

MEMORANDO

Clasificación de Archivo: **ATN/TP-10306-RS**

FECHA: 23 de marzo de 2007
RE2/TEC/037 (S#119)

A: Personas mencionadas al pie

DE: Arnaldo Medeiros da Fonseca Jr., Jefe [original firmado]
Unidad de Coordinación de Cooperación Técnica

ASUNTO: MULTINACIONAL CT/FONDOS. Comercio y Reducción de la Pobreza (MTP).
Desarrollo de Cadenas Productivas y Reducción de Pobreza (RS-T1302)

Cumplo con informarle que la operación mencionada en el asunto fue aprobada y registrada con el ATN/TP-10306-RS.

Distribución:

- Máximo Jeria, RE2/MGR
- Keisuke Nakamura, FSS/DEP
- Lionel Y. Nicol, RE2/DEP
- Fernando Quevedo, RE2/OD3
- Peter M. Kalil, INT/ITD
- Ekaterina Krivonos, RE2/OD3
- Manuel Manzi, RE2/OD3
- Pablo García, RE2/OD3
- Paolo Giordano, INT/ITD
- Ziga Vodusek, INT/ITD
- Marcia Bonilla-Roth, RE2/FI2
- Maria Eugenia Nepote-Cit, LEG/OPR
- John Madrid, FIN/CIB
- Ronaldo J. Rotter, DEV/FMR
- Daniel Quiroga, FIN/CIB
- Susana R. Cárdenas, RE2/TEC
- Kathy Sánchez, EXR
- Archivos Región 2
- Archivo Regional, INT
- Sección de Administración de Archivos

**Operación:RS-T1302**

INFORMACIÓN BÁSICA

| | | | |
|----------------------|--|---|-----------------------------|
| Nombre: | Desarrollo de Cadenas Productivas y Reducción de Pobreza | Aprobado por: | Subgerente del Departamento |
| Beneficiario: | Secretaría de Industria y Comercio en Honduras and Ministerio de Hacienda y Crédito Público en Nicaragua | Fecha de Aprobación: | 12-Mar-2007 |
| País: | APOYO REGIONAL | Documento Aprobado: | |
| Sector: | INVERSION SOCIAL/ | Modalidad de la Cooperación Técnica: | Investigación |

Descripción

Tener un mejor entendimiento del impacto distribucional para mejorar la calidad de las iniciativas de cadena de valor, como base para priorizar las políticas y programas de apoyo al desarrollo de cadenas de valores de acuerdo a su efectividad en el alivio de la pobreza.

Agencia(s) Ejecutora(s)

INTER-AMERICAN DEVELOPMENT BANK (US-IDB)

Fondo(s), condición(es) Financiera(s), y Monto(s)

| Número de Aprobación | Fondo | EQ. US\$ | Moneda | Monto | Resolución |
|----------------------|--|----------|--------|---------|------------|
| ATN/TP-10306-RS | MTP - COMERCIO Y REDUCCION DE LA POBREZA | 103,000 | USD | 103,000 | |
| | Contrapartida | 0 | | | |
| | Costo Total | 103,000 | | | |

Responsabilidades

División: RE2

| Rol | Nombre |
|-----------------------|------------------------------|
| Líder del Equipo | KRIVONOS GONZALEZ, EKATERINA |
| Miembro del Equipo | MANZI, MIGUEL A. |
| Asistente de Proyecto | CASCO MATAMOROS, MAGDA |
| Miembro del Equipo | BONILLA-ROTH, MARCIA ELISA |
| Miembro del Equipo | VODUSEK, ZIGA |
| Miembro del Equipo | GARCIA, PABLO MARCELO |



A-1-11-10204-1

**INTER-AMERICAN DEVELOPMENT BANK
TECHNICAL COOPERATION PROGRAM
(TRADE AND POVERTY TRUST FUND FINANCING)**

TECHNICAL COOPERATION PROJECT BRIEF

TC N°: RS-T1302

I. GENERAL INFORMATION

| | |
|-----------------------------------|---|
| Project title | Value chain approach to poverty reduction |
| Project team | Ekaterina Krivonos (Team Leader, RE2/OD3), Pablo Garcia (RE2/OD3), Miguel Manzi (RE2/OD3), Ziga Vodusek (INT/ITD), Marcia Bonilla-Roth (RE2/FI2) and María Cristina Landazuri-Levey (LEG/OPR) |
| Trust Fund | Trade and Poverty Trust Fund (MTP) |
| Beneficiary Country | Honduras and Nicaragua |
| Beneficiary Institution | Secretaria de Industria y Comercio de Honduras and Ministerio de Hacienda y Crédito Público de Nicaragua |
| Project budget (in USD) | US\$103,000 |
| Trust fund contribution | US\$103,000 |
| Local counterpart financing | |
| Other sources | |
| Execution and Disbursement period | 6 months of execution and 8 months of disbursement |

II. OBJECTIVES

- 2.1 The **main objective** of this project is to gain better understanding of the distributional impacts of value chain upgrading initiatives as a basis for prioritization of policies and programs in support of value chains development according to their effectiveness in poverty alleviation. The **specific objectives** are: (i) to develop an analytical framework and methodology for determining the pro-poor impact of public and private actions to develop and upgrade value chains (ii) to produce recommendations for specific policies and Bank programs that would boost incomes of the poor by enhancing their participation in the value chains for textile industry in Honduras and beef industry in Nicaragua.

III. BACKGROUND AND JUSTIFICATION

- 3.1 Nicaragua and Honduras are among the poorest countries in the Hemisphere, surpassed only by the conflict-torn Haiti. 21% of Hondurans and 45% of Nicaraguans live below the poverty line of \$1 PPP per day, compared to 10% in Latin America and Caribbean on average. The poverty rates are 44% and 80%, respectively, when \$2 PPP per day are applied, well above the regional average of 25%. Both economies rely heavily on external trade – the share of total trade in GDP is approximately 90% in Honduras and 70% in Nicaragua. Exports from both countries are highly concentrated in two sectors: agricultural products and textile and apparel.
- 3.2 One way through which trade can be made to work for the poor is to enhance their participation in the global production chains. Domestic policy distortions, remoteness, poor infrastructure, high transportation costs, lack of market power, inability to forge alliances for commercialization, insufficient information about world market prices and the conditions on the end market all undermine the ability of poor households to effectively participate in the international markets and to benefit from trade. Successful export strategies therefore rely on eliminating these distortions and providing public goods that can help the poor gain and expand access to international markets. This could for example involve assistance to make marketing channels more efficient and to convey information on standards, labeling and quality requirements at the destination market.
- 3.3 In recent years analysis of value chains has received substantial attention of development scholars and policy makers, however very few studies are dedicated to understanding the determinants of income distribution within the value chains. On the other hand, recommendations regarding national poverty reduction policies rarely involve in-depth analysis of market functioning at the sector level. However, sector analysis, and in particular understanding contractual arrangements, institutional setting and potential barriers to entry in each sector provide important insights to what instruments and policies could affect income distribution. This project is intended to bridge these two areas and provide concrete recommendations on how to address poverty issues in value chain development and upgrading initiatives.
- 3.4 The national strategies for poverty reduction for both Nicaragua and Honduras emphasize the need for value chain development in competitive sectors as an avenue for generating employment, increasing the incomes of the poor and promoting greater equality. Poverty reduction strategies in these countries are rooted in creating opportunities through enhanced market participation for the poor, increased productivity and overall competitiveness.
- 3.5 In Honduras, during preparation of the new Bank's Country Strategy four sectors were identified for which assistance in developing dynamic productive clusters would have greatest impact: assembly industry (textiles), forestry, tourism and agriculture. The assembly industry is one of the most important and dynamic

sectors in Honduras, both in terms of output, exports and employment. In 2005, textile and apparel exports under various trade preference programs constituted 58% of Honduras' exports to the US, its principal trading partner¹. The sector represents 6.6% of the GDP and employs approximately 120,000 persons, most of which are women (2004). Although wages in the Honduran assembly industry are too low to contribute significantly to poverty reduction, studies report that wages in the sector are 50% higher than minimum wage, or what the average applicant was making before entering the sector². The industry now faces challenges related to the expiration of the Multifiber Agreement and competitive pressures from Asia. At the same time, the textile sector is going through transformation associated with transition to CAFTA-DR and this poses additional challenges and offers new opportunities.

- 3.6 In Nicaragua, the National Development Plan highlights seven clusters with greatest potential for growth and poverty reduction. Beef industry is considered one of the most important sectors in Nicaragua, which is the largest and most dynamic beef producer and exporter in Central America. Exports of beef constitute 14% of the total value of Nicaraguan exports to the world³. From 2001 to 2005 the value of beef exports grew at an average annual rate of 16%⁴. Most cattle farms in Nicaragua are small and medium size: 84% of all farms have the are of under 70 hectares (100 manzanas) and 94% under 140 hectares (200 manzanas)⁵, which indicates that enhancing competitiveness and generating employment in the livestock sector could contribute to reducing poverty in Nicaragua. The proposed study will serve as input to the Bank's Country Strategy with Nicaragua, for which initial discussions with the new government based on analytical studies will commence early next year, after completion of the Bank's Policy Dialogue process with the authorities.
- 3.7 In addition to contributing to the Country Strategy with Nicaragua, the results of the study will help prioritize future Bank interventions in support of value chain development. Moreover, the project will facilitate knowledge transfer from academia to policy makers in the area of poverty reduction, as the study will produce important policy lessons that can be absorbed by the Governments of Honduras and Nicaragua.

IV. DESCRIPTION

- 4.1 The project is intended to contribute to the growing body of policy relevant literature on value chains, addressing specifically the issue of income distribution within value chains with the view to provide recommendations for reducing poverty through creation and enhancement of opportunities for the poor. To

¹ Own calculations based on OTEXA and USITC data

² Ver Beek, Kurt Alan. Maquiladoras: Exploitation or Emancipation? An Overview of the Situation of Maquiladora Workers in Honduras. World Development, 2001.

³ 2003-2005 average

⁴ based on COMTRADE data

⁵ IICA report "Análisis estudio de cadena agropecuaria: carne" for Nicaragua

achieve this, the project will finance specialized consulting services to establish an analytical framework and to develop a methodology for determining the pro-poor impact of public and private actions to develop and upgrade value chains. Moreover, the consultant will apply this methodology for assessment of two value chains: (i) apparel assembly industry in Honduras and (ii) beef industry in Nicaragua.

- 4.2 The funds of this Technical Cooperation project will be used for the following activities:

A. Methodology for analyzing poverty impacts of value chain upgrading

- 4.3 The project will fund a consultancy for development of a methodology for assessing *ex ante* the potential poverty impacts of different types of interventions in productive value chains. This includes development of detailed guidelines for mapping the income distribution in value chains, an overview of available instruments for development and upgrading of value chains and a methodology for evaluating how application of these instruments would affect the incomes of the poor, for which data requirements will be specified. This methodology will both serve to assess how various policies, strategies and programs aimed at value chain upgrading affect poverty, given specific initial conditions, and to make these interventions more pro-poor. The methodology will be applied in two case studies.

B. Case studies: apparel assembly in Honduras and beef in Nicaragua

- 4.4 Two case studies will be conducted to acquire in-depths knowledge of the determinants of income distribution and evaluate the potential impact of interventions on employment and earnings of the poor. The sectors chosen for the study are apparel assembly industry in Honduras and beef production in Nicaragua. The case studies will include a descriptive part and a quantitative part, for which data collection will take place.
- 4.5 In the descriptive part of the exercise the TC will fund a detailed analysis of each value chain. The analysis will include mapping of all productive activities and decomposing the total value of earning along the value chain. In addition, economic actors involved in the chain will be identified and all market interactions and contractual arrangements will be described in detail. Finally, market structure at each stage will be evaluated and the nature and the extent of possible barriers to entry will be assessed.
- 4.6 The quantitative part of the study requires a survey in each country to obtain hard data that will be used for analysis of the value chains according to the established methodology. This analysis will form the basis for recommendations on value chain upgrading policies and activities that benefit the poor. The surveys will include the various players that participate in the value chain, including factory workers, business owners, smallholder producers, local traders, processors and

exporters, which will allow singling out groups that can be considered poor, for further analysis. The surveys will cover all aspects of the value chain such as input use, production, processing, marketing, as well as wages and prices received by the poor at each stage. One of the principal outputs of this exercise will be a database that will contain all the variables required for the value chain analysis.

- 4.7 As part of the study the consultant will evaluate poverty implications of possible interventions in different areas affecting the value chain, for example strengthening of horizontal and vertical coordination, provision of market information, efforts to increase productivity, improving access to credit and investments into infrastructure. In the case of textile and apparel exports from Honduras, pro-poor upgrading could mean providing training and developing other initiatives to help transition in the sector marked by moving beyond assembly to add greater value to the manufacturing process or development of regional value chains to take advantage of cumulation provision contained in CAFTA. In Nicaragua, the poor involved in beef production could potentially benefit from assistance with quality improvement, adoption of standards and certification, regulation that induces greater competition among traders and facilitation of direct contact to buyer. Special attention should be given to technical regulations and standards on the export markets, in particular sanitary and phytosanitary standards for beef products. Furthermore, the consultant will determine which factors are likely to affect the skill levels of various actors along the chain and assess what type of programs could help increase labor productivity and earning in the poorest segments of each value chain. . Since in the sectors chosen for this study, the poorer participants are most likely factory workers (in the textile sector) and small cattle holders or hired workers (in the beef industry), the consultant will identify specific measures to boost labor productivity at each stage in order to enhance the incomes of the poor.
- 4.8 Based on the results of these studies, the consultant will draw policy lessons and provide recommendations for actions in the areas that have the greatest potential to benefit the poor. The recommendations will include a prioritization of government policies, provision of public services, investment projects and Bank interventions according to their pro-poor impact.

C. Strengthening capacity for public-private dialogue

- 4.9 The results of the studies will be presented at workshops in each country and their implications will be discussed with the stakeholders. The workshops will serve as venues for facilitating dialogue on value chain development between authorities, trade unions, producer cooperatives or associations, traders and exporters that participate in the specific value chains.
- 4.10 To carry out these activities the project will contract consulting services of one international consultant and two national consultants: one in Honduras and one in Nicaragua. The main responsibilities of the international consultant will be development of a theoretical framework for evaluation of poverty impacts of

various instruments for value chain upgrading and application of this methodology to conduct two case studies with the view to provide specific recommendations for policies and programs. The national consultants will be responsible for collecting background information in each industry that will be used for value chain mapping, including the structure of the value chain, the actors involved and the markets that facilitate interaction between these actors. They will also collect information on policies and regulation affecting the functioning of each value chain and provide an initial assessment of the issues that affect incomes of the poor in each case.

- 4.11 The project is expected to (i) provide an input to the Bank's Country Strategy with Nicaragua, (ii) provide the Bank with a tested methodology that will help prioritize future interventions in support of value chain development according to their poverty alleviation impact (iii) facilitate lesson learning and knowledge transfer by providing the Governments of Honduras and Nicaragua with policy instruments for poverty reduction (iv) foster public-private cooperation for value chain development that would benefit the poor.

V. BUDGET

| Figures in US\$ | Trust fund | Total |
|---|----------------|----------------|
| <i>Consulting services</i> | | |
| International consultant (58 days x US\$600) | 34,800 | 34,800 |
| | | |
| National consultant - Honduras (23 days x US\$200) | 4,600 | 4,600 |
| National consultant - Nicaragua (23 days x US\$200) | 4,600 | 4,600 |
| | | |
| <i>Travel</i> | | |
| Airfare to Honduras (2 tickets x US\$1,500) | 3,000 | 3,000 |
| Airfare to Nicaragua (2 tickets x US\$1,500) | 3,000 | 3,000 |
| Per diem in Honduras (10 days x US\$200) | 2,000 | 2,000 |
| Per diem in Nicaragua (10 days x US\$200) | 2,000 | 2,000 |
| | | |
| Survey data collection (Honduras) – lump-sum payment | 20,000 | 20,000 |
| Survey data collection (Nicaragua) – lump-sum payment | 20,000 | 20,000 |
| Workshop in Honduras | 2,000 | 2,000 |
| Workshop in Nicaragua | 2,000 | 2,000 |
| Contingency | 5,000 | 5,000 |
| | | |
| TOTAL | 103,000 | 103,000 |

VI. RESPONSIBILITY IN THE BANK


- 6.1 The Bank will be responsible for supervising project execution. The Bank's Regional Operations Department II (RE2/OD3) will have technical responsibility for the project as well as disbursement responsibility.

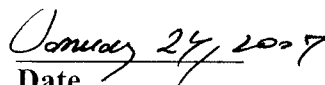
VII. RECOMMENDATION

- 7.1 Ekaterina Krivonos (RE2/OD3), designated team leader for the project of the reference, recommends the approval of this operation and the use of resources from the Trade and Poverty for up to US\$103,000 to finance this technical cooperation project.

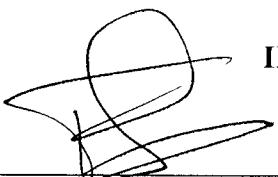
VIII. CERTIFICATION

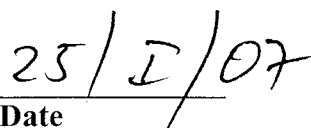
- 8.1 I certify that this operation was approved for financing by a Management Review Committee of the Trade and Poverty Trust Fund (MTP), on December 19, 2006. In addition, I certify that resources from the Trade and Poverty Reduction Trust Fund (MTP) are available for up to US\$103,000 to finance the activities described and budgeted in this TC Brief. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate remuneration and payments to consultants, except that local consultants working in their own borrowing member country shall have their remuneration defined and paid in the currency of that country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this TC Brief. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.


Arnaldo Medeiros da Fonseca Jr., Chief
RE2/TEC


Date

Vo. Bo.


IX. APPROVAL
Fernando Quevedo, RE2/OD3


Date


Lionel Nicol, RE2/RE2

MAR 12 2007
Date

TERMS OF REFERENCE

Project: Value chain approach to poverty reduction

Type of consultancy: Individual, international consultant

Number of Consultants: One

Duration: 58 working days over a period of 6 months, including travel

I. BACKGROUND

Nicaragua and Honduras are among the poorest countries in the Hemisphere, surpassed only by the conflict-torn Haiti. One way through which trade can be made to work for the poor is to enhance their participation in the global production chains. Domestic policy distortions, remoteness, poor infrastructure, high transportation costs, lack of market power, inability to forge alliances for commercialization, insufficient information about world market prices and the conditions on the end market all undermine the ability of poor households to effectively participate in the international markets and to benefit from trade. Successful export strategies therefore rely on eliminating these distortions and providing public goods that can help the poor gain and expand access to international markets.

In the recent years development and upgrading of value chains have received substantial attention of scholars and policy makers, however very few studies are dedicated to understanding the determinants of income distribution within the value chains. On the other hand, recommendations on national poverty reduction policies rarely involve an in-depth analysis of market functioning at the sector level. However, sector analysis, an in particular understanding contractual arrangements and institutional setting in each sector, provide important insights to what instruments and policies could affect income distribution. This project is intended to bridge these two areas and provide concrete recommendations on how to address poverty issues in value chain development initiatives.

The **main objective** of this project is to gain better understanding of the distributional impacts of value chain upgrading initiatives as a basis for prioritization of policies and programs in support of value chains development according to their effectiveness in poverty alleviation. The **specific objectives** are: (i) to develop an analytical framework and methodology for determining the pro-poor impact of public and private actions to develop and upgrade value chains (ii) to produce recommendations for specific policies and Bank programs that would boost incomes of the poor by enhancing their participation in the value chains for textile industry in Honduras and beef industry in Nicaragua.

II. OBJECTIVES OF CONSULTANCY

The objectives of this consultancy are:

- (i) to establish an analytical framework and to develop a methodology for assessing *ex ante* the potential poverty impacts of different types of interventions in productive value chains and
- (ii) to apply this methodology to assessment of two value chains: apparel assembly industry in Honduras and beef industry in Nicaragua.

III. ACTIVITIES

In executing the responsibilities attendant to the above objectives, the consultant will:

1. Prepare a basic literature review in the area of value chain development and establish a conceptual framework for using the value chain approach in addressing income distribution and poverty issues
2. Develop a methodology for assessing *ex ante* the potential poverty impacts of different types of interventions in productive value chains, in the context of the existing work, including:
 - development of specific guidelines for mapping income distribution in value chains
 - providing an overview of available instruments for development and upgrading of value chains
 - development of a methodology for estimating how application of these instruments would affect the incomes of the poor and poverty rates
 - specifying data requirements for carrying out such analysis
3. Apply the established methodology to undertake an analysis of two value chains: apparel assembly industry in Honduras and beef industry in Nicaragua. For this task the consultant will count with the support of one local consultant in each country. The activities include:
 - Undertaking travel to Nicaragua and Honduras: conducting fieldwork aimed at gathering relevant background information about each sector and secondary data, including interviews with the leaders of the various associations involved in the value chains, in close cooperation with the local consultants. At the same time, the Consultant will establish the scope of the data collecting exercise.

- Mapping of the value chain: A detailed analysis of each value chain, including mapping of all productive activities and decomposing the total value of earning along the value chain. In addition, the consultant will identify actors involved in the chain, describe in detail all market interactions and contractual arrangements, evaluate the market structure at each stage of the value chain and assess the nature and the extent of possible barriers to entry.
 - Primary data collection: The consultant will assist the data collection agency in survey design, based on the requirements posed by the methodology and on the availability of secondary data.
 - Quantitative analysis of the collected and existing secondary data: Evaluating the poverty implications of programs and policies directed at value chain development using the established methodology and data collected (both primary and secondary).
 - Recommendations on appropriate policies and interventions: The consultant will draw policy lessons and provide recommendations for actions in the areas that have the greatest potential to benefit the poor, including enhancement of their labor productivity. The recommendations will cover public policies and public goods, investment projects and Bank interventions.
4. Design of two workshops (one in each country) and preparation of workshop materials.
 5. Undertake travel to Nicaragua and Honduras to lead a one-day workshop in each country to present the draft reports on value chain development and poverty and their recommendations.

IV. OUTPUTS

The consultant will produce:

1. A draft paper in English or Spanish describing the methodology for assessing *ex ante* the potential poverty impacts of different types of interventions in productive value chains to be discussed with the Bank.
2. A final paper in English or Spanish describing the methodology for assessing *ex ante* the potential poverty impacts of different types of interventions in productive value chains incorporating comments from the Bank's team.
3. Two draft reports in Spanish with the results of the value chain assessments and recommendations for poverty reduction (one for each country).

4. Two one-day workshops in each country to present the draft reports on value chain development and poverty reduction and their recommendations.
5. Two final reports in Spanish with the results of the value chain assessments and recommendations for poverty reduction (one for each country) incorporating comments emerging from the workshops.

V. QUALIFICATIONS

The consultant shall possess the following qualifications:

- Advanced University degree in Economics or related field
- At least 8 years of research experience in the areas of International Trade, Industrial Organization, value chain development or poverty reduction in a context of a specific sector or industry; experience in the development of policies and programs aimed at value chain upgrading in Latin America would be an advantage
- A record of publications, working papers or studies in the areas of International Trade, Industrial Organization, value chain development or poverty reduction
- Proven capacity to communicate with policy makers, industry associations and other stakeholders
- Fluency in spoken and written Spanish

IV. REPORTING RELATIONSHIP

The consultant will be coordinated by Ekaterina Krivonos and Pablo Garcia, RE2/OD3.

TERMS OF REFERENCE

Project: Value chain approach to poverty reduction

Type of consultancy: Individual, local consultant

Number of Consultants: Two

Duration: 23 working days over a period of 6 months

I. BACKGROUND

Nicaragua and Honduras are among the poorest countries in the Hemisphere, surpassed only by the conflict-torn Haiti. One way through which trade can be made to work for the poor is to enhance their participation in the global production chains. Domestic policy distortions, remoteness, poor infrastructure, high transportation costs, lack of market power, inability to forge alliances for commercialization, insufficient information about world market prices and the conditions on the end market all undermine the ability of poor households to effectively participate in the international markets and to benefit from trade. Successful export strategies therefore rely on eliminating these distortions and providing public goods that can help the poor gain and expand access to international markets.

In the recent years development and upgrading of value chains have received substantial attention of scholars and policy makers, however very few studies are dedicated to understanding the determinants of income distribution within the value chains. On the other hand, recommendations on national poverty reduction policies rarely involve an in-depth analysis of market functioning at the sector level. However, sector analysis, an in particular understanding contractual arrangements and institutional setting in each sector, provide important insights to what instruments and policies could affect income distribution. This project is intended to bridge these two areas and provide concrete recommendations on how to address poverty issues in value chain development initiatives.

The **main objective** of this project is to gain better understanding of the distributional impacts of value chain upgrading initiatives as a basis for prioritization of policies and programs in support of value chains development according to their effectiveness in poverty alleviation. The **specific objectives** are: (i) to develop an analytical framework and methodology for determining the pro-poor impact of public and private actions to develop and upgrade value chains (ii) to produce recommendations for specific policies and Bank programs that would boost incomes of the poor by enhancing their participation in the value chains for textile industry in Honduras and beef industry in Nicaragua.

II. OBJECTIVES OF CONSULTANCY

The objective of this consultancy to assist the international consultant with assessment of two value chains: apparel assembly industry in Honduras and beef industry in Nicaragua, respectively.

III. ACTIVITIES

In executing the responsibilities attendant to the above objective, the consultant will:

1. Collect initial background information on the industry that will be used for value chain mapping, including:
 - the structure of the value chain, the actors involved and the markets that facilitate interaction between these actors
 - policies and regulation affecting the functioning of the value chain
 - provide an initial assessment of the issues that affect income distribution within the value chain
2. Participate in the fact-finding mission of the international consultant by assisting him or her with gathering additional information about each sector and organizing and conducting interviews with the leaders of the various associations involved in the value chains.
3. Assist in data collection and analysis to be used for evaluation of the poverty implications of programs and policies aimed at value chain development.
4. Participate in a one-day workshop to present the draft reports on value chain development and poverty and their recommendations.

IV. OUTPUTS

The consultant will produce:

1. Written contributions to a draft report in Spanish with the results of the value chain assessments and recommendations for poverty reduction.
2. Written contributions to a final report in Spanish with the results of the value chain assessments and recommendations for poverty reduction incorporating comments emerging from the workshops, if necessary.

V. QUALIFICATIONS

The consultant shall possess the following qualifications:

- University degree in Economics or related field
- Profound knowledge of either the apparel assembly sector in Honduras or beef sector in Nicaragua, including institutions and regulation affecting the sector and the main groups, associations or companies involved in production and marketing within each value chain.
- At least 5 years of professional experience in conducting detailed studies at sector or industry level
- Proven capacity to communicate with policy makers, industry associations and other stakeholders
- Fluency in spoken and written Spanish

V. REPORTING RELATIONSHIP

The consultant will be coordinated by Ekaterina Krivonos and Pablo Garcia, RE2/OD3.

TERMS OF REFERENCE

Project: Value chain approach to poverty reduction

Type of consultancy: Firm

Duration: 2 months

VI. BACKGROUND

Nicaragua and Honduras are among the poorest countries in the Hemisphere, surpassed only by the conflict-torn Haiti. One way through which trade can be made to work for the poor is to enhance their participation in the global production chains. Domestic policy distortions, remoteness, poor infrastructure, high transportation costs, lack of market power, inability to forge alliances for commercialization, insufficient information about world market prices and the conditions on the end market all undermine the ability of poor households to effectively participate in the international markets and to benefit from trade. Successful export strategies therefore rely on eliminating these distortions and providing public goods that can help the poor gain and expand access to international markets.

In the recent years development and upgrading of value chains have received substantial attention of scholars and policy makers, however very few studies are dedicated to understanding the determinants of income distribution within the value chains. On the other hand, recommendations on national poverty reduction policies rarely involve an in-depth analysis of market functioning at the sector level. However, sector analysis, an in particular understanding contractual arrangements and institutional setting in each sector, provide important insights to what instruments and policies could affect income distribution. This project is intended to bridge these two areas and provide concrete recommendations on how to address poverty issues in value chain development initiatives.

The **main objective** of this project is to gain better understanding of the distributional impacts of value chain upgrading initiatives as a basis for prioritization of policies and programs in support of value chains development according to their effectiveness in poverty alleviation. The **specific objectives** are: (i) to develop an analytical framework and methodology for determining the pro-poor impact of public and private actions to develop and upgrade value chains (ii) to produce recommendations for specific policies and Bank programs that would boost incomes of the poor by enhancing their participation in the value chains for textile industry in Honduras and beef industry in Nicaragua.

VII. OBJECTIVES OF CONSULTANCY

The objective of this consultancy is to collect survey data in Honduras and Nicaragua to be used for assessment of two value chains: apparel assembly industry and beef industry, respectively.

VIII. ACTIVITIES

In executing the responsibilities attendant to the above objective, the consultant will:

1. Design a survey and select a sample of respondents in the apparel assembly industry in Honduras and in beef industry in Nicaragua, respectively. This shall be done in close cooperation with the international consultant and using the appropriate survey sampling techniques. The surveys shall cover the main groups of actors involved in the value chain, including factory workers, business owners, small-holder producers, local traders, processors and exporters and will cover all the aspects of the value chain such as input use, production, processing, marketing and prices at each stage.
2. Carry out the survey by interviewing 300 respondents in each country.
3. Enter the collected data in a database, clean the data and insure consistency where necessary, produce database documentation including description of the survey design, sampling technique and all the variables.

IX. OUTPUTS

The consultant will produce:

1. A database with 300 individual observations for each country
2. Database documentation

X. QUALIFICATIONS

The consultant shall possess have proven experience in survey design and data collection in Latin America

VI. REPORTING RELATIONSHIP

The consultant will be coordinated by Ekaterina Krivonos and Pablo Garcia, RE2/OD3.

HONDURAS AND NICARAGUA
VALUE CHAIN APPROACH TO POVERTY REDUCTION
(RS-T1302)
Procurement Plan

I. GENERAL

1. Project information

| Financial Terms and Conditions | | | | |
|---|--------------------|----------|----------------------------|----------|
| Borrower: Governments of Honduras and Nicaragua Executing Agency: Secretaria de Industria y Comercio de Honduras and Ministerio de Hacienda y Crédito Público de Nicaragua | | | Amortization Period: | N/A |
| | | | Grace Period: | N/A |
| | | | Disbursement Period: | 8 months |
| Source | Amount US\$ | % | Interest Rate: | N/A |
| IADB (Trade and Poverty Trust Fund) | 103,000.00 | 100% | Supervision and Inspection | N/A |
| Local | 0.00 | 0% | Credit Fee: | N/A |
| Total | 103,000.00 | 100% | Currency: | US\$ |

2. **Bank's approval Date of the procurement Plan:** February 2007
3. **Date of General Procurement Notice:** March 2006
4. **Period covered by this procurement plan:** 12 months

II. GOODS AND WORKS AND NON-CONSULTING SERVICES.

1. Prior Review Threshold.

TABLE 1: GOODS AND WORKS THRESHOLDS

| | Procurement Method | Threshold | Comments |
|----|--|---------------------|-----------------|
| 1. | ICB and LIB (Goods) | ≥ 150,000 | |
| 2. | NCB (Goods) | 25,000 - 150,000 | |
| 3. | ICB (Works) | >1,500,000 | |
| 4. | NCB (Works) | 150,000 – 1,500,000 | |
| 5. | ICB (Non-Consultant Services) | ≥ 150,000 | |
| 6. | NCB (Non-Consultant Services) | 25,000 - 150,000 | |
| 7. | Price comparison (Goods) | < 25,000 | |
| 8. | Price comparison (Works) | < 150,000 | |
| 9. | Price comparison (Non-Consultant Services) | < 25,000 | |

2. **Prequalification.** N/A
3. **Proposed procedures for community-driven development component.** N/A
4. **Any Other Special Procurement Arrangements.** N/A
5. **Procurement Packages with Methods and Time Schedule.** N/A

TABLE 2: GOODS AND WORKS

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|--------------------------------|--------------------------------|----------------|--------------------|---------------------------|------------------------------|-------------------------------|---------------------------|
| Ref. No. | Contract (Description) | Estimated Cost | Procurement Method | Prequalification (yes/no) | Domestic Preference (yes/no) | Review by Bank (Prior / Post) | Expected Bid-Opening Date |
| Non-Consultant Services | | | | | | | |
| 1. | Workshop logistics (Honduras) | 1,000.00 | PC | No | No | Post | Sept. 2007 |
| 2. | Workshop logistics (Nicaragua) | 1,000.00 | PC | No | No | Post | Sept. 2007 |

III. SELECTION OF CONSULTANTS

1. Prior Review Threshold:

TABLE 3: CONSULTANTS THRESHOLDS

| | Selection Method | Prior Review Threshold | Comments |
|----|--|------------------------|---------------------------|
| 1. | Competitive Selection Process with International Advertising (Firms) | ≥ 200,000 | |
| 2. | Competitive Selection Process with National Advertising (Firms) | < 200,000 | |
| 3. | Selection of Individual Consultants Based on Qualifications | ≥ 50,000 | International advertising |

2. Short list comprising entirely of national consultants. < 200,000

3. Any Other Special Procurement Arrangements. N/A

4. Consultancy Assignments with Selection Methods and Time Schedule. N/A

TABLE 4: CONSULTANCY SERVICES

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|-------------|--|----------------|------------------|-------------------------------|------------------------------------|---------------------------|
| Ref. No. | Description of Assignment | Estimated Cost | Selection Method | Review by Bank (Prior / Post) | Expected Proposals Submission Date | Comments |
| I. | Firms | | | | | |
| 1. | Survey data collection – apparel assembly industry in Honduras | 20,000.00 | LCS | Prior | May 2007 | |
| 2. | Survey data collection – beef industry in Nicaragua | 20,000.00 | LCS | Prior | May 2007 | |
| II. | Individual Consultants | | | | | |
| 3. | International Consultant (Principal Investigator) | 46,000.00 | CQS | Prior | March 2007 | International advertising |
| 4. | National consultant – apparel assembly industry in Honduras | 5,000 | CQS | Prior | March 2007 | 3 CVs |
| 5. | National consultant – beef industry in Nicaragua | 5,000 | CQS | Prior | March 2007 | 3 CVs |
| III. | Other | | | | | |
| | N/A | | | | | |

Selection Methods:

QCBS: Quality and Cost Based Selection LCS: Least Cost Selection

CQS: Selection Based on Consultants Qualifications

International Advertising (UNDB and National Journal) for contracts equal or over US\$200,000 (procurement under ICB)

National Advertising (National Journal) for contracts under US\$200,000 (procurement under NCB), if applicable.

IV. IMPLEMENTING AGENCY CAPACITY BUILDING ACTIVITIES WITH TIME SCHEDULE. N/A