

MIF PROJECT ABSTRACT

I. BASIC PROJECT INFORMATION

Project Title:	Business Advisory Services to Small Rural Agricultural Producers
Country:	Regional (Costa Rica, Guatemala, Honduras, Nicaragua and Panama)
Project Number:	TC 00-02-08-1
Executing Agency:	Escuela de Agricultura de la Región Tropical Húmeda (EARTH)
Estimated Cost and Financing:	Modality: Non-reimbursable – Small Enterprise Development Facility MIF: US\$ 495,850 Local Support: <u>US\$ 298,250</u> Total: US\$ 794,100
Project Team:	Daniel Shepherd (MIF), Mark Flaming (RE2/FI2), and Javier Jiménez (LEG)

II. BACKGROUND

A. Agricultural Sector

- 2.1 Agriculture has been Central America's economic base for nearly its entire history, accounting for up to 30% of GDP, 60% of total exports, and over 30% of the employment for some countries. Further agricultural development is considered a priority for every nation in the Central American region in its quest to achieve global competitiveness. The strong interest in improving the competitiveness of the agricultural sector is understandable given the region's comparative advantages in terms of location, climatic variety and natural endowments of water and soil.
- 2.2 According to a recent report published by INCAE, Central America can and should position itself as the source of agricultural products in a manner consistent with: (i) the most demanding world standards for environmental protection; (ii) ecological principles of sustainable yields; and, (iii) socially responsible practices. These high standards should be applied regardless of whether the products are destined for export or domestic markets. Moving rapidly towards these goals will help the region develop a high-value, competitive position in world markets and one that is sustainable through time.¹
- 2.3 Failure to adapt to market trends and trade requirements in the environmental area may exclude Central America from high-value product markets, thereby eliminating the possibility of competitive agriculture-led development. Adoption and incorporation of these trends can help strengthen the value of the sector by improving competitiveness, and enhancing the overall social value of the activities by reducing environmental impact. Moreover, with the recent passage of preferential trade status with the United States, the Central American region is in a prime position to increase its agricultural exports tremendously, especially for non-traditional products.

B. Rural agricultural producers

- 2.4 Over the past decade, it has become increasingly important to focus attention on building up the entrepreneurial capacity of young individuals interested in developing economically viable operations, especially in rural areas. Moreover, the creation of micro and small enterprises is one

¹ The Environment and Central America's Competitiveness, CLACDS, INCAE, Alajuela, Costa Rica, 1999.

of the most effective ways to not only promote wealth and create employment in rural areas, but also to slow the drain of human capital from rural to urban areas. In addition, environmentally and socially sustainable enterprises are an essential component for the development of the region by offering new and expanding market opportunities, not only locally, but globally as well.

- 2.5 Although a number of qualified private agencies and institutions offering business and technical services do exist in the Central American region, their products are not tailored to the needs of environmentally responsible, small agricultural producers. Management and technical consultants focus on large companies, much to the detriment of the development and dissemination of business assessment methodologies and techniques applicable to small companies. Moreover, the paucity of business advisory services that incorporate environmentally and socially responsible techniques and concerns stands in the way of the region's ability to fully capitalize on new market opportunities, both locally and internationally.
- 2.6 Over the last ten years since its inception, the Escuela de Agricultura de la Región Tropical Húmeda (EARTH) has observed that its graduates, similar to other entrepreneurs in the agricultural sector, find it difficult to locate entities that can provide them with the additional technical support needed to help them succeed. In response to this growing need for business advisory services tailored for environmentally responsible small agribusinesses, EARTH has developed the Business Training Center (CFE) to facilitate access to information, training, and technical assistance for individuals interested in starting or expanding their own environmentally and socially responsible agribusinesses. This Center has grown out of the belief that investing in the development of small enterprises offers one of the most effective and powerful means to foster employment growth and income distribution in the humid tropics. The CFE has been active in providing support to local agricultural producers through business development services and technical assistance.

III. PROJECT BENEFICIARIES

- 3.1 Beneficiaries include: (i) 1000 rural producers that will have improved access to business and market information; (ii) 800 rural producers that will receive business and market training and 50 that will receive direct technical assistance; (iii) 180 professionals that will be trained from at least four other institutions; and (iv) the Business Training Center (CFE), which will be strengthened through this program.

IV. PROJECT OBJECTIVES, COMPONENTS AND ACTIVITIES

- 4.1 **Project Objective:** The general objective of the proposed project is to increase the competitiveness and productivity of rural agricultural producers and small agroindustries in Central America through the improvement of their business skills.
- 4.2 **Project Components:** This project encompasses two components: (i) the Development of Information Services; and (ii) Improved Business Skills for Small Producers.

A. Component I: Development of Information Services

- 4.3 The specific objective of this component is to improve access to quality information for rural producers and small agroindustries. An electronic network of market and business information will be created, which will include updated data on international and local markets (demand analysis, prices, statistical projections, export/import requirements, non-tariff barriers information, etc.), economic, environmental (regional climatic information, standards, permits, etc), technical matters (products and processes, technology, etc.), legal, and financial information.

- 4.4 In order to assure that the project is responding effectively to the needs of its clients, a consultant will be contracted to undertake a needs assessment of the potential clients of the Business Training Center (CFE). Within this assessment, the consultant will take into consideration the various types of clients that the Center will have, which includes EARTH graduates, small agricultural producers, rural communities, and other agencies and organizations. This same consultant will develop the most appropriate and effective scheme for transmitting information to clients, which will incorporate a partial cost recovery structure. Moreover, this consultant will develop the necessary framework for compiling and storing the information in an easily accessible database and will work with the project director in the development of the terms of reference for the database design specialist.
- 4.5 In addition, to assure that the CFE is continually responding to the demands of its clients, follow up needs assessment will be undertaken by a consultant in both year two and three of the project. These needs assessments will take into consideration the information currently available through the project and determine whether additional information should be included.
- 4.6 The second activity of this component will entail the contracting of an information specialist to design and create a database for the information identified in the needs assessment, which will also incorporate the consultant's recommendations as to how best to transfer the information to actual producers. It is expected that the Internet would be one mechanism to transfer information. Therefore, another local consultant will be contracted to design an Internet website. However, since Internet access may limit the potential pool of clients, the project will also use periodic bulletins to convey information to rural producers. Thus, the project will develop monthly informational bulletins, which will be sent out to those clients without access to the Internet.
- 4.7 As the third activity within this component, both the Internet and the informational bulletins will serve a dual role, as they will also be utilized to promote the availability of these informational services. The project staff will also publish informational articles in magazines, journals and newspapers. Furthermore, the project director (see paragraph 4.2) will be expected to represent the project at various fairs and seminars as a means to promote the services being offered through the initiative.

B. Component II: Improved Business Skills for Small Producers

- 4.8 The specific objective of this component is to improve the ability of small agricultural producers to compete effectively by providing them with business management training and technical assistance. Within this component, training courses will be offered to small producers in such areas as human resource management, project management, accounting, financing, information technology, planning, new market opportunities, new technologies, strategies for harnessing market opportunities, and environmental conservation. The exact content of the training courses will depend, in part, on the needs assessment work carried out in Component I. The various training courses and technical assistance activities in this component will be organized by a technical coordinator contracted by the project (see technical files for terms of reference).
- 4.9 It is anticipated that there will be eight courses offered in Costa Rica each year, and that during the second and third year, there will be two courses in each of the four countries outside of Costa Rica (Honduras, Nicaragua, Guatemala, and Panama) for a total of 16 courses per year. Each course will be designed and facilitated by a local consultant and will have on average 20 participants, with each participant receiving relevant materials and documents. Each participant will be expected to pay a fee consistent with current market value in order to receive the training.
- 4.10 Technical assistance will be provided to small producers in three primary areas: Business (planning, organization), Administration (operation, markets), and Technical (transfer of technology, problem solving). The objective of the technical assistance is to facilitate the adoption of new technologies and working methods in order to make optimal use of resources,

increase the value-added of the producers' goods and to analyze and evaluate commercial opportunities for various types of products. The project will contract the services of local consultants to provide technical assistance to an estimated 15-20 small enterprises per year on a cost-sharing basis.

- 4.11 An additional activity for this component will be to provide training of trainer courses to other organizations that assist in the development of business management skills among small producers. The CFE will offer these courses to representatives of other agencies to enable them to more effectively deliver training courses to small producers. Participating organizations will be selected both on their experiences and their inherent capabilities of working with small agricultural producers. There will be two courses offered each year, and each course is expected to be four days in length. In addition, each course is expected to have at least 30 participants, with each participant paying a fee to receive the training based on current market value.
- 4.12 For each course, a specialized consultant will be contracted to first develop the materials and content for each course, and then to facilitate the specific course. The exact content of each course will depend on the needs of the particular institutions participating in the training event, but would likely incorporate some of the following areas: (i) Teaching techniques; (ii) Business management; (iii) Planning; (iv) Accounting; (v) Information technology; (vi) Project management; (vii) Environmental considerations; and (viii) New Markets.

V. ESTIMATED COSTS, FINANCING AND EXECUTION PERIOD

- 5.1 The cost of the program is estimated at US\$ 794,100, of which the equivalent of US\$ 495,850 will be provided from the MIF (Small Enterprise Development Facility) on a non-reimbursable basis, and the equivalent of US\$ 298,250 will be provided as local counterpart funding, in accordance with the table below, with at least half of counterpart resources being in cash.

BUDGET CATEGORIES	MIF	LOCAL	TOTAL
I. Development of Information Services	151,660	27,660	179,320
II. Improved Business Skills for Small Producers	147,990	194,470	342,460
Coordination and Execution	166,900	66,820	233,720
Evaluations	20,000	--	20,000
Audit	--	4,000	4,000
Contingencies	9,300	5,300	14,600
TOTAL	495,850	298,250	794,100
Percentage	62%	38%	100%

VI. EXECUTING AGENCY

- 6.1 The executing agency for this initiative will be the Escuela de Agricultura de la Región Tropical Húmeda (EARTH), who will be responsible for the counterpart funding. EARTH is a private university dedicated to providing education in agricultural sciences and natural resources, and to contributing to the sustainable development of the humid, tropical region. EARTH was established in 1993 with funding from the Costa Rican Government, the U.S. Agency for International Development and the Kellogg Foundation. With a total enrollment of four hundred students, representing 18 different countries in Latin America, EARTH is a nationally and internationally recognized center of education devoted to the responsible and sustainable development of agriculture in the humid tropics of the Americas. The mission of EARTH is to be

a leader in the education of professionals with positive ethical and human values, environmental and social awareness, an entrepreneurial mentality, and is dedicated to contributing to the improvement of the quality of life in the humid tropics.

VII. EXPECTED RESULTS AND JUSTIFICATION

- 7.1 The benefits of this project are as follows: (i) the improvement in the competitiveness of rural agricultural producers; (ii) the encouragement of partnerships with education and training providers, government, and non-governmental organizations; (iii) the sharing of information, which will serve to leverage available resources to the benefit of industry; (iv) the creation of new linkages to previously underserved members of the sector; and finally, (v) important demonstration effects, facilitating the replication of this initiative in other locations.

VIII. RELATION WITH OTHER BANK INITIATIVES

- 8.1 This project satisfies the criteria for eligibility of the MIF financing insofar as it contributes to the strengthening and expansion of the private sector and small business. More specifically, the project fits within the MIF's Environmental Strategy given its focus on providing management training for environmental entrepreneurs. Moreover, this initiative supports the recent Bank strategy on agricultural development by encouraging the sustainable use of natural resources among small entrepreneurs and by focusing on developing the management and technical skills of rural enterprises.²

² *Strategy for Agricultural Development in Latin America and the Caribbean*, Sustainable Development Department Policy and Strategy Series (GN-2069-1)