was focused exclusively on assistance to producers. Moreover, anchor firms took the lead in these efforts, providing more than \$4 for every \$1 invested by USAID.

ANCHOR FIRM MODEL



E&E has contributed to a paradigm shift within Nicaragua. The model's success has generated interest from the private sector, the Nicaraguan government, donors, and BSPs. For example, the Inter-American Development Bank (IDB) will incorporate the anchor firm model into a new program to be launched next year, in cooperation with the GON. The United Nations Development Program (UNDP) has expressed keen interest in incorporating this approach into their existing and new SME support programs. APEN, PRONICARAGUA, and numerous other institutions are doing the same. E&E's not only introduced the model to Nicaragua, but also led workshops for many key stakeholders in how to implement it.

Promoting High Value Horticulture and Specialty Crops

The anchor firm model can be particularly effective in helping small farmers diversify from traditional crops to higher value production. Specialty crops require high levels of investment but are linked to strategic buyers that guarantee a market at a predictable price, as well as providing technology and access to finance for the producers. The use of drip irrigation, a common technology for specialty crops, allows for year-round cultivation, assures the producer of income throughout the year, and provides year-round employment to farm workers. E&E teamed with Vegyfrut, a young, fast-growing company to export non-traditional agriculture products including mini-vegetables, seedless watermelon, and okra, and strengthen and develop a network of over 42 producers in northern Nicaragua. We helped this anchor firm and its small producer suppliers: generate \$1.2 million in new sales and create 182 jobs, many in the food-insecure areas in the northern Nicaragua.

One of the program's most dynamic alliances was with Chiles de Nicaragua. In 2009, we helped the firm take full advantage of its market relationship with McIlhenny Co. of Louisiana (known for its Tabasco Pepper Sauce) and completely change its business model from producer/exporter to buyer/exporter, by sourcing from 240 small farms. Few of these farmers had previously produced chili peppers, or any high value crop. The alliance helped producers access financing to expand their production area and to install drip irrigation equipment. We provided training and technical assistance, as well as significant outreach to recruit new producers, particularly in remote and food insecure areas of Nicaragua. The alliance has generated more than 800 new jobs and increased farmer income significantly. Export sales have increased from \$800,000 to \$3.2 million per year. In 2013, Chiles will become McIlhenny's top supplier of Tabasco peppers in all of Latin America, and will continue to source exclusively from Nicaraguan farmers.

"I'm not just a farmer anymore, I'm an entrepreneur. I employ people, I give them work." Simón Pérez, mini vegetable producer in Rivas

**IMPACT:
SPECIALTY CROPS
INCREASE FARMER INCOME**

Producers are often hesitant to abandon traditional production and plant specialty crops due to the increased investment required. They often need incentives like the guaranteed market provided by E&E anchor firms, as well as financing and technical training. Those that have switched, however, realize the benefits. The table below summarizes the differences in the economics associated with specialty crops for high value niche markets such as chili peppers and miniature vegetables and traditional crops such as red beans and white corn. With year-round cultivation, the net profit per hectare is the equivalent of a middle class income in Nicaragua, even with only one hectare of land.

Economic Potential of Crops for Small Farmers:

	Tabasco pepper	Mini vegetables	Red beans	White corn
Yield (lbs/ha)	21,000	26,000	1,400	4,000
US\$/lb	US\$ 0.45	US\$ 0.61	US\$ 0.40	US\$ 0.098
Revenue/ha	US\$ 9,450	US\$ 15,860	US\$ 560	US\$ 356
Cost/ha	US\$ 7,200	US\$ 10,700	US\$ 380	US\$ 235
Profit/ha	US\$ 2,250	US\$ 5,160	US\$ 180	US\$ 121

Source: CARANA Corporation

Linking Artisans with International Markets

Artisans in Nicaragua are challenged by their lack of access to international markets and poor understanding of consumer demand. To succeed in foreign markets, producers needed to update designs and improve product quality. The E&E program addressed these challenges through alliances with Grupo Raices, the country’s largest association of artisans, and with Calzados Alex, a growing leather shoe manufacturer based in Granada. Artisans and manufacturers in each alliance participated in international trade shows and commercial missions where producers not only could sell their products, but also learn about design trends, demand and international competition. E&E provided training and technical assistance in design for each group; Grupo Raices artisans developed more than 260 new products resulting in \$1.2 million in new sales. With Calzados Alex, we helped form the National Chamber of Shoe and Leather Manufacturers (CANCUNIC). Members of the group used their innovative designs and high quality products to boost Nicaragua’s profile in leather products by creating their own brand—“A Flor de Piel,” for which E&E supported a fashion show and catalogue, resulting in \$2.3 million in new sales.

Increasing Access to Formal Markets

In 2009, the World Bank estimated that 64% of employed Nicaraguans were working informally. Many SMEs and producers in remote and rural areas of the country have had difficulty accessing formal markets,

IMPACT ON PEOPLE

PLANTING THE SEEDS FOR A STRONGER COMMUNITY



Sesame is an attractive product for hundreds of producers of dry Leon and Chinandega, but historically the problem for producers has been the lack of access to finance along with low yields. Technical assistance has been the key to generating better soils, while the alliance between the anchor firm and Expornica and microfinance institution FDL has guaranteed access to finance.

In the community of Unión España, Marvin Betancourt lives with his wife and five children. Marvin has worked in sesame production for more than five years, but he has never had a harvest like this.

“Normally, I harvest five manzanas of sesame, but this year I coordinated with another producer to harvest 8 manzanas together. We produced six to seven quintales per manzana.” This year, Marvin received a loan from FDL, certified seed from Expornica and technical assistance to maximize his harvest. Marvin and his partner were able to employ 46 people for the harvest and after repaying his loan from FDL and covering all expenses, he retained a profit of more than \$1,200.

For years, Marvin has looked for a way to improve life for the 3,800 people living in communities in the area. With his earnings he invested in a small pharmacy, selling medicine and other goods from a window in his home. This investment will not only be an additional source

“The technical specialist visited me every three weeks, he was there for the preparation of land, disease management and the harvest, helping apply the recommendations and controlling costs.”
Marvin Betancourt, sesame producer

of income for the family, but a help to surrounding communities. There are no pharmacies in the area, and people have to travel for an hour or more to reach the nearest city to purchase medicine.

“As a producer and a community leader, I am thankful for the support. With the money we’ve earned we can pay back our loans and improve the lives of our children.” Marvin and the other 20 producers in his group look forward to working with FDL again on next year’s production and harvest.

One of the pillars of sustainable economic growth is access to finance for small producers. When financial products are designed to support value chains and paired with technical assistance, everyone wins. Producers like Marvin can afford high quality seed, Expornica will receive consistent supply, and technical assistance ensures that producers will have the ability to pay back their loans and retain profit.

“I have a better idea of how to improve my shoes; we are not all manufacturing the same thing now, and we’re not competing with each other. It’s better to export.”

Marvin Mendoza, owner of Calzado Mendoza in Masaya, SME provider to Calzado Alex.

as have poor urban communities. Some of our anchor firm alliances not only boosted sales and productivity, but helped SMEs formalize and linked informal producers to formal markets. E&E partnered with RENISA, a recycling company, early in the project to help strengthen its network of small business suppliers. E&E and RENISA organized individuals who made a precarious living collecting trash from Managua dumps into new companies, providing uniforms, formal routes and financing for working capital. In northern Nicaragua, many small producers lack access to formal markets due to poor infrastructure. Through our alliance with NICACENTRO, Nicaragua’s largest dairy cooperative with more than 600 members in northern Nicaragua, we helped connect small, isolated milk producers to formal markets. E&E helped establish three new milk collection centers in remote and food insecure areas. The centers had just been completed and began collecting milk at the end of the E&E program; they will each serve approximately 100 small producers and collect 7,000 liters of milk per day. Selling to formal markets through NICACENTRO’s collection centers, producers increase their income by \$3,000-\$4,000 per year.

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E&E teamed with Casa Mántica, the largest supermarket chain in Nicaragua, with 20 “La Colonia” stores, to increase the supply of local products from SMEs in these supermarkets. The program worked with 14 SMEs with specializations ranging from salsas and cheeses to cleaning and paper products, to become suppliers for the supermarket. After the alliance ended, all fourteen businesses have continued to secure consistently increasing sales; five are also now exporting on the regional level.

IMPACT ON PEOPLE

BETTER YIELDS FOR A BETTER TOMORROW

The women of the Lucrecia Lindo Cooperative have risen up from the devastation of Hurricane Mitch; they are not only producing again, they are producing more and better shrimp.

Gloria Valera's story is one of perseverance against great odds. The coordinator of the Lucrecia Linda Cooperative only completed first grade, but she co-founded the only shrimp cooperative in Nicaragua led by women. This year, the cooperative sold more than \$400,000 worth of shrimp, but it was a long road to get here.

The cooperative was established in 1987 by 36 women, 20 of whom quickly left. Gloria explains how they began, "The men of the village, including our husbands, said our efforts would be useless, as the work was too hard for women." She adds, "We used to get up early, at 3 or 4 in the morning, just to prepare breakfast and send our kids to school." Right after that, they got to work, digging ditches for their shrimp farms. In 1998 and then 2007, Hurricane Mitch and Hurricane Felix, respectively, destroyed nearly all their infrastructure. The last hurricane left them with US\$100,000 of bank debt.

When the Lucrecia Lindo Cooperative began working with SERVICONSA in 2008, the Spanish shrimp producer and processor had also suffered substantial hurricane damage and its processing plant was underutilized. To secure additional supply, SERVICONSA began assisting local cooperatives in the area to rebuild. It was the partnership with E&E though, that took this cooperation to a new level.

Although 16 years had passed, their shrimp farming techniques have not changed much. E&E consultants provided technical assistance to help them increase productivity while SERVICONSA provided over \$1 million in infrastructure and credit. "Previously, we only knew how much salt was in the water by tasting. Now we have computers, we have the salinometer, the oxygen meter; we have all the equipment we need, and more knowledge," explains Gloria. "A few years ago we produced 500kg per hectare, now we produce 800-1,000kg."

From a humble start, Gloria believes that they have truly made it. "We're even hiring men now as laborers," she remarks with a twinkle in her eye.



"This alliance has helped us generate more income for our families and the Puerto Morazán community. We have 23 full time employees in the cooperative. These jobs are the only way to make a living for people in this community; in Morazán, we live off the fishing." Gloria Morales, shrimp producer.

**IMPACT:
HIGHER PRICES INCREASE
INCOME FOR MORE THAN
2,000 MILK PRODUCERS**

Nicaragua's largest milk cooperative, and E&E anchor firm, NICACENTRO is paying producers \$0.37/liter at its three new collection centers established as part of the program, whereas producers only earned \$0.25/liter before. NICACENTRO pays producers higher prices than other local buyers because it is a non-profit cooperative and keeps its margins as slim as possible. After NICACENTRO's administrative and service costs, sales prices are passed directly on to the producers. The higher price NICACENTRO pays is not only affecting the 100 producers that are selling directly to each of the new milk collection centers, but all of the milk producers in the surrounding zone. To compete, other buyers have raised their prices as well, affecting approximately 1,000 additional producers, for a total of 300 direct and 1,000 indirect beneficiaries of higher milk prices. The impact does not end there, however. Prior to E&E's involvement, NICACENTRO had eight milk collection centers. With the addition of three more, it now has eleven. NICACENTRO's administrative costs have remained about the same, but are now spread out to more producers, reducing NICACENTRO's costs taken out of each sale. Selling milk to exporters at the same price, but reducing their margin, NICACENTRO is now able to offer slightly higher prices to producers at all of its collection centers, affecting as many as 800 additional producers currently, and attracting additional producers to sell to NICACENTRO and earn higher income.

Improving small farmer yields

Low yields is one of major constraints impacting the agricultural sector, especially the incomes of small farmers. These constraints include the dearth of agricultural extension services and research, limited access to finance and capital, low education levels, and low levels of innovation. Addressing all these constraints simultaneously can seem hopeless, yet E&E helped to significantly increase productivity in nearly every sector it supported through carefully targeted, easy-to-implement approaches.

In the cassava market, for example, Nicaragua's productivity per hectare was significantly lower than regional competitors, like Costa Rica. E&E partnered with Tecnoagro, a leading exporter of roots and tubers, to improve quality and productivity by introducing new cassava varieties that have already nearly doubled yields compared to traditional varieties, thus helping producers increase their profitability. In addition, suppliers nearly doubled their production of exportation-quality cassava. This alliance has generated new sales of \$1.1 million, created 156 new jobs, and incorporated 85 producers into the value chain.

Other examples include the sesame and shrimp value chains. E&E partnered with exporter EXPORNICA to provide small farmers with access to certified seed and improve sesame yields by over 20%. In the shrimp sector, E&E worked with anchor firm SERVICONSA to increase yields by 200% and increase annual producer income by about \$12,000 per family.

IMPACT ON PEOPLE

EQUIPMENT AND DESIGN TRAINING TAKES A COOPERATIVE TO THE NEXT LEVEL

Knowledge paired with better equipment has contributed to success for members of the La Bendición textile cooperative, who have improved their products and realized the value of working together.

In Geovanny Montes' workshop, located in Nagarote, León, the workday starts at 7:30 every morning. Although he is only 34 years old, Geovanny has operated his workshop for 14 years. When he finished high school, he started studying in the university on Saturdays, but when his two children were born, he had to stop and focus only on work so that he could support them. He started his workshop with one sewing machine and his own determination. He began making baseball caps and visiting the local market with them, later he added men's shirts and shorts. He mentions, "Like anything at the start, it was really hard. I worked day and night, as much as I could stand. I couldn't keep a regular work schedule."

Geovanny is one of the partners and founders of the La Bendición textile cooperative that E&E supported in designing new products, strengthening the associativity in the cooperative, and integrating new producers. With support from the UPOLI's school of design and two Master's students in rural sustainable development, E&E provided new equipment, along with training in silk-screening, accounting, and design. Many cooperative members were previously producing backpacks and illegally using the Jansport brand. UPOLI helped members create their own designs and branding, and also provided marketing advice.

Armed with new equipment, along with knowledge of design and production techniques, members of the cooperative approached local businesses offering their products. Cooperative members also came together to display their designs in a showroom, which has significantly increased their visibility and orders for products. "I received a new machine from USAID, which helps improve our quality; it does the work of four machines, helping us save on energy costs, and allowing the employees to focus on cutting and assembly, and we can finish during normal working hours."

Geovanny's workshop is doing much better after receiving USAID support. The workshop's monthly income increased from \$650-\$800 to nearly \$1,900. He employs 6 people full-time, as well as 8 seasonal workers.



"Prosperity has arrived at my workshop. Support from USAID opened doors for us. All these years, we needed to make ourselves known. Now I have a big order—1,000 pieces in 15 days, I'll have to double my staff!" Geovanny Montes, Entrepreneur.

“With this project, there was a concrete vision of how to benefit small producers—guaranteeing honey sales—which is the critical thing. In other cases, the producer can have the product, but nowhere to sell it.” Leopoldo López, beekeeper in Boaco.

Improving quality to meet export market requirements

Many Nicaraguan SMEs face the challenge of increasingly stringent quality requirements for export, with little access to finance. Through business service provider APEN, E&E helped 30 SMEs prepare for safety and phytosanitary certification. Additionally, through several anchor firm alliances, E&E helped small producers meet export requirements with technical assistance, access to finance and new technology, while providing a secure export market through the lead firm. The additional sales generated more demand for employment and increased income for producers with higher quality products.

In the honey sector, Nicaraguan producers lacked an appropriate system for moisture removal, which prevented their consistently meeting international standards throughout the year, particularly the rainy season. E&E worked with Ingemann Foods, Nicaragua’s largest honey exporter, to train more than 400 producers to boost yields by 40%, install a moisture removal system, and sell previously unexportable honey. Similarly, E&E worked with anchor firm EXPROSUR to introduce technology like drip irrigation and plantain bagging techniques that improved quality and opened export markets for sales of more than \$1.3 million.

With Eskimo, the leading producer of dairy products in Nicaragua, E&E was able to increase supplier quality drastically. Initially, export quality milk represented only 52% of the product collected by supplier cooperatives. After E&E’s intervention, which included technical assistance and training in good milking practices and animal nutrition paired with a premium payment scheme for export quality milk, the segment had increased to 94% in targeted collection centers. Better milk led to more than \$1.5 million in additional sales and transformed the relationship between Eskimo and its suppliers.

SUSTAINABILITY: ESKIMO CONTINUES E&E INTERVENTIONS

The benefit of higher quality milk for producers is clear—an average dairy farmer produces about 80 liters of milk per day. If that milk is not of sufficient quality, collection centers will reject it and producers must sell it to secondary buyers for approximately \$5.00 less—when they can sell it at all. This is equal to a day’s worth of food for the producer’s family. With technical assistance, we increased ‘A’ quality milk drastically, so that producers can sell milk at a premium, earning around \$2,000 extra per year. As the leading producer of dairy products in the country, anchor firm Eskimo needs consistent supply of high quality milk. They see the value of this intervention not as corporate social responsibility to assist small producers, but a legitimate business strategy. After seeing the results from E&E’s interventions, Eskimo wholeheartedly adopted the model. Since our alliance ended, they have hired not only all technical specialists previously contracted by the E&E program, but are adding technical assistance to collection centers around the country.

BUSINESS SERVICE PROVIDERS

400 SMEs benefitting from APEN's Export Office (OFEX), which provides technical assistance to SMEs in the exporting process. E&E helped establish the office in 2010.

8 new chapters established across the country to help CANATUR support tourism growth.

\$13 M in new sales recorded from international trade shows in 2011 and 2012, where E&E worked with CEI to support SME participation and maximize results.

200 websites for MSME affiliates of CADIN to better market their products, in addition to market linkage and training services for **234** MSME members.

2,512 consultants as well as **453** companies that specialize in MSME competitiveness are now included in INDE's search engine to provide better services to MSMEs.

PARTNERSHIPS FOR INCLUSIVE ECONOMIC GROWTH

APEN

- Established Export Office (OFEX)
- Supported events: day with an exporter; ExpoApen, Exporter of the Year; commercial missions
- Certification program for SMEs
- Traceability program for livestock
- Organizational Capacity Building activity

CEI

- Trade show capacity building support (10 trade shows)
- National Producer/Exporter Encounters
- Exporter guides and technical fact sheets

CANATUR

- Opened 8 new regional chapters
- Established international surfing competition
- Assessment of Medical Tourism potential

UNIRSE

- Developed methodology & supported SME assistance in CSR
- Supported National Corporate Responsibility Encounter

CADIN

- Established Business Assistance Center for Industrial Sector MSMEs
- Trained and developed procedure manuals for MSMEs
- Created system for 200 MSME affiliates to have websites

INDE

- Developed search engine for MSME consultants and consulting firms
- Supported National Congress for MSME consultants

ACEN

- Supported Cup of Excellence competitions for 3 years in coffee sector

Business Service Providers

In a country with over 10,000 MSMEs employing over half the labor force, BSPs are an effective vehicle to reach the largest number of people and achieve the greatest impact. E&E supported eight major BSPs. The focus was not just to support specific initiatives or provide budget subsidies, but to strengthen their capacity to provide effective services to Nicaraguan SMEs on a sustainable basis. In addition, we assisted UNICA and other universities to train and expand the pool of local SME to train consultants, and helped INDE create an online tool to link consultants with SMEs train local consultants. In screening a significant number of initial requests for assistance, E&E focused on activities that were sustainable, where there was commitment for counterpart funding, on those directly impacting major value chains, and on value per dollar invested.

Boosting Private Sector Export Services with APEN and CEI

E&E worked with the Association of Producers and Exporters of Nicaragua (APEN) to support and enhance APEN's service delivery in areas critical to its export promotion mission. The alliance has resulted in the establishment of OFEX, a business and training center for exporting SMEs, which provides helps SMEs to overcome barriers in the exporting process. OFEX has trained more than 1,200 SMEs in exportation, and provided 450 with direct technical assistance in the last three years, generating 12% of APEN's total revenue. E&E also teamed with APEN to prepare firms for quality and safety certification such as Good Manufacturing Practices, HACCP, Good Agricultural Practices and ISO, in addition to launching its national beef traceability promotion and training program, which aims to promote the implementation of traceability systems among beef producers. E&E worked especially closely with APEN in our final year to build their capacity in key areas to continue providing services to SMEs without E&E support. This included training staff on the anchor firm methodology and how it can be integrated with their current programs.

E&E worked closely with Center for Export and Investment (CEI) to promote Nicaraguan exports at international trade fairs. Additionally, E&E collaborated with CEI and APEN on major national events such as the ExpoAPEN trade fair, Exporter of the Year awards, and the National Encounter of Producers and Exporters, which have led to new export deals, generating over \$64 million in sales.

IMPACT ON PEOPLE

SMALL BUSINESS OWNER FINDS THE SECRET TO SUCCESS

Dolores López owns El Secreto de Mamá; the small business that was born in her home kitchen today provides employment and income for her suppliers.

When Dolores López de Cross cooked for her children, they always asked why her food tasted so good. She responded, "Well, I have a little secret." Today, from her kitchen to the shelves of La Colonia supermarkets, people cannot get enough of her gourmet sauces, marmalades and dressings. Fittingly, she branded her products El Secreto de Mamá (Mom's Secret).

Dolores began selling her products in 2001 in small shops in disposable packaging. When she realized the popularity of these products, she knew she needed to upgrade her packaging and improve her ingredients. El Secreto de Mamá was one of the SMEs that benefited from E&E's alliance with Casa Mántica, which owns La Colonia Supermarkets. After receiving technical assistance from E&E, Dolores has been working hard to improve practices and incorporate Corporate Social Responsibility, with assistance from uniRSE. She invested \$15,000 in a new plant to improve production. The company recently received certification in Good Manufacturing Practices (GMP) from the national Ministry of Health. Obtaining certifications is an essential step for SMEs looking to enter export markets. E&E has supported many entrepreneurs like Dolores to obtain certification through a program with APEN. Dolores also collaborated with E&E partner CEI to attend international trade fairs to market her product abroad.

SMEs represent 90% of businesses in Nicaragua, and create 8 out of 10 new jobs. Since receiving E&E support, El Secreto de Mamá has grown from one employee to eight, mostly women. She also depends on local suppliers to provide herbs, fruits and other ingredients.

Dolores began with just three products, but now the line has grown to include seven, including various chimichurris, starfruit jam, basil sauce, jalapeño relish and mango chutney. The products can be found not only in La Colonia, but also in Wal-Mart and various convenience stores. Dolores recognizes that the GMP certification and market access through trade shows have opened doors for her; she can now export to all of Central America and even the United States.



“Certification in Good Manufacturing Practices opens doors in Central America and Internationally. The application of Good Manufacturing Practices should be the cornerstone for any business that produces food products.” Dolores López, small business owner.

**IMPACT:
INTERNATIONAL TRADE
SHOWS WITH CEI**

Beginning in year one, E&E worked with CEI to enhance their capabilities in supporting SMES at international trade fairs. The team created a methodological guide for trade fair participation, and mentored CEI representatives in best practices, which include trade fair and participant selection, consistent booth design, product displays and sampling, as well as pre-and post-show outreach. The impact has been remarkable. E&E assisted CEI in sponsoring SMEs at eight trade fairs, generating over \$13 million in exports. More telling, the average sales per trade show with E&E support (approximately \$1.9 million) is more than ten times that of CEI's average in 2008 and 2009 (approximately \$180,000).

Catalyzing Growth in Key Export Sectors

With tourism being one Nicaragua's fastest growing sectors, support for the National Tourism Chamber (CANATUR) was essential to ensuring that the industry develops sustainably, from a business, social, and environmental perspective. E&E supported CANATUR in expanding its national reach with eight new regional offices and websites. E&E also supported CANATUR in several events, including the country's first two international tourism fairs, bringing a large group of international tour operators to the country for the first time. E&E assisted CANATUR in high potential emerging market niches as well including surfing and medical tourism.

In the coffee sector, we worked with two private sector organizations – the Nicaraguan Coffee Exporters Association (EXCAN) and the Nicaraguan Specialty Coffee Association (ACEN) to promote competitiveness in the sector. With ACEN, E&E supported three annual Cup of Excellence competitions, which generate significant sales from international buyers and boost Nicaragua's profile in the coffee world. We provided technical assistance to EXCAN in designing interventions to help small producers combat the coffee rust plague affecting the industry. As a result, major exporters will likely receive funds from the Inter-American Development Bank to help 1,300 small producers renovate their crops.

Promoting MSME Competitiveness through Technical Assistance and Web-based Resources

E&E worked with the Chamber of Industry (CADIN) to establish a Business and Assistance Center for Industrial Sector MSMEs (CENAMI). E&E contributed technical assistance in developing administrative and commercial management training programs for industrial MSMEs, conducted production process assessments, and developed procedures manuals for 60 MSMEs. CENAMI has provided market linkage and training services to more than 234 MSMEs, and established a system that will allow more than 200 of its affiliates to

create their own websites linked to the CENAMI site and better reach international markets.

E&E provided technical assistance to the National Institute for Development (INDE) in designing a search engine to establish a web-based registry of 453 companies and 2,512 independent consultants that specialize in MSME competitiveness. INDE now promotes the use of business consultants to build competitiveness among Nicaraguan firms and houses this inventory on their website.

Advancing Corporate Social Responsibility with UniRSE

E&E teamed with the Nicaraguan Union for Corporate Social Responsibility (UNIRSE) to provide technical assistance to anchor firms and MSMEs participating in E&E alliances in adopting Corporate Social Responsibility (CSR) models as part of their day to day business operations. The project has helped MSMEs and anchor firms increase their competitiveness while at the same time contributing to the country's economic, social, and environmental development. uniRSE held a series of workshops for anchor firms and their suppliers, and produced pamphlets on CSR best practices. E&E also supported uniRSE in two national forums on CSR, which doubled UniRSE membership.



STUDIES FOR RESULTS

The Enterprise and Employment Program applied its demand driven focus to the “Operations Research,” activity included in the program task order. E&E purposefully moved slowly on this activity, to better understand stakeholder interests and needs. We required a Nicaraguan institution to have ownership of the study and a commitment to follow-up on assessment findings to ensure that they produced tangible, impact-oriented actions. Working with institutions such as PRONICARAGUA, the GON’s investment promotion agency, APEN, COSEP, and others, E&E’s operations research component did in fact produce concrete results.

- [Improving Competitiveness in the Textile-Apparel Industry in Nicaragua and the U.S.](#) E&E collaborated with the National Free Trade Zone Commission (NFTZC) on a detailed analysis of synergies between the U.S. and Nicaragua in this industry. As a result, the GON developed a work plan to address issues such as customs delays and the private sector began identifying and contacting U.S. companies that could enter into alliances with Nicaraguan firms, without a negative impact on U.S. jobs. Several of these alliances have come to fruition.
- [Comparative Study of the Nicaraguan, Regional, and Asian Textile Industries.](#) E&E worked with PRONICARAGUA and the NFTZC to conduct an in-depth comparison of costs in the apparel industry in Nicaragua, Central America, and selected Asian countries. The study identified the industry segments where Nicaragua had a significant competitive advantage and helped market Nicaragua to investors and buyers. The highlight of this effort was presenting the study at the industry’s most important international trade fair. As a result, Nicaraguan companies made more than 115 business contacts generating more than \$40 million in new sales.
- [Market Study of Medical Tourism in Nicaragua.](#) E&E worked with CANATUR to undertake this study, which identified considerable demand for this industry segment. As a result, private and government stakeholders established a formal Medical Tourism Working Group which meets regularly to identify key issues such as insurance legislation, and to promote the sector.



ACCESS TO FINANCE

\$38.8 M in financing accessed by MSMEs through partnerships with banks and microfinance institutions.

6,761 MSMEs received new loans.

3,850 rural microfinance clients received technical assistance with their loans.

900 SME clients trained in finance and accounting.

17 MFIs and commercial banks using new credit scoring tool developed in partnership with SINRIESGOS to facilitate SME lending.

PARTNERSHIPS FOR INCLUSIVE ECONOMIC GROWTH

- BAC**
- Established SME department
 - New loan analysis methodology
 - Trained financial analysts
 - Trained SME bank clients in finance and accounting
-

- BDF**
- Designed new products for tourism and agro-export sectors
 - Introduced automated SME credit analysis system
 - Trained financial analysts
 - Trained SME bank clients in finance and accounting
-

- FDL**
- Created 2 food security lending programs with technical assistance
 - Created lending program targeting coffee renovation
 - Facilitated alliances with 4 E&E anchor firms
-

- FAMA**
- Increased loan size to serve new group of clients
 - Trained staff in credit analysis
 - Trained SME clients in finance and accounting
-

- SINRIESGOS**
- Designed credit scoring tool to facilitate SME lending
 - Implemented tool with banks and MFIs
-

Access to Finance

Access to finance is a major constraint for MSMEs in nearly all developing countries. In light of the 2010 contraction in credit, while E&E did not originally contemplate a credit component, it became clear that addressing the issue was of critical importance. Initially, we focused on facilitating access for E&E-supported value chains. However, the program had an opportunity to provide much broader, sector wide-support by increasing the capacity of leading financial institutions to more effectively deliver credit to their clients. A key issue in MSME finance is the perception of risk among financial institutions in lending to this sector. Accordingly, together with these institutions E&E conceptualized programs that lowered risk, real or perceived, in order to facilitate lending. This included training for MSMEs on issues such as inventory and working capital management to provide banks with more credit worthy clients; specialized training for financial institution staff on assessment and review of credit for MSMEs; increasing the institutional capacity of banks to deliver credit; and helping to develop specialized credit products and a credit scoring tool to better assess risks in individual loans.

Strengthening SME Lending in Banks

E&E worked extensively with major Nicaraguan banks BDF and BAC to expand their SME lending. Assistance included training to bank staff on how to effectively analyze SME loan applications and how to prospect new SME clients. E&E helped BAC, which established an entirely new SME department, to develop a loan analysis methodology and a management system. E&E worked with BDF to expand their lending to SMEs with new financial products for the tourism sector (offering credit lines for working capital, 3-year loans for infrastructure improvements or energy-saving equipment) and agriculture exporters (offering credit lines to finance the purchase of agricultural products, providing factoring services, and to finance certification costs). BDF's SME lending department has now become its most productive and service-oriented section of the bank, according to a recent independent evaluation. E&E also trained potential and current SME clients, helping them improve their financial statements and better manage their credit history. These initiatives led to \$22.9 million in new loans to more than 2,700 SMEs, very conservatively attributing 40% of BDF's SME loans to program support, and counting only BAC's loans to SMEs with no formal financial statements, who would not have been considered without program support.

IMPACT ON PEOPLE
FOOD SECURITY
THROUGH DIVERSIFICATION



Women produce 60 to 80 percent of food in developing countries, and half of all food worldwide. Bertilda Quintanilla, mother of five, discovered an opportunity to guarantee her family's nutrition through microcredit from FDL.

Bertilda Quintanilla lives near Jinotega, in the food-insecure region of northern Nicaragua. Her family's main source of income comes from growing basic grains, which they produce on five hectares of land. For years, Bertilda had wanted to own cows, so that she could sell cheese and provide her children with fresh milk. In 2011, Bertilda applied for a loan from the Local Development Fund (FDL), to do just that.

FDL, a non-profit, socially-driven lender, had always complemented riskier loans with technical assistance from local agricultural experts. However, like many lenders, FDL lost millions of dollars as a result of "No Payment" movement in 2009, when thousands of farmers refused to repay their loans. FDL was left with insufficient funds to provide technical assistance to potential borrowers, and forced to sharply decrease their lending in the agricultural sector and areas like Jinotega. E&E partnered with FDL to co-finance the technical assistance required to make loans to inexperienced producers like Bertilda, and enable FDL to resume operations in the areas most needing credit.

"We now eat cheese every day. By selling cheese and milk, I always have 50 córdobas (\$2) available to purchase sugar and other supplies. We plan on using the money from our corn harvest to repay our loan, and then to purchase more cows, so that we no longer have to depend just on beans and corn." Bertilda Quintanilla, FDL client.

Thanks to E&E's alliance with the FDL, Bertilda's loan was approved, and in addition to purchasing cows, she began receiving technical assistance and learned how to care for her cows' health, incorporate mineral salts in their feeding, and take better advantage of the land she uses to grow a pasture. As a result, Bertilda has taken full advantage of the loan. Each day, her cows provide about 18 liters of milk, allowing her to make four pounds of cheese, which she sells along with three liters of fresh milk, generating \$3 per day. She also generates a steady three liters of milk for her family's consumption. This additional \$1,000 per year represents an increase of over one-third of her annual income. Bertilda is one of thousands of farmers that have benefitted from loans and technical assistance from the E&E and FDL alliance.

**IMPACT:
SME LOANS GENERATE
SALES AND EMPLOYMENT**

Access to finance is essential for SME growth. E&E's strategy with BAC, BDF, and FAMA significantly increased access to credit for thousands of SMEs in Nicaragua. While various methodologies exist to calculate impact, E&E adopted the method used by the Nicaraguan Association of Micro, Small and Medium Enterprises (CONMIPYME), which indicates that for loans of \$10,000 or more, SMEs invest 20% in inventory, leading to sales equal to 20% of the loan value. They estimate that 20% goes to new equipment, and assume that on average that SMEs increase employment by 0.5 people for each \$10,000 lent. Thus, for a loan of \$10,000, we assumed that the SME generated \$2,000 in new sales and added half of one job. Near the end of the program, we conducted a rapid evaluation to verify this data, surveying clients from BAC, BDF and FAMA that had received loans of \$10,000 or more. The results were very interesting. For the survey sample, average loan size was about \$27,500. With these loans, the SMEs generated an average of 3.5 jobs, or 1.3 jobs per \$10,000 lent. Sales following loan receipt were 32% higher each month. With this evaluation we learned two important things – (1) SME loan impact is much greater than our original estimates and (2) larger SME loans (rather than micro loans) have significantly more impact in terms of job creation and sales. Most SMEs have working capital needs; these loans were large enough to cover those costs, while also allowing the SMEs to invest in expansion, new branches and/or equipment.

Credit Scoring for Efficient Analysis

E&E awarded a grant to SINRIESGOS, a private credit bureau, to develop a new credit scoring tool to help SME lenders make better decisions. SINRIESGOS successfully integrated the credit scoring tool in their information system and launched it in late 2012. Less than a year later, SINRIESGOS has already signed contracts with 13 MFIs and four commercial banks. As a result, SME lending is faster and less costly for these financial institutions; they can analyze a credit score, rather than reviewing a potential client's entire credit history, and better understand their risk.

Building Capacity Among Microfinance Institutions

To reach producers in remote areas of northern Nicaragua, a priority geographic area for USAID's food security strategy, E&E teamed with the Local Fund for Development (FDL) and their technical assistance partner Nitlapan. Loans and technical assistance to small producers permitted farmers to purchase dairy cows and establish plantations for both family nutrition and income generation. FDL and E&E also responded quickly to the coffee rust emergency affecting thousands of small farmers in north central Nicaragua by establishing a program for coffee producers to renovate their crops and implement best practices to combat the plague. Through these products, E&E and FDL facilitated technical assistance to 3,850 producers and \$7.3 million in new financing.

“With this anchor firm model from E&E, we can aim to serve productive sectors of interest to FDL in a more secure way. IT can help us stay in the rural sector, which is a priority for the institution.”
Julio Flores, General Manager of the Local Fund for Development (FDL).

In 2012, E&E teamed with Financiera FAMA to build its capacity to expand its lending from micro-enterprise to also include SMEs. In addition to training FAMA staff, we helped FAMA develop a new credit methodology, which includes a more robust analysis, but is also inexpensive and flexible. The tool allowed FAMA to increase its maximum loan size from \$10,000 to \$25,000.

**SUSTAINABILITY:
FDL AND EXPORNICA
TO FUND CONTINUED
TECHNICAL ASSISTANCE**

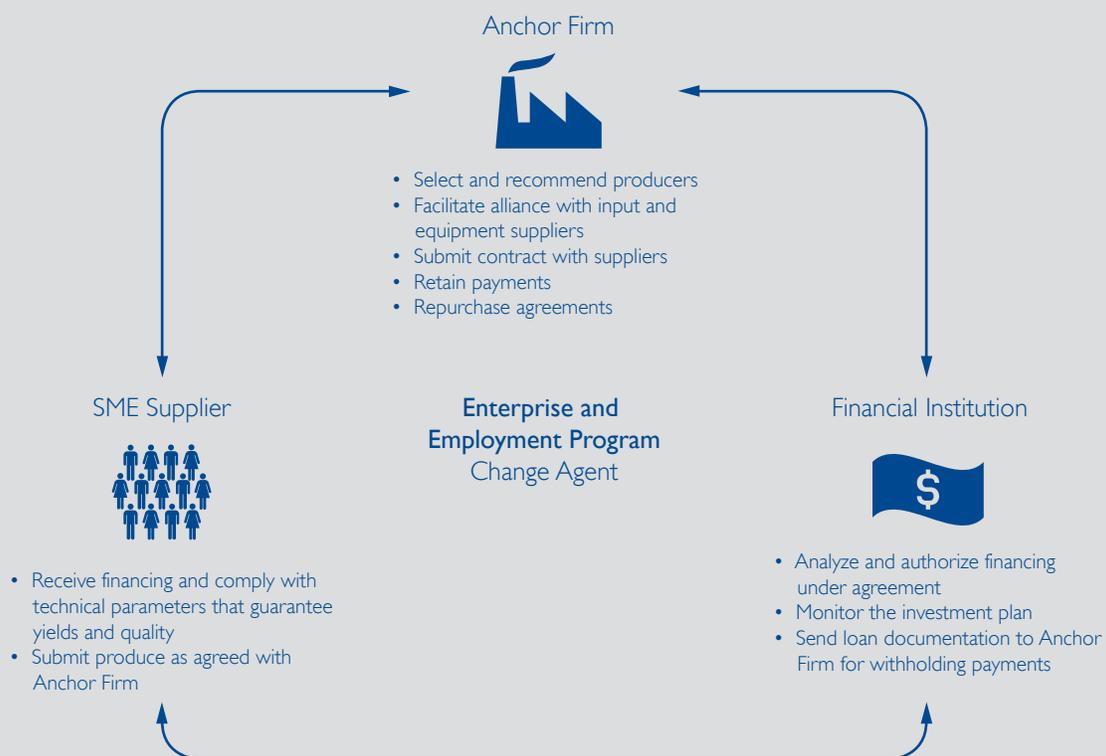
Leadership from anchor firm Expornica paired with financing from FDL have led large increases in yields and income for sesame producers. To ensure sustainability of these interventions in the sesame value chain, E&E worked with FDL and Expornica to develop a strategy to continue the alliance without USAID support. We jointly identified existing issues that could potentially inhibit future success, which included costs incurred by Expornica in administering loans for FDL and E&E no longer funding the technical assistance essential for high yields. Expornica and FDL came to an agreement for full sustainability. Each partner will pay for two months of technical assistance during the 6-month productive cycle, and in the final two months, specialists will receive commission on product sold. Expornica will facilitate the purchase of certified seed to be distributed to producers. Once FDL has disbursed loan funds, the cost of the seeds will be retained and repaid to EXPORNICA. Because the anchor firm model benefits Expornica with consistent supply, producers with higher yields and incomes, and FDL with a reliable partner to facilitate and guarantee loans to more than 500 producers, it is in all parties best interest to continue the alliance, even at an additional cost without donor support.



THE ENTERPRISE AND EMPLOYMENT PROGRAM AS AN AGENT FOR CHANGE

The Enterprise and Employment Program played a crucial role as a change agent in catalyzing access to finance for small producers and SMEs through the anchor firm model. While each transaction and alliance was different, the anchor firm together with E&E approached the financing institution about obtaining credit for its suppliers. It assured the bank that it would purchase all production, providing either signed contracts or letters of intention for the bank. In some cases, it also provided guarantees, such as either the loan itself or willingness to buy from the bank equipment to be financed. Anchor firms often deducted scheduled loan payments from producers and paid the bank, thus reducing the banks perception of risk. The bottom line: *Small farmers and producers obtained over US\$10 million in new financing through the anchor firm model and E&E's catalytic role.*

Beyond these specific accomplishments, E&E's success in incorporating access to finance to value chain activities has significantly increased interest within the banking sector of the anchor firm or value chain financing model. Banks recognize that a small producer or SME that is part of an anchor firm network is a lower credit risk due to an assured market, technical assistance and other attributes. For this reason, banks are now interested in identifying other "anchor firm" or value chain financing opportunities. Similarly, donors such as the Inter-American Development Bank are now working with the GON to design new lending programs based on this model.





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SUPPORT FOR CAFTA-DR AND POLICY REFORM

The fundamental goals of the CAFTA-DR are to encourage the expansion and diversification of trade in the region, remove barriers to trade, facilitate cross-border movement of goods and services, promote fair competition in the free trade zone, substantially increase investment opportunities and promote compliance with labor, environmental and intellectual property rights. E&E's goal was to help Nicaraguans take full advantage of this agreement. The principal challenge E&E faced in implementing business climate reforms was the relationship dynamic between the U.S. and Nicaraguan governments. E&E's approach was to identify non-controversial issues with the Ministry of Finance and Industry (MIFIC) where there was internal GON consensus to move forward, especially related to administrative and technical CAFTA-DR implementation issues. E&E's agenda also included support for CAFTA-DR's National Action Plan, which each participating country was required to present as part of accession. The National Action Plan was essentially a blue print for policy reforms needed to effectively compete internationally. In this sense, there was little differentiation between initiatives undertaken as part of the National Action Plan and other policy reforms.

To support economic policy, E&E chose to support the Nicaragua private sector in its dialogue with the government. E&E provided timely technical assistance on a broad number of areas of interest to the Nicaraguan private sector. As the Superior Council of Private Enterprise (COSEP) was the primary interlocutor between the government and the private sector, E&E developed a close alliance with the organization as well as its independent member chambers. E&E met regularly with COSEP in formal and informal sessions to identify areas in their annual policy reform agendas that E&E could strengthen through the provision of timely technical assistance to

CAFTA-DR & POLICY

13 environmental labs on the path to accreditation for CAFTA-DR environmental compliance.

16 studies undertaken on major firm and sector-level constraints.

20 legal and regulatory reform initiatives assisted with key private sector stakeholders.

12 laws supported to improve the business environment for SMEs.

FOCUS AREAS

CAFTA-DR Implementation	<ul style="list-style-type: none">• Assessed GON compliance with CAFTA-DR• Developed CAFTA-DR implementation action plan• Assessed progress on CAFTA-DR complementary agenda and recommended reforms for SME competitiveness in international markets with FUNIDES• Analyzed incentives to promote exportation• Spurred public-private dialogue on Fiscal Reform and other key laws
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CAFTA-DR Environmental Cooperation Agreement	<ul style="list-style-type: none">• Technical assistance to MARENA to accredit environmental testing labs• Residual Waters Management Assessment and Action Plan for Lake Cocibolca watershed• Trained MARENA offices and municipal units to audit environmental compliance in watershed area
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CAFTA-DR National Action Plan	<ul style="list-style-type: none">• Supported COSEP policy agenda, supporting major reforms• Workshops and a national forum to promote Nicaragua's Competition Law• Created website for PROCompetencia to promote competition• Supported CIFCO to document regulatory procedures and expand CETREX• Held workshops on MSME Scale Law
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Sector-Specific Policy Reform	<ul style="list-style-type: none">• Assisted COSEP to pass four financial sector laws• Policy and regulatory reforms for the tourism sector including 3 major laws• Improved regulatory framework in recycling sector• Supported CAPs law to bring potable water to poor communities
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assess policy and regulatory reforms. This close relationship and continual dialogue also permitted E&E to make the case for prioritizing areas of interest for Nicaraguan stakeholders in specific sectors (e.g., tourism, finance, recycling), thus providing a vehicle for “bottom-up” input into the policy dialogue process. Accordingly, COSEP was able to include this input in their dialogue with the GON. E&E’s discrete role permitted COSEP to lead the policy reform agenda, although in many cases the GON was aware of (and quietly welcomed) our supporting role. E&E also used this approach in supporting the work of other private sector umbrella groups such as CONIMPYME in providing outreach and communications support related to the new SME law that the government had passed in 2009.

Finally, we worked closely with the Ministry of Natural Resources and Environment (MARENA) in helping implement mutual USG and GON commitments made under CAFTA-DR’s Environmental Cooperation Agreement. Our role in this activity also involved dialogue with MARENA to ensure that resources for proposed activities were implemented effectively.

Support for CAFTA-DR Implementation

E&E provided for the GON and the private sector a detailed assessment of GON compliance with CAFTA-DR requirements and an action plan to meet unfulfilled commitments, including specific proposals and projects that donors could fund to assist the Government to meet these goals. E&E also partnered with FUNIDES to assess Nicaraguan progress on CAFTA-DR’s complementary agenda, validating and prioritizing goals. This study provided inputs to identify policy reforms for SME competitiveness, especially to enable them to enter national and international markets. The study provided a valuable inventory of needed reforms that were subsequently picked up by COSEP, the GON, and donors. We also worked with FUNIDES to conduct a detailed analysis of the incentives available to Nicaraguan companies to promote exports, including analysis of possible duplication. This information was used by the private sector in policy dialogue with the government in the review of key laws such as Fiscal Reform.

CAFTA-DR Environmental Cooperation Agreement

E&E supported GON implementation of CAFTA-DR’s Agreement on Environmental Cooperation Agreement (ECA) by providing specialized technical assistance to the MARENA to accredit 13 environmental testing laboratories, with regional recognition from the National Accreditation Office (ONA). E&E also helped ONA itself

obtain accreditation from a regional body. E&E also contracted fifteen consultants to support MARENA in undertaking the Residual Waters Management assessment and action plan for the Lake Cocibolca (Lake Nicaragua) watershed. E&E consultants completed 502 business inspections to evaluate existing residual water management practices affecting sub-basins that feed Basin 69 of Rio San Juan and Lake Cocibolca. These companies were located on or near the watershed, and their waste products could negatively impact it. MARENA's legal team processed environmental permits for 333 SMEs previously identified as lacking these permits through this initiative. In addition, we developed 296 environmental management plans aimed at reducing contamination of Lake Cocibolca, and conducted 70 training events on environmental management. We supported MARENA's National Office for Accreditations in certifying four private environmental testing laboratories to ensure that they operate in line with international practices and continue protecting Nicaragua's environment.

CAFTA-DR National Action Plan and Related Policy Reforms

E&E collaborated with key private sector partners in the following initiatives:

- E&E supported COSEP on their 2011 and 2012 Policy Agendas, including technical assistance to support eight major laws and regulations.
- E&E partnered with PROCOMPETENCIA to increase awareness of Nicaragua's Competition Law and the importance of competition policy to establish a sound policy environment through three major regional workshops the first National Forum on Competition Policy. E&E assisted PROCOMPETENCIA in creating a website to continue its awareness and education mandate.
- E&E delivered technical assistance to support the mixed GON-private sector Inter-institutional Commission on Trade Facilitation (CIFCO). E&E consultants helped CIFCO more effectively analyze bottlenecks in trade and identify solutions to overcome them. The consultants developed guidelines to identify all regulatory procedures required for more than 20 products and sectors, documenting them for the first time. They also led CIFCO efforts to develop a proposal for the expansion of the Center for Export Procedures (CETREX).
- In support of CAFTA-DR's National Action Plan, and partnering CONIMIPYME, INDE, CACONIC's municipal branches, E&E conducted eight workshops throughout Nicaragua on the Micro, Small, and Medium Enterprise Scale Law. Over 2,000 people attended the workshops, of which 50% were women.
- E&E worked with Nicaragua's Chamber of Commerce

(CACONIC) to strengthen its center for mediation and arbitration. E&E contracted a recognized international expert to conduct a preliminary analysis of Nicaragua's Civil Procedure Code, understand its strengths and weaknesses and make recommendations to strengthen the use of alternative dispute resolution methods. The specialist also worked with CACONIC to develop new products for the MSME sector, to facilitate their access to quick, flexible, and low-cost solutions, and to significantly reduce the costs of dispute resolution.

IMPACT: EDUCATING THE PUBLIC

The Enterprise and Employment Program partnered with the Nicaraguan Council for the Micro, Small, and Medium Enterprises (CONIMIPYME). The Nicaraguan Development Institute (INDE) and the municipal branches of the Nicaraguan Chamber of Commerce (CACONIC) in informing the public about the Micro, Small, and Medium Enterprise Scale Law passed in 2009. CONIMIPYME was concerned that while the law contained many provisions important to SMEs (for example, the legal definition of micro, small, and medium businesses, which in turn determined available fiscal incentives and tax schedules), most SMEs had no idea what was included in the law. E&E worked with our partner Nicaraguan institutions to undertake eight events throughout Nicaragua during the course of 2010, including to E&E workshops in the cities of Bluefields, Estelí, Granada, León, Managua, Masaya, Matagalpa, and San Pedro de Lóvago. At our first event in Masaya we expected a modest group of approximately 50 SME representatives. Over 200 attended. And so it went. In every city the workshops attracted standing room only crowds. In total, over 2,000 people attended the workshops, 50% of which were women. We also informed thousands of others through radio spots as well as television interviews.

Sector Specific Policy Reform

E&E worked in four key sectors to promote policy reform; initiatives are detailed below:

- E&E assisted COSEP and the GON pass four key financial sector laws that have facilitated access to finance for the private sector and in particularly SMEs: Trust Laws, Invoice Exchange, Leasing, and Financial Factoring. Drafting of the laws included extensive input from Nicaragua's financial sector.
- Partnering with CANATUR and COSEP, E&E helped to undertake major policy and regulatory reforms impacting Nicaragua's fastest growing economic sector, including amendments to the General Tourism Law and the Law of Incentives for the Tourism and Hotel Industry, and Coastal Investment Law.
- E&E assisted the National Recycling Association (ASORENIC) to clarify and improve the regulatory framework of the industry. E&E

hired a consultant to work with RENISA, COSEP and the GON to improve the procedures and incentives impacting the sector. This policy reform initiative was driven primarily from feedback provided by stakeholders in implementing the anchor firm alliance with RENISA.

- E&E backed the Association of Young Environmentalists and Potable Water and Sanitation Committees (CAPs), which are organizations that poor communities throughout the country have established where formal water delivery does not exist, to draft and help pass the General Law of CAPs. The Law granted the CAPs official recognition and legal status and provided needed regulations on their operations.

IMPACT:
POTABLE WATER FOR
100,000 NICARAGUANS

CAPs are voluntary committees throughout the most impoverished communities of the country where potable water is not accessible. These committees identify water needs within communities and provide oversight to potable water projects and maintain the water tanks and piping once the projects are completed. However, although CAPs were recognized by the law as voluntary organizations, the law did not recognize them as formal and legal organizations capable of receiving funds from the government to further their projects. To support CAPs, E&E provided technical assistance to the Young Environmentalists Association in drafting and promoting reforms which allowed for legal recognition of existing CAPs as formal organizations, legalizing their constitution mechanisms, functioning mechanisms, and registration procedures. The National Assembly granted passage of these motions which benefitted over 5,400 CAPs and communities across the country. With these CAPs empowered to seek and receive funding from government as well as from international donor agencies; they are bringing potable water to more than 100,000 Nicaraguans.



CHANGING LIVES WITH NICARAGUA'S FASTEST GROWING SECTOR: TOURISM

The Enterprise and Employment Program made a significant contribution to Nicaragua's nascent, but fast-growing tourism industry. Particularly important were the synergies created through assistance through several program components.



Policy & Regulatory Reform

Alliance with COSEP and CANATUR in leading reforms to the National Tourism Law, regulations for the Coastal Investment Law, as well as outreach, and public education through regional workshops and radio spots on the law and its implications.



Value Chain & SME Support

Assisted CANATUR in expanding its support, adding 8 regional chapters, doubling the organization's size and outreach. Supported the first Nicaraguan International Tourism fairs, and helped introduce Nicaragua to the international surfing segment by sponsoring international competitions.



Human Capital Development

Trained at-risk youth through Fundacion Victoria in areas such as industrial maintenance that are in great demand at new resorts. Many new entrepreneurs who graduated from the Cisco-Thomas More Entrepreneur Institute have also entered the tourism business..



Operations Research

Our market study of medical tourism in Nicaragua identified considerable demand for this industry segment. As a result, private and GON stakeholders established a formalized Medical Tourism Working Group which has continued to meet regularly, identifying key issues, and working to promote the sector.

Enhanced tourism competitiveness and opportunities for SMEs





HUMAN CAPITAL DEVELOPMENT

Training to MSMEs and producers was an important cross-cutting theme in all of E&E's activities. In addition, we partnered with leading private sector, academic, and civil society organizations to support initiatives that had a significant impact on individual beneficiaries as well the sectors in which they worked. All of our human capital interventions shared key characteristics:

1. E&E and our beneficiary institutions conceptualized them based on concrete market demand. Participants were immediately able to put their skills to work upon graduation either in their own businesses, or employed in key sectors.
2. The courses included practical or on-the-job training. Participants did not just learn theory, but worked with real businesses and learned by doing.
3. Participant selection was critical. E&E provided scholarships only to entrepreneurs with market-driven business ideas, to youth with competencies and commitment, to consultants with strong recommendations.

These three components ensured that E&E did not take a “train and hope” approach, but built human capital to immediately generate employment and contribute to SME growth in Nicaragua.

HUMAN CAPITAL

6 new business linkages with universities.

93% job placement rate for at-risk youth partaking in one of the three new technical-level courses developed.

324 students receiving scholarships to partake in entrepreneurship and vocational training.

5,452 SME leaders trained in exportation, management, financial controls, and sector-specific topics.

PARTNERSHIPS FOR INCLUSIVE ECONOMIC GROWTH

Fundación Victoria	Established three technical training programs for at-risk youth, benefitting over 200 young people
Thomas More & CISCO	Established CISCO Entrepreneur Institute, training ___entrepreneurs with ___ new business start-ups
UCA	Trained 60 SME consultants on business assessments
UNICA & CEI	Post graduate course in Export Management
BAC & BDF	Cash and Inventory Management courses for SMEs benefitting over ___ people
SNV	Workforce demand assessment in priority sectors identifying key policy issues

Targeted Training with a Practical Experience for At-risk Youth

E&E partnered with the Fundación Victoria (FV) to kick-start its initial professional labor force training program geared towards low-income youth. The keys to this alliance were identifying high demand occupations, designing competency-based curricula, and incorporating practical on-the job training. This mix has led to impressive results for at-risk youth from some of Managua's most marginalized neighborhoods. Selecting motivated and competent youth, with a significant financial need, E&E funded scholarships for 200 students participating in three programs. The alliance began with courses in Business Administration and Industrial Maintenance. Over 85% percent of the Business Administration graduates and 93% of the students in the Industrial Maintenance course found full time employment within three months of graduation, many receiving formal offers even before finishing their practical training. E&E and FV recently launched a third program in Food Technology. This will be the first technical-level course of its kind in the country, and will benefit not only graduates, but also SMEs in Nicaragua who have not previously had access to technical specialists in food technology who have knowledge of quality control, nutritional testing and other related areas.

Forging alliances to give entrepreneurs the tools for success

E&E forged a tripartite alliance with CISCO, the U.S.-based technology company, and Thomas More University to establish the CISCO Entrepreneurship Institute in 2011 geared toward to fomenting start-up and fast-growing SMEs and giving existing and potential entrepreneurs understanding of the business tools and capacity to create and/or grow their businesses. The two courses - "Creating a Business" and "Growing a Business" helped entrepreneurs improve overall management, increase productivity, improve quality, reduce costs and obtain bank financing. E&E supported 124 students with scholarships, selected on the strength of their business or idea, their recommendations and their financial need. The center has been one of the most successful in Latin America, with CISCO using it as a benchmark for institutes at other universities. Thomas More University has also integrated an entrepreneurship-focused component as a prerequisite for all University graduates. The Institute was designed to operate sustainably and will continue to generate business leaders without USAID support in the future.

"This course gave me the necessary guidance to shape an idea I already had in mind, leverage existing resources, and identify opportunities to realize this idea." - Lidia Patricia Loaisiga Carvajal, participant in Creating a Business course at the CISCO Entrepreneur Institute.

IMPACT ON PEOPLE

BREAKING THE MOLD FOR A BRIGHTER FUTURE

Nicaragua is a country of young people. Over 72% are under age 30 and 22% are between 15 and 24. The lack of access to decent work is their main problem. Nadieska Castellón was part of those statistics, until one day her story changed.

Twenty-seven year old Nadieska Castellón lives in Ciudad Sandino, a municipality characterized by high population density and few job opportunities. The unemployment rate among youth is twice that observed in adults. In a family with five brothers, and a single mother herself, she spent her days caring for her son with little hope of studying or formal employment.

When Nadieska heard about Fundación Victoria's technical education program, which E&E helped create and supported with scholarships, she showed up the first day of recruitment, took exams and interviewed. She tells us that it wasn't easy, but she passed with flying colors.

Upon acceptance, Nadieska chose the unexpected, signing up for the demanding Industrial Maintenance career. She was one of only two female students who chose the career path. "I chose [this career] because I liked it, even though they said it was a career for men. It didn't seem as difficult because I liked what I was doing"

And her results speak for themselves. Nadieska is one of the top three students in the program, with an average grade of 90.5/100. She did her practical training in an industrial equipment company. Before even completing her practical study, she was offered a permanent position as an Industrial Machinery Assessor. Like Nadieska, 93% of the participants in this program have found permanent jobs, emphasizing the importance of demand-based training programs that produce graduates with practical skills, like the programs E&E developed with Fundación Victoria.

"My advice for young people is to never abandon your dreams. We can contribute to the country. And being the key to my family's success right now, I'm telling you it's a big deal for me. I'm going to continue, because there are opportunities in Nicaragua, but you must seek them out. I know, I found them."



"Most of the girls who live in my neighborhood do not study, do not work, they don't have the opportunity to study I had. I've come out ahead. Now I have a job so that I can give a better future to my son." Nadieska Castellón, graduate in Industrial Maintenance.

**IMPACT:
ENTREPRENEURSHIP
COURSES SPUR ECONOMIC
GROWTH**

The CISCO Entrepreneur Institute at Thomas More University is providing entrepreneurs with a leg up to ensure their success. We conducted a rapid evaluation to see how graduates are generating growth in the economy. The Creating a Business students indicated that “identifying solid business opportunities” and “budgeting and accounting” were among the most important skills they gained. Since course completion, 70% of graduates have already booked sales, and 36% have contracts for future sales. Impressively, more than 50% have already generated employment and 40% have accessed financing. The results are even stronger for Growing a Business graduates. Survey respondents reported average sales growth of 216% following the course, with some participants reporting more than \$500,000 in additional annual sales and 100% of respondents reported generating employment.

Specialized Demand-Driven Courses

E&E joined forces with universities, banks and private sector organizations to implement the following initiatives:

- E&E teamed with the Central American University (UCA) to train 30 SME consultants on conducting business assessments using a comprehensive approach called Business Management Systems. These consultants gained the skills to provide firms with a clear understanding of their shortfalls and to help them develop action plans and prioritize efforts to overcome obstacles. In addition to classroom coursework, the consultants completed 28 business assessments for food processing and tourism businesses. They used the software program and expertise they had acquired in the classroom, then had to prioritize obstacles to growth and create action plans with short- and medium-term tasks for the SMEs. E&E also helped UCA train 19 of its students to conduct business assessments using the approach; these students put their skills to work assessing tourism sector SMEs affiliated to CANATUR.
- E&E supported CEI and the Catholic University (UNICA) to implement an Export Management Postgraduate course for 19 representatives of large and small exporting companies, potential exporters, business service providers, government employees, and a journalist from La Prensa. Two of the three classes delivered each week utilized web-based technologies to facilitate the participation of students outside Managua.
- In alliance with local banks BAC and BDF, E&E designed and implemented two, 16-hour courses for SME on Cash and Inventory Management. These courses have assisted small business owners with a relatively low educational background in their day to day operations. The courses will help them implement better financial controls within their businesses thus making them more attractive clients for future loans.

IMPACT ON PEOPLE

BUSINESS TRAINING GIVES A BUDDING ENTREPRENEUR THE SKILLS FOR SUCCESS



A new entrepreneur and participant in the CISCO Entrepreneur Institute at Thomas More University (UTM), Guillermo Aguirre discovered what can happen when a good idea is paired with the right tools.

A few years ago, Guillermo Aguirre identified a business opportunity in Nicaragua. He saw that there was a boom in recycling in nearby countries, and recognized the need for formal recycling businesses in Managua, where informal workers collected recyclable material in garbage dumps. Although he had a great idea, and as an engineer could handle the technical side, Guillermo did not have any formal business training. When he saw an advertisement for the CISCO Entrepreneur Institute at UTM all that changed.

In a country with high levels of unemployment, it is essential that entrepreneurs have the tools not only to start their businesses, but to take them to the next stage, so that they can grow quickly and generate employment. E&E teamed with CISCO and UTM to create the Institute in 2011, to provide entrepreneurs with the necessary tools and capacity to create and grow their businesses. Guillermo was one of 124 students that E&E supported with a partial scholarship to take part in the program. He found the Creating a Business course so useful that he almost immediately signed up for the Growing a Business course as well. "The course

"I believe it's important to have the kind of course I took at UTM. Above all, it's the ability to overcome all the obstacles that present themselves along the way, they taught us not to yield to the challenges."

Guillermo Aguirre, Entrepreneur

was invaluable for confronting the problems that one encounters starting up a business," Guillermo explains.

He established his business in a poor area of Managua, near a major garbage dump. He collects the plastic recyclables, and processes them for exportation. The business has grown very quickly. Based on what he learned at the Institute, and with the connections he made, he was able to make contact with buyers in Central America and rapidly increase his exports. "We went from about \$20,000 per month to \$42,000."

Guillermo's success is impacting his neighbors, generating employment, and reducing the amount of solid waste that stays in Nicaragua. "In the plant, we now have 17 people working, those are the direct employees. The indirect is the most important though. That is to say, all of the people that sell me plastic rubbish, I'm talking about more than 500 people. About 50 people come by each day to sell me recyclables."

- E&E teamed with the Netherlands Development Organization to identify private sector workforce demand for skill-sets in four sectors: agribusiness, light manufacturing, shoe and leather manufacturing, and tourism. Among the more important findings was that if employers could currently find qualified candidates that could fill the most important 35 job profiles, they could hire approximately 5,400 new employees in the short term, and an additional 3,000 in the medium term. The study also identified weaknesses in the GON's workforce development programs, including ineffective utilization of the mandatory 2% tax placed on current salaries. COSEP agreed to assume ownership of the study and the policy dialogue with the GON necessary to address these constraints and promote demand-driven courses in the future.







LESSONS LEARNED

- 1** The anchor firm model is a highly effective way to promote competitiveness and reach SMEs and small producers. E&E's experience has demonstrated that it can address many of the constraints SMEs and producers face, especially the dearth of capital and financing, innovation, know-how and, especially uncertainty regarding markets and buyers. In essence, it is an effective way to more equitably spread the benefits of exportation and an open economy. Of course, care must be taken to assure transparency concerning prices and markets.
- 2** Linking small producers and anchor firms requires building trust. Doing so effectively often necessitates the role of a hands on "change agent" or unbiased interlocutor. While linkages between small and large firms can happen directly, the mistrust that often characterizes these relationships calls for an intermediary. This "change agent," a role played by E&E during the course of the program, involved developing supplier networks, helping buyers and suppliers to articulate their needs, reach agreements, and ensure that both sides comply. Early in the alliance, it requires close attention to issues that arise, so that problems can be solved before they permanently impact the relationship. A donor organization should not simply fund an anchor firm alliance without investing in a dedicated team that will work on a daily basis with the anchor firm and its suppliers.
- 3** Sustainability must be at the forefront of anchor firm objectives from day one. This implies viewing these alliances as business models and not "development projects." Early on, E&E eliminated the term "projects" to define anchor firm alliances. The idea was that if they were truly "win-win" alliances, there would be a business or financial/economic incentive for continuing the relationships. This also implied

that it was especially important to be certain of the anchor firm's commitment to the business model and that the anchor firm saw building the relationship with suppliers as an investment in their own competitiveness. This was assured in part by insisting on substantial anchor firm financial commitment. The discipline to assist only those willing to help themselves is crucial. Ironically, we believe that budget limitations in years two and three actually benefitted the program because partners and beneficiaries had to increase their commitments.

4

Leadership is key. In developing anchor firm alliances, nothing was more important than the commitment of the anchor firm's management. It is especially important not to try to "sell" the model to those that may not be quite as convinced in the model, but are simply interested in donor assistance.

5

Generating synergies between alliances, versus simply implementing individual subprojects, proved to be very important. This was especially the case in our work with BDS providers. Rather than simply funding BSP's activities, E&E analyzed each BSP proposal in terms of our overall strategy. For example, assistance to CEI to more effectively support SMEs at international trade fairs included the participation of producers involved in our anchor firm alliances. In the case of uniRSE, we not only assisted them in developing a new corporate social responsibility methodology for SMEs, but emphasized that young dynamic firms such as Chiles de Nicaragua provided an effective mechanism for them to reach a broader SME audience. The institutional development work that we undertook with local banks to improve their SME lending policies, similarly proved to be valuable in incorporating anchor firm supported SMEs as new bank clients.

6

Access to finance is vital, as is the need to incorporate it formally in program design. E&E did not originally include an access to finance component. It became clear, however, that capital and credit were crucial to successful alliances. Accordingly, we hired a full-time professional dedicated exclusively to finance issues. Moreover, we focused on finance as a sector, an initiative that proved crucial in developing relationships with many financial institutions and a significant expansion of SME lending. Access to finance should always be considered as a component in value chain and SME development programs.

7

Flexibility has been an essential ingredient to project success. While maintaining the integrity of Task Order objectives, USAID/Nicaragua worked closely with the E&E team to continually assess needed adjustments that would result in more effective implementation. An example was the high number of sector studies to be carried out the first year; we came to the joint conclusion that it would be better to undertake these studies later where we would have a better understanding of private sector and institutional needs and thus, make

the studies much more productive. All the major studies conducted by E&E had stakeholder buy-in and resulted in considerable impact, which was in no small part due to USAID's flexibility.

8

Telling the story is a key part of long-term impact. E&E invested considerable time and effort in developing a comprehensive communications and outreach program, which involved close collaboration with the press, a monthly bulletin, semester magazines, social media, and regular engagements in public forums. As a result, donors, the GON, the private sector, and other stakeholders have been increasingly aware of the anchor firm model and other program accomplishments. Most importantly, many are now moving forward on emulating the model and our lessons learned. For example, the IDB will implement in 2014 a new, major value chain loan program with the GON which is based on the anchor firm model. APEN is identifying ways that it can support anchor firms. PRONICARAGUA is incorporating a form of the anchor firm methodology to develop local suppliers for foreign investors. Similarly, the UNDP program indicated that it is looking at linkages between large and small firms in their ongoing programs.

9

Policy reform initiatives require local champions to lead the process, put a Nicaragua face on the process, and to provide follow-through. The close relationship that E&E established with COSEP was instrumental to the success that we enjoyed, especially in light of Nicaragua's sensitive political environment. Identifying not only local institutions, but those with the weight to carry out meaningful dialogue with the government, was essential.

10

There is considerable value added in a comprehensive program approach involving enterprise development, policy reforms, and other components such as human capital development. USAID and other donors have the option of undertaking comprehensive programs or separate projects for SME development, policy reform, and other areas. We believe that E&E makes a good case for the combined approach. Undoubtedly, our success in value chains generated interest and demand among Nicaraguan stakeholders for assistance on the policy front. An example is the work on the Export Promotion Law where 14 private sector chambers approached E&E about assisting them in this effort, in large part because they were aware of the success of the anchor firm projects. This comprehensive approach also allowed for "bottom up" policy reform, where policy initiatives that we presented to COSEP came from the constraints of our partner firms. For example, technical assistance provided to COSEP to help lead dialogue with the GON on the recycling law came from discussions with the recycling firm RENISA in the course of implementing our alliance to expand their supplier network.



OUR STORY: PROMOTING COMPETITIVENESS AND ENHANCING PUBLIC DIPLOMACY

The Enterprise and Employment Program developed a comprehensive outreach program which regularly reached thousands of Nicaraguans. These included a highly visited webpage, effective and active use of social media such as Facebook and Twitter, a regular bulletin produced every month from January 2010 until July 2013, and two topical magazines. The program sponsored numerous public events including CAFTA-DR anniversary celebrations, and high level panels on key issues related to equitable economic growth and

were attended each year by over 500 Nicaraguans. Nicaraguans regularly sought information on E&E's progress and issues such as the anchor firm models. E&E staff also spoke frequently on television and radio programs, and at countless public events. In sum, according to one leading press figure, "E&E is without doubt the most visible and well-known donor program, and considered one of the more effective donor programs in Nicaragua in recent memory."

More than 450 stories published and broadcasted through local media

The Facebook page attracted more than 2,100 subscribers

Compitiendo Magazine



43 issues of the monthly bulletin reached hundreds of Nicaraguans

www.nicaraguaempresasyempleo.com received more than 240,000 visitors

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