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

NICARAGUA

PROJECT PAPER

PRIVATE AGRICULTURAL SERVICES

AID/LAC/P-851

PROJECT NUMBER 524-0315

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APPENDIX 3A, Attachment 1
Chapter 3, Handbook 3 (TM 3 43)

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET				1 TRANSACTION CODE <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete		Amendment Number		DOCUMENT CODE 3	
2 COUNTRY/ENTITY Nicaragua				3 PROJECT NUMBER 524-0315					
4 BUREAU/OFFICE LAC 524				5 PROJECT TITLE (maximum 40 characters) Private Agricultural Services					
6 PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 01 6 30 9 16				7 ESTIMATED DATE OF OBLIGATION (Under B *below, enter 1, 2, 3, or 4) A. Initial FY 9 1 B. Quarter 7 C. Final FY 9 3					
8 COSTS (\$000 OR EQUIVALENT \$1 =)									
A. FUNDING SOURCE		FIRST FY			LIFE OF PROJECT				
		B. FY	C. L/C	D. Total	E. FY	F. L/C	G. Total		
AID Appropriated Total									
(Grant)		(1,250)	(250)	(1,500)	(4,270)	(2,730)	(7,000)		
(Loan)		()	()	()	()	()	()		
Other									
U.S.									
Host Country									
Other Donor(s)		0	0	0	0	403	403		
TOTALS		1,250	250	1,500	4,270	3,133	7,403		
9 SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1 Grant	2 Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ES	B120	010				1,500		7,000	
(2)									
(3)									
(4)									
TOTALS						1,500		7,000	
10. SECONDARY TECHNICAL CODES (maximum 8 codes of 3 positions each)								11. SECONDARY PURPOSE CODE	
133		143		184		191		213 223	
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)									
A. Code		BR							
B. Amount									
13. PROJECT PURPOSE (maximum 480 characters)									
To strengthen private agricultural organizations in order to improve agricultural productivity									
14. SCHEDULED EVALUATIONS					15. SOURCE/ORIGIN OF GOODS AND SERVICES				
Interim		MM YY	MM YY	Final	MM YY	<input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input type="checkbox"/> Local <input type="checkbox"/> Other (Specify) CACY			
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16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP (amendment))									

17 APPROVED BY	Signature	<i>Josette Salazar</i>	Date Signed	MM DD YY	MM DD YY	18. DATE DOCUMENT RECEIVED IN AID/W OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
	Title	Mission Director		MM DD YY	MM DD YY	
				01 6 26 9 11		

B.

PROJECT AUTHORIZATION

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

1. Pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Private Agricultural Services Project for Nicaragua involving an initial obligation of One Million Five Hundred Thousand United States Dollars (\$1,500,000) and involving total planned obligations not to exceed Seven Million United States Dollars (\$7,000,000) in grant funds over the period from the date of obligation through a Project Assistance Completion Date of August 31, 1996, subject to the availability of funds in accordance with the AID/OYB allotment process, to help in financing foreign exchange and local currency costs for the project.

2. The project consists of two Cooperative Agreements: 1) a \$4.6 million cooperative agreement with the Union of Agricultural Producers of Nicaragua (UPANIC) to fund agricultural services for private agricultural producer associations, and 2) a \$2.4 million cooperative agreement to the Nicaraguan Association of Producers of Nontraditional Exports (APENN) to promote production of nontraditional exports in the country.

3. The Project Agreements, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with AID Regulations and Delegations of Authority, shall be subject to the following essential terms and conditions, together with such other terms and conditions as AID may deem appropriate

A. Source and Origin of Goods and Services

Commodities financed by AID under the Grants shall have their source and origin in the United States or in the Cooperating Country or in any other Central American Common Market country, except as AID may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have countries which are members of the Central American Common Market, the Cooperating Country, or the United States (AID Geographic Code 000) as their place of nationality, except as AID may otherwise agree in writing. Ocean shipping financed by AID under the Grant shall, except as AID may otherwise agree in writing, be financed only on flag vessels of the United States.

C₂

B. Conditions Precedent to Disbursement

1. Prior to the disbursement of funds under the Project with exception of funding for technical assistance directly contracted by AID, UPANIC and APENN will demonstrate to AID that it has the accounting, procurement, and administrative systems and related internal controls in place to be able to manage the funding provided under this Project.
2. Prior to the disbursement of any funds under the Project for the procurement and/or use of pesticides under this project, including technical assistance in pesticide management, is prohibited until an Environmental Assessment (EA) focusing on pesticide use and covering those crops targeted for assistance under the PAS Project has been completed and approved by the LAC Bureau Environmental Officer, pursuant to A.I.D. Environmental Procedures, 22 CFR 216. Project implementation plans will be modified, as appropriate, to incorporate recommended mitigative measures developed under the EA. These stipulations are limited to the above area and should not be construed to prohibit the initiation and implementation of other project components that will not have potential significant impacts on the environment.

Janet C. Ballantyne
Janet C. Ballantyne
Mission Director
USAID/Nicaragua

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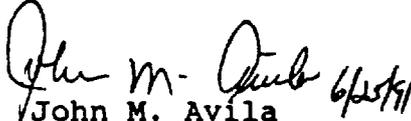
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PRIVATE AGRICULTURAL SERVICES PROJECT

Project 524-0315

This PP document complies with current Agency Guidance on methods of financing and implementation and has provided for adequate audit coverage in accordance with the Payment Verification Policy Implementation Guidance.


John M. Avila
Acting Controller

PROJECT PAPER

PRIVATE AGRICULTURAL SERVICES PROJECT
(524-0315)

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I SUMMARY AND RECOMMENDATION

A. Summary

After a decade of an adverse political and economic climate, private agricultural producers in Nicaragua still face a number of constraints in increasing their productivity to pre-1979 levels. These constraints include: limited access to technology, inputs, and information; ineffective producer-market linkages; high input costs; limited access to credit; uncertain land security; and continued reliance on single crops with volatile markets leading to unstable farm incomes and inability to attract proper investment capital for their farms.

USAID has designed a Private Agricultural Services (PAS) Project with three basic components to assist private producers in their recovery efforts, increase agricultural production, and increase foreign exchange earnings. The goal of the Project is to increase the stability and incomes of private agricultural producers in Nicaragua. The purpose is to strengthen private agricultural organizations in order to improve agricultural productivity. The three components are: institutional strengthening of the Nicaraguan Union of Agricultural Producers (UPANIC) and its affiliate commodity federations and local producer associations; funding services to increase on-farm productivity; and agricultural export promotion to diversify production.

An umbrella mechanism will be set up within UPANIC to provide a package of basic institutional strengthening grants to all of the commodity federations and local associations under the UPANIC umbrella. This package will help the associations re-establish themselves at a minimum level of operation (extensionist, association store, vehicle) to begin to build up to their former level of membership and service provision. The activities funded by the subgrants will have to be justified in a proposal showing how the activities would help the association regain its membership and operability and be sustained by the association after the initial grant. A long-term contractor will assist UPANIC set up a management unit to assist the local associations in developing proposals for services and administering the subgrants. The grants would be made available to all of the 46 local associations and commodity federations within UPANIC on a non-competitive basis so as not to penalize the weaker associations which have not fared as well as others in the adverse political and economic climate of the last decade.

In addition to the local associations, UPANIC will receive institutional strengthening assistance to recover and expand its representative and policy dialogue activities for the agricultural sector. In designing the package for UPANIC, a strong emphasis has been placed on the ability of UPANIC to

finance its own costs after the life of the grant through increased membership dues

A series of productivity grants will be made available on a competitive basis to the producer associations to fund services which directly increase farm productivity such as extension and veterinary services, input stores, marketing assistance, introduction of improved varieties, small infrastructure improvements, training, etc. The proposals will be judged on the criteria of increased productivity and sustainability of the services. The commodity federations (federations of the local organizations for coffee, cattle, cotton, etc.) will be eligible for these subgrants as well, but they will have to justify supplying services at the federation rather than the local level (e.g. where there are returns to scale for a service). These subgrants will also be administered by the project management unit to be established in UPANIC discussed above.

Assistance will be provided through the Nicaraguan Association of Non-traditional Export Producers (APENN) to help farmers diversify to non-traditional agricultural exports (NTAEs) to provide more stable farm incomes and increase Nicaragua's foreign exchange earnings. Activities for this component are the development of a market information center, the provision of extension and marketing services for specific export crops, and the provision of a variety of training and technical assistance on aspects of export crop production and marketing. Assistance will be directed both at the individual farm level and through the local producer associations. The technical assistance contractor for the Project, which will be obligated under the APENN agreement and directly contracted by AID, will provide TA and purchase the necessary equipment for the APENN activities

A summary budget of the AID contribution to the Project is as follows (in 000)

Subgrants	\$3,500
UPANIC Institutional Strengthening	\$ 423
UPANIC Project Management Office	\$ 497
Project Technical Assistance	\$1,455
APENN Activities	\$ 945
Evaluations/Audits	\$ 180
TOTAL	\$7,000

B Recommendation

The USAID/Nicaragua Project Development Committee has determined that the proposed activities are technically, administratively, economically, and socially sound. The specific analyses carried out during the intensive review indicated that all identified obstacles can be overcome. It is the committee's judgement that the Project, as designed, can and will achieve its purpose

II PROGRAM FACTORS

A Conformity with Host Country Strategy

In recognition of the central role which the agricultural sector plays in the Nicaraguan economy, the new government has established the reactivation of agricultural production as one of its highest priorities. According to the Ministry of Agriculture, this reactivation will entail increasing land utilization and improving productivity in order to eliminate Nicaragua's need to import basic grains, and to increase its capacity to export traditional and non-traditional agricultural products.

The new Government of Nicaragua has set out to overcome the distortions and inefficiencies caused by excessive state involvement in all sectors of the economy during the past 11 years. While public institutions continue to be involved in the allocation of credit and inputs, marketing and production, the GON is committed to a program which encourages private sector-led growth and seeks to minimize state interventions in the economy. This reform effort will require time and a concerted effort to overcome an entrenched opposition with vested interests in maintaining the status quo.

As part of this concerted effort, the GON proposes to promote private sector agricultural production, commercialization and industrialization, maintaining only the roles of facilitator and regulator for the state. As the policy environment becomes more attractive to private farmers, their commodity-specific federations/associations and national organization (UPANIC) must be prepared to play an expanded leadership role in representing their interests and providing much-needed technical/management/marketing assistance on a local level. Developing this capacity is a primary objective of this Project.

B Relationship to AID Country Strategy

The key element of USAID/Nicaragua's country strategy is to promote broad-based sustainable economic growth. USAID/Nicaragua has articulated a number of strategic objectives designed to support economic growth in its CDSS submission (June, 1991) which are directly addressed by the PAS Project. The strategy places primary emphasis on revitalization of the private sector and identifies agriculture as the early sector focus for the CDSS period. The strategic objectives identified to support growth include increased investment, improved productivity, increased participation in the economy, increased sales from a diversified productive base, and improved productive and extractive practices. This project addresses each of these objectives in varying degrees and complements actions to create a policy framework supportive of private sector growth in the agriculture

sector supported through cash transfer assistance and Food for Progress agreements. In particular, the project will improve productivity through support of technology transfer and improved provision of inputs. It will also be a primary means of addressing diversification and improved export performance through its support for non-traditional agricultural exports.

PAS supports the strategy's focus on the private sector by directly supporting the development of private sector entities which can play a critical role in the recovery and growth of the agriculture sector. This will be accomplished by improving the service delivery capacity of UPANIC and its member federations/associations and APENN, thereby enabling private producers in the agricultural export sector to take advantage of recent policy reforms and increase agricultural production, employment, and foreign exchange earnings. This Project is also consistent with the Central American Regional Strategy which emphasizes the strengthening of private sector organizations to increase production and promote trade and investment; stimulating agricultural production and trade; and increasing non-traditional exports. Likewise, support to the local and national level associations will strengthen them as a representative voice in the nation's democratic process.

Finally, in conformance with AID Policy Determination #15, this Project will not provide support for the production of agricultural commodities for export which would directly compete with U.S. exports of similar commodities, or have a significant impact on U S exports.

C. Other Donor and USAID Activities

Other donors involved in the sector are almost exclusively assisting the agrarian reform cooperatives in the National Farmer's Union (UNAG) set up by the Sandinista government on confiscated land to generate political support among the rural sector. Nordic and European development agencies, for instance, provided significant support to the UNAG cooperatives to promote non-traditional agricultural exports (NTAEs) for Canada and Europe. The results were largely negative because of high transportation costs and the inability to produce the consistent volume and quality that the European and Canadian markets require. Despite significant support from the government and other donors over the last decade, the UNAG cooperatives are bankrupt and continue to be heavily politicized.

In the traditional agricultural sector, Sweden continues to assist UNAG cooperatives with a \$30 million grant for the ECOPEDA supply store network serving its cooperative and collective enterprises. In the traditional agricultural sector, this tends to give advantage to the non-private agricultural producers. It is felt that support to the UPANIC associations through this

project will help create an alternative for small farmers to find a less politicized and more productive mechanism for the services they need to operate their farms

In the non-traditional agricultural sector, Sweden has a NTAE credit (both dollar and cordoba) line called FOPEX based in the Central Bank/FNI that largely financed the successful 1991 melon export crop in combination with APENN/PROEXAG technical assistance. The EEC continues to finance a small farmer coffee diversification project that has officially asked for close collaboration with APENN. The UNDP is also offering assistance in conducting feasibility studies for potential NTAE crops. APENN may be able to take advantage of these other donor efforts and even leverage direct support from them.

Other USAID activities complementary to this activity are the balance of payments program already mentioned above and several other discrete Mission Projects. The Natural Resource Management Project (524-0314) will have a component for integrated pest management and pesticide monitoring to provide the overall framework for pest control in the country. Training to farmers in pesticide use for non-traditional agricultural exports through APENN in this Project will be complementary to this effort. Additionally, the NRM project will have a sustainable natural resource use component focusing on sustainable extraction and renewable production of resources including agricultural exports in forests and wildlands. The Mission's Development Training Project (524-0318) will provide a variety of training opportunities to a broad sector of leaders and professionals in Nicaragua to help ameliorate the shortage of trained professionals and leaders in the country. It is anticipated that some of the officers and/or staff of the associations under UPANIC will benefit from this training.

Success of the APENN component of this project is conditioned on the continued availability of technical assistance from the ROCAP/PROEXAG project which will end in September 1991. ROCAP is already working on the design for a follow-on project and there may be an up to 6 month hiatus for APENN. Alternative arrangements for technical assistance for this period have been made under this Project. USAID/Nicaragua will also negotiate with ROCAP a special status for Nicaragua in the PROEXAG follow-on to make up for the absence of support for Nicaragua in the first 5 years of the project.

Nicaragua is also the beneficiary of a special \$2 million amendment to the ROCAP LAAD project for investment in NTAE activities. Finally, the Mission is developing a Private Sector Support Project that will support the private sector in developing private banking functions, investment promotion, policy analysis, and export promotion--all complementary and

important for the success of the activities supported under this Project

III. PROJECT DESCRIPTION

A. Background

Historically, the Nicaraguan economy has been based on agricultural production. Traditional products have been consumed internally (corn, beans, rice, potatoes, yucca) and provided export earnings (coffee, sugar, cotton, beef). These and other traditional products, as well as non-traditional crops, represent the most important source of Nicaragua's potential wealth. However, the anti-growth policies implemented by the Sandinistas during the past decade, civil war, and unfavorable prices on the world market have had disastrous consequences for agricultural producers. In the ten years that preceded the democratic election of the UNO Government, coffee, cotton, irrigated rice, and beef production declined significantly. In 1989, the value of Nicaragua's principal agricultural exports was only half of the 1979 value. According to Ministry of Agriculture data, per capita consumption of corn, beans, rice, and chicken was less in 1989 than in 1981. This decade-long decline in agricultural production and the rural standard of living, as well as the concentration of the means of production in inefficient state enterprises and public sector cooperatives, has created a generalized state of instability and uncertainty within Nicaragua's agricultural sector.

B. The Problem

Prior to 1979, the private agricultural sector in Nicaragua was perhaps the most productive and best organized in the region. Several private cooperatives and commodity-specific national and local associations provided an array of services for member farmers. In 1979, UPANIC was formed as an umbrella of the cotton, livestock, and coffee federations. UPANIC is now comprised of six active national federations and approximately 40 base-level associations/cooperatives, representing their interests as a member of the Consejo Superior de la Empresa Privada (COSEP). Association members represent between 60 and 90 percent of commercial farmers and produce a large percentage of Nicaragua's most important agricultural goods. (Approximately 40 percent of coffee, 50 percent of cotton, 30 to 50 percent of rice, and 50 to 70 percent of beef.)

The decade of state monopoly and general instability of the agricultural sector described above directly affected private producers and the associations these producers organized to provide themselves with the necessary services to work their farms. The new government has ended the monopoly control of the state over the agricultural sector and made some of the necessary

changes to enable private producers to make their farms productive again. A number of sector wide constraints continue to exist, however, which limit the ability of private producers to recover farm productivity as follow:

1. Outdated Production Techniques and Limited Access to Information on Technology and Inputs

During a decade of Sandinista government, the state displaced the market as the primary allocator of agricultural inputs. Due mainly to a shortage of foreign exchange and the disruption of normal trade relationships, the quantity of productive inputs imported by Nicaragua fell sharply and goods were channeled through government entities to inefficient collective and state-owned enterprises. Furthermore, Nicaragua's isolation from its traditional trade partners restricted private sector access to normal and necessary flows of technical (applied and scientific) information. The result is that Nicaragua production techniques and technologies are ten years behind those of the rest of Central America.

2. Ineffective Producer-Market Linkages.

Events of the last decade in Nicaragua have disrupted private agricultural producers in their relations with their traditional markets. The U.S. market was closed to Nicaraguan exports through a period when neighboring countries were able to develop a viable NTAE sector through the producer-market linkages encouraged under the Caribbean Basin Initiative. All exports passed through Sandinista-controlled trade monopolies at artificial prices. Sandinista policies distorted the prices and trade patterns of domestically-consumed commodities as well. As part of its efforts to permit the market determination of prices and free trade, the new Government of Nicaragua (GON) has committed itself to license private operators in foreign trade activities. However, inadequate producer-market linkages continue to constrain agricultural growth.

3. Availability of Production Inputs

Availability of fertilizer, spare parts, and other agricultural inputs is limited and costs are much higher than in other Central American countries. This is due in part to importer/wholesaler/retailer hedging due to inflation, higher financial transaction costs for imports because of the lack of commercial credit and private banks, and heavy, inefficient government intervention and in some cases, monopoly, on input importation. It is also due to the inability of the country to earn sufficient foreign exchange to buy production inputs, most of which must be imported.

4. Limited Access to Credit/Capital.

While it is anticipated that the change in government and improved policy environment will encourage the repatriation of capital, the lack of investment credit remains a primary constraint to growth in the agricultural sector. Largely as a consequence of the inefficient, constitutionally-established state monopoly on banking institutions, credit for private sector agricultural investment has been effectively choked off for years, contributing to widespread decapitalization of the sector. While financial sector reforms are on their way, the availability of sufficient credit for the sector is still a major constraint.

5. Uncertain Land Security.

Despite a commitment to return "unjustly" expropriated land to its original owners, the GON has yet to establish an effective system of resolving land disputes and enforcing legal actions. Meanwhile, land and businesses have been seized by groups associated both with the Sandinistas and the former National Resistance.

6. Monocrop Farming of Traditional Products

One of the critical problems that other countries in the region have been able to address over the last decade has been monocrop farming of traditional crops leaving farmers and the nation as a whole subject to unstable incomes because of volatile markets and reliant on export markets constrained by quotas and other factors. Nicaragua's principal agricultural exports of cotton, coffee, and beef are all subject to these problems. Other countries in the region have been able to reduce income vulnerability, increase overall income in the agricultural sector, and increase foreign exchange earnings by diversifying into high value non-traditional export crops. If Nicaragua's agricultural producers do not move in this direction, the sector will continue to be plagued by unstable incomes and a lack of foreign exchange to buy the necessary inputs to increase productivity.

C. Project Goal and Purpose

The goal of the Private Agricultural Services (PAS) Project is to increase the stability and incomes of private agricultural producers in Nicaragua. The purpose is to strengthen private agricultural organizations in order to improve agricultural productivity.

D. Project Components

The project will seek to assist local and national associations become more capable of responding to the needs of private

agricultural producers in technologies, production inputs, market information, marketing assistance, diversification, and political representation and influence. Local associations are the direct provider of services with a direct impact on productivity. National commodity-specific associations/federations give important representation and direct support to their local associations and also provide some services directly related to productivity. APENN is a national level producer association providing specialized assistance for diversification to non-traditional agricultural exports with a direct impact on productivity. UPANIC provides the central influence and voice in national policy-making on behalf of private agricultural producers, as well as information on product markets and production input imports and supplies. The project will be implemented through these different levels of associations.

In order to appropriately reach the different levels of associations discussed above, the Project has been divided into three discrete components. The first two components will provide assistance to UPANIC and its affiliates in traditional agriculture through a cooperative agreement and the third component will provide assistance to APENN for non-traditional agricultural exports through another cooperative agreement. A description of these components follows. A long-term contractor will provide technical assistance for all three components.

1 Institutional Strengthening of the Associations

Though UPANIC, the federations, and the local associations, have continued to provide services and have survived as dynamic representatives of private producers, they have been unable to maintain/replace equipment, facilities, or vehicles. The Sandinistas targeted UPANIC and PAO resources for confiscation, particularly those resources previously donated by AID. This decapitalization has reduced the effectiveness of the associations to represent their members and provide other productive services. As a result, active membership has fallen and the income of the associations has declined. In order to increase producer productivity, the local associations, federations, and UPANIC must develop the institutional capacity to provide a minimum level of service. This institutional capacity will facilitate an increase of membership and enable the associations to attract further funding for other kinds of productive services not provided through this Project. Institutional strengthening grants of two different types will thus be provided: a series of smaller grants to the federations and local associations and a larger grant for UPANIC

a. Local Associations and Federations

All of the local associations will be eligible for institutional strengthening subgrants of up to \$50,000 in order to provide a

minimum level of service and representational capability to their membership. In addition, the commodity level federations will be eligible for these subgrants if the federation has sufficient member associations to justify carrying out a program at the federation level. These subgrants will be provided on a noncompetitive basis in the sense that all of the associations will be eligible provided that they write a proposal and present a feasible plan for the use of the subgrant. The criteria for justification and the procedures for allocating these subgrants is described in the Technical Analysis in Annex E.

Since the purpose of the subgrant is to respond to the individual needs of very different associations, it is not possible to define precisely what activities the subgrants will fund. Examples of likely activities that will be funded under subgrants include:

- Restoration/up-grading of facilities -- including painting, repairing, and enlarging of buildings, development of meeting or conference rooms, etc.
- Purchase of vehicles, to provide technical services to farms, to transport members to national or regional meetings, to transport supplies and equipment, etc.
- Purchase of office equipment, including typewriters, fax machines, personal computers and printers, etc.
- Training and the purchase of communications materials.
- Salary support for technical personnel (see limitations, below).
- Logistic support for technology transfer programs.
- Working capital to replenish inventories of input supply stores (see limitations, below).
- Capital contributions toward purchase of equipment or machinery for commercial services (see limitations, below)
- Material and logistic support for limited applied research
- Representational services (for the commodity federations)

It is important to note that individual subgrants to any single organization will be limited to support for three of the above activities. This is done to make the subgrants manageable and enable UPANIC to easily account for the funds. Likewise procurement of goods and equipment will be directly done by UPANIC pooling procurement needs across a group of several subgrants. This is further discussed in section E.2 Technical

assistance will be provided directly from the UPANIC Project Management and Support Office (PMSO) (described in Section III E1a) to individual associations and federations for the preparation of subgrant proposals. Additionally, technical assistance will be provided to the associations and federations in implementing the subgrants.

i) Training Plans

For lack of funding and access over the last decade, the local associations and commodity federations were unable to maintain an inflow of new ideas/information or to adequately disseminate technology. Experts (economists, agronomists, veterinarians, marketing specialists etc.) could not be financed and outreach programs were pared back. The thin layer of quality technicians and managers currently available in these organizations (and within Nicaragua as a whole) must be expanded in order to rapidly transfer new technology to private producers. Small amounts of training may be conducted in this Project under the individual subgrants, however, the Project will not be able to fund the levels of training needed to update the technology and know-how in the local associations and federations after a decade of decline.

In order to address this problem, one of the stipulated activities for the institutional strengthening grants to the federations will be to develop a national level training plan for its affiliated associations. With the assistance of the PMSO, the federations will obtain input from their local associations and consolidate these activities to develop a national level training plan. The federations and UPANIC will then look for resources from other sources to fund training activities. The types of training activities included in the plans will be short courses, seminars, field days, etc., conducted in Nicaragua covering a diversity of topics; farmer-to-farmer programs to re-establish ties for technical information with their counterparts in Central and South America and the United States; and international and regional technical meetings and seminars on topics that are identified as critical problems in Nicaraguan agriculture.

ii) Reports and Data Collection

Each participating association and federation will be required to provide various types of reports and data in order to receive a subgrant. These are discussed in the monitoring and evaluation plan but are briefly mentioned here as well. They include: a registration survey that will provide basic data about date of affiliation to UPANIC, numbers of members, amount and types of member production, services, financial status, capital goods, business enterprises, employees, etc. provided before receiving a subgrant and updated annually; summary data from each association

(using a random sample of their membership) on the scale of the enterprise (number of manzanas, animal units, etc.), production costs, prices, yields, where the product is marketed, use of credit if any, and problems encountered in the production process provided before receiving a subgrant and updated on an annual basis; and finally, quarterly reports from the associations receiving subgrants detailing the uses made of the funds received, and the measurable results therefrom.

b. UPANIC

The second activity of this component will be to assist UPANIC to develop a stronger technical orientation and a better ability to communicate with and coordinate assistance to its member associations. UPANIC was formed as, and will continue to be, a representational organization. However, its representational role needs to change in the new political and economic environment of the country. During the past ten years, UPANIC has been a minority political voice in an adverse environment. This resulted in a strong leadership in the private sector, but also a primarily political and reactive orientation. The private agricultural sector is now closer to the mainstream of Nicaraguan politics, and in the short- and medium-term, can expect to see greater opportunities for development than during recent years.

An institutional strengthening package will be provided to UPANIC to enable it to better represent its members and become a leading voice in agricultural policy formation. Activities that will be strengthened within UPANIC under the Project are policy analysis and communications; identification and coordination of technical support to member associations; identification and coordination of market contacts, investment opportunities, and sources of financing; development and maintenance of a base of technical and financial data on the private agricultural sector. This institutional strengthening package will be managed and coordinated separately from UPANIC's responsibility of managing the additional resources for subgrants to the local associations and commodity federations.

An agricultural economist will be hired with expertise in agricultural economics, communications, and technical agriculture. He will set up a data base and provide analytical capability to UPANIC on important agricultural policy issues. UPANIC currently has only vague data on even the number of members in its affiliated associations. Data collection will be done through the local associations as discussed above.

✓ When the UPANIC associations have collected sufficient data and the economist has used it to build a data base and analyzed policy issues, UPANIC will initiate programs of communications on the results of this analysis, both within the membership and to the public in general. This will include newsletters, technical

reports, and participation in radio programs, seminars, forums, and meetings. These activities will be carried out by the UPANIC board of directors supported by the Executive Secretary and the agricultural economist. UPANIC's role in analysis and communication will generally be limited to issues and problems common to all or several of their affiliated associations. ✓

UPANIC's services as a clearinghouse of market, financial, and investment information will essentially involve a reaction to opportunities as they are presented. Formal activities in pursuit of investments and sources of financing, for example, are unlikely to be cost effective on this scale. They will, however, develop a slightly higher profile as a point of contact for interested investors, foreign donors, technical cooperation programs, etc., At the same time, their improved understanding of and communication with their membership will make them better able to recognize and react to these opportunities. To assist UPANIC in this area, a small amount of funds has been budgeted for direct contracting of technical assistance in this area.

Institutional strengthening for UPANIC will finance salary support for regular UPANIC staff and an agricultural economist, basic office equipment, renovation of existing offices, and limited operational and logistic support. The funding budgeted for rent may be used for the purchase of office space if UPANIC provide a sufficient justification and plan for such a purchase.

(2) Productivity Subgrants

The second component of this project will be to provide subgrants to the PAOs for activities which directly raise farm productivity. These subgrants will be a maximum of \$200,000 and will be made available on a competitive basis with those proposals demonstrating the highest economic returns receiving the subgrant awards. These subgrants are intended for the local association under the UPANIC umbrella, but where there are returns to scale, groups of local associations or the federation as a whole may receive a subgrant. Subgrants for the federations or a group of three or more local associations which decide to make a joint proposal may be for more than \$200,000 as allowed by the Project Steering Committee (PStC, described in Section III.E1b). No Grant may be for more than \$400,000.

The subgrants awarded under this component are very similar to the subgrants awarded under Component 1 but differ because of their single focus on productivity, size, and their award on a competitive basis. The selection criteria and allocation process for productivity subgrants is contained in the Technical Analysis in Annex E. As discussed in Annex E, these criteria and the allocation process may be changed by UPANIC if it provides sufficient justification. The design and implementation of these subgrants will also be managed by the PMSO in UPANIC. Again,

since the purpose of the subgrant is to respond to the situations of different associations, it is not possible to define precisely what activities the subgrants will fund. Some of the activities eligible under the institutional grants will also be eligible here provided they have a direct link to increases in farm productivity. In order to provide benefits to as many institutions as possible under this component and simplify management of this component, these subgrants will be limited to funding a single productive activity. Examples of activities that could be funded under subgrants include:

- Importation of improved bulls & bred heifers
- Veterinary advice, medicines in association stores
- Improved/renovated pastures
- Improved fencing for pasture rotation
- Artificial insemination scheme for herd upgrading
- Water storage tanks in dry range areas
- Production machinery pools
- Technical assistance for crop production
- On-farm trials of improved production systems
- Small soils laboratory for testing & advice
- Pooled imports of agricultural chemicals & medicines
- Expanded inventory in association stores to serve members

The types of activities that could be funded under a Grant for a group of associations or the commodity federation as a whole include regional extension services, national level plant/animal genetic improvement (breeding) programs, training in production or marketing, etc. These activities should complement the activities of local association members, and would need to demonstrate a rationale for their execution at a national or regional level. Where there is a conflict or duplication between national and local level services, the presumption of this project is that, ceteris paribus, the local program would be more effective.

(3) Diversification to Non-traditional Agricultural Exports

The third and final component of this Project is diversification to NTAEs. Diversification of nontraditional agricultural exports is an appropriate response to the problems of volatile markets for traditional crops and the lack of productivity in the agricultural sector because demand for nontraditional agricultural exports is growing worldwide and the high margins associated with NTAEs generally provide higher returns for investments than traditional crops. For this reason, the Nicaraguan Non-traditional Producers and Exporters association (APENN) was formed in May of 1990 at the initiative of a few visionary Nicaraguan producers who felt that Nicaragua needed a new, not-for-profit entity aimed at promoting non-traditional exports in general, particularly non-traditional agricultural

exports. With the assistance of ROCAP's PROEXAG Project under the guidance of the USAID/Nicaragua's Agriculture and Rural Development (ARD) Office, APENN has already been able to promote a two to three million dollar honeydew melon crop in its first year of existence. It has also supported field trials in asparagus, brambleberries, and exotic cut flowers.

The initial success of APENN and the potential of private producers in Nicaragua in the NTAE area make support to APENN a priority for investment. The strategy for supporting APENN is to provide information and technical assistance tailored to the needs of producers and enterprises, but with complementary efforts at improving the macroeconomic climate. A primary assumption of the design of this component is that APENN will be able to continue sourcing high quality technical assistance through organizations such as ROCAP/PROEXAG. Another key point is that although the initial time frame for AID support is five years it is understood that a longer time frame (10 to 15 years) be required before viability and sustainability of a NTAE sector can be achieved (a discussion of sustainability for NTAE promotion institutions is contained in the Institutional Analysis).

APENN will be supported in four distinct activities: institutional strengthening; market and technical information; crop specific technical programs; and training.

a) Institutional Strengthening of APENN

The purpose of this activity is to build the institutional infrastructure necessary for APENN to carry out services required by its members to increase NTAE production. This activity will also provide the capacity for APENN to act as a voice for NTAE policy concerns with the government. APENN will identify important producer concerns in nontraditional agriculture and inject these into the public sector dialogue process. APENN will also dialogue directly with the GON or in combination with UPANIC or FENIX on issues of general concern to both traditional and nontraditional agriculture. ✓

Operating costs and salary support for APENN's general personnel which includes the general manager, an accountant, an executive assistant, and a bilingual receptionist will be provided to APENN over a five year time frame under this component. Additional equipment including a vehicle and a motorcycle, computers and accessories, information equipment, and furniture will be provided through the project technical assistance contractor.

b) Market and Technical Information

"Information" is the single most important service that will speed up the export process. The fundamental output of this

activity will be increased numbers and/or size of deals made between foreign buyers and local producers to produce and purchase new export crops. Local producers will be able to assess their ability to produce crops for specific markets and foreign buyers will be able to assess what products they can source from Nicaragua. The types of information needed are different for foreign and local interests but fall into three broad categories: 1) knowledge of what can be competitively produced for export in Nicaragua and how, 2) knowledge of markets and marketing, and 3) marketing contacts both inside and outside the country.

A primary set of efforts will be directed toward APENN members by establishing a market information center which will include: a computerized, international market-price data base system and a reference library of market information, including information on rapidly changing regulations and inspections procedures governing admissibility of agricultural products into the United States, Europe, and Asia. The center will also develop with assistance outside the Project a service that synthesizes and disseminates this information to APENN members and others for a fee and a "walk-in" information service that provides individualized reports on specific topics of concern.

Support for this area will include the purchase of information equipment through the TA contractor; the purchase of information materials; salary for an information and training department manager, an information assistant, and a secretary; and technical assistance.

c) Crop Specific Technical Assistance

As a natural follow on to the information activity which should result in decisions by foreign buyers and local producers to grow specific crops, APENN will develop, compile and provide extension reference packages for production and marketing of particular export crops such as melons, asparagus, ornamentals, etc. which have proven market potential. The exact packages developed will depend on the decisions of the farmers as to which crops they want to produce. This grower demand driven assistance is a crucial aspect of targeting APENN efforts.

Once a critical mass of growers are accumulated that are interested in specific crops, modules will be developed for these crops. The description of a module can best be given by an example such as melons where a module is presently being formed. APENN will work with melon growers as a group and help identify production, processing, transportation and marketing constraints to viable and sustained exports. APENN is currently concentrating on technical assistance for production to achieve the export quality the market requires. Next will come efforts to eliminate transportation and infrastructure constraints that

will allow direct exports out of Nicaragua through Atlantic ports and access to pre-cooling infrastructure that will allow diversification into cantaloupes. APENN will also disseminate lessons learned to potential melon growers.

Potential crops that could be incorporated into modules include melons, ornamentals, yucca, brambleberries, asparagus, cucurbits, mangoes/papaya, tuberculos, fruit and vegetable concentrates. At least five specific modules will be developed over the course of the project. Pre-module type support will also be provided to demonstrate that a new crop can be profitably produced. APENN is currently conducting on-farm trials for asparagus, brambleberries, and ornamentals with ROCAP/PROEXAG support. APENN will assign its technicians to work with one or two modules to develop and implement a specific strategy for increasing production through elimination of constraints and incorporation of new growers. Specific expertise to address the constraints identified will be provided through the ROCAP PROEXAG II Project and other non-Project sources.

AID Project resources will be used to hire an export crop program officer and assistant to help develop and implement the various modules. The TA contractor will purchase vehicles and provide technical assistance for this component. The ROCAP/PROEXAG follow-on project is to be the primary source of technical assistance for APENN. Since there is a possibility of an up to six month hiatus of services under that project beginning in September 1991, just when the second critical melon crop will be under preparation, the Project needs the flexibility to provide outside technical assistance in that time period as required. Additional technical assistance may also be needed depending on the amount of resources that PROEXAG II dedicates to Nicaragua. There may also be interest in financing a PASA between USAID and USDA to provide the services of USDA/APHIS inspectors in Nicaragua to do pre-export inspections.

d) Training

A variety of training events will be conducted on key export crops and themes such as market analysis, pesticide regulations and use for export crops, quality control in post-harvest handling, packing, packaging, and processing of produce. AID Project resources will be used to hire a training coordinator and fund training courses. APENN is also expected to generate support to fund training courses from other donors as well

E. Administration and Coordination

1. Organizational Framework.

The different management entities involved in the UPANIC components are described below.

a. Project Management and Support Office (PMSO).

Project implementation will be managed by a Project Management and Support Office (PMSO) established in UPANIC through the assistance of an institutional contractor. This contractor will have specific experience in both agribusiness and service delivery projects, and USAID accounting, reporting, and procurement procedures. The institutional contractor will provide an expatriate advisor who will be given management authority for the staff of the PMSO during the first 24 months of the contract. During this time, the contractor, through its management of the PMSO and with additional short-term technical advisors and home office staff, will set up the project accounting and administrative systems, make any necessary changes in and present for AID approval the subgrant selection criteria and procedures contained in Annex E, purchase the initial allotments of equipment for UPANIC, select and hire PMSO staff, provide assistance to individual associations in the development of proposals for subgrants, oversee development of the data collection activities, provide associations with short-term advisors to assist in start-up activities, and set up a project monitoring and reporting system.

During the eighteenth and twenty-fourth months, the contractor will familiarize the UPANIC Executive Secretary or other designated employee with the accounting, monitoring, and reporting procedures that have been established. From the twenty-fourth through the thirtieth months, UPANIC will have management responsibility for the PMSO, with the contractor serving as advisor. After the thirtieth month, the institutional contract will have ended, and UPANIC will be responsible for monitoring and reporting during the remainder of the project. The staff of the PMSO will remain the same, except that it will be managed directly by the UPANIC Executive Secretary.

The PMSO will be staffed with two technicians, an administrative assistant, an accountant, and a secretary, all of whom will be hired and paid by the institutional contractor for the first nine months of the Project. After the first nine months when UPANIC has signed and is ready to implement its cooperative agreement, the PMSO staff will be hired and become employees of UPANIC, but will still report directly to the contract chief of party who is the head of the PMSO office for the first two years of the Project. The staff in the office will be recruited and selected jointly by UPANIC and the contractor. The technicians will have experience in agribusiness, financial analysis, and some aspect of technical agriculture. One of their primary responsibilities will be to assist the associations with analysis of ideas for service programs and development of proposals for subgrants. They will also be responsible for working with the UPANIC economist to ensure the development of member surveys and a data

base, and for monitoring association reporting and compliance with terms of subgrants.

The administrative assistant will manage procurement and accounting, assisted by a full-time accountant. There will be approximately 40 to 60 subgrants, basic assistance to UPANIC, and an AID direct contract to be accounted for. This will require compiling advance/liquidation requests from subgrantees for submission to AID.

The relationship between the institutional contractor, USAID, and UPANIC will be laid out in the UPANIC cooperative agreement and the TA contract. Under the agreement, the USAID contractor will have responsibility for the successful operation of the Project Management and Support Office, will select and supervise the UPANIC employees that staff the PMSO, and will report directly to the USAID Project Officer. USAID will designate the UPANIC Executive Secretary as the official counterpart of the contract chief of party, and the Executive Secretary will be advised of and will make recommendations concerning all major project decisions. In the course of project implementation, the Executive Secretary will become increasingly familiar with the operation of the office, and during the last six months of the contract, will assume responsibility for management of the PMSO, with the contract chief of party as an advisor.

b. Project Steering Committee (PStC).

A Project Steering Committee (PStC) which will be created under terms of the grant agreement with UPANIC is the other principal management entity. Members of the PStC will include the contractor chief of party, the USAID Project Officer and three representatives from UPANIC. The three UPANIC members will be chosen through an election among UPANIC's general membership to name three leaders from the coffee, livestock, and one other crop sector. These persons should be chosen for their technical understanding, business acumen, and objectivity and will require written approval by AID. The PStC will be responsible for approving or disapproving subgrants and overall oversight of the PMSO. The PStC will not be assigned specific resources of its own, but will be provided office space, logistic, and secretarial support by UPANIC as needed. The tasks of the PStC are as follows: approval of detailed subgrant selection criteria and allocation and implementation procedures as presented by the institutional contractor of the PMSO; review and approval or disapproval of subgrant proposals; and oversight of the work of the PMSO.

c. UPANIC

The principal role of UPANIC, outside of the PMSO and its own institutional strengthening activities, will be to register the

associations for eligibility to receive project resources as described in Annex E. UPANIC will also provide leadership in the orientation of projects and proposals that are developed under the project. This role is a natural extension of the way in which the UPANIC network operates currently. The organization, coordination, and communication among members provided by UPANIC will stimulate the identification of effective proposals, will identify the proper roles of national and local associations in these programs, and will permit a dissemination of ideas among the many local associations involved.

UPANIC's own institutional strengthening activities will be managed by the Executive Secretary with the assistance of the PMSO for procurement and contracting. Additionally, since the data base to be developed by the economist will use data drawn from the PAOs with the assistance of the PMSO the work of the economist will be closely coordinated with the work of the PMSO in this area. The UPANIC accountant will operate independently of the PMSO accounting office, and will provide the accounting for the institutional strengthening activities for UPANIC and other normal accounting functions at UPANIC which are separate from project funds and activities. He/she will also act as an internal auditor to assure that subgrant funds are being properly accounted for.

d) APENN

APENN has five departments as follows: 1) Administration and Finance, 2) Information and Training, 3) Agricultural and Agroindustrial Production, 4) Marketing and Public Relations, and 5) Computers and Communications. APENN's General Manager under the direction of the Board of Directors will manage all Project activities. The areas supported under this Project--an information center, export crop modules, training, and institutional strengthening--correspond to the first three departments. Each department has a chief who reports directly to the General Manager. All other personnel report to the chief of their department.

2. Administrative Management.

a. Administration of UPANIC Components

A direct obligation will be made with UPANIC for \$4,600,000. Funding for a TA contract for \$1,455,000 will be obligated under the APENN agreement, but directly contracted by AID, to provide TA and purchase equipment for both UPANIC and APENN. The approach of the project is to contract an institutional consulting firm with significant AID project implementation experience to assume responsibility for setting up the PMSO in UPANIC with systems for administration, accounting, monitoring, and procurement of all activities of the first two components of

this Project. No funds will be disbursed to UPANIC until these systems are in place. The overall steps in administration of the first two components will proceed as follows:

- AID direct contract signed making obligation, long-term resident advisor and short-term advisors and home office staff in accounting, administration, information services, etc., in-country;
- Accounting, personnel, procurement policies and procedures completed by Price Waterhouse and approved by AID.
- Contractor makes any changes in the subgrant criteria and procedures in Annex E and submits first to PSTC of UPANIC and then to USAID for approval;
- Project Implementation Letter issued approving above;
- Contractor procures vehicles and office equipment for UPANIC and PMSO;
- Contractor hires PMSO employees and begins to elaborate first round of subgrant proposals;
- Grant agreement signed with UPANIC, obligating funds, and UPANIC hires employees supported under its institutional strengthening component. After first nine months, UPANIC directly hires the PMSO employees. These are still directed by the contractor chief of party;
- Advance liquidation procedures begun for direct support to UPANIC under grant agreement;
- Subgrant agreements approved, including annual budgets for life of subgrant, and quarterly budgets for first year;
- Associations given advance/liquidation forms and instructed in their use;
- Advance/liquidation requests from subgrantees delivered to PMSO, reviewed, compiled, and transmitted to USAID as a single disbursement request;
- All major procurement identifies for subgrantees, and a consolidated procurement managed by PMSO;
- Disbursements received by UPANIC, and subdisbursements made to associations on the same basis, against advance requests by PMSO;
- Annual audits conducted at PMSO, UPANIC, and selected subgrantees

The centralized operation of the PMSO will be easy to monitor, and the use of an experienced firm and the time and resources dedicated to the installation of an administrative system should ensure an effective administration. The critical area where the administrative system is subject to problems will be in the management of budgets at the local association levels, and the physical transfer of forms and money from Managua to the field. This potential problem is ameliorated by the fact that UPANIC will do most of the procurement of goods and materials and money will be transferred to the field only for very specific purposes such as advances for payment of an extensionist. Additionally, most of these associations have maintained functioning commercial operations that require a similar or greater level of administrative competence. In those cases where administration is a weakness, the field technicians will be making visits on at least a bi-monthly basis, and will assist with compliance.

Administrative coordination between the PMSO and the field will be further simplified by making all subgrant selections and approvals in a few discrete groups. As described in the Detailed Subgrant Selection Procedures in the Technical Analysis in Annex E, most subgrants will be awarded in two selections approximately six months apart, and the remainder will be awarded at approximately six month intervals. All subgrants will operate on the same quarterly system and procurement of goods and materials will be consolidated and made on a quarterly basis.

b. Management of the Subgrant Process

The technical analysis in Annex E lays out suggested justification and selection criteria and procedures to be followed in awarding subgrants to the PAOs. The institutional contractor will be responsible for developing a complete system for subproject awards and implementation which will include the required elements for all subproject proposals, an assignment of points and definition of minimum criteria for awarding both types of subgrants, an estimated timetable for subgrant awards, the subproject agreement with all of its necessary clauses, and a complete set of procedures for subgrant implementation. The finished product will be submitted to the Project Steering Committee in UPANIC for approval. Once the PStC has approved the product, it must be sent to AID for approval.

Once this system is designed, the PAOs will begin to submit their proposals. The responsibility for assisting the associations with analysis and design of proposals will be entirely with the PMSO, under the direction of the institutional contractor chief of party. In order to simplify proposal development and management of the subprojects, the institutional subgrants will be limited to support of three activities and the productivity subgrants will support a single activity. There will be a wide variation in the amount of work needed to assist the various

associations, and in some cases the technicians will handle the work themselves; in other cases they will be supported by the chief of party, and in others they will bring in specialized short-term advisors under the contract to provide additional support and guidance.

The final step is the actual review and selection of proposals to be funded with subgrants. Once the Project Steering Committee has approved the subgrants, UPANIC will prepare the subproject agreements which will be reviewed and approved in a letter by the Chief of the USAID/Nicaragua ARD Office.

c) APENN Administration

A direct obligation will be made with APENN for \$2.4 million through a Cooperative Agreement. Of this amount, \$1.455 million will be for AID to directly contract a firm to provide technical assistance to UPANIC and APENN. The assistance for APENN through the contract will include short-term technical assistance and the procurement of equipment for APENN. APENN may also procure some technical assistance on its own once it is clear that it has the capability to do so. Funds will not be disbursed directly to APENN until its administrative and financial management procedures have been reviewed and approved by AID. ROCAP/PROEXAG has been tasked with developing these capabilities before its efforts expire in September 1991. Additional technical assistance through an IQC with Price Waterhouse has been funded outside the Project to assure that the work of ROCAP/PROEXAG is adequate. ROCAP/PROEXAG will coordinate its efforts closely with USAID/Nicaragua Controller to ensure responsiveness to AID requirements.

The technical assistance to APENN that is to be provided by ROCAP/PROEXAG II will be outlined in a MOU to be signed by APENN, ROCAP/PROEXAG, and USAID/Nicaragua in order to establish minimum levels available for Nicaragua under the ROCAP project.

d) Management of Technical Assistance.

AID will directly contract the TA firm for the Project which will establish the PMSO in UPANIC, procure equipment for UPANIC and APENN, and provide short-term technical assistance to APENN. The TA firm will be procured through 8(a) procedures to enable Project activities to begin as soon as possible. The AID Project Officer will be directly responsible for managing the contract. The equipment to be procured for UPANIC and APENN by the contractor has been set out separately for each institution separately in the contract. The equipment will be the property of UPANIC and APENN respectively and they will approve the exact specifications of the equipment before the contractor makes the procurement. UPANIC will be consulted on the selection of the expatriate advisor for the PMSO and other contract issues as

appropriate. Likewise, APENN will be consulted on the selection of the short-term technical assistance as appropriate. Both UPANIC and APENN may directly contract and manage some amount of technical assistance for their programs.

F) Cost Estimates and Financial Plan.

1) Project Costs.

The total estimated cost of this project is approximately \$7.4 million. AID will contribute \$7 million or 94.6% of the total Project funding while UPANIC and APENN will contribute a combined total of approximately \$0.4 million or 5.4% of total funding. AID funding will be obligated through a \$4.6 million cooperative agreement with UPANIC and a \$2.4 million cooperative agreement with APENN. The amount of \$1.455 million from the APENN cooperative agreement will serve to cover the cost of an AID direct contract for technical assistance for the Project. Also, part of the UPANIC cooperative agreement will serve to cover the cost of contracting Project evaluations and audits.

Neither APENN nor UPANIC can provide the required 25% contribution for a cooperative agreement. Waivers for the counterpart for both subgrants have therefore been processed and are contained in Attachments 3 and 4 to the PP. UPANIC will contribute a total of \$196,434 or 4.1% of the funding going to UPANIC while AID will contribute a total of \$4,600,000 or 95.9%. As explained in the sustainability analysis in Annex C, UPANIC was not expected to provide counterpart to the funding for project management and subgrants to the field which constitute 87% of the funding for the UPANIC Project components. UPANIC's contribution represents 31.7% of the funding for its own institutional strengthening subcomponent. This subcomponent has been set up so that UPANIC will start contributing for this component in the third year with 25% of the costs, graduate to 50% in the fourth year, and assume 75% in the fifth and final year of the Project. APENN is contributing \$206,280 or 17.9% of the cost of the APENN direct costs (not including the institutional contractor. This has been programmed so that APENN will contribute 10% of total costs in the third year, 25% in the fourth year, and 50% in the fifth and final year. In addition to the counterpart which has been estimated as a part of the Project budget, UPANIC and its affiliates and APENN will also contribute to the project in unpaid staff costs and time, farm production input inventories, and facilities and equipment. The value of these in-kind contributions could not be estimated due to the fact that the exact activities and budgets of the subgrants will be decided during Project implementation, but they will be substantial.

Tables 1 and 2 showing expenditures by calendar year and by type of currency required are contained on pages 26-27. Detailed cost

estimates and a budget analysis is contained in Part Three of Annex C. Financial cost estimates for the Project by output are contained in Table 3 on page 28. For the subgrant items, the tables on the following pages show planned expenditures of subgrant funds. An illustrative commitment schedule for subgrants is as follows (funding numbers in thousands):

	<u>months 6-12</u>	<u>months 13-18</u>	<u>mo. 19-24</u>	<u>mo. 25-30</u>
Institutional	20 f/ \$1000	20 f/ \$1000	6 f/ \$300	---
Productivity	-----	3 f/ \$ 600	3 f/ \$500	1 f/ \$100
Totals	\$1000	\$1600	\$800	\$100

Obligation Schedule

The obligation schedule by fiscal year is set down in the table below (funding numbers in thousands). Presently it is planned that all funding will come from the economic support fund account.

Year/ Obligation Mechanism	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>
APENN Coop. Agreement	1,500	500	400
UPANIC Coop. Agreement		2,500	2,100

TABLE 1 PROJECT BUDGET BY YEAR
(Dollars)

Concept/Year	1	2	3	4	5	TOTAL
AID Contribution to UPANIC						
1 PMSO						
a UPANIC Contracted Employees	21,600	73,710	77,396	81,265	85,329	339,299
b Operations	8,250	34,650	36,383	38,202	40,112	157,596
PMSO TOTAL	29,850	108,360	113,778	119,467	125,440	496,895
2 Institutional Strengthening						
a Subgrants for Inst Strengthening	500,000	1,000,000	500,000	300,000	0	2,300,000
b UPANIC Inst Strengthening						
i Salary Support	86,580	90,909	71,591	50,114	26,310	325,503
ii Technical Assistance	1,607	9,100	7,500	5,000	0	23,207
iii Operations	15,100	24,420	16,868	11,808	6,199	74,395
Total UPANIC Inst Str	103,287	124,429	95,959	66,921	32,509	423,105
3 Subgrants for Productivity	0	300,000	700,000	200,000	0	1,200,000
4 Evaluations/Audits	20,000	20,000	60,000	20,000	60,000	180,000
TOTAL AID FOR UPANIC COMPONENTS	653,137	1,552,789	1,469,737	706,388	217,949	4,600,000
UPANIC Contribution						
UPANIC Inst Strengthening						
i Salary Support	0	0	23,864	50,114	78,929	152,906
ii Technical Assistance	0	0	2,500	5,000	0	7,500
iii Operations	0	0	5,623	11,808	18,597	36,028
TOTAL UPANIC CONTRIBUTION	0	0	31,986	66,921	97,526	196,434
TOTAL FOR UPANIC COMPONENTS	653,137	1,552,789	1,501,723	773,310	315,475	4,796,434
AID Contribution to APENN						
1 Personnel	133,146	139,803	132,114	115,600	80,920	601,583
2 Information and Contracted Services	8,242	13,000	4,500	3,750	2,500	31,992
3 Operating Costs	70,200	73,560	68,479	58,344	40,841	311,425
TECHNICAL ASSISTANCE CONTRACT	985,439	333,824	135,737	0	0	1,455,000
TOTAL AID FOR APENN	1,197,027	560,187	340,830	177,694	124,261	2,400,000
APENN Contribution						
1 Personnel	0	0	14,679	38,533	80,920	134,133
2 Information and Contracted Services	0	0	500	1,250	2,500	4,250
3 Operating Costs	0	0	7,609	19,448	40,841	67,398
TOTAL APENN CONTRIBUTION	0	0	22,788	59,231	124,261	206,280
TOTAL FOR APENN	1,197,027	560,187	363,618	236,926	248,522	2,606,279
TOTAL AID CONTRIBUTION	1,850,164	2,112,976	1,810,567	884,082	342,210	7,000,000
TOTAL COUNTERPART	0	0	54,775	126,153	221,787	402,714
TOTAL PROJECT	1,850,164	2,112,976	1,865,342	1,010,235	563,997	7,402,714

TABLE 2 PROJECT BUDGET BY CURRENCY REQUIREMENT
(Dollars and Dollar Equivalent in Local Currency)

	FX	LC	TOTAL
	-----	-----	-----
AID Contribution to UPANIC			
1 PMSO			
a UPANIC Contracted Employees	0	339,299	339,299
b Operations	0	157,596	157,596
PMSO TOTAL	0	496,895	496,895
2 Institutional Strengthening			
a Subgrants for Inst Strengthening	1,380,000	920,000	2,300,000
b UPANIC Inst Strengthening			
i Salary Support	0	325,503	325,503
ii Technical Assistance	23,207	0	23,207
iii Operations	0	74,395	74,395
Total UPANIC Inst Str	23,207	399,898	423,105
3 Subgrants for Productivity	1,200 000	0	1,200 000
4 Evaluations/Audits	180,000	0	180,000
TOTAL AID FOR UPANIC COMPONENTS	2,783,207	1,816,793	4,600,000
UPANIC Contribution			
UPANIC Inst Strengthening			
i Salary Support	0	152,906	152,906
ii Technical Assistance	0	7,500	7,500
iii Operations	0	36,028	36,028
TOTAL UPANIC CONTRIBUTION	0	196,434	196,434
TOTAL FOR UPANIC COMPONENTS	2 783,207	2 013,227	4,796,434
AID Contribution to APENN			
1 Personnel	0	601,583	601,583
2 Information and Contracted Services	31 992	0	31,992
3 Operating Costs	0	311 425	311 425
TECHNICAL ASSISTANCE CONTRACT	1 455,000	0	1 455 000
TOTAL AID FOR APENN	1 486,992	913,008	2 400 000
APENN Contribution			
1 Personnel	0	134,133	134 133
2 Information and Contracted Services	0	4,250	4 250
3 Operating Costs	0	67 898	67 898
TOTAL APENN CONTRIBUTION	0	206 280	206 280
TOTAL FOR APENN	1 486 992	1 119 288	2 606 280
TOTAL AID CONTRIBUTION	4 270 199	2,729 801	7,000 000
TOTAL COUNTERPART	0	402 714	402 714
TOTAL PROJECT	4 270 199	3 132,515	7 402 714

TABLE 3 PROJECT BUDGET BY OUTPUT
(Dollars)

OUTPUT	AMOUNT	PERCENTAGE
	-----	-----
1 Institutional Strengthening		
a Improved Capacity of PAOs to represent their membership and provide services to increase farm productivity	3,392,973	45 7%
b Improved Capacity of UPANIC to dialogue with the GON on economic and other issues related to agriculture	649,539	8 7%
2 Productivity Subgrants		
Delivery of services by PAOs which will directly increase farm productivity	1,827,922	25 1%
3 Diversification of NTAEs through APENN		
a Functioning Information System	455,184	6 1%
b 5 functioning export crop modules	743,640	10 0%
c Established policy dialogue process	137,628	1 8%
d 40 training courses and seminars	195,828	2 6%
PROJECT TOTAL	7 402,714	100 0%

NOTES UPANIC PMSO costs were split proportionately between the amounts allocated for subgrants in outputs 1a and 2. Audit and Evaluation costs were split equally between Apenn and UPANIC and then then divided equally among the outputs for each of the organizations. Technical Assistance Costs were allocated by estimates of the technical assistance that would go for each output which is reflected in the technical assistance budget.

2) Financial Management.

Given APENN's recent creation and UPANIC's low level of services over the past five years, both organizations need some assistance in upgrading their financial management and administrative systems for this Project. The systems for accounting, contracting, procurement, personnel management, and internal controls will be designed with outside assistance and no funds will be disbursed for either of the organizations until AID is satisfied that these systems are adequate.

Assistance to both UPANIC and APENN for the design of these systems will initially be provided through the services of Price Waterhouse under an IQC contractor funded outside of the Project. APENN is also receiving some assistance for this task from the PROEXAG I TA team. The TA firm for the Project will train UPANIC employees hired under the Project how to use the systems and oversee the accounting, monitoring, and procurement services during the first two years of the Project as discussed above in the section on Project Administration. The methods of procurement and financing for all Project elements are contained in the procurement plan in Section III.H.

Disbursements

Because of the time required for subgrantees to close their books and report to UPANIC, the time required for UPANIC and APENN to close their books and report to AID, and the time required for AID to process an advance request, 30 day advances would seriously interrupt project implementation. AID will, therefore, provide quarterly advances under this Project. UPANIC and APENN will liquidate expenditures on a monthly basis. Disbursements under AID direct contracts will be paid directly to the contractor on a reimbursement basis.

Audits

Annual financial audits will be conducted by an independent auditor. In these audits, UPANIC and APENN will be audited regularly, and subgrantees will be selectively audited, based on conditions of the subgrant agreements. All of the funding for the audits has been budgeted in the UPANIC components given that a single Project audit will be performed for both elements of the Project. AID will directly contract the audits to be performed under the direct control and supervision of the RIG/A/T in Honduras.

G) Outputs

Outputs under the Project are delineated by components as follows:

1. Institutional Strengthening of UPANIC and Affiliates
 - improved capacity of UPANIC, commodity federations, and local associations to represent their membership and provide services to their membership to increase farm productivity
 - improved capacity of UPANIC to dialogue with the government on economic and other issues related to agriculture
2. Productivity Subgrants
 - delivery of services by PAOs such as extension, intermediation of inputs, veterinary care, machinery pools, etc. which will directly increase farm productivity
3. Diversification to NTAES through APENN
 - functioning information system
 - at least five functioning export crop modules
 - established dialogue or process with the GON to eliminate policy constraints and improved infrastructure in concert with other organizations such as UPANIC, COSEP, or FENIX
 - 40 training courses and seminars conducted

H. Implementation and Procurement Plans.

1. Implementation Plan

Major elements to be scheduled include: contracting for technical advisory and management services; establishment of financial management systems and capabilities; creation of Project Steering Committee and criteria for subgrants; staffing of PMSO, assistance to PAOs regarding subgrant proposals; analyses and recommendations by PStC; subgrant allocations and controls; procurement of goods and services; activity monitoring, evaluating and reporting; and financial audits. The sequences of these implementation events is discussed in specific other sections of this paper, including Sections III.D, E, and F, and Annexes B and E. The major events of the Project with the exception of the annual audits and the evaluations scheduled for the end of the second year and the fifth year are charted in the tables in the following two pages.

IMPLEMENTATION PLAN: TASK TABLE

Task	Type	How Long	Early Start	Early End	Resources and Cost Categories
Documents for Registration	Fixed	12 days	19 Apr 91 8 00am	6-May-91 5 00pm	WPANIC 0 10, APENN 0 10
PIO/T for Inmed Asst to USA	Fixed	20 days	19 Apr 91 8 00am	16-May-91 5 00pm	ARDO 0 05, PDIS 0 05, LA 0 01, OPIN 0 01, CO 0 01
Registration of WPANIC	ASAP	35 days	7 May 91 8 00am	25-Jun-91 5 00pm	PDIS 0 10, ARDO 0 01, OPIN 0 01, LA 0 01, CO 0 01
Environmental Assessment Apprvd	Fixed	60 days	15-May-91 8 00am	8-Aug-91 5 00pm	ARDO 0 40, AID/W 0 20
Contract Inmed Asst for USA	ASAP	12 days	17 May 91 8 00am	4-Jun-91 5 00pm	AID/W 0 05
Provide Inmed Fin Mang Asst	ASAP	00 days	5-Jun-91 8 00am	20-Aug-91 5 00pm	Acct Firm 1 00
Authorization of PP	ASAP	1 day	26-Jun-91 8 00am	26-Jun-91 5 00pm	PDIS 0 10, ARDO 0 01, OPIN 0 01, LA 0 01, CO 0 02
PIO/T for Grant Agreements	ASAP	10 days	27 Jun 91 8 00am	11-Jul-91 5 00pm	PDIS 0 10, OPIN 0 02, ARDO 0 02, LA 0 02, CO 0 02
Obligation of Project	ASAP	10 days	12-Jul-91 8 00am	25-Jul-91 5 00pm	CO 0 10
Form Steering Committee	ASAP	5 days	26 Jul 91 8 00am	1-Aug-91 5 00pm	WPANIC 0 20, ARDO 0 20
PIO/T for 8a firm for PMSO	ASAP	20 days	26-Jul-91 8 00am	22-Aug-91 5 00pm	ARDO 0 10, PDIS 0 10, OPIN 0 05, LA 0 05 CO 0 05
Register Eligible Associations	ASAP	5 days	2-Aug-91 8 00am	8-Aug-91 5 00pm	WPANIC 0 20, ARDO 0 20
Contract 8a firm for PMSO	ASAP	40 days	23-Aug-91 8 00am	10-Oct-91 5 00pm	CO 0 25
Aid Approve APENN Systems	ASAP	15 days	29-Aug-91 8 00am	19-Sep-91 5 00pm	ARDO 0 20, OPIN 0 10, CO 0 10
Hire Addit APENN Staff	ASAP	20 days	20-Sep-91 8 00am	17-Oct-91 5 00pm	APENN 0 50
APENN Program Activit Begin	ASAP	56 months	18 Oct 91 8 00am	4 Sep-96 5 00pm	APENN 1 00
Long term Advisor on Board	ASAP	40 days	21 Oct 91 8 00am	17-Dec-91 5 00pm	8a Catretr 0 10
Fin & Mngnt Systems in Place	ASAP	25 days	10 Dec 91 8 00am	23-Jan-92 5 00pm	8a Catretr 0 10, Acct Firm 0 50
Aid Approve WPANIC Systems	ASAP	10 days	24-Jan-92 8 00am	8-Feb-92 5 00pm	OPIN 0 05, LA 0 05, CO 0 05, ARDO 0 10, PDIS 0 05
Establish PMSO with Staff	ASAP	12 days	24 Jan 92 8 00am	10-Feb-92 5 00pm	8a Catretr 0 50
Def Subgrant Select Criteria	ASAP	15 days	11-Feb-92 8 00am	29-Feb-92 5 00pm	WPANIC 0 20, 8a Catretr 0 20
Procure WPANIC Vehcls & Equip	ASAP	20 days	11 Feb 92 8 00am	6-Mar-92 5 00pm	PMSO 0 10
Aid Approve Subgrant Criteria	ASAP	10 days	2 Mar 92 8 00am	13-Mar-92 5 00pm	ARDO 0 10, PDIS 0 05, OPIN 0 05 CO 0 05, LA 0 05
1st group Associat Prop Dev	ASAP	25 days	16 Mar 92 8 00am	17-Apr-92 5 00pm	PMSO 0 20
PStC Approval of Proposals	ASAP	5 days	20 Apr 92 8 00am	26-Apr-92 5 00pm	WPANIC 0 10
AID Concurrence of Proposals	ASAP	5 days	27 Apr 92 8 00am	1-May-92 5 00pm	ARDO 0 05
2nd Group Associat Proposals	ASAP	25 days	27 Apr-92 8 00am	1-Jun-92 5 00pm	PMSO 0 20
1st Procurement under Subgrants	ASAP	20 days	4 May 92 8 00am	1-Jun 92 5 00pm	PMSO 0 25
PStC Approval of 2nd Group Prp	ASAP	5 days	2 Jun-92 8 00am	8-Jun-92 5 00pm	WPANIC 0 10
1st Productivity Proposals	ASAP	60 days	2 Jun 92 8 00am	25-Aug 92 5 00pm	PMSO 0 25
AID Concurrence of 2nd Group	ASAP	5 days	9 Jun-92 8 00am	15-Jun-92 5 00pm	ARDO 0 05
2nd Procurement under Subgrants	ASAP	20 days	16 Jun 92 8 00am	16-Jul-92 5 00pm	PMSO 0 25
PStC Apprvl 1st Productvty Prop	ASAP	6 days	26 Aug 92 8 00am	2-Sep-92 5 00pm	WPANIC 0 10
AID Concur 1st Prdctvty Prop	ASAP	5 days	3 Sep 92 8 00am	10-Sep 92 5 00pm	ARDO 0 05
3rd Group Assoc Proposals	ASAP	25 days	3 Sep 92 8 00am	8 Oct 92 5 00pm	PMSO 0 20
2nd Productivity Proposals	ASAP	60 days	3 Sep 92 8 00am	1 Dec 92 5 00pm	PMSO 0 25
1st Prdctvty Prop Implement	ASAP	30 months	11-Sep-92 8 00am	26-Apr-95 5 00pm	PMSO 0 10
PStC Approval of 3rd Group Prp	ASAP	5 days	9 Oct 92 8 00am	16-Oct-92 5 00pm	WPANIC 0 10
AID Concur 3rd Group Proposals	ASAP	5 days	19-Oct-92 8 00am	23-Oct-92 5 00pm	ARDO 0 05
3rd Procurement under Shgrants	ASAP	20 days	26 Oct 92 8 00am	23 Nov-92 5 00pm	PMSO 0 25
PStC Apprvl of 2nd Productivity	ASAP	6 days	2 Dec 92 8 00am	9 Dec-92 5 00pm	WPANIC 0 10
AID Concur 2nd Prdctvty Prpals	ASAP	5 days	10 Dec-92 8 00am	16-Dec-92 5 00pm	ARDO 0 05
2nd Prdctvty Prp Implementat	ASAP	30 months	17 Dec-92 8 00am	31-Jul-95 5 00pm	PMSO 0 10
All Other Subgrant Proposals	Fixed	60 days	1-Jun-93 8 00am	24-Aug-93 5 00pm	PMSO 0 25
PStC Apprvl of All Oth Prpals	ASAP	6 days	25 Aug 93 8 00am	1-Sep-93 5 00pm	WPANIC 0 10
AID Concur All other Proposals	ASAP	5 days	2 Sep 93 8 00am	9 Sep 93 5 00pm	ARDO 0 05
Implement all other Proposals	ASAP	30 months	10 Sep 93 8 00am	24 Apr 96 5 00pm	PMSO 0 10

2. Methods of Implementation and Financing

The Project will be obligated through a \$4.6 million cooperative agreement with UPANIC and a \$2.4 million cooperative agreement with APENN. The obligation schedule by fiscal year is found on page 25. All funding for the Project is ESP. The table below presents the implementation (procurement) and financing methods to be used in the Project. From the APENN cooperative agreement, \$1.455 million will be set aside to fund a direct A.I.D. contract to provide technical assistance and purchase the equipment for APENN and UPANIC. UPANIC will provide approximately 40 to 60 subgrants to its commodity federations and local associations. UPANIC will do all procurement for the subgrants. If operating costs are approved for the subgrantees, these will be financed on a direct reimbursement basis by UPANIC.

<u>Project Element</u>	<u>M e t h o d</u>		<u>Amount</u> <u>(In US\$000)</u>	
	<u>Implementation</u>	<u>Financing</u>	<u>Element</u>	<u>Total</u>
I. UPANIC	COOP. AG.			4,600.0
-TA	HCC	Direct Reimb.	23.2	
-Personnel Costs	HCC	Direct Reimb.	664.8	
-Eval/Audit	AID Direct Cont.	Direct Pay	180.0	
-Subgrants	HC Grants	Direct Reimb.	3,500.0	
-Operating Costs	HCC	Direct Reimb.	232.0	
II. APENN	COOP. AG.			2,400.0
-Inform. & Training	HCC	Direct Reimb.	32.0	
-Personnel Costs	HCC	Direct Reimb.	601.6	
-Operating Costs	HCC	Direct Reimb.	311.4	
-Technical Assistance	AID Direct Cont.	Direct Pay	1,455.0	
		TOTAL		7,000.0

All proposed financing methods for the dollar assistance to be used in the Project are preferred methods. It is anticipated that the recipients of the cooperative agreements will execute all contracting and procurement actions under \$100,000 and will pay directly. A pre-award survey of the implementation capability of the recipients is necessary and will be completed by Price Waterhouse. Disbursements to the recipients will be conditioned on a positive assessment.

There is a line item in the table above for evaluations and audits. It is anticipated that an independent accounting firm, contracted under an IQC, will conduct the audits. The Office of the Regional Inspector General, based in Tegucigalpa, will supervise the non-Federal audits in conjunction with the USAID Controller. Progress on implementing recommendations or any problems concerning financial affairs will be closely monitored.

IV. PROJECT ANALYSES SUMMARIES

A. Institutional Analysis.

1. UPANIC, APENN, and Member Associations

a. UPANIC and APENN.

UPANIC was formed in 1979 as union of three commodity associations -- UNCAFENIC (coffee), CAAN (cotton), and FAGANIC (cattle). The Sandinista government recognized it as the legitimate representative of the non-Somoza private sector. As the Sandinista government became more and more restrictive of private sector interests, however, UPANIC began to function more as a strident minority voice in an adverse political environment.

Since its creation, UPANIC has also promoted the increased organization of the commodity and local producer associations, with rice, cane, sorghum, banana, dairy joining.

UPANIC is technically the umbrella of a federated system, in which the directors are representatives of seven national level commodity associations, which in turn are direct representatives of local level producer associations. This federated system does not operate, however, in a pure form of hierarchical organization. There are significant differences from commodity to commodity in the roles of and relationships between local producer associations, the national commodity association, and UPANIC. The specific relationships are treated in Annex B.

UPANIC currently has a Board of Directors, President, Executive Secretary, part-time accountant, two secretaries, a janitor and a watchman. Their principle sources of revenue have been membership contributions and donations received from foreign donors; their activities have been concentrated in representation and policy dialogue of their members in the difficult years of the Sandinista government. UPANIC's experience in these areas and its resulting relationship with its members make it the only viable organization through which to direct assistance to the private farmer beneficiaries of the Project.

APENN, the Nicaraguan Non-traditional Producers and Exporters Association (APENN) was formed in May of 1990 at the initiative of a few visionary Nicaraguan producers who felt that Nicaragua needed a new, not-for-profit entity aimed at promoting non-traditional exports in general, particularly non-traditional agricultural exports. They solicited the help of local agribusinesses and held an organizational meeting. A decision to proceed with the organization of APENN was made which resulted in it's being the first private sector development organization to be recognized formally by the new Nicaraguan legislature. It's current membership remains at approximately 200 while APENN

consolidates its management/administrative capacity to provide increased services to members.

The success of APENN to date is directly due to assistance from ROCAP/PROEXAG, an \$8 million project designed to create and/or strengthen private sector capabilities through the provision of hands-on training and technical skills related to production technologies and market intelligence for non-traditional agricultural exports. ROCAP/PROEXAG began to provide core investment and operating support for APENN along with information, export promotion, and training support. Specifically ROCAP/PROEXAG and APENN targeted reopening and expanding the USDA/APHIS enterability product list, conducting a "kick off" training seminar on general aspects of NTAE operations, intensive technical assistance on honeydews, information trips to Guatemala and the U.S. for APENN members, a rapid appraisal of transportation constraints, and on-farm trials for asparagus, brambleberries, and ornamentals. It has also brought in potential outside investors to look at a private mango operation and a public owned vegetable packing operation. The first export crop of melons valued at \$2-3 million through the first five months of 1991 are the direct result of APENN efforts with ROCAP/PROEXAG assistance.

The characteristics and directions of APENN and its success in a short period of time make it the only real viable option for reaching beneficiaries in the NTAE sector and promoting the development of viable NTAE business enterprises. Its primary function will remain that of providing timely and quality information and technical assistance ("know-how") to NTAE businesses.

b. Characteristics of the Commodity and Local Associations.

Detailed descriptions of the organizations in each commodity sector are in Annex B, including livestock, coffee, cotton, rice, sorghum, and dairy. There are three principle types of services provided to farmers by the commodity federations and local associations: (1) representational or indirect services; (2) direct technical services; and (3) direct commercial services.

The make-up of associations within each commodity group is different, but there are a few important generalizations that apply. First, these associations were formed by farmers out of a strongly perceived need to be represented and defended, first within the repressive policies of the Somoza government, and then in the hostile environment of the Sandinista government. Second, the members are purely private sector, and the associations are managed with a strong sense of bottom line accountability.

Third, the whole network was created from the bottom up, and there is a strong sense of ownership of UPANIC and the commodity associations by the local producer associations.

The farmer members of the producer associations tend to have personal characteristics that contribute to the strength and stability of their organizations. Most of the member farmers come from the better educated segment of society, and most are farmers who felt a strong sense of commitment to their community. Almost all members are full-time producers who live on and work their own land. Finally, each of the associations shares the common characteristic that while they are virtual shadows of their former selves, they are strongly optimistic that they will not only recuperate previous levels of productivity, but will surpass them and assume the role of agricultural leaders of Central America. They have very high expectations for themselves and for the potential of their associations to provide many of the services they will need in their recovery.

2. Recommended Project Approach

a. Project Approach.

The project approach that is most consistent with the institutional setting is to build upon the natural characteristics of the UPANIC member associations and network, for traditional agriculture and APENN for NTAEs and should have two principal components: strengthening the institutions from the bottom up, and direct the great bulk of resources to support activities that will have a measurable impact on productivity and profitability at the farm level. The specific relationship between strengthening of representational and direct technical services should be as follows:

- (1) Directly strengthen the technical and commercial services of local level producer associations and APENN.
- (2) Provide support to the services of UPANIC and the commodity associations if they directly support the local associations and could not be carried out locally.
- (3) Provide technical assistance at all levels, as needed, in improved administration and organization.
- (4) Strengthening of the delivery of technical and commercial services will result in measurable increases in productivity and profitability, which in and of itself will justify the project.

- (5) The assistance provided in 1, 2, and 3 will, additionally:
- increase membership,
 - increase association income,
 - improve communication at all levels, and
 - create a greater institutional presence.
- (6) Because there are few formal representational activities that can be discretely identified, supported, and whose results can be objectively measured, the project will provide only limited assistance in support of representational functions.
- (7) The combined results of 5 and 6 will adequately prepare UPANIC, APENN, and the PAOs to represent their members as will be required in the future.

b. Design of Assistance.

The recommended approach is to design a system for selecting proposals for assistance, with the project including activities in support of the design and selection process, as well as implementation of the service programs. Reasons are:

- (1) there are too many different associations with different needs to standardize an approach or design different approaches in pre-project activities;
- (2) the conditions of the agricultural sector are changing too quickly to identify the constraints that might be most important a year or two into the project; and
- (3) the PAOs will need to develop new approaches to new problems and opportunities that they have not faced in the past, and will need time and assistance in analyzing problems and coming up with appropriate and feasible programs.

The implications of taking this approach are that:

- (1) the project needs to be front-loaded with assistance in developing proposals;
- (2) an effective method of selecting the best proposals is needed; and
- (3) there is a significant management burden of accounting for and supporting a series of different subprojects.

B. Social Soundness Analysis.

The social soundness analysis addresses three areas of concern: (1) socio-cultural feasibility, (2) spread effects, and (3) incidence of benefits. The analysis is based on information

gathered in interviews in Managua (the same ones listed in the institutional analysis) and field visits in which between 150 and 200 farmers were interviewed, individually or in groups of six to twenty at a time. Representatives of other sectors of society, and professionals at INCAE, CINASE, etc., were also asked about their relations with and attitude toward the UPANIC affiliated farmers.

Working through UPANIC, APENN, and the local associations to assist private farmers is the only real viable organizational option for assisting private farmers because of the working relationship and trust built up through the member associations in a difficult political environment. The democratic nature of these organizations and the project interventions are compatible and show strong socio-cultural feasibility. Project interventions are specifically designed to encourage the interest of the farmers in self-help allowing them full participation in the design and implementation of activities to address their productivity problems.

Spread effects will be rapid and equitable among the estimated 20,000 direct beneficiary farmers of the UPANIC-APENN network. Spread effects among small farmers and others outside this network will vary depending on the sector in question. Coffee and livestock will have greater spread effects than other sectors due to the nature of the technology used in these sectors. Spread effects for the smaller private farmers are a concern and will be studied as a part of the mid-term evaluation. Two special concerns about benefit incidence were studied: benefits to women and benefits to the rural poor. The analysis showed that both women and the rural are expected to receive significant benefits in the way of employment generated by the increased agricultural production resulting from the Project.

C. Financial Analysis.

The financial analysis in Annex C is divided into three parts: 1) financial viability; 2) financial sustainability; and 3) detailed cost estimates for the Project. This summary will only address the first two parts.

1) Financial Viability

The purpose of the first part of financial analysis is to estimate the effects of a subgrant upon the PAO (and its individual members) to which the funds are directed. The analysis relies for the most part upon a partial, or enterprise budget of costs, incomes and net incomes of typical producing members, and of recovery schedules and methods for investments, and operating costs of the PAO that arise from the subgrant. The effects of a subgrant might be measured in terms of production efficiencies achieved, increases in income or employment,

generation of foreign exchange, etc. Some subgrants will be made to support salaries of PAO employees, to help develop and extend technical information, or to provide other services to members, that in themselves generate no directly measurable results. These activities, taken by themselves, must be analyzed by a cost-effectiveness approach. Recovery and sustainability of most of the types of activities would be from service fees, markets check-offs, surcharges on sales at the PAO stores, etc.

Since proposals for subgrants will be generated and forwarded to the Steering Committee some time after the project is activated, it is not possible to do such an analysis for this Project Paper. For illustrative purposes, five examples were developed from data collected during field visits. Two of these are for livestock associations, and one each is for coffee and sorghum producers, and one for APENN using data from this year's honeydew melon crop. Each analysis contains a brief description of the association area and a list of needs identified by members of the particular association. This is followed by an illustrative financial analysis of one of these identified needs, for which some data were available. The analysis in Annex C includes only the investment costs and returns over the five year period of the Project with the exception of one of the subprojects which took a seven year analytical period to be profitable. The results show that the investments are profitable giving net present values ranging from \$300,000 to \$1.7 million.

2) Financial Sustainability

The issue of financial sustainability in the Project is addressed at the three different levels where Project assistance is being directed: the local associations and commodity federations (PAOs); UPANIC; and APENN. Sustainability is being addressed for the PAOs by making this one of the criteria by which the subgrant proposals will be judged. The institutional subgrants proposals must justify activities by demonstrating how they will make the PAO a more viable sustainable organization. Productivity subgrant proposals will have to demonstrate how the proposed services to be funded are financially sustainable through payment for the services by the members. Sustainability for UPANIC's direct institutional strengthening activities will be addressed through Project implementation. Given UPANIC's strength and level of funding prior to the difficult years in Nicaragua, it is expected that UPANIC can be financially self-sustainable once the agricultural sector regains its productivity. UPANIC will develop a specific sustainability plan by the end of the second year of the Project showing how it will raise sufficient revenues through membership dues, fees for services, and/or a check-off system on the sale of the members' farm produce to cover operating expenses. The financial analysis in Annex C provides some examples which demonstrate that UPANIC's financial self-sustainability is feasible.

Regarding APENN, ample studies and evaluations of NTAE promotion institutions in the region show that sustainability is not possible in the short-term given the long-term investments that producers have to make without paying the cost of TA. Based on experience in other countries, the assumption used in the paper is that APENN can become sustainable within a 10 to 15 year time frame. The strategy developed in the Project is for APENN to reach a level of sustainability of 50% of operating costs by the end of the Project. APENN will develop a specific sustainability plan by the end of the second year of the Project showing how it will raise sufficient revenues through membership dues, fees for services, and/or a check-off system on the sale of the members' farm produce to reach this goal. The financial analysis provides some examples which demonstrate that reaching this goal is feasible.

D. Economic Analysis.

The purpose of an economic analysis is to estimate the impact of a project upon society, over the planned project life. The usual procedure is to aggregate the data from the financial analyses of subgrant proposals, and to adjust costs and prices to "social" values. Project net costs and net benefits would then be calculated for each year of the project life (five years, in this case), and one of several analytical methods used to estimate a measure of project worth.

In Annex D, the financial analyses for the four illustrative subgrant proposals are used to illustrate the derivation of estimates of the net present value of the Project and a benefit-cost ratio using discounted values for the benefits and costs. In all cases, analyses were done on the individual examples, as if they were independent projects. This produces several indicators that can be used in ranking of subgrants. The five examples are used to produce an overall estimation of the economic return from investing in the Project. The overall benefit-cost ratio using discounted values of benefits and costs is approximately 3:1 indicating that the activities of these five examples would generate a combined net present value (NPV) three times the NPV of the investment and operating costs. All other things being equal, this presents a very worthwhile return and shows that the Project should be undertaken.

E. Technical Analysis.

The project technical analysis looks at the range of services that the project might deliver, at the perceived need for these, and at the ways that deliveries can be effected most efficiently. This discussion is detailed in Annex E. A list of twenty-nine needs were gathered in field interviews, some being mentioned more than once. They range from institutional support, through

major agro-processing structures, to specific technical assistance at member/producer levels.

A discussion of the subgrant process deals with the nine steps that should be included in the procedure, from registering eligible associations, through definition of selection criteria, to USAID approval. A second area of discussion lists seven criteria that should be included in the procedure, to be adopted by the Steering Committee. The most important criteria that will be included are the ability of the subgrantee to manage the grant, financial viability, and financial sustainability. This is followed by a format suggested for subgrant proposals, so that they are basically comparable. At the end of the Annex, there is an illustrative example of a format, based upon the data collected from a coffee association. Included in this illustration are a Use of Funds table, Coffee Enterprise Production Budget, Financial Analysis, Capital Recovery Plan, and an Aggregate Economic Impact Analysis.

F. Environmental Analysis

The IEE for this Project was given a deferred positive recommendation because of the possible purchase and use of pesticides under the subgrants. It was decided during project design to combine the environmental assessment (EA) of this Project with the EA for the Natural Resources Management Project (524-0314) because that Project also has a pesticides component. The EA for the NRM Project will thus provide an analysis and set of recommendations governing the purchase and use of any pesticides or other agro-chemicals under the subgrant components of this Project. This project will have a condition precedent for disbursement of the subproject components that the EA be completed and the measures recommended in the EA be implemented.

V. EVALUATION AND MONITORING PLAN

A. Surveys and Data Collection

Data of several sorts are necessary for the proper management of this Project. The first need is a survey by Associations of their own status. This would include date of affiliation with UPANIC, names of Boards of Directors, number of active members, activities undertaken by the Association, number of employees, etc. APENN will provide this same data to AID as a part of its reporting requirements. This would provide the necessary minimum of information needed to establish the eligibility of the Association to participate in the subgrants under the Project. This data will be obtained from the commodity federations and local associations as one of the first activities of the Grant and will be updated on an annual basis.

A second set of data will come from a small random sample of Association members. This would ask for summary data such as scale of the enterprise (number of manzanas, animal units, etc.), production costs, prices, yields, where the product is marketed, use of credit if any, and problems encountered in the production process. These data would provide a baseline against which progress under the subgrant could be measured, at chosen stages of the Project. This data will also be obtained from the commodity federations and local associations as a requirement to receive a subgrant and will be updated on an annual basis. In this area, APENN will maintain a data bank to include costs of production, costs of post-production handling and transport, prices, and production levels in Nicaragua for the export crops for which it develops a module.

A third set of data are those required to support a subgrant proposal. This generally would be a partial farm budget taken from the member survey above. Melding of the survey data into a model representing the average position of members, produces the basis for a financial analysis of the proposal. This then feeds into the Steering Committee for its selection process. The data collected for the proposal will be used as a baseline to measure the impact of the subgrants. The PAOs will have to provide annual updates on the increases in productivity resulting from the subgrant activities.

The fourth set of data required will be the quarterly reports from the Associations receiving subgrants. These will include quarterly reports of activities in compliance with the approved work plan and budget, and will be attached to advance/liquidation requests. In addition, the subgrantees will include data outlined above on subproject impact describing the qualitative changes in farmers' circumstances as a result of their subgrant activity, and estimate the quantitative impact in yields, areas planted, price increases, cost savings, income, quality changes, etc. Impact data will not be provided in every quarterly report, but at a minimum the last quarterly report of the year must include detailed data used to measure subproject impact as discussed above. Reporting requirements for the subgrantees will be detailed in the subgrant agreements.

B. Monitoring, Reporting, and Evaluations

Monitoring and reporting will be done at several different levels of the Project. Grantee and contractor performance will be monitored directly by the USAID Project Officer. Monitoring will be based on observation of performance (in the PStC, etc.) and quarterly reports. APENN, UPANIC, and the PMSO contractor will provide quarterly reports to AID containing financial data on commitments and expenditures and information on the delivery of outputs and Project impact. The contractor's quarterly reports will be based on quantifiable targets of performance of both the

contractor and the PMSO. UPANIC's quarterly reports will additionally include indicators of performance by subgrantees. On an annual basis, APENN and UPANIC will provide AID with data on Project impact compiled from the data sources outlined above.

Project evaluations are scheduled at the end of the second and fifth years of the Project and will be directly contracted by AID. The first project evaluation will be done prior to the departure of the institutional contractor for the UPANIC PMSO. For UPANIC, the evaluation will focus on the ability of UPANIC to assume complete management of the PMSO without further assistance from the contractor, the progress in the subgrant process, spread effects to smaller farmers outside of the UPANIC-APENN network, and Project impact. For APENN, the evaluation will focus on its progress in developing its export crop modules and its information center. The final evaluation will focus on delivery of outputs under the Project, project impact, spread effects to smaller farmers outside of the UPANIC-APENN network, and achievement of the Project purpose.

ANNEX A

LOGICAL FRAMEWORK

Private Agricultural Services Project
(524 0315)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p><u>Goal</u></p> <p>To increase the stability and incomes of private agricultural producers in Nicaragua</p>	<p>Increased employment/per capita income of private agricultural producers</p>	<p>Surveys by associations on their membership</p>	<p>Stable political and economic situation favorable world market prices for agricultural commodities and NTAEs</p>
<p><u>Project Purpose</u></p> <p>To strengthen private agricultural organizations in order to improve agricultural productivity</p>	<p>1 Increased yields 2 Decreased Production Costs 3 Increased Weaning rate for cattle and reduced death losses 4 Increased Production of NTAEs</p>	<p>Project Impact Reports using data collected by the PAOs on an annual basis</p>	<p>1 GON pricing policies for agricultural inputs and outputs provide incentives to private agricultural producers 2 Good weather for agricultural production 3 Credit is available for both long and short term investments for private agricultural producers</p>

PDIS OFFICIAL FILES

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p><u>Outputs</u></p> <p>I Institutional Strengthening of UPANIC and Affiliates</p> <p>Improved capacity of UPANIC commodity federations and local associations to represent their membership and provide services to their membership to increase farm productivity</p> <p>Improved capacity of UPANIC to dialogue with the government on economic and other issues related to agriculture</p> <p>II Productivity Subgrants</p> <p>Delivery of services by PAOs such as extension intermediation of inputs veterinary care machinery pools etc which will directly increase farm productivity</p> <p>III Diversification to NTAEs through APENN</p> <p>Information center</p> <p>Five functioning export crop modules</p> <p>Dialogue with the GON to eliminate policy constraints and infrastructure barriers</p> <p>Forty Training Courses</p>	<p>1 1 PAOs delivering a greater number of services and services of higher quality to their membership Increased membership in PAOs and Increased gross income of PAOs</p> <p>1 2 UPANIC Economist has current database on agricultural production costs and produces reports on policy issues to dialogue with the government UPANIC board participates in public forums on agricultural policy issues</p> <p>2 1 Number and types of services delivered by PAOs to members</p> <p>3 1 Information available at APENN on production and marketing of export crops 3 2 Modules designated and assistance available for each export crop 3 3 Reports on dialogue process</p> <p>3 4 Attendance at training courses</p>	<p>1 1 Project Impact Reports PAO Financial Reports</p> <p>1 2 Copies of production cost data tables and copies of reports on policy issues Briefing papers and program schedules showing UPANIC participation in public forums</p> <p>2 1 Project Reports and Project Evaluation</p> <p>3 1 Information Reports provided upon request.</p> <p>3 2 Reports on export crop modules</p> <p>3 3 Copies of Reports</p> <p>3 4 Reports on Training courses</p>	<p>1 Producers support PAO improvement through increased participation and financial contributions</p> <p>2 Producers support PAO services through increased use and payment for services</p> <p>3 APENN members contribute financially to cover some of the costs and/or funding can be attracted from other donors to underwrite some of the costs</p>

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Inputs (\$000) -----</p> <p>I Institutional Strengthening</p> <p>Project Management and Support Office</p> <p>Employees 339 3 Operations 157 6</p> <p>Subgrants 2 300 0</p> <p>UPANIC</p> <p>Employees 478 4 Operations 110 4 Tech Asst 30 7</p> <p>II Prod Subgrants 1 200 0</p> <p>III NTAE/APENN</p> <p>Personnel 735 7 Training 20 0 Information 16 2 Operations 379 3</p> <p>Institutional Contract</p> <p>Equipment 236 7 TA and Administration 1 218 3</p>	<p>TA contracts, employee contracts, contractor reports, equipment in institutions, subgrant activities carried out, and ongoing Project operations in APENN and UPANIC</p>	<p>Copies of contracts, quarterly reports, audit reports, and evaluation reports</p>	<p>Logistical and/or political problems will not prevent the inputs from arriving and being processed as planned</p>

Annex B

INSTITUTIONAL ANALYSIS

I METHODOLOGY

This analysis is based primarily on field visits and interviews conducted during two trips to Nicaragua, in November 1990 and March 1991. At fifteen of approximately 37 local producers associations meetings were held with groups of ten to thirty directors, members, and managers, and site visits were made to farms, stores, and other association facilities. Interviews and discussions were not formally structured by a survey instrument, but were nonetheless in depth and analytical discussions of current conditions, problems, and attitudes - focussing both on the agricultural enterprise and the producer's association itself. Three independent, private cooperatives were visited and interviewed in equal depth.

Similar interviews were held with each of the six principal commodity associations, and, in addition, a separate visit was made to a regularly scheduled board meeting of the coffee, cotton, and livestock associations. Interviews were conducted with the President and Executive Secretary of UPANIC, and their legal documents and accounting procedures were reviewed briefly. The operational and organizational activities of UPANIC were observed first hand over a period of several weeks, as much of the work in preparation of the project was carried out in their offices.

Additional background was obtained from interviews with representatives of the National Development Bank, The Nicaraguan Investment Fund (FNI), INCAE, The Nicaraguan Development Foundation (FUNDE), The Nicaraguan Credit Union Federation (FECANIC), the Minister of Agriculture, the National Union of Farmers and Cattlemen (UNAG), and USAID. Two reports by NCBA, ACIDI, and VOCA, "Estudio Preliminar y Exploratorio del Sector Cooperativo y Asociativo Agropecuario Nicaraguense" and "Private Sector Agricultural Organizations in Nicaragua: Problems and Opportunities" also provided useful background.

II. PRIVATE AGRICULTURAL ORGANIZATIONS IN NICARAGUA

The current organization of the agricultural sector in Nicaragua is the direct result of a period of extreme political, economic, and social upheaval. It has been transformed dramatically, and it is subject to continued transformation in the future. The institutions do not fit into the typical mold of public and private sector institutions of other Central American countries,

and it is likely that the development of these institutions will continue to be atypical. The attached graphic lays out the basic framework of agricultural organizations in the current Nicaraguan political setting. As can be seen, there are three principal institutions supporting Nicaraguan agriculture - the Ministry of Agriculture UNAG, and UPANIC.

A UNAG AND THE GOVERNMENT

The Ministry of Agriculture is currently limited in its ability to provide typical technical support services to the sector because of both budgetary limitations and organizational problems that the government has suffered generally in the transition. In addition, the policy of the Nicaraguan government is to attempt to restrict the growth of government in the future as part of the overall management of the economy, which has been plagued by hyperinflation and excessive growth of a non-productive public sector.

UNAG is the umbrella representational organization for the agricultural sector that was created by and supported under the Sandinista government. Its base level organizations are the cooperatives that were formed through agrarian reforms and land confiscations. UNAG itself was created as a political response to UPANIC, which exerted itself as a strong oppositional voice to the Sandinistas in the early '80s. While the UNAG system represents a significant number of farmers, it suffers from two significant flaws. First, the member cooperatives were formed primarily as an expedient solution to political and social problems, but with no regard, with a few exceptions, for productive potential or business management. Second, the service delivery system established through UNAG by the Sandinista government featured levels of subsidization of credit and supplies that virtually bankrupted the system. UNAG is currently receiving an approximately \$30 million donation from the Swedish government to support its ECOPEDA supply store network.

B. UPANIC AND MEMBER ASSOCIATIONS

1. UPANIC

UPANIC was formed in 1979 as a union of three commodity associations - UNCAFENIC (coffee), CAAN (cotton), and FAGANIC (cattle). These associations were originally interested in protecting their members from what were perceived as threatening policies of the Somoza government. When these associations formed UPANIC, then, the Sandinista government recognized it as legitimate representative of the non-Somoza private sector. Its legal status, in fact, is based on a law which created a seat for UPANIC in the new congress. As the Sandinista government became

more and more restrictive of private sector interests, however, UPANIC began to function more as a strident minority voice in an adverse political environment

Since its creation, and as part of its representational role, UPANIC has also promoted the increased organization of the commodity and local producer associations, with rice, cane, sorghum, banana, and dairy joining; but the essential characteristic of the UPANIC network is that the producer groups created UPANIC and not the reverse.

UPANIC is technically the umbrella of a federated system, in which the directors are representatives of seven national level commodity associations, which in turn are direct representatives of local level producer associations. This federated system does not operate, however, in a pure form of hierarchical organization. Because the whole system emerged from bottom to top and in different commodity groups, there are significant differences from commodity to commodity in the roles of and relationships between local producer associations, the national commodity association, and UPANIC. The specific relationships are treated below

UPANIC currently has a Board of Directors, President, Executive Secretary, part time accountant, two secretaries, janitor and watchman. Their offices are rented, and they own capital consisting primarily of one vehicle and office equipment. Their principal sources of revenue have been membership contributions and donations received from foreign donors.

The Board of Directors is composed of 28 Directors, six each from cotton, coffee, and livestock (the original founders of UPANIC), and two each from sorghum, rice, dairy, cane, and banana associations. The Directors for each commodity are democratically elected by the members of each commodity association. The Board meets on an approximately weekly basis as the principal forum for discussing primarily policy and legal problems and solutions. The same board meets annually to handle official business such as bylaw changes, election of officers, annual budgets, etc.

There has been only one President of UPANIC during its existence, with elections having been held several times, but not regularly. The primary reason for the continued tenure of the current President has been the perceived need to maintain his seniority and experience in representation within COSEP and before the government

The Executive Secretary is the permanent presence in the UPANIC offices. He writes articles for publication in newspapers and

position pieces for communication to the government, donors, etc. He also organizes meetings of the Directors, communicates with commodity and local associations on current topics of interest, assists in the coordination of legal services, and serves as an informal clearinghouse of a variety of information for member associations.

In the early '80s, UPANIC received a grant from USAID which permitted the procurement of vehicles and hiring two staff economists in support of their representational activities. Since that time, however, as the agricultural sector contracted member dues were reduced and UPANIC's scope of activities have been greatly cut back. UPANIC currently operates without a formal budget. Member dues have been reduced from \$30/month to \$10/month, although the plan is to increase them back to the original level in the near future. During the last several years, operations have been conducted at a minimum survival level, with the Executive Secretary's salary being cut from \$1,500 to \$350/mo, and money being raised through the sale of two vehicles, and occasional cash shortfalls being covered by personal loans. The Executive Secretary has made up some of the salary loss through a limited wholesale supply operation to member associations. There are no formal fundraising activities as a matter of policy (due primarily to restrictive laws under the former Sandinista government).

While UPANIC is currently carries out very limited activities, their situation needs to be interpreted within the institutional context of the country. The financial problems are to a large degree a result of the tremendous contraction of the private agricultural sector. Cotton production is at 25% of its historical high, coffee production is off 50%, and the value of beef exports is approximately 20% of what it was twelve years ago. The impact on private producers is compounded by the fact that the private sector's share of production has also been reduced from 100% of the total to between 40 and 70%.

For the purpose of an implementational entity for this Project, UPANIC offers the great advantages of strong institutional identity, recognized leadership, experience in representation and policy dialogue, the ability to organize and mobilize its member associations effectively, and a very appropriate sense of ownership by the local member associations. Given UPANIC's experience and relationship with its members, no other organization can compare in being able to carry out development activities for private farmers in Nicaragua. The UPANIC Directors, President, and Executive Secretary are all capable, well educated, and dedicated individuals.

2 Characteristics of the Commodity and Local Associations

a Common Characteristics

The makeup of associations within each commodity group is different, but there are a few important generalizations that apply. First, these associations were formed by farmers out of a strongly perceived need to be represented and defended, first within the repressive policies of the Somoza government, and then in the hostile environment of the Sandinista government. This has created a sense of unity and cooperation for the common good that is unusual within the private sector.

Second, the members are purely private sector, and the associations are managed with a strong sense of bottom line accountability. In virtually every association services and cooperative type commercial enterprises were formed to generate revenue to ensure the viability of the association.

Third, the whole network was created from the bottom up, and there is a strong sense of ownership of UPANIC and the commodity associations by the local producer associations. The members generally expressed confidence in UPANIC and the commodity associations, with the reservation that they should maintain their representational role. There was also a good system of frequent communication between local and national leaders, based in large part on the healthy feeling that the local associations own the nationals.

In addition, the farmer members of the producer associations, while they are socio-economically diverse, tend to have personal characteristics that contribute to the strength and stability of their organizations. First, leadership--most of the member farmers come from the better educated segment of society, and most are farmers who felt a strong sense of commitment to their community. Second, dedication to agriculture--almost all members are full time producers who live on and work their own land. The very large Somoza estates and the land of most absentee owner/farmers was confiscated in the early Sandinista days. The result is that in many cases the producer associations are organizations of private farmers that share many characteristics with North American granges, farmer unions, or service cooperatives, which have been generally quite successful as compared with the more traditional social cooperative of Latin America.

Finally, each of the associations shares the common characteristic that while they have been greatly weakened over the last ten years, they are strongly optimistic that they will not only recuperate previous levels of productivity, but will

surpass them and assume the role of agricultural leaders of Central America. They have very high expectations for themselves and for the potential of their associations to provide many of the services they will need in their recovery.

b Specific Characteristics by Commodity

1) Livestock

FAGANIC is the national level federation of livestock associations. It was formed in 1979 by private cattlemen who were discontent with the representation given to the sector by the AGN (Asociación de Ganaderos de Nicaragua), which was perceived as being under the control of the Somoza interests. FAGANIC is the largest commodity association within UPANIC with a permanent office, several employees, vehicles, office equipment, etc., and with 25 member local livestock associations.

Operations are supported by a voluntary check off on animals passing through the slaughterhouses, the proceeds of which are divided between the local and national associations. There are approximately 6-8,000 farmers affiliated with the local livestock associations, but the exact number is not clearly defined because many of the associations have reduced activities and lost membership during the recent period of economic hardship. The estimate is that FAGANIC affiliates account for 60-70% of national beef production, or a value of output of approximately \$30 million.

FAGANIC itself is purely representational at present, with the principal concern being repatriation of confiscated land, animals, and property to the owners. In the past FAGANIC provided technical services through regional extension representatives, and in the early 1980's their program was supported by an AID grant. The local level livestock associations generally represent membership of 200 - 400 farmers. In addition to representing their political and legal interests, the local associations generally maintain a small (i.e. inventory of \$5-15,000) supply store, including veterinary pharmacy, and some provide other services such as scales, corrals, vet services, coordination of delivery to slaughterhouses, artificial insemination, and technical assistance.

2) Coffee

UNCAFENIC is the umbrella coffee organization. Of the approximately 10,000 private coffee farmers, there are about 5-6,000 affiliated with UNCAFENIC. Unlike FAGANIC, however, the national level association is quite weak, with no office or

permanent employees, and the leadership has traditionally emerged at local levels

The local associations are organized into 4 regions. Within those regions there was traditionally a network of small local associations or committees. Matagalpa in the early 80's, for example, had a total of about 7,000 members within its region, broken down into groups of as few as 30 farmers. During the last ten years, the smaller groups of farmers have dissolved, with only about a dozen local associations surviving in a tenuous way.

The coffee associations tend to be reasonably heterogeneous in the makeup of their members, with some very large, some medium, and some smaller producers. Coffee farmers also tend to be woven into the social fabric of hillside production, with close physical ties to neighboring farmers who may or may not be association members. Many of the leaders among the coffee groups are well educated, with several having graduate degrees. The Masatepe association had two PhD's among its members at one time, and was a technological leader in Central America.

The local associations function very much like service cooperatives, and are often referred to as "cooperativas", but could not be officially named a cooperative without affiliation to the sandinista government through UNAG. They have supply stores, and have in the past provided a wide range of technical services, including technical assistance, seminars, certified seed production, collection and sale of basic grains, applied research, and marketing assistance.

3) Cotton

CAAN represents 3 local associations, each of which is, in essence, a cooperative cotton gin. There are about 80 to 120 members in each association, with about 120 manzanas of cotton per member. Taken as a whole they represent about 50% of national production.

An independent cooperative of small cotton growers with about 1200 members has recently applied for membership in UPANIC through CAAN, and the indications are that they will be admitted. CAAN itself does not have an office or permanent presence, but is merely the name under which the three associations meet. The six seats on the UPANIC Board are divided two per association, and each operates independently of the others. As cooperative gins, each association owns a considerable facility, and processes and markets its members cotton, in addition to selling supplies and providing technical services. The gins, however, are operating

at well below capacity due to the decline in cotton production, and the associations' services are considerably cut back

4) Rice

The National Rice Grower's Association (ANAR) is a tightly held and efficient organization of about 85 irrigated rice growers. It was established in 1979 with 2,000 shares being distributed among the members in proportion to the amount of land in rice. This is the one exception in which the national association was formed first and the five local associations later, with the national association being the primary provider of services.

ANAR owns two subsidiary enterprises, COARSA and ANASEMILLA. COARSA is a marketing agent that handles only about 4% of the country's rice, but which was formed both as a means of collecting dues and as a hedge against unfair pricing by other rice marketing agents. ANASEMILLA is a certified seed production company, that includes a 400 mz farm and processing plant. ANAR had another enterprise, TECHNOAR, that was supported with an \$80,000 AID grant in the early '80s to conduct applied research and technology transfer. It was discontinued after AID support was cut off by the Sandinistas. ANAR members produce between 35 and 50% of national rice production, depending on weather conditions (i.e. in dry years their irrigated rice has a larger share of the total).

5) Sorghum

The National Sorghum Producer's Association is the least formal of the organizations, with about 170 members and several local committees, none of which has a permanent office or technical service. The function of ANPROSOR has been representational, and they have conducted analyses of the problems of their sector and have solicited assistance from the government and international donors. However, sorghum production tends to be associated with cotton, livestock, and sugarcane enterprises, and many of the sorghum producers might consider themselves primarily cotton growers, etc.

6) Dairy

FONDILAC is the milk producers' association. It was formed in 1966 with the purpose of processing its 400 members' milk and providing technical services. It now has 135 members still making regular deliveries to the plant, and it represents another 1,200 cattle producers who sell some milk, but who are not regular members. FONDILAC is the sole owner of the milk plant La Selecta. FONDILAC itself has 17 employees, half the number it

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had in 1979. La Selecta has a capacity of 28,000 gallons and is currently producing about 8,000 gallons/day.

III INSTITUTIONAL ISSUES, ALTERNATIVES, AND RECOMMENDED APPROACH

In addressing the institutional concerns in the Project, the design team confronted a series of interrelated issues some of which needed resolution before others could be resolved. The rest of the institutional analysis thus addresses these issues in the order they needed to be resolved and provides the solutions for the various administrative and management issues of the Project.

ISSUE # 1 Institutional Development vs. Production Impact

The dilemma of the Nicaraguan agricultural sector is that both services are virtually non-existent and levels of profitable production that would normally generate revenue to support the provision of services are 20-40% of what they were ten years ago. The problem is compounded by the prospects for development of services in the public sector. It is unlikely that governmental policies will permit an expansion of technical services that would be traditionally provided by the Ministry of Agriculture. UPANIC and its member associations no longer provide services due to their weak financial position and are primarily representational at this point in time. These services are important to growth of the sector but are normally difficult to privatize.

The questions that are raised in project design as a result of this dilemma are: 1) how much of Project resources will be dedicated to a general strengthening of UPANIC and the commodity associations to create better representational organizations and how much will be dedicated to technical and commercial service delivery at the farm level? and, 2) should the project fund activities that can have an immediate impact on productivity but which either tax the institutions or are not sustainable?

The relevance of the first question is illustrated by the number of private sector umbrella organizations that have been created and supported in development projects in Central America, in which the conventional wisdom is that the representational role is of primary importance for the private sector, and in which the distribution of resources is highly skewed to the creation of central offices with highly trained professional staff.

First, it is important to recognize that with the exception of development of nontraditional exports where farmers have little experience, the principal constraint to the rapid development of the agricultural sector is financial, not technical. Constraints for development of nontraditional agricultural exports are both

technical and financial. The sector is decapitalized and illiquid. The most important short to medium term role of the PAOs is likely to be assistance in the provision of credit and investment capital to the private producers. The exact role of the PAOs in the provision of credit is undefined given that there are no immediately available financial resources for credit delivery. The clear implications, however, are that 1) in the traditional agricultural sector, the impact that will be achieved by technical assistance alone through this project are insignificant compared to the magnitude of the problem and the potential impact of financial assistance, and 2) an important consideration in providing assistance to the PAOs is to ensure that the institutions are well prepared to represent their members in the eventual identification of sources of credit, investment capital, and financial assistance, and to react effectively and appropriately to the conditions under which the financing is available. 3) For the development of nontraditional exports, the provision of technical assistance in production and marketing does have real pay offs without immediate credit. If farmers can adequately produce an export quality crop, credit is often available from foreign produce companies interested in purchasing the produce or other sources.

It is equally important to recognize that the reason for most of the PAOs' existence is to represent their members, and that this will most likely continue to be the primary force that sustains them in the future. Representation at the national level by UPANIC has, in the past, largely consisted of defending the members' interests against the policies of a hostile government, and has entailed a primarily reactive posture in an adverse environment. In the future, with expected political and economic changes, however, representation will mean something very different--including, making positive recommendations to supportive government, and identifying and reacting to opportunities (market outlets, sources of technology, etc., as well as financial opportunities as mentioned).

Another important consideration, however, is that the local associations within UPANIC were formed under the philosophy that their ability to represent the private farmers depends primarily on the number of members and the bond between the local association and its members. This bond is a direct result of the delivery of tangible productive services on a day to day basis. That is, at the local level, there is no necessary inconsistency between service delivery and institutional strengthening in the context of UPANIC private sector associations.

Conclusions and Recommendations The project approach that is most consistent with the institutional setting is to build upon

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the natural characteristics of the UPANIC member associations and network, and should have two principal components

- 1) strengthen the institutions from the bottom up, and
- 2) direct the great bulk of resources to support activities that will have a measurable impact on productivity and profitability at the farm level and which can become financially sustainable. The specific relationship between strengthening of representational and direct technical services should be as follows

- 1) Directly strengthen the technical and commercial services of local level producer associations
- 11) Provide support to the services of UPANIC and the Commodity associations if they directly support the local associations and could not be carried out locally. Given the specialized nature of services needed for export crop production, assistance should be provided through an organization capable of providing these services to local associations and producers instead of providing each association with a small amount of assistance
- 111) Provide TA at all levels, as needed, in improved administration and organization
- 1v) Strengthening of the delivery of technical and commercial services will result in measurable increases in productivity and profitability, which in and of itself will justify the project
- v) The assistance provided in 1, 2, and 3, will, additionally increase membership, increase association income, improve communication at all levels, and create a greater institutional presence
- vi) Because there are few formal representational activities that can be discretely identified, supported, and whose results can be objectively measured, the project will provide only limited assistance in support of representational functions
- vii) The combined results of 5 and 6 will adequately prepare UPANIC and the PAOs to represent their members as will be required in the future

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ISSUE # 2. Design of Assistance

On the strategy of providing assistance to productive services and directing it from the local associations up, the question arises how to design the specific programs of assistance. The alternatives are to design specific programs of assistance for the PAOs prior to implementation of the project (the activities of which would be implemented during the project), or to design a system for selecting proposals for assistance, with the project including activities in support of the design and selection process as well as implementation of the service programs.

The recommended approach is the latter for support services for traditional agriculture for the following reasons for three principal reasons:

- 1) There are too many different associations with different needs to standardize an approach or design different approaches in pre-project activities.
- 2) The conditions of the agricultural sector are changing too quickly to identify the constraints that might be most important a year or two into the project.
- 3) The PAOs will need to develop new approaches to new problems and opportunities that they have not faced in the past, and will need time and assistance in analyzing problems and coming up with appropriate and feasible programs.

The implications of taking this approach are that:

- 1) The project needs to be front-loaded with assistance in developing proposals.
- 2) An effective method of selecting the best proposals is needed.
- 3) There is a significant management burden of accounting for and supporting a series of different sub-projects.

Support Services for Non Traditional Agriculture

With the advent of the CBI and increased AID emphasis on support for trade and outward oriented economies over the past 10 years, a significant body of knowledge has accumulated on the types of services necessary to support increased non traditional agricultural exports (NTAEs) and their respective impacts. This knowledge is the result of an over \$180 million AID investment in

crop diversification and non-traditional agricultural export programs since 1985 in CBI AID assisted countries

A November 1990 LAC Bureau and PPC/CDLE study entitled "Export Promotion and Investment Promotion Sustainability and Effective Service Delivery" identified five different institutional models in vogue and some criteria for choosing among them. The model used and the way that services are provided to diversify production to NTAEs depends on the clientele to be served (foreign investors vs local producers), the type of existing institutional structure that can be use for this purpose (membership, government, independent private entity, or project implementation unit), and whether the program primarily provides concentrated, customized assistance to a few targeted firms and producers or standardized assistance diffused across a large number of firms and producers (customized or standardized). The following are the five models

- 1 Government unit providing diffuse impact, sustainable, standardized services for investment promotion,
- 2 Independent private entity, providing concentrated high impact, but limited sustainable, customized services for investment promotion,
- 3 Membership organization, providing diffuse impact, sustainable, standardized services to members for export promotion,
- 4 Donor supported project implementation unit providing concentrated high impact, low sustainable customized export promotion services,
- 5 Targeted program within membership organizations providing customized export promotion services.

Several general conclusions were reached. The first was that export promotion and investment promotion require different services and different skills, and as a result should be housed in different organizations or at least separated as very distinct programs within a single organization. The same is true of customized versus standardized information and of agricultural versus manufacturing promotion. However, it was pointed out that there is no perfect model in terms of impact and highest return on investment and that, if possible, a model should be customized to the existing institutional infrastructure so as not to duplicate start-up costs and move the effort along faster.

The target clientele for the NTAE effort are the medium and large farmers in the local producer associations which have sufficient

capital to invest in such efforts. The only existing institutional infrastructure to provide assistance in the NTAE area is the Nicaraguan Association of Non Traditional Agricultural Producers (AFENN). Neither the GON or any other private organization has any capability at all in this area.

APENN is a membership organization focussed on export promotion for agricultural producers and agribusiness interests, many of APENN's members are members of producer associations under the UPANIC umbrella with a strong interest in diversifying away from monocrop farming. APENN was started in July of 1990 and has made considerable progress in institutional development. It proposes to provide customized and targeted assistance for which it will be difficult to recover costs. The issue at hand is whether supporting APENN with its planned program, helping APENN design a different program, or trying to start another organization with a different program is the best way to diversify production among the UPANIC affiliated producers and increase the production of NTAEs.

Given that the target farmers are affiliated with both APENN and UPANIC and the considerable progress APENN has made as a NTAE promotion organization, assistance through some other organization is not appropriate. The question is what type of program should be supported within APENN. Given the findings of the evaluation above, the program should clearly focus on export rather than investment promotion. This leaves the issue of customized versus standardized services (general information vs specific extension and marketing services) and sustainability. After the 6 year U.S. trade embargo, the Nicaragua agricultural sector is poised for a take off with grower interest and expectations very high. According to initial assessments of potential NTAE producers, they are at a stage where they need customized extension and marketing services and initial profitability will not enable them to pay for these services. AID should then subsidize these services in the beginning to build a strong group of NTAE growers and provide immediate impact in NTAE production. Once NTAE growth is achieved, APENN can switch to an emphasis on standardized information transfer and charging fees for its services to make its program sustainable. A strategy for sustainability is provided in the financial analysis.

ISSUE # 3 Project Management

There were three approaches to Project Management considered: direct grant or cooperative agreement with a US PVO to cover activities for both traditional agriculture and NTAEs, a cooperative agreement to UPANIC and Project management by UPANIC with a subgrant to APENN for NTAEs, and cooperative agreement to

UPANIC and a contract with an institutional contractor to manage project implementation for UPANIC components and a cooperative agreement to APENN with APENN management. The latter was recommended for the reason that it best takes advantage of the UPANIC and APENN institutional strengths, provides professional management expertise in the areas where UPANIC is weak and allows APENN the flexibility to continue to operate with the initiative that it has shown, and avoids implementation delays that would be needed to develop a management capability within UPANIC. A U S PVO offers experience and capability in project implementation and institutional development, and could provide complete accounting and administration of all project funds. UPANIC would be another subgrantee under this arrangement, similar to the member associations. Outside PVOs do not have the experience in policy dialogue and representation and can not develop the trust and working relationships with the local associations that UPANIC and APENN already enjoy. The PVOs would then be virtually reliant on UPANIC and APENN to carry out Project activities and would add very little capability to what UPANIC and APENN already bring to the Project while being considerably more costly. Private consulting firms can help provide UPANIC and APENN with the skills in AID project implementation and management that they need more effectively through a contract to provide the necessary implementation systems and staff training. While some PVOs may have equal expertise in these areas, they do not have a demonstrable advantage that would justify channeling all project funds through them via a grant with overhead charged on the whole amount of the Project instead of the amount needed to contract the necessary technical assistance.

APENN has demonstrated considerable initiative and it was decided that providing assistance to APENN through a subgrant to UPANIC would stifle APENN's progress given the considerable start-up tasks facing UPANIC without adding the NTAE sector. Additionally, APENN has been receiving management and financial assistance from the PROEXAG Project and will be able to very aptly manage its own program.

As recipient of a cooperative agreement, UPANIC offers the significant advantage of being able to organize and mobilize the potential subgrantees, their member associations. As has been mentioned, the relationship between UPANIC and the commodity and local producer associations is strong and appropriate. The weakness of UPANIC is that they have not had a significant administrative work load in several years and have no specific experience in the implementation of an AID project since their last project was ended by the Sandinista Government in 1982. As explained, there are legitimate reasons for the low level of administration and these do not present serious problems.

However, it is clear that UPANIC will need some technical assistance in administration and subgrant management through at least the first part of the Project. Training UPANIC in the detailed aspects of AID implementation before project start-up could delay the Project significantly, increase the work load on an already burdened USAID staff, and result in less than adequate Project reporting and management during the critical early stages of implementation.

Establishing the Project management under the direction of an institutional contractor offers the advantages of AID project implementation experience, access to home office staff and short term advisors to help set up the necessary system of policies and procedures under which subgrant funds can be released, access to short-term technical advisors with specialization in the needed areas of agribusiness and technology, and AID monitoring of implementation through terms of an AID direct contract.

The disadvantage of an institutional contract is that it places an overhead burden on Project funding and the need for assistance decreases during the latter half of the Project. Limiting the contract to thirty months tailors it better to the needs of Project implementation, and allows the UPANIC Executive Secretary to be phased in as manager of the UPANIC Project office after he has acquired the necessary know-how in the AID management process.

IV PROJECT ORGANIZATION AND MANAGEMENT

A ORGANIZATIONAL FRAMEWORK

The organizational framework of the Project is designed to take maximum advantage of UPANIC's strong coordination and leadership capability and APENN's technical and management capacity, while creating a project management that will permit rapid start up of the Project and delivery of effective assistance to local associations in the critical early stages of project implementation.

Responsibilities for Project administration, implementation, and coordination rest with four separate entities - APENN, UPANIC, a separate Project Management and Support Office managed by an Institutional Contractor within UPANIC, and the Project Steering Committee. A separate cooperative agreement will be provided to APENN which APENN itself will manage and implement. Specialized outside technical assistance will be provided to APENN in production and marketing of NTAE as necessary. This assistance will be provided through the Project contractor who also will procure equipment for APENN.

UPANIC will be the major recipient and will provide a series of subgrants to its members. UPANIC will have responsibility for approving, signing, and overseeing the subgrants, and the UPANIC Board of Directors will be the principal forum for organization, mobilization, and coordination among the member associations. UPANIC, however, has been functioning at a very low level of administrative activity for several years, and has not implemented or managed development projects of this magnitude for a number of years. Furthermore, because the great bulk of Project resources will be disbursed in subgrants during the first two years of the Project, with virtually all of the subgrants being at least awarded during that time, the management work load is skewed heavily toward the beginning of the Project, when accounting, reporting, and procurement procedures are installed, a selection process is established, assistance is provided to member associations in developing subgrant proposals, subgrants are awarded, procurements are made, and associations begin start up activities. For these reasons, the UPANIC activities will initially be managed by an institutional contractor with specific experience in both agribusiness and service delivery projects and USAID accounting, reporting, and procurement procedures.

The institutional contractor will provide an expatriate advisor who will hire the staff of the PMSO. Staff members will work directly for the contractor for the first nine months of the contract and then will be contracted by UPANIC. The expatriate advisor, however, will continue to manage the staff and operations of the PMSO within UPANIC for the first 24 months of the Project. During this time, the contractor, through its management of the PMSO and with additional short-term technical advisors and home office staff, will set up the Project policies and procedures, assist in the design of the selection criteria and procedures, provide assistance to individual associations in development of proposals for subgrants, account for Project funds, oversee development of the data collection activities, provide associations with short term advisors to assist in start-up activities, and set up a Project monitoring and reporting system.

During the 18th through 24th month, the contractor will begin working more closely with the UPANIC Executive Secretary or other designated employee as counterpart, to familiarize him with the accounting, monitoring, and reporting procedures that have been established. From the 24th through 30th months, the UPANIC executive secretary will have management responsibility for the PMSO, with the contractor serving as advisor. After the 30th month, the institutional contract will have ended. The staff of the PMSO will remain the same, except that it will be managed directly by the UPANIC Executive Secretary. It is reasonable to expect that UPANIC will be able to assume this responsibility, because 1) the work load will be much more regular than at the

beginning of the Project, 2) UPANIC will have become familiarized with the system, and 3) there will be a continuation of staff in the technical and administrative offices of the PMSO

The Project Steering Committee (PStC) is the other principal management entity. The PStC will be responsible for selection of subgrants, and recommendation to UPANIC of approvals or disapprovals. The PStC is in effect both a technical advisory board and a trustee of resources. The intention would be that UPANIC will conduct an election among its general membership to name three well known and respected leaders from the coffee, livestock, and one other crop sector. These persons should be chosen for their technical understanding, business acumen, and objectivity. There are many qualified leaders of this stature within the UPANIC membership. In addition, the contract chief of party will sit on the PStC, primarily because he will be working on a daily basis with the associations, and will be able to assist the other members with more detailed analytical work. Finally, a representative of USAID will be on the committee to provide the important perspective of AID policies and guidelines, and for his important advice as a development professional.

A detailed description of each is as follows

1 Project Management and Support Office

Responsibility for project implementation will be centered in the Project Management and Support Office of UPANIC, under terms of the cooperative agreement. The manager of this office during the first 24 months of the Project will be the expatriate chief of party of an AID direct institutional contractor. The office will be staffed by two technicians, an administrative assistant, an accountant, and a secretary, all of whom will be employees of UPANIC, but who will report directly to the contract chief of party. The office will receive further assistance from short term advisors and home office staff of the institutional contractor. The two technicians in the office will be recruited and selected by the contractor. They will have experience in agribusiness, financial analysis, and some aspect of technical agriculture. One of their primary responsibilities will be to assist the associations with analysis of ideas for service programs and development of proposals for subgrants. There will be about 40 - 60 subgrants under the Project, but most will be fairly straightforward support to expansion of ongoing activities. The primary work load of the technicians will be with 8-10 associations each in which the level of analysis and design will require some significant assistance. They will also be responsible for working with the UPANIC economist to ensure the development of member surveys and a data base, and for

monitoring association reporting and compliance with terms of subgrants

The administrative assistant will manage procurement and accounting, assisted by a full time accountant. There will be approximately 40 - 60 subgrants, a basic cooperative agreement to UPANIC, and an AID direct contract to be accounted for. This will require compiling advance/liquidation requests from subgrantees for submission to AID on a quarterly basis.

The relationships between this office, AID, and UPANIC will be laid out in the cooperative agreement and contract. Under those agreements, the AID direct contractor will have responsibility for the successful operation of the Project Management and Support Office, will select and supervise the employees and staff that Office, and will report directly to the USAID project officer. USAID will designate the UPANIC Executive Secretary as the official counterpart of the contract chief of party, and the Executive Secretary will be advised of and will make recommendations concerning all major project decisions. In the course of Project implementation, the Executive Secretary will become increasingly familiar with the operation of the office, and during the last six months of the contract, will assume responsibility for management of the Office, with the contract chief of party as an advisor.

The functions of this office will be

a Technical Assistance and Support

- to Steering Committee in development of detailed subgrant criteria and selection procedures, (Chief of Party)
- to local associations in development of subgrant proposals, (Chief of Party, technicians)
- to UPANIC in development of improved administration and analytical capability, (Chief of Party, short term advisors)
- to national level commodity associations in development of national level training plans, (Chief of Party)
- and specific short term technical advisors to assist local and national associations in the start up of technical and commercial services financed under the subgrants

b Direct Project Management and Administration

- install UPANIC policies and procedures for accounting, reporting, and procurement under the Project (short term advisors, home office staff, Chief of Party, Administrative Assistant).
- provide accounting, reporting, and procurement services to UPANIC during the project, including:

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- receive from subgrantees, analyze, compile, and summarize advance/liquidation reports
- transmit summary of advance/liquidations
- receive and account for records of disbursements,
- receive and compile periodic reports from subgrantees, and summarize for transmission to UPANIC and AID
- conduct all procurement for UPANIC and Project Management and Support Office under the agreement (Administrative Asst)
- procure major imported items under subgrants, as needed (Administrative Asst),

2 Project Steering Committee

The Project Steering Committee will be created under terms of the grant agreement with UPANIC for the purposes of.

- approval of detailed subgrant selection criteria and procedures, to be submitted to AID for approval,
- development of specific guidelines for the allocation of funds in tranches for institutional support and special project subgrants, to be submitted to AID for approval, and
- review of subgrant proposals and recommendation to UPANIC of approval, disapproval, or modifications

The Steering Committee will be composed of five members three representatives of UPANIC, elected by the membership to represent coffee, livestock, and annual crops, one representative of USAID, and the chief of party of the institutional contractor. The UPANIC representatives will be drawn from the general membership of local and commodity associations, and will not necessarily be officers or Directors of UPANIC or the associations. They will be approved by AID. The Steering Committee will receive no direct support under the Project, but indirect support will be provided by UPANIC, including office space for meetings, secretarial support, and travel and per diem for members coming from outside of Managua.

3. UPANIC

UPANIC presently consists of a Board of Directors, President, Executive Secretary, half-time accountant, and two secretaries. In addition to the services provided by the Project Management and Support Office, UPANIC will receive equipment through the Project contractor, office repairs, salary support for all staff in the PMSO, salary support for some permanent staff, and salary support for a full-time economist.

The staff economist will report to the Executive Secretary, and will have responsibility for developing UPANIC's data base and analytical capability. Since the data base will be drawn from the same sources (especially member surveys) as the data bases used for project reporting and evaluation, the work of the economist will be coordinated with the work of the PMSO, and he will contribute to the design of data collection and reporting systems as needed.

The UPANIC accountant will operate independently of the PMSO accounting office, and will provide an additional check on the proper use and accounting of subgrant funds. The function of the UPANIC accountant as relates to the Project will be to provide accounting for UPANIC's institutional strengthening activities and to act as an internal auditor for all subgrant activities. He/she will also be responsible for other normal accounting functions at UPANIC which are separate from Project funds and activities.

The principal role of UPANIC in the direct Project management will be to organize the associations and provide leadership in the orientation of projects and proposals that are developed under the Project. This role is a natural extension of the way in which the UPANIC network operates currently. To a large degree, the success of the Project will depend on the quality of ideas and plans contained in the subgrant proposals, and, while the associations will be receiving specific support in the analysis and development of their proposals, UPANIC will also play an important role in this process. UPANIC has among its members the leading technical and agribusiness experts in the country. The role of bringing them together and leading them in a discussion of problems and possible solutions under this Project will be crucial. The organization, coordination, and communication among members provided by UPANIC will stimulate the identification of effective and possibly new projects and programs, will identify the proper roles of national and local associations in these programs, and will permit a dissemination of ideas among the many local associations involved. Specifically, UPANIC will.

- coordinate the election of Steering Committee members,
- organize and register member associations for Project eligibility,
- organize commodity groups to discuss technical and market problems, possible solutions, and relation to Project subgrants
- provide a channel of communication between members and the Project Steering Committee

- coordinate official communications between AID, the Steering Committee, and member associations,
- coordinate member associations' requests to the PMSO for special assistance and training,
- hire PMSO staff
- receive and account for AID disbursements
- maintain control over a complete duplicate set of Project records and accounts,
- assume responsibility for management of the PMSO in the 24th month of the Project

B ADMINISTRATION AND MANAGEMENT

1 Administration

The nature of this Project and the institutional characteristics of UPANIC create a very distinctive management and administration burden, in many ways very different from most AID projects. First, the strength of UPANIC at the base level associations has led to the unique bottom up approach to institutional strengthening and to the concept of a number (estimated at 40-60) of individually tailored subgrants to base level associations. The Project will require a system of quarterly advances and liquidations. This obviously creates a significant administrative load in accounting alone. It also creates the need to monitor, report on, and evaluate a number of sub-activities that will frequently be very different. Additionally, UPANIC has been through a ten year period of greatly diminished financial and administrative activity, and has only limited experience with AID Projects.

At the same time, however, UPANIC and the member PAOs represent an exceptionally well organized, unified, educated, and managerially capable group of leaders from the private agricultural sector of Nicaragua. What they lack is an operating administration in UPANIC and AID project management experience. The approach of the Project, then, is to contract an institutional consulting firm with significant AID project implementational experience to assist UPANIC in setting up administrative policies and procedures, and in providing accounting, monitoring, and procurement services during the first two years of the Project. The critical steps in this process will be:

- AID direct contract signed making obligation, long-term resident advisor and short-term advisors and home office staff in accounting, administration, information services, etc., in-country;
- Accounting, personnel, procurement policies and procedures completed by Price Waterhouse and approved by AID

- Contractor makes any changes in the subgrant criteria and procedures in Annex E and submits first to PSIC of UPANIC and then to USAID for approval,
- Project Implementation Letter issued approving above,
- Contractor procures vehicles and office equipment for UPANIC and PMSO,
- Contractor hires PMSO employees and begins to elaborate first round of subgrant proposals,
- Agreement signed with UPANIC, obligating funds, and UPANIC hires employees supported under its institutional strengthening component. After first nine months, UPANIC directly hires the PMSO employees. These are still directed by the contractor chief of party,
- Advance liquidation procedures begun for direct support to UPANIC under cooperative agreement,
- Subgrant agreements approved, including annual budgets for life of subgrant, and quarterly budgets for first year,
- Associations given advance/liquidation forms and instructed in their use,
- Advance/liquidation requests from subgrantees delivered to PMSO, reviewed, compiled, and transmitted to USAID as a single disbursement request,
- All major procurement identifies for subgrantees, and a consolidated procurement managed by PMSO;
- Disbursements received by UPANIC, and subdisbursements made to associations on the same basis, against advance requests by PMSO,
- Annual audits conducted at PMSO, UPANIC, and selected subgrantees.

The centralized operation of the PMSO will be easy to monitor, and the use of an experienced firm and the time and resources dedicated to installation of an administrative system should ensure an effective administration. The critical area where the administrative system is subject to problems will be in the management of budgets at the local association level, and in the physical transfer of forms and money from Managua to the field. This potential problem is ameliorated somewhat by the fact that most of these associations have now and have maintained functioning commercial operations that require a similar or greater level of administrative competence. In those cases where administration is a weakness, the field technicians will be making visits on at least a bi-monthly basis, and will assist with compliance.

Administrative coordination between the PMSO and the field will be further simplified by making all subgrant selections and approvals in a few discrete groups. As described in the Detailed Subgrant Selection Procedures, most subgrants will be awarded in two selections approximately six months apart, and the remainder

will be awarded at approximately six month intervals. All subgrants will operate on the same quarterly system, and procurement will be consolidated to the extent possible.

2 Project Management, Coordination, and Support

The PAS Project closely resembles a private investment fund, in which investments are to be made in the commercial and technical services of local producer associations. The basic premise of the Project is that the PAO members are fundamentally sound farmers, that the agricultural enterprises can be profitable again under the emerging political and economic environment, and that the PAOs are well managed and supported by their members. The missing ingredients after ten years of decline are financial support to their services and access to some of the technological advances that have gone on during their virtual isolation from the world. These are very much like the conditions that a investor or venture capitalist would look for in a new investment -- a basically sound opportunity that requires his capital, some minimum management improvements, and specialized technical or market orientation.

This parallel is especially applicable to the management and support needs of the Project. Like an investor, the Project management has three principal types of management decisions and activities - selection, assistance, and mid-course adjustments of problems, and, like an investment, the success is almost entirely determined by the selection. Assistance will be important also, and will be of two types: assistance in analysis and preparation of proposals for subgrants and specialized technical assistance in start-up and operation of service programs and enterprises. Mid-course adjustments typically take on three forms - reduction or stopping of assistance, increased assistance, and management intervention. These are the least effective management tools in a project of this nature for several reasons, also discussed below.

The implications for the Project of these management needs are that considerably greater levels of management resources are needed in the early stages of the Project, when the selections are being locked in, and that an important qualification of the Project manager is an understanding of business and financial analysis and decisions.

This need to front load the Project with experienced and qualified management guidance is the most important reason for the use of an institutional contractor to manage the PMSO for the first two years. The contractor can provide better access to more qualified agribusiness expertise. The management decisions and work load in the latter half of the Project will require less

specialization, and it will be within UPANIC's ability to assume management responsibility

a) Management of the Selection Process

There are several very discrete activities involved in the process of developing and selection of subgrants, and decisions made at each stage tend to increasingly determine the eventual outcome of the process. Effective management requires providing adequate resources in the early stages

The principal steps involved are

- design of detailed selection criteria and procedures,
- development of concepts for subgrant service programs and enterprises,
- analysis of alternative approaches and development of proposals, and
- selection of proposals for subgrant awards

The agreement with UPANIC will lay out specific selection criteria and procedures to be followed in awarding subgrants. However, it is also important to permit the people who will be responsible for the ultimate selection to review these criteria and work out their own detailed system for interpretation and application of these. In doing so, they will develop both a better understanding of the criteria and a sense of ownership, and hence an incentive to see that they make the system succeed.

The Project Steering Committee will be responsible for approving this detailed system that will be designed by the Project Contractor using the basis built in Annex E and should include an assignment of points and definition of minimum criteria, etc. As a member of the PSTC, the contract Chief of Party and the AID representative will provide guidance. The finished product will be submitted to AID for approval. The process of developing the proposals will consist of two parts: the meetings, workshops, and informal brainstorming sessions that UPANIC will promote and organize for the members to discuss problems and possible solutions, and the formal analysis of alternatives and detailed design.

The responsibility for assisting the associations with analysis and design of proposals will be entirely with the PMSO under the direction of the institutional contractor Chief of Party. The two technicians will be responsible for most of the field work, and will have a work load of 6-8 associations at any one time. There will be a wide variation in the amount of work needed to assist the various associations, and in some cases the technicians will handle the work themselves, in other cases they

will be supported by the Chief of Party, and in others they will bring in specialized short term advisors under the contract to provide additional support and guidance

The final step is the actual review and selection of proposals to be funded with subgrants. The responsibility lies with the Project Steering Committee, which then passes recommendations to UPANIC, who in turn transmits a summary to AID for approval (or more likely a statement of "no objection"). The PStC will include the contractor Chief of Party and an AID representative. Their roles will be important in continually reinforcing within the PStC the underlying principles of the selection criteria and the seriousness of the responsibility. The contractor further provides the Steering Committee with access to assistance in additional analysis or an explanation of the background work that was done in preparation of the document. The PStC has no resources of its own, but will be provided office space, logistic and secretarial support, and travel money and per diem as needed by UPANIC.

b Management and Coordination of Technical Assistance

The use of a 30 month institutional contract to initiate Project activities is important for the access it provides to specialized and qualified technical assistance. As mentioned, technical assistance is important to the success of the Project in two principal stages - in analysis and design of proposals, and in start-up activities of services and enterprises under subgrants. The effectiveness of that assistance in contributing to Project success, however, diminishes after the first two to three years. At the same time, during the course of Project implementation, UPANIC and the member associations will be developing an expanded network of contacts through short term consultants and formal training activities such as Farmer to Farmer visits and international courses, meetings, and seminars, and they will be increasingly able to identify and contract technical advisors on their own.

As mentioned above, the critical area for technical assistance is in the analysis and design of subgrant proposals. This will be the sole responsibility of the PMSO. Coordination of the assistance, however, involves both UPANIC and the PStC. Because UPANIC will be responsible for organizing the associations, orienting them, and coordinating the meetings in which the Project is discussed, they will have the first best ideas of the needs for assistance in development of proposals. They will, therefore, communicate closely with the PMSO in these activities. Additionally, they will want to ensure that they are providing guidance that is consistent with the approach of the PMSO.

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Most important in the coordination of technical assistance in the analysis and development of subgrant proposals is that the PStC have a means by which they can request additional analysis of a proposal or send it back for modifications in the design. The Project provides for this by placing the contractor Chief of Party on the PStC, and by phasing selection in approximately six month intervals. Technical assistance needed in start-up activities will be identified in proposal documents, and will be provided through simple work orders under the institutional contract. Technical assistance needed for mid-course changes in operations or for support in the later stages of the Project will be identified and contracted directly by UPANIC or the member association.

c Monitoring and Reporting

The essence of a monitoring and reporting system is the generation of timely information for use in making management decisions during the course of the Project. In this Project, the most important decisions involve the selection of proposals for the award of subgrants. As discussed, it is therefore, important for a representative of AID to sit on the PStC. This permits immediate and direct monitoring of the most critical activities of the Project, and provides AID direct access to the analysis of the information contained in subgrant proposals.

The other areas requiring a monitoring and reporting system are: contractor performance, grantee performance, subgrantee performance, compliance with AID regulations, and general evaluations. Grantee and contractor performance will be monitored directly by the USAID Project Officer. Monitoring will be based on observation of performance (in the PStC, etc.) and quarterly reports. The contractor's quarterly reports will be based on quantifiable targets of performance of both the contractor and the PMSO. They will additionally include indicators of performance by subgrantees. The quarterly reports of the grantee will be based on specific targets, established in the cooperative agreement, which indicate the grantee's success in developing better representational services.

The first Project evaluation is scheduled for the end of the second year, prior to the departure of the institutional contractor. This evaluation will focus on Project management by the contractor and the ability of UPANIC to assume management of the PMSO. Reporting requirements for subgrantees will be defined in subgrant agreements. These will include quarterly reports of activities in compliance with the approved work plan and budget, and will be attached to advance/liquidation requests. In addition, the subgrantees will submit impact reports on an annual basis, in which they describe the qualitative changes in farmers'

circumstances as a result of their subgrant activity, and estimate the quantitative impact in yields, areas planted, price increases, cost savings, income, etc

While the annual reports of the associations will provide some basis for an objective, quantifiable evaluation of project impact, they will not be sufficient. A fundamental activity of this project is the development of member surveys and the compilation of results into a data base in UPANIC. These will be conducted during the first eighteen months of the Project, and will serve as baseline data for a final evaluation in the fifth year, at which time selected surveys can be repeated.

Finally, annual financial audits will be conducted by an independent auditor. UPANIC and APEAN will be audited regularly, and subgrantees will be selectively audited, based on conditions of the subgrant agreements.

FINANCIAL ANALYSIS

This financial analysis is divided into three parts 1) financial viability, 2) financial sustainability, and 3) detailed cost estimates for the Project

PART ONE FINANCIAL VIABILITY

I Introduction

The purpose of Part One of this financial analysis is to estimate the effects of a grant upon the producers and Associations to which the grant of funds is directed. Measures of effects will be some combination of increases in production efficiency, increases in employment, generation of foreign exchange, and or sustainability of the activity after the end of the grant period. Some of the activities for which funds are granted will be of the sort intended to impact the producers directly. These might include small machinery pools at the Association level, renting out services to members, sponsoring technical field days, restocking Association stores with supplies needed and used by members, etc. For these direct income creating activities, the financial analysis can be relatively straightforward, in the form of unit activity budgets or partial farm budgets.

Some grants may be made for purposes of strengthening the Associations, such as supply of a typewriter or small computer, supply of a vehicle, short-term training to upgrade the capacities of Association-employed personnel such as agronomists, or perhaps for short-term salary support of secretaries, agronomists, or other people hired by the Association to provide services to the members. These kinds of activities will be analyzed using a cost effectiveness approach.

In all cases, a baseline budget or cost must be estimated that shows the levels of activity, the costs of inputs, and the value of outputs from the production process. The measurement of net benefits compares net incomes generated as a result of the grant activity with this baseline position. These budgets will be estimated for a "typical" producer organization, and expanded to Association size, both for the baseline and the incremental benefits. The guide for this work is J Price Gittinger, "Economic Analysis of Agricultural Projects," Second Edition, 1982.

Several illustrative examples of probable grants are included in this Project Paper to suggest the range of benefits that may be generated from use of the grants, and to provide a preliminary economic impact analysis of the Project as a whole.

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II Matiguas Cattle Producers

A) Introduction

The Rio Grand Cooperative is one of several associations in the area of Matagalpa and Boaco Departments. The farms of the members of this Association are located in an area of gently rolling land and some small hills, with adequate rainfall to maintain some green pasture even through the winter dry season. Some members of this Association also produce coffee from small farms upon the higher hills to the north. The Association had 471 active members at the end of the 1970s, and has been reduced to 321 at present. A meeting with most of the Directors of the Association produced the following Needs List, given in the order of their mention.

B) Needs List

1 Improved marketing opportunities for cattle of slaughter weight. Matiguas is about 160 kilometers from the operating slaughter facility near Managua, half of this distance over a gravel road in poor condition. This requires an improvement of the social infrastructure, and cannot be addressed under this Project.

2 Local slaughter facility, owned and operated by the Association. This is in part an answer to the problem above. It would be cheaper to transport 200 kilograms of chilled carcasses than 400 kilograms of live steer. The other element involved is the aspect of control, and of capturing value-added through processing the product in an owned plant. A modern slaughter plant of a total 100 head/day throughput capacity would cost several millions of dollars and require a thorough feasibility study, neither of which is available under this Project.

3 Upgrading the phytosanitary aspects of cattle production. Neither veterinary advice nor the materials to carry it out have been generally available to members of the Association for some years. This proposal is given a full financial evaluation later in the discussion.

4 Restocking the Association store in Matiguas. The store, owned and managed by the Association, currently is poorly stocked with veterinary medicines, salt, supplemental feed concentrates, tools, fencing and other materials, due to a gradual disinvestment over the past ten years or so. The Association, through its members, does not presently have the capital required to restock this store. This capital could be made available by this Project, and would probably be one of the sub-grant proposals to be expected. This proposal is not given a financial analysis here, due to lack of necessary data of capital requirements and recovery strategy.

5 Pastures have been progressively understocked due to confiscation by roving Sandinista bands, and by other rustling activities. As one consequence, the pastures are overgrown and require renovation/reseeding, so that the animal unit capacities can be brought back to the levels of early 1980's. This requires technical advice, seed, functioning tractors and associated equipment. Due to lack of detailed data, no financial analysis was done.

6 Members stock cows that are used as both beef and milk producers. Currently, the members together produce around 30,800 liters of fluid milk per day (whilst the cows are fresh, anyway). Some is sent to the dairy processing plant near Managua, but the time required reduces the milk to manufacturing quality at best. The members would like to establish a small local cheese plant to increase the income received from their surplus milk. No data are available for a financial analysis.

7 Members produce about 900 tons of cacao beans per year from small plantations on about 1750 manzanas of their land. They are interested in a small plant to process the raw beans into cocoa bricks for the wholesale trade. No data are available for a financial analysis.

C) Financial Analysis of Phytosanitary Subgrant Proposal

This proposal is for the introduction of a program of technical assistance, toward the introduction of a system of livestock health improvements. Present weaning rates of calves average about 45%. This means that each cow in the breeding herd produces a weaned calf once in about every 2.2 years. Reasons for this low rate of breeding and calf production include lack of control over breeding (timeliness), poor health of cows (the average a successful conception every other year), and some losses of calves before weaning. The analysis assumes an increase of weaning rate to 80%, reduction of death losses throughout the herd from the present 6% to 5% (better health), and that half of the steers will reach slaughter weight of 400 kilograms in three years, rather than the 4 years they now require. The analysis is done for a basic unit of 100 breeding cows, with 255 animals in the herd inventory, representing 222.4 animal units. (Bulls = 1.1 AU, cows and animals over 2 years = 1.0 AU, animals between 1 and 2 years = 0.75 AU, calves under 1 year = 0.5 AU.)

Association members average 140 breeding cows in their herds, for a total of 45,000 cows in the Association Herd. The analysis above would require about each member to purchase an average of US\$ 793 per year in veterinary supplies. Total sales through the Association store would be a maximum of \$255,000 per year. A reasonable expectation would be a fourth of that in the first year or two, expanding over time to something like 90% of this maximum, or US\$230,000 per year. The total animal units in the Association herd would be expected to increase from the approximately 71,390 at present, to approximately 94,245 over the period of adoption. The total cost (not including technical assistance) of about US\$230,000 would generate estimated benefits of about US\$1,130,000 each year for members of the Association.

Since the costs are annual, the recovery of inventory investment by the Association store would also be annual, though lagged some months. Individual costs might be around US\$1,110, and individual benefits around US\$3,516 per year. The financial analysis indicates a very favorable use of Project grant funds.

III Sorghum Producers Association

A) Introduction

There currently are about 150 active members of this Association, distributed among seven regional Chapters. Sorghum is almost entirely an intermediate product, destined for livestock mixed feeds, rather than directly for human consumption. Production costs are estimated to be between US\$56 and 65 per manzana (1 manzana = 1.75 acres). Inputs are estimated to account for 49% of total costs, or around US\$ 30 per manzana, are said to be the highest of any in Central America. In the past ten years, the Government has imposed a high rate of taxes and duties upon imports, and has fixed the price at which producers may sell to the (Government) processing plants at levels below the total production costs, (though presumably above cash production costs, or else there would be little sorghum production today). The net result of these policies has been a disinvestment in production machinery, and generally in production technology.

B) Needs List

1. Mixplant for feed. Members of the Association feel that a small feed mixing plant, owned by them, would increase the value added from sorghum production. Such an installation would be relatively inexpensive to install (bins, hammermill, mixing drum, power source), but no data are available on actual costs, nor on the net benefits of its' operation. No financial analysis has been possible at this point.

2 Association Machinery Pool Most of the tractors and associated equipment of the members is pre-1979, and has been difficult to keep maintained due to the difficulty and expense of getting imported parts. Some members were able to buy Russian tractors during the last ten years, but these tend to fall apart in three years or so of use. The members propose to establish a pool of tractor and associated equipment for each regional chapter, the use of which would be rented out to members. No data are available to allow a financial analysis of this prospect at this time.

3 The technology of sorghum production, like that of most crops, has changed greatly over the last ten years or so. These changes include improved hybrid cultivars, changed cultivation and fertilizer practices, etc. The Association would like to hire a crops technician who would communicate up-to-date technology to members through seminars, field days, and on-farm demonstration plots. This proposal is addressed below.

4 Soils data and interpretations There are available soils surveys of at least reconnaissance level, but producers are not trained to interpret these, or the results of farm-level soil sample analyses. Members would like to have available to them, on an as-needed basis, soil sample analyses, and technical interpretation of these and basic soil data for their practical production use. Estimates of the cost of such services have not been made at this time.

C) Technical Assistance in Sorghum Production

The estimated costs to the Chapters of the Association would consist of the salary of an agronomist at about US\$ 16,000 per year, a vehicle at about US\$20,000 over five years, 1/2-time secretarial support at about US\$3000 per year, and annual costs for office supplies and other equipment at about US\$ 4000 per year. Annual operating costs to the Chapter would run about US\$23,000 per year in total, while the capital investment in a truck would be about US\$4000 per year over the five years.

Sorghum yields for the 1990-91 crop averaged about 20 quintals (hundredweight) per manzana (1.75 acres). The average Association Chapter had 487 manzanas of sorghum per member, for a total of 10,425 manzanas per Chapter. It is assumed here that the direct effects of the technical assistance would be:

a) to increase production efficiency of producers by 25% in year two, and an additional 10% in the succeeding three years. The measure used is an increase in yield per manzana with no net increase in production costs per manzana, or in prices per quintal (QQ). This is the equivalent of a similar decrease in production

costs per quintal

b) A lagged increase in manzanas of production reflecting the increasing profitability of the crop. It is assumed that production would increase by the same annual proportions as yield, lagged one year. Together, these two phenomena reflect recovery of positions in both yields and area cropped that prevailed in earlier years. Costs of production of sorghum in the 1990-91 crop season were estimated to be around US\$61 per manzana, or US\$ 3.05 per quintal. The price was fixed at a level of estimated average production costs plus 30%, or about US\$3.97 per quintal. The financial analysis that follows was done on the basis of an Association Chapter, and then translated to member proportions to examine net benefits per farmer member.

	Yield in QQ/Mz	Mz / Chapter	Production /Chapter in QQ's	Gross Value Product/ Chapter (\$)	Gross Prodn Cost/Chapt @\$3.05/QQ
Present	20.0	10,425	208,500	827,745	635,925
Year 1	20.0	10,425	208,500	827,745	635,925
2	25.0	10,425	260,625	1,034,681	794,906
3	27.5	13,031	358,352	1,422,657	1,092,974
4	30.2	14,334	432,887	1,718,057	1,320,305
5	33.3	15,768	525,074	2,084,044	1,601,476

	Net Value Product/ /Chapter	Gross Project Cost/ Chapter	Project Value Added/ Chapter	Project Value Added/ Member	Member Net Benefit From Proj
Present	191,820	0	0	0	0
Year 1	191,820	43,000	-43,000	-2,009	0
2	239,775	23,000	24,955	1,166	-411
3	329,683	23,000	114,863	5,367	3,790
4	398,252	23,000	183,432	8,572	6,995
5	483,068	23,000	268,248	12,535	10,958
SUMS		135,000		25,63	21,332

The subproject grant recovery is structured for a complete recovery over the last four years of the five-year project life, with positive net benefits to the individual members in the last three years.

IV ESTELI CATTLE PRODUCERS

A) Introduction

The area around Esteli is characterized by steep, partly wooded mountains, and small valleys and rolling slopes covered by scrub, various cacti, and bunchgrasses. The A-horizon of the soil cap appears to be very thin. Although the annual rainfall is about 20", it falls almost exclusively during the summer season. During the dry and hot winter months, there is very little surface water for livestock or any other use. Cattle producers estimate that their cattle lose up to 20% of body weight during the winter, and that death losses of weak cows and calves may be 15%, due mostly to lack of water.

B) Needs List

1 Improved genetic base of the herds. This was accomplished in years prior to 1980 by importing good bulls and bred heifers, and by the Association maintaining an artificial insemination service (Daily route run by motorcycle, with small thermos for the frozen semen.)

2 Winter feed for animals is scarce. The need is for improved pastures, using grasses that ground-cure without loss of protein and palatability. If irrigation water could be found or large water impoundments constructed, cut forage raised in summer and winter would provide supplemental hay for cattle.

3 There is a small slaughter plant in Esteli. It was vastly overstaffed and poorly managed under Government auspices. It now is shut down most of the time. Reorganizing this plant, preferably under private auspices, would improve the market for local slaughter cattle.

4 The most critical need, the key to rebuilding the range cattle business in the Esteli' area, is for excavated tanks in which to store surface runoff during the summer, for cattle use during the winter. This proposal is subjected to a financial analysis on the following page.

5. The Association store is poorly stocked with veterinary and other supplies. The members used to import directly from the US and other suppliers, but this was forbidden by recent policy.

6 The Association has a functioning scale upon which they weigh cattle, and would like to add corrals and holding pens in the same location (edge of Esteli') to facilitate organized cattle sales.

7 The office equipment of the Association dates back to the 1970's or beyond. They need a typewriter, photocopier, computer, etc

8 The banking system in Estel is dysfunctional. The Association would like to have a hand in organizing a private-sector Livestock Bank, at some time over the next few years

9 The Association has considered the installation of a small plant to mix supplemental feed for their cattle

10. There are recurring problems with screwworm and with vampire bats that require technical advice not presently available

C) Water Tanks For Range Cattle

In a few small valleys, there may be ground water close enough to the surface to make practical the drilling of wells, and the installation of windmills and water storage tanks. But in most of the range area, drilled wells are impractical. The solution to the winter water problem is to bulldoze small ponds in suitable arroyos over the range land. Pond construction is an investment in infrastructure, like that in fences and calving sheds, for which benefits are only indirectly measurable. In this case, it removes dry season stock water as the most limiting factor to cattle production, allowing further, but not so serious limiting factors to be addressed, (such as range reseeding and the genetic upgrading of the breeding herds). Capital investment costs were estimated as:

D6 size tractor, blade and chisel	US\$ 75,000
4WD pickup truck to service tractor	US\$ 15,000
Total Capital Required	US\$ 90,000

The Association would request this amount as a subproject grant under the Private Agricultural Services Project, to be recovered by charging members for tractor services. Operating costs including driver salary, diesel fuel, repairs and maintenance, etc are estimated to be US\$50 per hour of operation. It is expected that the bulldozer could construct two tanks per week, including travel time between locations, or a total of about 100 water tanks per year. At this level of operation, the variable costs would be about US\$ 1000 per tank. Depreciation charged over an estimated tractor life of seven years would add about US\$107 per water tank. An Association charge of 10% for its administrative overheads would bring the cost to the member to US\$1,220 per pond constructed on his property.

The average member runs about 308 cattle in his herd, or 263 Animal Units. With death losses at 15%, he sells around 44 animals of various types per year, for a gross income around



US\$10,560 With the availability of water in the dry season cutting average death loss to 10%, the average herd would increase to about 316 animals, or 271 animal units. From this herd, about 51 animals would be sold, for an annual gross income of about US\$ 12,240. Net benefit to the member using the tractor service would be about US\$1,680 per year, for every year after water tanks were built. On average, each member would construct 4-3 tanks upon his range land, at a total cost of US\$5,246. He would recover his investment, through increased cattle sales, in about three years after the water tanks were constructed.

Given that about 23 Association members would have 100 water tanks dug per year, the membership might be completely serviced over the seven-year life of the machinery. The replacement fund accumulated over these years would allow the Association to continue the machinery service, extending to non-member ranchers in the area. In addition to covering operating costs and machinery depreciation, the Association would have around US\$11,070 per year with which to cover overhead costs of the machinery and other Association services to members and others in the community. The Project Net Benefit estimate is as follows:

	Number of Users	Project Gross Benefit	Project Cost	Project Net Benefit
Year 1	23	49,710	110,700	- 60,990
2	46	88,350	110,700	- 22,350
3	69	126,990	110,700	16,290
4	92	165,630	110,700	54,930
5	115	204,270	110,700	93,570
6	138	242,910	110,700	132,210
7	160	279,870	110,700	169,170
Totals	160	1,157,730	774,900	382,830

V Masatepe Coffee Growers

A) Introduction

The coffee producers Association of Masatepe is located upon a ridge of around 570 meters elevation (1,852 ft) between Managua and the Pacific coast. The land surface is nearly level upon the benches, and occasionally dissected by steep-sided valleys. The soil has a thin A-horizon of weathered volcanic ash, underlain by fractured clay, or clay-loam. The groundwater table is said to be about 1200 ft, or nearly to sea level. The area is mostly in shade-grown coffee, although some of the shade trees have been cut down for firewood by local workers. There are small stands of citrus and small subsistence plots of maize, beans, and other fruits and vegetables.

The Masatope Association was organized in 1966 with fewer than 30 members. It currently has 73 active members farming a total of 1,350 manzanas of coffee, or about 18.5 mzs per member on average. Over the last ten years it has been difficult and expensive to buy tools and equipment that had to be imported, and very difficult to get agrochemicals, all imported. Likewise, the necessary trips to visit coffee growers and experiment stations in other countries were cut off, so that the coffee production technology today is said to be no better than that used in 1979. All marketing of coffee was taken over by the Government at producer prices arbitrarily fixed by them. These prices have not reflected either production costs, or world market prices of coffee. Some individual coffee farms, and the bank account of the Association were confiscated, and the coffee workers organized into a confrontational union by the Sandinista Government.

The net result of all this misfortune has been a reduction in the number of producer/members in the Association, in the yields of coffee per manzana, and in the farm income derived from its sale. Most producer/members who remain, operate at a low level of production technology. The main goal of the Association now is to increase yields and quality back to the levels of ten years ago. This means an increase in yield from about 6QQ (a QQ = 100 lbs) up to 25 or 30 QQ per manzana. The means will be an increase in the use of appropriate production technology, including replanting with new and improved cultivars, use of appropriate agrochemicals, and other improved production methods.

B) Needs List

1 Technical assistance to producers, members and non-members on fertilization, replanting with modern cultivars, re-establishment of appropriate shade trees, control of fungus, nematodes, and other pests, systems of weed control, plant population and pruning methods, establishment of on-farm field trials and the use of field days and publications for extension activities, etc

2 Soils analysis, preferably in a small laboratory operated by the Association, to assist in choosing the proper types and amounts of fertilizers to use

3 Diversification from coffee mono-culture to reduce weather and price risks. Members have suggested fruit trees that would provide shade to coffee and a fruit crop, such as banana, mango, and citrus, rabbits for meat and fur, goats and cattle for milk, fish farming in water tanks, etc

4 A machinery pool owned by the Association, the use of which would be rented out to members (or others) at a fee

C) Applied Coffee Technology Proposal

In years past, the Masatepe Association has hired its' own coffee technician for the benefit of members and local non-members alike. This proposal is centered upon a Grant to provide, again, such technical expertise, and the support to allow members to carry out the recommendations. The cost would include salary, a vehicle including its' operating costs, a fund for seedlings and other materials, and support for field days, technical visits, publication of a newsletter, etc. These costs should be recoverable, as in the past, by a 10% surcharge on sales of agrochemicals and other production goods through the Association store.

The grant request would also include funds to purchase a machinery pool consisting of two tractors and associated equipment for fertilizer and other agrochemical applications, and mowers for weed control in the aisles between rows of coffee bushes. This capital would be recovered by an hourly, or a per manzana, fee paid by farmers who rent the equipment. It is estimated that the pool would be able to supply services to about 140 manzanas of coffee, for the several operations involved. These costs are summarized in the table below.

Item	Cost(US\$)
Capital Investments	
2 Tractors, 35 HP	18,936
Application equipment	22,500
2 Mower attachments	5,000
Total	46,436
Annual Operating Items	
Salary for coffee technician	16,000
4WD pickup truck (annual depreciation)	4,000
Travel for data acquisition	5,000
Seedlings & other Materials	2,500
Field days, publications, etc.	10,000
Operating costs of vehicle (20,000k)	8,000
Total	45,000

A third portion of the Grant request would be for the working capital required to purchase the increased inventory needed in the Association store, in order to cover increased purchases. Half of the inventory increase needed for year two in the sub-project would require US\$ 62,560. This would be recovered by turnover in the following production season. The total Grant

request would amount to US\$154,000

Cost Recovery

The purpose of the technical assistance portion of the grant would be to move the average yield of coffee from the present 60Q/Manzana back to previous yields of 25 - 30 QQ/Mz. The machinery pool would service land upon which these advances were being made, but would add a small increment to yields, due to the timeliness of operations, and the increased control over application rates. The following table traces out the mechanism for cost recovery, and net project and net farmer benefits that might obtain as a result of this subgrant.

NON-MECHANIZED (1,210 Mzs)

Year	1	2	3	4	5	Sum
Yield, QQ/Mz	6	12	18	24	30	
Gross Value Prod, \$/Mz	425	850	1275	1701	2126	
Cash Prod'n Cost, \$/Mz	770	998	1236	1603	1860	
Net Cash Income, \$/Mz	-345	-148	39	98	266	-90
Project Net Farm Income(000\$)	-417	-179	47	119	322	
Store Sales, \$/Mz	292	384	486	674	809	
10% Charge, Project sales (000\$)	35	46	59	82	98	
Net Benefits, Assoc, \$	-5449	5683	18025	40773	57108	

Mechanized (140 Mzs)

Year	1	2	3	4	5	Sum
Yield, QQ/Mz	6	13	20	26	32	
Gross Value Prod, \$/Mz	425	921	1417	1842	2267	
Cash Prod'n Cost, \$/Mz	820	1033	1255	1582	1821	
Net Cash Inc, \$/Mz	-395	-112	162	260	446	361
Proj. Net Farm Income, (000\$)	-55	-16	23	36	62	
Store Sales, \$/Mz	289	377	475	660	792	
10% Charge, Project Sales, (000\$)	4	5	7	9	11	
Net Benefits, Assoc \$	-672	560	1932	4522	6370	
12712						

Project Technical cost is \$40,781 per year, depreciation on Machinery pool for 140 Manzanas only is \$4,718 per year. Net cash incomes for farmer/members not using the machinery pool are positive in the 6th year. All other incomes are positive in the 5th year of the project.

VI Nicaraguan Association of Non-Traditional Export Producers
(APLNN)

A) Introduction

The APENN project is intended to provide technical assistance in production and marketing of non-traditional crops in Nicaragua. Support to APENN will provide technical assistance in production and marketing to APENN members for a variety of non-traditional crops. This analysis, however, is based on the costs and benefits of honeydew melon production because this is the only APENN sponsored crop which has been exported to date (note that APENN was started in July of 1990). Approximately 800 manzanas of honeydew melons are under production for marketing in March and April. The analyses that follow depend upon rough estimates of yield by market grade, of production and marketing costs, and of prices upon the Miami market.

B) Honeydew Melon Production

The yield is estimated at 800 boxes per manzana. The distribution of grades is assumed to be (using Honduras data) 23% 5's, 64% 6-8's, 14% 9's and 10's. The latter two grades are not exported. For lack of a better alternative, it is assumed that these overlarge melons are sold upon the local market at the production cost of US\$3 per box at the farm gate, which would be the production cost plus the cost of the box.

Yield = 800 boxes per manzana

Distribution by grade is

23% 5's @ US\$ 7.00,	184 boxes =	US\$ 1,288
64% 6-8's @ US\$ 8.25,	512 boxes =	US\$ 4,224
14% 9-10's @ US\$2.00,	112 boxes =	US\$ 224

Total Sales	US\$ 5,736/Mz
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Production cost = US\$ 2 per box	US\$ 1,600
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Marketing cost, Exports = US\$ 4/box	US\$ 2,752
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Marketing cost, Non-export = US\$1/box	US\$ 112
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Total Cost	US\$ 4,464/Mz
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Gross value product	US\$ 1,272/Mz
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This would be a return of about 28% on costs, and would appear to be a profitable activity for the producer.

In order to assess the total financial costs, the cost of the technical assistance provided by the Project must be included in the analysis. Costs are taken from the Project budget for APENN.

Given the production data from the initial investment in technical assistance through APENN (800 manzanas of melons produced from the initial investment of \$300,000), it is assumed that the technical assistance provided through the Project will increase the scale of production from the present 800 manzanas, by 200 manzanas per year to a total of 1800 in the fifth year. The project benefits are the value of products from these additional manzanas of production. The discount rate used is 14%.

Year	1	2	3	4	5
Mzs (Incremental)	200	400	600	800	1000
Total Sales (000)	1147 2	2294 4	3441 6	4588 8	5736 0
Prod Costs (000)	892 8	1785 6	2678 4	3571 2	4464 0
Proj Costs (000)	391 7	314.2	215 7	164.2	164 2
Net Benefits (000)	-137 3	194 6	547 5	853 4	1107 8

The sum of discounted present values is \$2,392,939 for benefits and \$913,454 for costs with a net present value of \$1,479,485. The Benefit-Cost Ratio using discounted values is 2.62 for the APENN project. This represents a very worthwhile investment and shows that the Project should be undertaken.

PART TWO FINANCIAL SUSTAINABILITY

The issue of financial sustainability in the Project is addressed at the three different levels where Project assistance is being directed: the local associations and commodity federations (PAOs), UPANIC, and APENN. Sustainability is being addressed for the PAOs by making this one of the criteria by which the subgrant proposals will be judged. The institutional subgrant proposals must justify activities by demonstrating how they will make the PAO a more viable, sustainable organization. Productivity subgrant proposals will have to demonstrate how the proposed services to be funded are sustainable through payment for the services by the members.

Sustainability for UPANIC's direct institutional strengthening activities will be addressed through Project implementation. Given UPANIC's strength and level of funding prior to the difficult years in Nicaragua, it is expected that UPANIC can be financially self-sustainable once the agricultural sector regains its productivity. An illustration of this can be seen if we look at the expected profit for the farmers from the activities analyzed in the financial viability analysis. In conjunction, the project funded productivity gains for the four UPANIC associations showed annual net income for the farmers of

approximately \$1.3 million (this amount has been discounted and constitutes real income net of inflation) by the fifth year of the Project. If the associations taxed profits by 5%, this would mean \$65,000 per annum for association costs. If one-fifth of this went to UPANIC, that would be \$13,000 for every four associations or \$130,000 for the forty associations together. This amount is sufficient to cover UPANIC's basic operating and capital costs. UPANIC will develop a specific sustainability plan by the end of the second year of the Project showing how it will raise sufficient revenues through membership dues, fees for services, and/or a check-off system on the sale of the members' farm produce to cover its operating and capital costs.

Regarding APENN, ample studies and evaluations of NTAE promotion institutions in the region show that sustainability is not possible in the short-term given the long-term investments that producers have to make without paying the cost of TA. Based on experience in other countries, the assumption used in the paper is that APENN can become sustainable within a 10 to 15 year time frame. The strategy developed in the Project is for APENN to reach a level of sustainability of 50% of operating costs by the end of the Project. From the illustrative example on melon production used in the financial viability analysis, it can be seen that this is possible. Producers are expected to be producing 1,800 manzanas of melons by the fifth year of the Project. If 5% of the profits of \$1,272 per manzana were taxed to support APENN, this would provide approximately \$114,000 per year--roughly equal to 50% of APENN's operating and program costs of \$250,000 per year. APENN will develop a specific sustainability plan by the end of the second year of the Project showing how it will raise sufficient revenues through membership dues, fees for services, and/or a check-off system on the sale of the members' farm produce to reach this goal.

PART THREE DETAILED COST ESTIMATES AND BUDGET ANALYSIS

Detailed Cost estimates are contained in the tables C-3-1 and C-3-2 on pages 18 and 19 of this Annex. The detailed budget for the institutional contractor under the APENN agreement is in tables C-3-3 and C-3-4 on page 20. Table C-3-5 on page 21 shows percentages of Project funding (calculated separately for UPANIC and APENN components) for each Project element for both AID and counterpart contributions and Table C-3-6 shows the Project budget by Accounting Element. The cost estimates already include adjustments for inflation of 5% per year for all of the annual salary and operating cost items. Local salaries were figured by multiplying the base monthly salary by thirteen months for the terceavo mes and then adding an additional 20% on top of this total amount for social security and other required benefits. Prices for goods and equipment include the cost of transport where necessary.

The total Project budget was drawn up for all components of the Project and costs were divided between AID and UPANIC and APENN according to the financial sustainability strategy discussed above. Overall, AID will contribute \$7,000,000 or 94.6% of the total Project funding while UPANIC and APENN will contribute a combined total of \$402,714 or 5.4% of Project funding. Individually, UPANIC will contribute a total of \$196,434 or 4.1% of the funding going to UPANIC while AID will contribute a total of \$4,600,000 or 95.9%. As explained above in the sustainability section and in the counterpart waiver, UPANIC was not expected to provide counterpart to the funding for project management and subgrants to the field which constitute 87% of the funding for the UPANIC Project components. UPANIC's contribution represents 31.7% of the funding for its own institutional strengthening subcomponent. This subcomponent has been set up so that UPANIC will start contributing for this component in the third year with 25% of the costs, graduate to 50% in the fourth year, and assume 75% in the fifth and final year of the Project. APENN is contributing \$206,280 or 17.9% of the cost of the APENN direct costs (not including the institutional contractor). This amount has been programmed so that APENN will contribute 10% of total costs in the third year, 25% in the fourth year, and 50% in the fifth and final year.

Table C-3-1 PROJECT BUDGET FOR UPANIC
(Dollars)

Concept/Year	Base Price/ Monthly Unit	1	2	3	4	5	TOTAL
1 PMSO							
a UPANIC Contracted Employees							
- Agro-business Technician	1 000	4 800	16,380	17 199	18 059	18,962	75 400
- Financial Management Specialist	1 000	4 800	16 380	17 199	18 059	18 962	75 400
- Administrative Assistant	1 000	4 800	16 380	17 199	18 059	18,962	75 400
- Accountant	1 000	4 800	16 380	17 199	18 059	18 962	75 400
- Secretary	500	2 400	8 190	8 600	9 029	9,481	37 700
Subtotal		21 600	73,710	77 396	81 265	85 329	339 299
b Operations							
- Vehicle Operating Costs	2 500	7 500	31,500	33 075	34 729	36,465	143 269
- Communications	250	750	3,150	3,308	3,473	3,647	14,327
Subtotal		8 250	34,650	36,383	38,202	40,112	157 596
PMSO TOTAL		29,850	108,360	113,778	119 467	125,440	496,895
2 Institutional Strengthening							
a Subgrants for Inst Strengthening		500 000	1 000 000	500 000	300 000	0	2 300 000
b UPANIC Inst Strengthening							
1 Salary Support							
- Executive Secretary	1 900	29 640	31,122	32 678	34,312	36 028	163 780
- Agricultural Economist	1 500	23,400	24,570	25,799	27,088	28,443	129 300
- Accountant	900	14,040	14,742	15 479	16,253	17 066	77 580
- Secretaries (2)	400	12 480	13 104	13 759	14 447	15 170	68,960
- Chofer and Office Boy	300	4 680	4 914	5 160	5,418	5,689	25,860
- Janitor	150	2 340	2 457	2 580	2 709	2 844	12 930
Subtotal		86 580	90,909	95 454	100,227	105 239	478,409
11 Technical Assistance		1,607	9,100	10,000	10 000	0	30 707
111 Operations							
- Renovation and Repair		10 000	3 000	0	0	0	13 000
- Rent and Utilities	1 700	5 100	21 420	22 491	23 616	24 796	97 423
Subtotal		15 100	24 420	22 491	23 616	24 796	110 423
Total UPANIC Inst Str		103 287	124 429	127 945	133 843	130 035	619 539
3 Subgrants for Productivity		0	300 000	700 000	200 000	0	1 200 000
4 Evaluations/Audits		20 000	20 000	60 000	20,000	60 000	180 000
TOTAL FOR UPANIC COMPONENTS		653 137	1 552 789	1 501 723	773 310	315 475	4 796 434

Table C-3-2 PROJECT BUDGET FOR APENN
(Dollars)

Concept/Year		1	2	3	4	5	TOTAL
	Base Price/ Monthly Unit						
1 Personnel							
- General Manager	2 500	39 000	40 950	42 998	45 147	47 405	215 500
- Accountant (50% of cost)	500	7 800	8,190	8 600	9 029	9 481	43 100
- Information and Training Manager	1 200	18 720	19 656	20,639	21 671	22 754	103 440
- Information Center Assistant	500	7 800	8 190	8 600	9 029	9 481	43 100
- Training Officer	600	9 360	9 828	10,319	10,835	11,377	51 720
- Export Crop Program Officer	1 000	15 600	16 380	17 199	18 059	18 962	86 200
- Export Crop Program Assistant	500	7,800	8 190	8,600	9 029	9,481	43 100
- Executive Assistant	900	14 040	14 742	15 479	16 253	17 066	77 580
- Secretary	500	7 800	8 190	8 600	9 029	9 481	43 100
- Receptionist (50% of cost)	175	2 730	2 867	3,010	3 160	3 318	15,085
- Driver	160	2 496	2 621	2 752	2 889	3 034	13 792
Subtotal		133 146	139 803	146 793	154 133	161 840	735 716
2 Information and Training							
- Training		0	5 000	5 000	5 000	5 000	20,000
- Purchase of Information		8 242	8 000	0	0	0	16 242
Subtotal		8 242	13 000	5 000	5 000	5 000	36 242
4 Operating Costs							
- Rent and Utilities	2 500	30 000	31 500	33 075	34 729	36,465	165 769
- Vehicle Operation and Maintenance	2 500	30 000	31 500	33 075	34 729	36 465	165 769
- General Materials	600	7 200	7 560	7,938	8,335	8,752	39 785
- Materials for Agricultural Trials		3 000	3 000	2 000	0	0	8 000
Subtotal		70 200	73 560	76 088	77 792	81 682	379 322
TECHNICAL ASSISTANCE CONTRACT		985 439	333 824	135 737	0	0	1 455 000
TOTAL PROJECT FOR APENN		1 197 027	560 187	363 618	236 926	248 522	2 606 279

Table C-3-3 Institutional Contractor Budget

Concept/Year	1	2	3	TOTAL	
1 Salaries	65 000	65 000	32 500	162 500	11 17%
2 Fringe Benefits (30% x Item 1)	19 500	19 500	9 750	48 750	3 35%
3 Overhead (70% x Items 1 + 2)	59 150	59 150	29 575	147 875	10 16%
4 Post Differential (20% x Item No 1)	13 000	13 000	6 500	32 500	2 23%
5 Allowances					
- Housing (\$24 000 per year)	22 000	24 000	12 000	58 000	3 99%
- Temporary Lodging (\$105/day for 45 days)	4 725	0	0	4,725	0 32%
- Consumables (2 500 lbs x \$3 per lb)	7 500	0	0	7 500	0 52%
- Education (\$23 000 per year)	23 000	23 000	11 500	57 500	3 95%
6 Travel (Managua-Washington at \$1 000 per rt)	11 000	5,000	0	16 000	1 10%
7 Short-term Consultants					
UPANIC (375 days @ \$260/day)	91 000	6,500	0	97,500	6 70%
APENN (270 days @ \$260/day)	52,000	18,200	0	70,200	4 82%
8 Consultants Per Diem (@ \$165/day)	90,750	15 675	0	106 425	7 31%
9 PMSO Salary and Operational Support (9 months)					
- Agro-business Technician	10 800	0	0	10 800	0 74%
- Financial Management Specialist	10 800	0	0	10 800	0 74%
- Administrative Assistant	10 800	0	0	10,800	0 74%
- Accountant	10 800	0	0	10 800	0 74%
- Secretary	5 400	0	0	5 400	0 37%
- Vehicle Operating Costs	22 500	0	0	22 500	1 55%
- Communications	2,250	0	0	2 250	0 15%
- Rent and Utilities	15 300	0	0	15 300	1 05%
10 Equipment/Materials (See Table C-3-5)	231 400	5 000	276	236,676	16 27%
11 Other Direct Costs					
- DBA Insurance (\$3 44 x Items (1+2+4)/100)	3,354	3,354	1 677	8,385	0 58%
- Communications	5,000	5,000	2 500	12 500	0 86%
- Passports/Visas/Medical	5,000	5,000	2,500	12,500	0 86%
- Miscellaneous	1,400	1,400	511	3,311	0 23%
12 G & A (15% of Items 1-10)	119 014	40 317	16 393	175 725	12 08%
13 Fixed Fee (8% of Items 1-11)	72,995	24 728	10 055	107 778	7 41%
14 TOTAL ESTIMATED COST	985 439	333 824	135 737	1 455,000	100 00%

Table C-3-4 Equipment Budget for Institutional Contractor

1 UPANIC PMSO Office					
- 3 4x4 Vehicles	20 000	60 000	0	0	60,000
- Office Furniture (Sets)	3 000	15,000	3 000	0	18 000
- Computers (3)	5 500	16,500	0	0	16 500
- Photo Copier		20,000	0	0	20,000
- Air Conditioners	1 000	3 000	0	0	3 000
- Materials		2 000	2,000	276	4 276
Subtotal	116,500	5 000	276		121,776
2 UPANIC Institutional Strengthening					
- Office Furniture		2 000	0	0	2 000
- Computer	5 500	5 500	0	0	5,500
- Office Supplies		1 000	0	0	1 000
Subtotal		8 500	0	0	8,500
3 APENN					
- Vehicles (2)	15 000	30 000	0	0	30 000
- Motorcycle	2 400	2 400	0	0	2,400
- Computer Network	22 000	22 000	0	0	22 000
- Laser Printer	5,000	5,000	0	0	5,000
- Furniture (8 sets)	3 000	24 000	0	0	24,000
- Photo Copier	20,000	20 000	0	0	20 000
- Air Conditioners (3)	1,000	3 000	0	0	3,000
Subtotal	106 400		0	0	106 400
TOTAL	231 400	5 000	276		236 676

Table C-3-5 PROJECT BUDGET BY YEAR
(Dollars)

Concept/Year	1	2	3	4	5	TOTAL	
AID Contribution to UPANIC							
1 PMSO							
a UPANIC Contracted Employees	21 600	73 710	77 396	81 265	85 329	339 299	7 1%
b Operations	8 250	34 650	36 383	38 202	40 112	157,596	3 3%
PMSO TOTAL	29 850	108 360	113 778	119 467	125 440	496 895	10 4%
2 Institutional Strengthening							
a Subgrants for Inst Strengthening	500 000	1 000 000	500 000	300 000	0	2 300 000	48 0%
b UPANIC Inst Strengthening							
i Salary Support	86 580	90 909	71 591	50 114	26 310	325 503	6 8%
ii Technical Assistance	1 607	9 100	7 500	5 000	0	23 207	0 5%
iii Operations	15 100	24 420	16 868	11 808	6 199	74 395	1 6%
Total UPANIC Inst Str	103 287	124 429	95 959	66 921	32 509	423 105	8 8%
3 Subgrants for Productivity	0	300 000	700 000	200 000	0	1 200 000	25 0%
4 Evaluations/Audits	20 000	20 000	60 000	20 000	60 000	180 000	3 8%
TOTAL AID FOR UPANIC COMPONENTS	653 137	1 552 789	1 469 737	706 388	217 949	4 600 000	95 9%
UPANIC Contribution							
UPANIC Inst Strengthening							
i Salary Support	0	0	23 864	50 114	78 929	152 906	3 2%
ii Technical Assistance	0	0	2 500	5 000	0	7 500	0 2%
iii Operations	0	0	5 623	11 808	18 597	36 028	0 8%
TOTAL UPANIC CONTRIBUTION	0	0	31 986	66 921	97 526	196 434	4 1%
TOTAL FOR UPANIC COMPONENTS	653 137	1 552 789	1 501 723	773 310	315 475	4 796 434	100 0%
AID Contribution to APENN							
1 Personnel	133 146	139 803	132 114	115 600	80 920	601 583	23 1%
2 Information and Contracted Services	8 242	13 000	4 500	3 750	2 500	31 992	1 2%
3 Operating Costs	70 200	73 560	68 479	58 344	40 841	311 425	11 9%
TECHNICAL ASSISTANCE CONTRACT	985 439	333 824	135 737	0	0	1 455 000	55 8%
TOTAL AID FOR APENN	1 197 027	560 187	340 830	177 694	124 261	2 400 000	92 1%
APENN Contribution							
1 Personnel	0	0	14 679	38 533	80 920	134 133	5 1%
2 Information and Contracted Services	0	0	500	1 250	2 500	4 250	0 2%
3 Operating Costs	0	0	7 609	19 448	40 841	67 898	2 6%
TOTAL APENN CONTRIBUTION	0	0	22 788	59 231	124 261	206 280	7 9%
TOTAL FOR APENN	1 197 027	560 187	363 618	236 926	248 522	2 606 279	100 0%
TOTAL AID CONTRIBUTION	1 850 164	2 112 976	1 810 567	884 082	342 210	7 000 000	94 6%
TOTAL COUNTERPART	0	0	54 775	126 153	221 787	402 714	5 4%
TOTAL PROJECT	1 850 164	2 112,976	1 865 342	1 010 235	563 997	7 402 714	100 0%

TABLE C-3-6 Summary Cost Estimate by Project Element
Source (U S \$ or Equivalent)

Project Element -----	A I D -----	UPANIC -----	APENN -----	Total -----	% of Total -----
UPANIC Components					
Project Management and Support Office	496 895	0	0	496 895	6 71%
Subgrants	3 500 000	0	0	3 500 000	47 28%
UPANIC Institutional Strengthening	423 105	196 434	0	619 539	8 37%
Evaluations and Audits	180 000	0	0	180 000	2 43%
Subtotal	4,600 000	196 434	0	4 796,434	64 79%
APENN					
Direct Costs	945 000	0	206 280	1 151 280	15 55%
Institutional Contractor	1 455 000	0	0	1 455 000	19 65%
Subtotal	2 400 000	0	206 280	2,606 280	35 21%
Total Costs	7 000 000	196,434	206 280	7 402 714	100 00%

Annex D

ECONOMIC ANALYSIS

A) Introduction

The purpose of economic analysis is to estimate the net impact of the Project over its planned life. The usual procedure would be to aggregate the results of the financial analyses of the subgrant proposals into a single composite of Project benefits and associated costs and investments. Since these data will not be available until some months after the Project is operating, a "real" economic analysis is not possible. For illustrative purposes, the five activities for which financial analyses were constructed above, are treated as if they were the entire Project. In fact, of course, these illustrative activities represent only a part of the total budget available under this Project.

Adjustments in financial prices, to estimate economic values, would involve identifying transfer payments, or transfers of value from one part of the society of Nicaragua to another. This includes taxes and subsidies for both production inputs and outputs as well as adjustments for other price distortions on both inputs and outputs. In the present case, the historical perspective was one of distortion of both import and export prices through a system of levies, akin to taxation, while most farm gate prices were controlled. No data have successfully been gleaned from GON sources, however, that would shed light on the extent and nature of these price distortions. Therefore, the economic analysis will use the same prices used in the financial analyses.

In the two areas where there are usually the most evident distortions, the price of labor and the price of foreign exchange, current prices seem to be equivalent to the opportunity cost of these elements. Most of the labor used in the production of products in the illustrative examples used, is hired on a daily or monthly basis. Harvest labor to pick coffee is paid for by the volume of berries picked per day. There is a very small proportion of unpaid family labor in the production of these several products, mainly in the form of supervisory/managerial efforts by the land owner, for which we have not estimated a wage equivalent. Even though rural workers are unionized the rural labor market is depressed, and it would not be a large distortion of the analytical results to assume that the opportunity cost (the shadow price) of rural labor is equal to the wage rate received. For coffee workers, this rate currently is US\$ 1.11

per day, plus a mid-day meal worth a few cents, and 6% social security, for a total of perhaps US\$ 1 20 per day. Likewise, given the commitment of the GON to exchange rate parity, the price of foreign exchange is equivalent to its opportunity cost.

For all of the above reasons, the price and cost elements in the economic analysis here, will not be different from those used in the preceding financial analyses. Since the domestic banking system currently is in a state of disarray and there are no expatriate banks operating in Nicaragua, there are no good sources from which to estimate a proper discount rate. A rate of 14% is used, as probably being in the vicinity of a true discount rate, were one known. Further, reasonable estimates of tax liabilities upon net cash farm incomes were available only with the Masatepe applied technology example. Consequently, all net figures are given before taxes, and no adjustment in these numbers are necessary for this economic analysis.

B) Net Present Value Analysis

The procedure here is to discount the annual flows of Project investments/costs to present value, and then to compare this sum to that similarly derived for Project benefits. The Net Present Value is the simple difference between these two sums.

Net Present Value (Discount @ 14%)

Subgrant	Costs	Benefits	Net Present Value
Matiguas	812,216	2,572,776	1,760,560
Sorghum	96,476	403,301	306,825
Estelí	456,450	363,332	-93,118
Masatepe	200,694	1,396,468	1,195,774
APENN	913,454	2,392,939	1,479,485
Project	2,479,290	7,128,816	4,649,526

C) Benefit-Cost Ratio

This measure is a standard tool by which to rank various competing proposals within a Project, or to rank competing Projects, if funds are limited, (as they almost always are). The difference between this and the Net Present Worth measure is that the discounted stream of benefits is divided by the costs, rather than subtracting costs from benefits. The B/C analysis is a standard way to rank alternative proposals. It could be used in this Project to rank Project subgrant proposals in the order of their economic returns, at present value. Subgrants could then

be awarded downwards from that with the highest ratio, as far as available grant money extends

Benefit-Cost Analysis (Discount Rate is 14%)

Subgrant	Costs	Benefits	B/C Ratio
Matiguas	812,216	2,572,776	3 17
Sorghum	96,476	403,301	4 18
Esteli	456,450	363,332	.80
Masatepe	200,694	1,396,468	6 96
APENN	913,454	2,392,939	2 62
Project	2,479,290	7,128,816	2 88

D) Conclusions and Recommendations

This analysis shows that the project is economically viable and should be undertaken. Generally, one would want to compare investments in this Project with other possible investments such as investments in agricultural credit or in other sectors of the economy and choose the one(s) with the highest return. This, however, was not a task of this analysis and was not undertaken. Given the very evident comparative advantage that Nicaragua has in agricultural production vs. other types of economic activities, it can be said with a fair amount of accuracy that investments in agriculture such as those analyzed above present the highest returns for any possible investments in the Nicaraguan economy.

4 Define Selection/Justification Criteria

It will be the first job of institutional contractor to define the details of the criteria and procedures by which proposals will later be judged. The contractor will work with the Project Steering Committee which will approve the criteria and procedures before they are sent to AID. An illustrative example of the criteria and procedures is given at the end of this Chapter.

5 AID Approval of Selection Criteria

When the Steering Committee has approved the selection/justification criteria in detail, as well as such operational components as frequency of meetings, allocation of funds between tranches, etc., the document will be approved by AID in a PIL.

6. Assistance to Associations in Proposal Development

There are differing capabilities among the associations, to develop, analyze, and write up proposals. It is important that the Project subgrants go to the best possible uses, not just to those first received, or those best written up. The Steering Committee, assisted by the project management staff, and probably a short-term TA specialist in farm production analysis, will need to devote some time to helping those associations who need it, to develop the data and reporting format required of a subgrant proposal.

7 Steering Committee Review and Recommendations

Selections for the first tranche of subgrants may be made around six months from the beginning of the Project. These will be non-competitive, and relatively straightforward in their justifications. The competitive subgrants may begin with the second tranche, some while later. The Steering Committee will review all proposals on its agenda as of some selected cut-off date, and will put together its list of recommended subgrant allocations. It will submit these recommendations to UPANIC for approval/disapproval.

8 UPANIC Action on Recommendations

UPANIC will either transmit summary approval to AID for "no objection", or will return the proposal(s) to the originating Association for additional analysis/revision. These modifications must be specified in detail by UPANIC, as its basis for rejection of the proposal.

9 AID Concurrence

Upon receipt of a summary of subgrants approved by UPANIC, AID will issue a concurrence PIL. This will provide documentation for commitment of funds for advance/liquidation requests.

B) Selection Criteria and Procedures for Subgrant Proposals

While selection criteria are straightforward, comparison and selection of proposals is complicated by the need to apply those criteria across sectors for different sizes and types of programs. The process is further complicated by the differing capabilities of associations to develop, analyse, and write up proposals. The grants should go to the best activities, not just the best written proposal or the first proposals finished. The provision of assistance to associations in analysis and preparation of proposals will help, problem, but that assistance takes time. It is therefore, necessary that the selection process have a mechanism for making awards promptly so that those associations that are ready can receive subgrants, but also allowing enough time for other associations to prepare proposals and have access to subgrant funds.

Part of the responsibility of the Institutional Contractor with the approval of the Steering Committee will be, therefore, to develop and submit for AID approval the required elements for all subproject proposals, an assignment of points and definition of minimum criteria for awarding both types of subgrants, an estimated timetable for subgrant awards, the subproject agreement with all of its necessary clauses, and a complete set of procedures for subgrant implementation. For the most part, all of these requirements have been delineated below or in the Project Paper as guidelines for the contractor. Criteria to be used in selection/justification are delineated below. For the institutional strengthening subgrants, the first three criteria will be used to judge the proposal as a whole. The proposals will only meet some minimum requirement established by the PSTC and will not be competed against each other. For the productivity subgrants, all of the criteria delineated below will be used.

1 Farm/Association Level Impacts

A proposal would begin with a brief description of the technical/economic problems to be addressed, and proceed with the proposed solutions to be financed, in part or in whole, by the subgrant. This would be followed by a detailed budget of the financial impact of activities under the proposal, over whatever period of time is meaningful. This might be based upon a partial farm

budget, typical of the membership, with impacts expanded to the scale of the Association, or of those members who would be participating in the activities. Financial impact could be indicated by increases in production efficiency, in net incomes, increased yields/offtake rates/weaning percentages/ etc., in higher market prices to be received, or other relevant measures

2 Sustainability

Any activity funded under this Project would be expected to continue beyond the five years of the Project, and to be sustained by income generated. Capital investments must be recovered under a reasonable schedule, and operating costs must be covered annually. Income to cover the investments and operating costs could come from sales margins in the Association store, from rental of equipment, from attendance fees, annual dues, check-offs at marketing points, etc

3 Association Capability To Implement Proposal

This is a qualitative measure based upon amount of previous experience in proposed or similar activity, technical expertise of members, facilities and equipment in place to support the proposal activities, demonstrated ability of an association to organize and reach its members with technical information and services, etc

4 Number of Beneficiaries

The proposal should list the number of members (and others, if any) who will be direct beneficiaries of the proposal activities. An estimate also should be prepared of the numbers and types of indirect beneficiaries, if any, and explain how they will benefit. If expected, the proposal should include an estimate of the number of new members that activation of the proposal is expected to attract.

5 Aggregate Economic Impact

The proposal should include an estimate of the total impact of the proposed activities upon the society at large. This would be a summary of increased product, income, employment, foreign exchange earnings, etc

6. Amount and Type of Association Contributions

It is important that a connection be made between proposals to spend sub-grant money, and the quantity of contribution, or matching resources, that the Association will contribute to the total available. A proposal to stock an Association store, for

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instance, could hardly be seriously considered if, in fact, no such store as yet exists. Likewise, a proposal that included a contribution to the salaries of presently underpaid employees, would be stronger than one that asked such employees to be completely funded out of the sub-grant. The amount of the Association contribution to the total available is a measure of the degree of leverage that sub-grant funds will enjoy. The greater this multiplies, the more favorable should be the consideration given to this expression of real demand (as distinguished from expressed wants)

7. Environmental Impact

An environmental impact analysis will be carried out by AID prior to the beginning of this Project. It will address especially the use of agricultural chemicals of a toxic nature, though there may be additional concerns involved. Proposals will need to conform to AID guidelines with respect to sound environmental practices followed in carrying out the proposal activities

ADDITIONAL CRITERIA FOR NATIONAL COMMODITY LEVEL PROGRAMS

8 Evidence of Demand at the Local Level for the Proposed Program

The presumption of the Project is that the local producer associations have better contact with and are more responsive to the base level farmer members. Proposals from national commodity associations need to demonstrate that the proposed activity is supported by the farmers and local associations

9 Comparative Advantage of Conducting National Rather than Local Program

Describes the rationale for centralizing a program, including economies of scale, need to avoid duplication of efforts, specialized equipment or personnel that are not available to local associations, etc.

C Suggestions For Proposal Format

The following section is a summary of the information that should be addressed in a sub-grant proposal. It is not intended to be definitive, but should be modified by the Steering Committee as they find necessary and desirable.

1 Name and location of Association, number of active members, names and positions of members submitting the proposal, vista buena by Association Board of Directors

2 Short description of problems extant, and how this proposal will contribute towards a solution

3 Amount requested, along with a detailed schedule of uses, amounts, times of disbursement by category (investment or operating costs,etc)

4 Technical and financial analyses of the impact of the proposal upon effected members of the Association. This could be in the form of a partial farm budget, expanded to Association or other appropriate scale, or a similar device that makes clear the various results of the activity as a result of the operations under the proposal

5 The expected recapture methods and time periods that indicate the sustainability of the proposed activity

6 Number of members and others effected directly and indirectly, and the expected impacts upon incomes, production efficiencies, employment, foreign exchange generation, etc

7 The experience, facilities, equipment, and other resources of the Association that are in place and available to support the operations under the proposal

D Illustrative Example

The illustration used here is based upon one of the illustrative financial analyses presented in the Annex to this document It is not "real" in the sense of having been prepared by a real Association. It is intended only to illustrate the kinds of information that the Project Steering Committee is likely to want to see on the competitive proposals

- 1) Association of Coffee Producers of X
 - 60 active members, 600 manzanas of coffee in production
 - Names of Members submitting Proposal

Approval•

_____, President
 _____, Secretary
 _____, Treasurer

- 2) Problem Description

The Association members have been operating at successively lower levels of productivity since 1979. Causes include their inability to retain their coffee agronomist, to interact with coffee experts outside the country, to import new and more productive cultivars and associated agricultural chemicals and equipment, and failure of the Government administered farm-gate prices to reflect the international coffee markets Funds made available from this sub-grant would address these problems by

a Making it possible to hire an experienced coffee technician, who would gather current technology and make it available to members through use of field days, short courses, farm visits, and on-farm trials, etc ;

b Providing funds to restock the necessary chemicals and equipment in the Association store for use by members,

c Invest in a 4WD vehicle for use of the coffee technician, plus other supporting funds

Together, these activities will lead to annual improvements in coffee yields production efficiencies, and increased incomes from higher coffee quality.

3) Amount of this sub-grant request is US\$ 155,800
Money will be disbursed as follows

	Capital Investment		Operating Costs	
Year 1	4WD Vehicle	20,000	Salary of Tech	16,000
	Restocking Store	68,000	Travel, etc	13,000
			Seedlings, etc	2,500
			Pubs ,Etc	10,000
	Total	88,000		41,500
Year 2	nil	0		23,960
Year 3	nil	0		22,460
Year 4	nil	0		16,360
Year 4	nil	0		5,030

4) Technical & Financial Analyses

a It is estimated that it will require five years to raise yields from the present level of an average of 6 quintals per manzana, up to the 32 QQ/Mz of ten years back. Yields will respond with a one year lag, one production season, so that the first increment of yields will come in year two. Producers will begin to break even in the 3rd year, and will be generating reasonable net returns by the 6th year.

PRODUCTION BUDGET
US\$ / Manzana

	6QQ	12QQ	18QQ	25QQ	30QQ	32QQ
<u>Hired Labor</u>	23	46	69	96	115	124
<u>Agrochemicals</u>	251	301	362	502	603	645
<u>Other goods</u>	41	83	124	172	207	221
<u>Work/Transport</u>	218	218	218	218	218	218
<u>Administration</u>	8	8	8	8	8	8
<u>Tools/Equip</u>	31	62	93	129	154	165
<u>Harvesting</u>	63	127	190	264	317	339
<u>Taxes, etc</u>	134	153	173	192	211	226
<u>Total Cash Prodn Costs</u>	770	998	1236	1581	1833	1961
<u>Gross Value Product @ \$70.83/QQ</u>	425	850	1275	1771	2125	2267
<u>NVP</u>	- 345	- 148	39	190	292	306

FINANCIAL ANALYSIS

	Yield Qq/Mz	GVP \$/Mz	Prod'n Costs	NVP \$/Mz	Cumulative Net Returns \$/Mz	NVP 600 Mzs 000\$	Cum Net 600Mz 000\$
Year 1	6	425	770	-345	- 345	-207	-207
2	12	850	998	-148	- 493	- 89	-296
3	18	1275	1236	39	- 454	23	-273
4	25	1771	1581	190	- 264	114	-159
5	30	2125	1833	292	28	175	16
6	32	2267	1955	312	340	187	203

The technology to be used is not new, but only an update from that of ten years ago, with which the member/producers are quite familiar

5) Sustainability

Producers presently are in a net loss production situation, and it will require three years of the proposed activities for the average member to break even. The investment in stock for the Association store (US\$ 68,000) will be recovered from a surcharge of 10% upon sales. Recovery of the vehicle investment will be staggered over years 2 - 6, also from the sales surcharge. The entire operation, including covering the operating costs of the technician, would become self-sustaining somewhere during the 5th year after the subgrant is received.

CAPITAL RECOVERY

	Est.Assoc Sales 000 \$	Net on 10% Markup	Capital Recovery Truck	Operating Costs
Year 1	175	17,545	0	-23,955
2	230	23,040	4000	-22,460
3	291	29,137	4000	-16,363
4	405	40,469	4000	- 5,031
5	486	48,563	4000	3,063
6	520	51,962	4000	6,462

6) The Association currently is operating a small store, and has done so for the last 17 years. The personnel include a chief clerk/receptionist, accountant, stocker, and watchman. The Association has the reputation of being a leader in the adoption

of current coffee production technology, and includes in its membership, several producers who used to travel to attend regional workshops in Costa Rica, Honduras, and at other sites, as well as hosting similar meetings in Nicaragua

7) Beneficiaries

Direct beneficiaries will number the 60 producers and their families (about 550 people). The Association will continue its' policy of extending technical help to non-member neighbors. These might add 20-25 non-member direct beneficiaries. Some of these coffee producers have been interested in becoming members of the Association, over previous years. It is expected that the activities under this sub-grant might add five or more new members per year.

8) Aggregate Economic Impact

The following table estimates the net impact that would flow from the activities of Association members over the six years of the grant period.

Aggregate Economic Impact

	Added Coffee Produc QQ's	GVP Added 000\$	Man/Days of Labor Added / Mz	Total Man Days of Labor Added	Foreign Exchange Added 000 \$
Year 1	0	0	0	0	0
2	3,600	255	23	13 8	53 3
3	7,200	510	46	27 6	106.6
4	11,400	807	73	43 8	168 7
5	14,400	1020	92	55 2	213 2
6	15,600	1105	99	59 4	230 9

Note: Foreign exchange generated by coffee exports runs at about 20.9% of gross value product at the farm gate.

9) Association Contribution

The Association contribution will consist of a headquarters/store/warehouse building with a present investment value of \$44,750. The inventory currently in the store is valued at \$43,863. The salaries of current Association employees amount to \$4,000 per month (\$48,000 annually).

ANNEX F

SOCIAL SOUNDNESS ANALYSIS

I Methodology

This analysis is based on information gathered in the same interviews as are listed in the institutional analysis. In field visits to local producer associations, between one hundred fifty and two hundred farmers were interviewed, individually or in groups of six to twenty at a time. They were asked and frequently volunteered information about their problems, needs, relations with other members of the community, and social and political concerns, as well as the specifics of technical and institutional problems that are mentioned in other analyses. Representatives of other sectors of society, and professionals at INCAE, CINASE, etc., were also asked about their relations with and attitude toward the UPANIC affiliated farmers.

The social soundness analysis that results from these interviews addresses three areas of concern: (1) socio-cultural feasibility, (2) spread effects, and (3) incidence of benefits.

II. Socio-Cultural Feasibility

A. Social Context

The project is a response to a unique social situation in which a country that at one time had a strong, productive and pervasive private sector, has seen that sector systematically dismantled, to the great disadvantage of the entire country. The loss of over fifty percent of production levels that has resulted from the social cataclysm has sent shockwaves through all sectors of the society. The project directly and clearly addresses the major social problem that Nicaragua now has -- the absence of a strong private sector.

B Compatibility with Existing Social Structure

The project equally recognizes the existing social structure within the direct beneficiary group. UPANIC and the member associations are clearly identified as the appropriate (only) representative of the private farmer. There was one hundred percent unanimity among interviewees that the producer associations are the appropriate channel for technical and financial assistance to the membership.

C. Participant Motivation and Perception of Benefits

The project was designed to give the beneficiary group maximum

latitude in developing self-help programs of their own design. If the local groups are effective in understanding their member needs, the subgrant proposals reflect their understanding, and the Project Steering Committee finds that those needs meet project criteria, then the project benefits as perceived by the donor will exactly correspond to the benefits that the beneficiary group perceives. Given the strong unity and organization that the associations display, this should hold true. However, the project has two primary mechanisms for making sure this chain works. First, the project will assist each group to conduct membership surveys to better understand the diversity of problems and concerns of the members. Second, the project will provide each group with assistance in putting their ideas in proposal form -- to ensure that the ideas are communicated well to the selection committee.

The beneficiaries have expressed keen interest in self-help, and their motivation should not be diminished at all by this process.

III Spread Effects

Technical innovations introduced in the project will spread quickly among UPANIC members, which represents several thousand farmers and most of the private sector.

There are several ways that technical innovations and benefits can be directly spread to a larger beneficiary group. Some of the basic requirements for innovations to spread include leadership, resource mobility, appropriate technology, and cultural mixing. The spread effects under this project will vary greatly between crops and subgrant activities. There will probably be some significant spread effects in the coffee sector because the farmers from different social groups tend to be mixed together fairly well, and the technologies they employ are about the same. In general, however, resource limitations, technological differences among farm types, and political polarization will limit the amount of spread.

A Leadership

This is a positive factor for spread of project innovations in all crop sector. UPANIC members are the recognized technical leaders in their communities, and are the place other farmers look to find out what innovations are taking place. The best example is the Masatepe coffee association, which had some of the first technified coffee producers in Central American, and brought many of the improved varieties to Nicaragua from Costa Rica that are still in use.

B Resource Mobility

There will be many cases where the project activities introduce innovations that will be well within the means of the general community to adopt. Especially in coffee and livestock, there are some basic needs among the community in general for improved animal health practices, disease control, etc., that will be relatively easily adopted by smaller farmers or other farmer groups (i.e., UNAG collectives). However, it must be recognized that the UPANIC farmers are from the middle to upper socio-economic strata, and there will be some cases where resource limitations will restrict the spread of innovation to the general farm population. This factor is ameliorated by the increased employment that will result to other farmers and the rural poor due to the innovations as discussed further on. Additionally, the midterm evaluation will specifically look at the extent to which the Project is reaching smaller farmers and any changes that can be made in the Project to accomplish this.

C Appropriate Technology

Again, there are many examples of innovations that will be completely technologically appropriate for a general population of farmers. Small and large coffee growers can and frequently do employ exactly the same production technology, and innovations in the project will be perfectly compatible with any size farm. Irrigated rice growers, on the other hand, use completely different technology from dryland growers, and there will be virtually no transferability there.

D Cultural Mix

Although the private sector members of UPANIC associations live and work in close contact with all members of the community, the culture is still obviously suffering the effects of political polarization. There was quite a lot of evidence of reconciliation, and several members of UPANIC associations have re-joined after past affiliation with UNAG, also, in areas that were more isolated from confrontation and violence, the evidence of reconciliation seems stronger. However, there are still parts of the country where political affiliation is a major barrier to cultural mixing that would promote the spread of changes introduced by this project.

IV Benefit Incidence

Primary beneficiaries under the project are the members of UPANIC associations and members of APENN. There are over 20,000 farmers affiliated with UPANIC, and at least eight to ten thousand are active recipients of services. Because the project is designed to provide subgrants at the local level association, the incidence of benefits among the member farmers will be very

broad. Further spread of direct benefits will occur within the community as a result of the spread of innovations as described above. However, this effect will be limited as explained. The principle way in which direct benefits will reach a larger group is through increases in membership -- both new farmer members of local associations, and new associations within UPANIC. In both cases, the effect could be significant.

There are two additional concerns about benefit incidence that were investigated in this analysis. Benefits to women and benefits to the rural poor. While there are a few exceptions, the membership of the UPANIC local associations and APENN is predominantly male. Direct benefits do accrue to women from the investments in the local associations as employment in the association input stores are often women, and women benefit from the increased family incomes that will be derived from this Project. The greatest incidence of benefits to women will come from indirect employment benefits from the increased agricultural production. Studies show that employment opportunities for the rural unemployed are greatly increased through investments in both traditional and non-traditional agriculture because of the labor intensiveness of the planting, cultivation, harvesting, and post-harvest packing or processing of the agricultural products. A study that was recently funded under the ROCAP PROEXAG Project¹ showed that in traditional agriculture, women benefitted from new employment opportunities at a 1:3 ratio with men while in the NTAE sector the ratio was the reverse, 3:1. Many of the jobs provided to women, especially in the NTAE sector are higher quality jobs in packing and processing. Additionally, while the percentage of permanent jobs is low, women are more likely to fill these jobs which have higher salaries and benefits given that most of the jobs are in packing or processing. Overall, the increased agricultural production that will be derived from the Project will provide women much greater employment opportunities given that, as the study shows the only other options are low paid domestic employment or unemployment with far greater incidence of the latter.

The effect of the Project on the rural poor is similar to the above discussion in that benefits are indirect but quite significant in providing employment to the rural poor. Studies done by the LAC Bureau on agricultural exports show that in both the traditional and NTAE sectors that the domestic content of agricultural exports averages around 80% while the domestic content of manufactured exports including such things as apparel

¹ "Impact of Participation in Nontraditional Agricultural Export Production on the Employment, Income, and Quality of Life of Women in Guatemala, Honduras, and Costa Rica" by Amalia M. Alberti

in the maquila industry averages only around 30%. Most of the domestic content of agricultural exports are the labor inputs for production, harvesting, and processing/packing. Investments in agricultural production and agricultural exports in particular thus create significant benefits for the rural unemployed.

TECHNICAL ANALYSIS

I Introduction

The technical analysis of the Project looks at the range of services that might be delivered, at the perceived need for these, and at the ways that deliveries can be effected most efficiently. The project intends to deliver three basic sorts of services. One would include support and upgrading of the staffs of the member associations, including local and national levels of representation. A second would provide commodities needed effectively to carry out the services anticipated. A third would deliver technical assistance through Associations, for the direct use of members in their agricultural and marketing operations. The following list of needs was expressed in meetings with four local Associations and two national Federations. Some needs were expressed by several of these respondents. The list indicates the range of help that a sample of members feel they need

- Office equipment, typewriter, computer, photocopier, fax
- Market opportunities for cattle
- A new member-operated abattoir
- Renovation and member operation of an existing abattoir
- Veterinary advice, medicines in Association store
- Improved/renovated pastures
- Improved fencing for pasture rotation
- Supplemental feed/salt for livestock
- Cheese factory to use surplus milk
- Cacao processing plant
- Better road access
- Feed mixing plant
- Production machinery pool for sorghum & other crops
- Technical assistance for sorghum, other crops
- Technical assistance with soil samples, interpretations
- Technical assistance for coffee production
- On-farm trials of improved production systems
- Small soils laboratory for testing & advice
- Help in diversification to non-traditional crops
- Machinery pool for coffee
- Importation of improved bulls & bred heifers
- Artificial insemination scheme for herd upgrading
- Water storage tanks in dry range areas
- Production credit
- Private Sector agricultural bank
- Weekly market news sheet/publication
- Pooled imports of agricultural chemicals & medicines
- Pens/corrals for local cattle sales
- Expanded inventory in association stores to serve members

Some of these needs, for instance better roads and a credit system are far beyond the scope of this Project. Many of the others would make reasonable subgrant proposals. Most of the members of the several Associations under UPANIC have considerable experience in their agricultural production operations, including the use of current technology in their production systems. One of the central needs expressed is technical assistance to update their "current" technology, now ten or more years out of date. It is not a matter of not knowing how to produce, so much as it a matter of not having technical contacts and information, these last years, by which these producers normally would have kept themselves up to date and competitive with agricultural production in the more open societies of their neighbors.

The Project intends to provide for the assorted needs by a system of grants and subgrants. The basic grant to UPANIC will provide the assistance at the UPANIC level required properly to service the Project. This includes an Expatriate Project Manager for a thirty-month period, accountants, an economist, etc. The allocation of subgrants is defined below.

II Allocation of Subgrant Funds

There are six eligible national commodity associations and approximately 40 federation and local associations that are eligible to receive subgrants. The fund of money for subgrants would be divided into two separate reserves - Basic Institutional Grants, and Special Projects up to \$200,000, or \$400,000 depending on the number of associations involved in the proposal. This allocation procedure will be defined as part of the cooperative agreement with UPANIC. UPANIC may change this allocation system, however, if it provides sufficient justification, when it submits to AID the detailed management process for subgrant justification and selection as discussed below.

A Basic Institutional Grants

Basic Institutional Grants would have a maximum award of \$50,000 per association and federation, and enough funds will be reserved to ensure that every eligible association would have access to a basic grant during a period of two years. Awards of grants would be noncompetitive, with each association and federation receiving the amount of financial support justified, up to the maximum. After two years, the remainder of the reserve fund that had not been awarded would be rolled into the pool of funds for Special Projects. The total estimated for these subgrants is \$2.3 million.

These Basic Institutional Grants would especially serve the needs of support or expansion of ongoing technical or commercial services of local associations. The most important selection criteria would be farm level impact (of all activities as a whole), the capability of the association to manage the activity, and sustainability (of the association as a whole rather than the particular activities). In order to simplify Project management, these grants will be limited to funding a maximum of three activities. The main purpose of these grants is basic and expeditious institutional strengthening and immediate service delivery.

The level of analysis, length of time in preparation, and detail would be less than for special projects, and associations would be given plenty of time to prepare proposals and receive assistance. This would also permit new members or newly emerging associations that are registered with the Project an opportunity to develop membership and activities and participate in the Project.

B Productivity Subgrants

The subgrant funds that are not reserved for basic institutional grants will be used for subgrants directly related to productivity. The Productivity subgrants will be of two sizes - up to \$200,000 for proposals from one or two associations and up to \$400,000 for proposals from three or more associations or a federation. Only one activity may be funded through these subgrants to assure maximum distribution of funds. A total of \$1.3 million is estimated for this component. The productivity subgrants will be selected on a purely competitive basis. That is, proposals would be received by a deadline, reviewed together, and ranked by score based on the detailed selection criteria. Awards would be made to qualifying proposals in order of ranking until the funds are gone. Proposals for productivity subgrants will require considerably greater depth of analysis than the Basic Institutional Grants. Impact and capability to manage the proposed program are essential, and aggregate impact, beneficiary numbers, and sustainability are very important in this category, also. Criteria for the productivity proposals are delineated below.

In order to permit time for all eligible associations to prepare proposals, the selection would be done in approximately six month phases, at approximately months 12, 18, and 24. Any funding left after 24 months will be placed in the productivity subgrant category and must be committed through a subgrant no later than the thirty-sixth month of the Project.

C Rationale for Allocation System

The rationale for this system of allocation is that it

- 1) creates a competitive mechanism that will tend to put money in the most productive activities regardless of commodity sector,
- 2) permits comparison of proposals of similar size and complexity, and
- 3) provides a simpler, more cost-effective mechanism for strengthening the network of smaller, local associations with a selection process that eliminates the time pressure and need to spend time and money in proposal writing

III The Subgrant Process

A) Critical Steps in the Selection Process

1. Register Eligible Associations

The first instruction interested member associations will receive is to fill out a registration form that will determine their eligibility for subgrants. The purpose of registration is to avoid the confusion of non-members or members who do not fill basic eligibility requirements applying for subgrants. The need for this arises from the lack of definition that exists at present as to how many local associations there are, especially in the coffee and livestock associations. A distinction will need to be made between local committees (which might have 10-20 members and no office) and local associations.

2. Publicity and Orientation of Members

UPANIC will be responsible for organizing member associations, publicizing the Project, and providing basic instructions on how to seek assistance in developing proposals for subgrants.

3. Formation of Project Steering Committee

UPANIC will organize an election by members of all Associations to select three representatives. Preferably, one member of the Committee would be from the coffee sector, one from cattle, and one from the several crops-related Associations. Persons elected should be known for their technical leadership and objectivity, and should have demonstrated good business and financial acumen. AID will approve the candidates in a PIL. The other members of the PSC will be the institutional contractor Chief of Party, and a representative of AID.

ACTION: AID INFO: AMB DCM ADMIN

VZCZC400295

03-DEC-90

TOR: 14:15

PP RUEHMO

CV: 14559

DE RUEHC #5135/01 3420107

ANNEX H

CHPG: AID

ZNR UJUJU ZZH

DIST: AIDA

P 092105Z DEC 90

FM SFCSTATE WASHDC

ADD:

TO AMEMBASSY MANAGUA PRIORITY 4433

BT

UNCLAS SECTION 01 OF 02 STATE 415135

AIDAC

E.O. 12355: 4/A

TAGS:

SUBJECT: NPD REVIEWS -- PRIVATE AGRICULTURAL SERVICES (524-7315), PVO COFINANCING (524-7313); FAMILY PLANNING EXPANSION AND REGIONALIZATION (524-7312); EXPANDED PROGRAM OF IMMUNIZATION (524-7321)

1. ON NOVEMBER 23, 1990, LAC STAFF REVIEWED SUBJECT NPD'S. AID/W GUIDANCE AND DECISIONS RELATING TO EACH PROJECT ARE PROVIDED BELOW.

2. PRIVATE AGRICULTURAL SERVICES (524-7315)

A) LAC GRANTS PROGRAM CONCURRENCE FOR THE MISSION TO PROCEED WITH FURTHER DEVELOPMENT OF THIS PROJECT AND THE MISSION DIRECTOR IS HEREBY DELEGATED AUTHORITY TO APPROVE THE PID IN THE FIELD.

B) SINCE THIS PROJECT WILL FINANCE THE DELIVERY OF PRIVATE AGRICULTURAL SERVICES FOR ONLY FIVE YEARS, SELECTION CRITERIA TO BE APPLIED TO THE ALLOCATION OF PROJECT FUNDS SHOULD BE DESIGNED IN SUCH A WAY AS TO FAVOR PRIVATE AGRICULTURAL ORGANIZATION (PAO) ACTIVITIES WHICH PRESENT THE GREATEST POTENTIAL FOR COSTRECOVERY

AND SUSTAINABILITY: THE PID/PP SHOULD ANALYZE THE SUSTAINABILITY POTENTIAL OF PAO SERVICES AND PROJECT BENEFICIARIES SHOULD ASSUME NO FURTHER SUPPORT BEYOND THE PACD.

C) AID/W UNDERSTANDS THAT PAO MEMBERSHIP (AND THEREFORE PROBABLE PROJECT BENEFICIARIES) WILL BE BETTER IDENTIFIED THROUGH THE COURSE OF FURTHER PROJECT DESIGN. BASED ON THE RESULTS OF THIS CLARIFICATION, IT MAY BE APPROPRIATE FOR PROJECT DESIGN TO INCORPORATE PRIVATE PRODUCERS WHO ARE NOT CURRENTLY ACTIVE PAO MEMBERS. THE MISSION SHOULD ENSURE THAT POORER FARMERS AND NON-TRADITIONAL PRODUCERS MIGHT ACCESS NECESSARY SERVICES FINANCED THROUGH THIS PROJECT AND THAT BENEFICIARIES ARE NOT LIMITED TO THE LARGER MORE INFLUENTIAL PRODUCERS:

3. PVO COFINANCING (524-7313)

12/10/90

C & R Section		
USAID/Costa Rica		
	Act	Info
MDIR		
DDIA		
EXO		
DMO		
ADP		
PDO		
PROG		
GDO		
TD		
RTAC-II		
EAO		
CONT		
RLA		
OPS		
RDO	/	
RAJO		
ROCAP		
CHRON		/
RF		/
Due date: 12/13/90		
Action taken		
Initials		

A) LAC GRANTS PROGRAM CONCURRENCE FOR THE MISSION TO PROCEED WITH FURTHER DEVELOPMENT OF THIS PROJECT. DUE TO THE RELATIVELY SIMPLE DESIGN OF THIS UMBRELLA PROJECT AND ITS SIMILARITY TO OTHER INITIATIVES ALREADY BEING IMPLEMENTED THROUGHOUT THE REGION, THE MISSION DIRECTOR IS HEREBY DELEGATED AUTHORITY TO AUTHORIZE THE PROJECT USING NON-STANDARD DOCUMENTATION. SPECIFICALLY, THE MISSION MAY PROCEED DIRECTLY TO THE DEVELOPMENT OF THE PROJECT PAPER WITHOUT AN INTERMEDIATE PROJECT IDENTIFICATION DOCUMENT.

B) IF THE PROJECT IS TO BE OBLIGATED BY MEANS OF A BILATERAL GRANT AGREEMENT WITH A GOV. MINISTRY, THE PP SHOULD CLEARLY SPECIFY THE ROLE AND RESPONSIBILITIES OF THAT MINISTRY IN THE SELECTION AND COORDINATION OF PVO ACTIVITIES.

C) AID/W UNDERSTANDS THAT, INITIALLY, ONLY J.S.-BASED PVO'S WILL RECEIVE FINANCING THROUGH THIS PROJECT: THEREAFTER, AS THE INSTITUTIONAL CAPACITIES OF LOCAL PVO'S ARE DEVELOPED AND THESE PVO'S ARE REGISTERED WITH USAID, THEY TOO WILL BE LIKELY RECIPIENTS OF A.I.D. RESOURCES.

D) WHILE AID/W UNDERSTANDS THAT PVO ACTIVITIES WILL BE SELECTED THROUGHOUT THE LOP, THE PROJECT PAPER SHOULD OUTLINE THE PROJECTED PROGRAM LEVEL IMPACTS OF LIKELY ACTIVITIES TO BE FINANCED (E.G. INCREASED INCOME LEVELS, EMPLOYMENT GENERATED, HEALTH INTERVENTIONS, ETC.).

4. FAMILY PLANNING EXPANSION AND REGIONALIZATION (524-2512)

LAC GRANTS PROGRAM CONCURRENCE FOR THE MISSION TO PROCEED WITH FURTHER DEVELOPMENT OF THIS PROJECT AND DELEGATES AUTHORITY TO THE MISSION DIRECTOR TO APPROVE THE PID IN THE FIELD.

5. EXPANDED PROGRAM OF IMMUNIZATION (524-2321)

A) LAC GRANTS PROGRAM CONCURRENCE FOR THE MISSION TO PROCEED WITH FURTHER DEVELOPMENT OF THIS PROJECT: IN RECOGNITION OF THE URGENCY OF IMPLEMENTING THIS PROJECT AND DUE TO THE FACT THAT THE OBLIGATION MECHANISM WILL BE A BUY-IN TO AN ONGOING REGIONAL PROJECT WITH PAHO (AND A SUBSEQUENT BUY-IN TO A FOLLOWON PAHO PROJECT), THE MISSION DIRECTOR IS HEREBY DELEGATED AUTHORITY TO AUTHORIZE THE PROJECT USING NONSTANDARD DOCUMENTATION.

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SPECIFICALLY, THE MISSION MAY PROCEED DIRECTLY TO THE DEVELOPMENT OF A PROJECT PAPER/IBOJAN INTERMEDIATE PROJECT IDENTIFICATION DOCUMENT.

B) PRELIMINARY PROJECT DESIGN ENVISIONS A BJJIN TO A MULTIDONOR PAFO ACTIVITY AND INCLUDES A.I.D. FUNDING FOR VEHICLES. UNDER A SUCH AN ARRANGEMENT, PAFO WOULD NORMALLY APPLY ITS OWN PROCUREMENT PROCEDURES. THIS COULD RESULT IN THE PROCUREMENT OF NON-U.S. VEHICLES WITH A.I.D. FUNDS. WE DO NOT WANT TO FINANCE THE PROCUREMENT OF NON-U.S. VEHICLES FOR THIS PROJECT EXCEPT UNDER EXCEPTIONAL CIRCUMSTANCES (WHICH WOULD RESULT IN USAID ISSUING A WAIVER). TO AVOID PROCUREMENT OF NON-U.S. VEHICLES WITH A.I.D. FUNDS, USAID SHOULD EITHER PICK UP OTHER PROJECT COSTS LEAVING OTHER DONORS TO FUND VEHICLES, PROCURE THE VEHICLES DIRECTLY INSTEAD OF THROUGH PAFO, OR ENSURE THAT PAFO BUYS ONLY U.S. VEHICLES UNLESS USAID ISSUES A WAIVER.

S. CONGRESSIONAL NOTIFICATIONS ARE CURRENTLY BEING PROCESSED FOR THE FAMILY PLANNING EXPANSION AND REGIONALIZATION (524-3312) AND THE EXPANDED PROGRAM OF IMMUNIZATION (5240321) PROJECTS. LAC/DPP WILL NOTIFY MISSION VIA FAX WHEN CN'S HAVE GONE TO CONGRESS AND IA CABLE WHEN THE CN'S HAVE EXPIRED: BAIR

BT
#5135

NNNN

UNCLASSIFIED STATE 41513E/82

ANNEX I Statutory Checklist

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

CROSS REFERENCE IS COUNTRY CHECKLIST UP TO DATE?

Yes

A CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1 Host Country Development Efforts (FAA Sec 601(a)) Information and conclusions on whether assistance will encourage efforts of the country to (a) increase the flow of international trade, (b) foster private initiative and competition, (c) encourage development and use of cooperatives, credit unions, and savings and loan associations, (d) discourage monopolistic practices, (e) improve technical efficiency of industry, agriculture, and commerce, and (f) strengthen free labor unions

a) Increased production of both traditional and non-traditional exports will increase the flow up external trade
b) Recovery of private agricultural producers to make them the engine of growth in the agricultural sector is the purpose of this project
c) N/A The project has no credit components
d) The project will seek to help farmers overcome monopsonies in the purchase of agricultural produce
e) Improvement of production technology and increased yields in agriculture are primary activities of this project

2 U S Private Trade and Investment (FAA Sec 601(b)) Information and conclusions on how assistance will encourage U S private trade and investment abroad and encourage private U S participation in foreign assistance programs (including use of private trade channels and the services of U S private enterprise)

The project will help introduce U S technology and farm inputs into Nicaragua after a 10 years hiatus. This is expected to lead to increased U S exports of farm inputs and machinery to Nicaragua

3 Congressional Notification

a General requirement (FY 1991 Appropriations Act Secs 523 and 591, obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)?

Notification was sent to Congress on May 15, 1991. That notification expired without objection on May 30, 1991

b Notice of new account obligation (FY 1991 Appropriations Act Sec 514) If funds are being obligated

under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

N/A

c Cash transfers and nonproject sector assistance (FY 1991 Appropriations Act Sec 575(b) (3)) If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U S interests to be served and a description of any economic policy reforms to be promoted?

N/A

4 Engineering and Financial Plans (FAA Sec 611(a)) Prior to an obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U S of the assistance?

Yes

5 Legislative Action (FAA Sec 611(a) (2) If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

No legislative action is required

6 Water Resources (FAA Sec 611(b), FY 1991 Appropriations Act Sec 501) If Project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U S C 1962, et seq)? (See A I D Handbook 3 for guidelines)

N/A

7 Cash Transfer and Sector Assistance (FY 1991 Appropriations Act Sec 575(b)) will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

N/A

8 Capital Assistance (FAA Sec 611(e)) If projects is capital assistance (e.g., construction), and total U S assistance for it will exceed \$1 million, has Mission

Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

N/A

9 Multiple Country Objectives (FAA Sec 601(a)) Information and conclusions on whether projects will encourage efforts of the country to (a) increase the flow of international trade, (b) foster private initiative and competition, (c) encourage development and use of cooperatives, credit unions, and savings and loan associations, (d) discourage monopolistic practices, (e) improve technical efficiency of industry, agriculture and commerce, and (f) strengthen free labor unions

See Item A 1 above

10 U S Private Trade (FAA Sec 601 (b)) Information and conclusions on how project will encourage U S private trade and investment abroad and encourage private U S participation in foreign assistance programs (including use of private trade channels and the services of U S private enterprise)

See Item A 2 above

11 Local Currencies

a Recipient Contributions (FAA Secs 612(b), 636(h)) Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U S are utilized in lieu of dollars

The Project provides assistance to two private sectors Nicaraguan organizations Although neither of these organizations can provide the required 25% counterpart, the Project will have a mechanism to assure that both organizations provide a significant contribution and work towards self-sustainability

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

No

c Separate Account (FY 1991 Appropriations Act Sec 575) If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies

N/A This Project will not generate local currency

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

N/A

for deposits into and disbursements from the separate account?

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

N/A

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

N/A

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

N/A

12 Trade Restrictions

a. Surplus Commodities (FY 1991 Appropriations Act Sec 521(a)). If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U S producers of the same, similar or competing commodity?

No

b Textiles (Lautenberg Amendment) (FY 1991 Appropriations Act Sec 521 (c)) Will the assistance (except for programs in Caribbean Basin Initiative countries under U S Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U S - made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purser worn on the person), work gloves or leather wearing apparel?

No

13 Tropical Forests (FY 1991

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Appropriations Act Sec 533 (c) (3)) Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

No

14 Sahel Accounting (FAA Sec 121 (d)) If a Sahel project, has a determination been made that the host government has an adequate systems for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)?

N/A

15 PVO Assistance

a Auditing and registration (FY 1991 Appropriations Act Sec 537) If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to auditing requirements of A I D , and is the PVO registered with A I D ?

Yes The PVOs will be registered with AID before obligation

b Funding sources (FY 1991 Appropriations Act, Title II, under heading "Private and Voluntary Organizations") If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

N/A

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

N/A

17 Metric System (Omnibus Trade and Competitiveness Act of 1988 Sec 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec 2, and as implemented through A I D policy) Does the assistance activity use the metric system of measurement in its procurement, grants, and other business-related activities, except to the extent that such use is impractical or is likely

Yes

to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A I D specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

18 Women in Development (FY 1991 Appropriations Act, Title II, under heading "Women in Development") Will assistance be designed so that the percentage of women participants will be demonstrably increased?

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

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

No

20 Abortions (FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec 525)

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

N/A

b Will any funds be used to lobby for abortion?

21 Cooperatives (FAA Sec 111) will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?

N/A

Assistance will be channeled to Producers Unions, which are similar to cooperatives. Rural poor will participate through significantly increased employment opportunities

22 U S -Owned Foreign Currencies

a Use of currencies (FAA Secs 612(b), 636(h), FY 1991 Appropriations Act Secs 507, 509) Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U S are utilized in lieu of dollars to meet the

cost of contractual and other services

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

See Item A 11 a above

No

23 Procurement

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

Yes, an 8a firm will provide the majority of technical services under the project

b U S procurement (FAA Sec 604(a)) Will all procurement be from the U S except as otherwise determined by the President or determined under delegation from him?

Yes

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

N/A

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

N/A

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

No

f Cargo preference shipping (FAA Sec 603)) Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry

No

cargo liners, and tankers) financed shall be transported on privately owned U S flag commercial vessels to the extent such vessels are available at fair and reasonable rates?

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

Yes Technical Assistance will be provided by U S firms

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

Yes

i Termination for convenience of U S Government (FY 1991 Appropriations Act Sec 504) If the U S Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

Yes

j Consulting services (FY 1991 Appropriations Act Sec 524) If assistance is for consulting service through procurement contract pursuant to 5 U S C 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

Yes

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

Yes

stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

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

24 Construction

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

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

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

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

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

27 Narcotics

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

b. Assistance to narcotics

traffickers (FAA Sec 487) Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances), or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance?

Yes

28 Expropriation and Land Reform (FAA Sec 620(g)). Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President?

Land reform efforts will not be supported through this project

29 Police and Prisons (FAA Sec 660) Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?

Yes

30 CIA Activities (FAA Sec 662) Will assistance preclude use of financing for CIA activities?

31 Motor Vehicles (FAA Sec 636(1)) Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U S , unless a waiver is obtained?

Yes

Yes All motor vehicles financed under this Project will be manufactured in the U S

32 Military Personnel (FY 1991 Appropriations Act Sec 503) Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel?

Yes

33 Payment of U N Assessments (FY 1991 Appropriations Act Sec 505) Will assistance preclude use of financing to pay U N assessments, arrearage or dues?

Yes

34 Multilateral Organization Lending (FY 1991 Appropriations Act Sec 506) Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)?

Yes

35 Export of Nuclear Resources (FY 1991 Appropriations Act Sec 510) Will assistance preclude use of financing to finance the export of nuclear equipment,

fuel, or technology? Yes

36 Repression of Population (FY 1991 Appropriations Act Sec 511) Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? Yes

37 Publicity or Propaganda (FY 1991 Appropriations Act Sec 516) Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? No

38 Marine Insurance (FY 1991 Appropriations Act Sec 563) Will any A I D contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U S marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate? Yes

39 Exchange for Prohibited Act (FY 1991 Appropriations Act Sec 569) Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law? No

B CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

1 Agricultural Exports (Bumpers Amendment) (FY 1991 Appropriations Act Sec 521(b), as interpreted by conference report for original enactment) If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with

USAID plans to fund this Project completely with ESF funds

exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U S exporters of a similar agricultural commodity, or (2) in support of research that is intended primarily to benefit U S producers?

2 Tied Aid Credits (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund") Will DA funds be used for tied aid credits?

3 Appropriate Technology (FAA Sec 107) Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

4 Indigenous Needs and Resources (FAA Sec 281(b)) Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country, utilizes the country's intellectual resources to encourage institutional development, and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government

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

6 Special Development Emphases (FAA Secs 102(b), 113, 281(1)) Describe extent to which activity will (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U S institutions, (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries, (d) promote the participation of women in the national economies of developing countries and the improvement of women's status, and (e) utilize and encourage regional

cooperation by developing countries

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

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

9 Abortions (FAA Sec 104(f), FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec 535)

a Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

b Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

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

d Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services?

e In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning?

f Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods

of, or the performance of, abortions or involuntary sterilization as a means of family planning?

g Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization?

10 Contract Awards (FAA Sec 601(e)) Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

11 Disadvantaged Enterprises (FY 1991 Appropriations Act Sec 567) What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

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

13. Tropical Forests (FAA Sec 118, FY 1991 Appropriations Act Sec 533(c)-(e) & (g))

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

b Conservation Does the assistance place a high priority on conservation and sustainable management of

tropical forests? Specifically, does the assistance, to the fullest extent

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

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

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

14 Energy (FY 1991 Appropriations Act Sec 533(c) If assistance relates to energy, will such assistance focus on (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse

gases?

15 Sub-Saharan Africa Assistance (FY 1991 Appropriations Act Sec 562, adding a new FAA chapter 10 (FAA Sec 496)) If assistance will come from the Sub-Saharan Africa DA account, is it (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant, (b) to be used to promote sustained economic growth, encourage private sector development, promote individual initiatives, and help to reduce the role of central governments in areas more appropriate for the private sector, (c) being provided in accordance with the policies contained in FAA section 102, (d) being provided in close consultation with African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa, (e) being used to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take into account, in assisted policy reforms, the need to protect vulnerable groups, (f) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, to maintain and restore the renewable natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

16 Debt -for-Nature Exchange (FAA Sec 463) If project will finance a debt-for-nature exchange, describe how the exchange will support protection of (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves, or describe how the exchange will promote (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management

17 Deobligation/Reobligation (FY 1991 Appropriations Act Sec 515) If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

18 Loans

a Repayment capacity (FAA Sec 122(b)) Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest

b Long-range plans (FAA Sec 122(b)) Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

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

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

19 Development objectives (FAA Secs 102(a), 111, 113, 281(a)) Extent to

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

20 Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs 103 and 103A).

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

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

c Food security Describe extent to which activity increases national food security by improving food policies and management and by strengthening national

food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution

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

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

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

a concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production, and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment,

b concerned with technical

cooperation and development, especially with U S. private and voluntary, or regional and international development, organizations,

c research into, and evaluation of, economic development processes and techniques,

d reconstruction after natural or manmade disaster and programs of disaster preparedness,

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U S assistance,

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

24 Sahel Development (FAA Secs 120-21)
If assistance is being made available for the Sahel region, describe (a) extent to which there is international coordination in planning and implementation, participation and support by African countries and organizations in determining development priorities, and a long-term, multidonor development plan which calls for equitable burden-sharing with other donors, (b) whether a determination has been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of projects funds (dollars or local currency generated therefrom)

C. CRITERIA APPLICABLE TO ECONOMIC SUPPORT FUNDS ONLY

1 Economic and Political stability (FAA Sec. 531(a) Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

Yes

2 Military Purposes (FAA Sec 531(e)) Will this assistance be used for military or paramilitary purposes?

3. Commodity Grants/Separate Accounts (FAA Sec 609) If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special

No

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Account (counterpart) arrangements been made? N/A

4 Generation and Use of Local Currencies (FAA Sec 531(d)) Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? No

5. Cash Transfer Requirements (FY 1991 appropriations Act, Title II, under heading "Economic Support Fund," and Sec 575(b)) If assistance is in the form of a cash transfer

a. Separate account Are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds? N/A

b. Local currencies Will all local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account, and has A I.D entered into an agreement with that government setting forth the amount of the local currencies to be generated, the terms and conditions under which they are to be used, and the responsibilities of A I D and that government to monitor and account for deposits and disbursements? N/A

c U S Government use of local currencies Will all such local currencies also be used in accordance with FAA Section 609, which requires such local currencies to be made available to the U S government as the U S determines necessary for the requirements of the U S Government, and which requires the remainder to be used for programs agreed to by the U.S Government to carry out the purposes for which new funds authorized by the FAA would themselves be available? N/A

d Congressional notice Has Congress received prior notification providing in detail how the funds will be used, including the U S interests that will be served by the assistance, and, as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance? Yes