

NICARAGUA

FOREIGN TRADE SUPPORT PROGRAM

(NI-L1016)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Jaime Granados (INT/INT), Project Team Leader; Mario Umaña and Alejandra Eguiluz (INT/INT); Pedro Martel (RND/CGU); Jaime Cofré (RND/CNI); Galileo Solís (CPN/SCT); Juan Carlos Perez-Segnini (LEG/SGO); Rafaela Varela, Juan Carlos Lazo, Dougal Martin, Sobeyda Castillo, Brenda Alvarez, Zoraida Arguello, and Luis Miranda (all of CID/CNI); Natalia Blanco, Daniel Vazquez, and Cecilia Seminario (INT/INT) assisted in the production of the document.

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Annex I	Summary of the Development Effectiveness Matrix (DEM)
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Electronic Links	
REQUIRED	
1.	AWP (work plan for the first disbursement and the first 18 months of implementation) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2207501
2.	Monitoring and Evaluation Arrangements http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2207542
3.	Procurement Plan (complete) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2206778
OPTIONAL	
1.	Economic analysis of Component III. Implementation of the Export Cattle and Beef Traceability System http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2207489
2.	Detailed budget http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2207504
3.	Operating Regulations http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2207467
4.	Basic indicator of trade agreement administration capacity http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2206790

ABBREVIATIONS

AWP	Annual work plan
CAT	Comité de Asesoramiento de la Trazabilidad [Traceability Advisory Committee]
CDP	Consejo Director del Programa [Program Executive Council]
CIC	Centro de Información y Consulta [Information and Consultation Center]
DGCE	Dirección General de Comercio Exterior [Trade Directorate]
DR-CAFTA	Dominican Republic-Central America-United States Free Trade Agreement
FDI	Foreign direct investment
FSO	Fund for Special Operations
FTA	Free trade agreement
GDP	Gross domestic product
IAAC	InterAmerican Accreditation Cooperation
ICAS	Institutional Capacity Assessment System
ICB	International competitive bidding
LANAMET	Laboratorio Nacional de Metrología [National Metrology Laboratory]
MAGFOR	Ministry of Agriculture and Forestry
MHCP	Ministry of Finance
MIFIC	Ministry of Development, Industry, and Trade
MSMEs	Micro, small, and medium-sized enterprises
NTONs	Normas Técnicas Obligatorias Nicaragüenses [Nicaraguan Compulsory Technical Standards]
OC	Ordinary Capital
ONA	Oficina Nacional de Acreditación [National Accreditation Office]
PC	Price comparison (shopping)
PCR	Project Completion Report
PCT	Program Coordination Team
PORs	Program Operating Regulations
SCF	Single Currency Facility
SI	International System of Units
SMEs	Small and medium-sized enterprises
SNCE	Sistema Nacional de la Calidad para la Exportación [National Export Quality System]
ST-CNPE	Secretaría Técnica del Consejo Nacional de Promoción de Exportaciones [Technical Secretariat of the National Export Promotion Council]
VUE	Ventanilla Única de Exportación [one-stop shop for exporters]
VUI	Ventanilla Única para la Inversión [one-stop shop for investors]

PROJECT SUMMARY

NICARAGUA FOREIGN TRADE SUPPORT PROGRAM (NI-L1016)

Financial Terms and Conditions ¹				
Borrower: Republic of Nicaragua			Amortization period:	30 years (OC) 40 years (FSO)
Executing agencies: Ministry of Development, Industry, and Trade (MIFIC). The Ministry of Agriculture and Forestry (MAGFOR) will act as subexecuting agency for one component, and ProNicaragua will do so for one subcomponent.			Grace period:	5.5 years (OC) 40 years (FSO)
			Disbursement period:	4 years
Source	Amount	%	Interest rate:	OC: SCF fixed FSO: 0.25%
			Inspection and supervision fee:	OC (*) FSO N/A
IDB (FSO)	US\$ 5,000,000	47.9	Credit fee:	OC (*) FSO N/A
IDB (OC)	US\$ 5,000,000	47.9	Currency:	U.S. dollars
Local	US\$ 437,000	4.2		
Other/Cofinancing	-	-		
Total	US\$10,437,000	100		

Project at a glance

Project objective:

The general objective of the program is to help Nicaragua take advantage of the trade and investment opportunities stemming from the trade agreements in force or under negotiation. The specific objectives are: (i) to strengthen the capacity to promote exports, particularly for SMEs; (ii) to strengthen the capacity to promote and attract foreign investment; (iii) to sustain and increase cattle and beef exports; (iv) to strengthen export process and product quality management; and (v) to strengthen institutional capacity to negotiate and administer trade and investment agreements.

Special contractual conditions precedent to the first disbursement: (all in paragraph 2.2)

(a) signature of an execution agreement between the Ministry of Finance (MHCP) and MIFIC; (b) signature of a subsidiary execution agreement between MIFIC and ProNicaragua; (c) signature of an interagency cooperation agreement between MIFIC and MAGFOR for executing component III; (d) signature of an interagency cooperation agreement between MIFIC and the Ministry of Foreign Relations to support implementation of the trade promotion office of Component I; (e) evidence that the Program Executive Council (CDP) has been formally established and that its members have designated their representatives; (f) CDP approval of the Program Operating Regulations (POR) and the first Annual Work Plan (AWP); and (g) the offices or units responsible for program activities in MIFIC and in each subexecuting agency must be operational, with suitable working premises available and professional staff appointed. Partial eligibility for up to US\$100,000 is planned to support the startup of execution and fulfillment of the conditions precedent to the first disbursement.

Exceptions to Bank policies: None.

Project consistent with country strategy: Yes [X] No []

Project qualifies as: SEQ [] PTI [] Sector [] Geographic [] Headcount []

¹ The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. DESCRIPTION AND RESULTS MONITORING

A. Background, issues, and rationale

- 1.1 **The Nicaraguan external sector.** During the 1990s Nicaragua undertook major economic reforms that resulted in the lowering of barriers to foreign trade, a trade policy oriented toward the promotion of exports and investments, and liberalization (unilaterally and multilaterally) of a great many trade barriers.
- 1.2 Nicaragua has accelerated its integration into the global economy through a series of international trade agreements. The most important of those already in effect is the Free Trade Agreement between Central America, the United States and the Dominican Republic (DR-CAFTA), in place since 2006. It has also signed free trade agreements with Mexico, Taiwan, Chile and Panama, and is party to negotiations for a treaty of association between Central America and the European Union and a free trade agreement with Canada. Nicaragua is also part of the ALBA initiative (Bolivarian Alternative for the Americas). In addition, Nicaragua has been a member of the Central American Common Market (CACM) from its inception.
- 1.3 Nicaragua's exports have risen modestly, but its external sector is still lagging. The opening of the economy to trade offers opportunities to strengthen the external sector, but tapping them will require public policies and investments that will boost the supply of exportable products. The country's per capita exports are the lowest in the region (US\$870 in 2008), despite a sharp increase in recent years. The structural deficit in the trade balance has produced a current account deficit which averaged 20% of GDP over the period 1990-2005, although this has been partially offset by rising remittances (\$818 million or 12.2% of GDP in 2008). Exports are heavily concentrated in agricultural and food products (\$1.050 billion or 39% of exports in 2008) and goods produced in the duty-free zones (\$1.016 billion or 38% of exports in 2008), primarily textiles. Export value-added is generally low and diversification, although recently improving, is still limited.¹
- 1.4 Trade has in fact been the most dynamic component of growth. Consequently, a stronger trade sector would mean a stronger economy. At the same time, foreign direct investment (FDI) has risen sharply in recent years. While in 2005 it stood at US\$241 million, equivalent to 4.9% of GDP, in 2008 it amounted to US\$626 million or 9.8% of GDP. The international economic crisis and the country's heavy dependence on the health of the United States economy increase the urgency of adopting tools to attract foreign investment and promote exports that will generate foreign exchange on a sustainable basis.
- 1.5 Nicaragua's production sector is essentially comprised of micro, small, and medium-sized enterprises (MSMEs): there are some 45,000 of these, of which

¹ See Vodusek, Ziga, Erick Zeballos, Jaime Granados and Alberto Barreix, Nicaragua: Inserción Internacional en Beneficio de la Mayoría. Nota de Comercio e Integración, INT/INT, 2007.

about 5,000 are SMEs and 40,000 are microenterprises. MSMEs account for around 40% of GDP but account for only 20% of exports. SMEs are being held back in their ability to be competitive and to expand their international presence by a lack of familiarity with external markets and export processing, the inability to exploit the opportunities arising from trade agreements, the lack of specialization and coverage of existing business development services, the lack of business integration, the shortage of information and training opportunities, and inadequate systems for sanitary, phytosanitary, metrological and quality management and certification, among other factors.

- 1.6 **The institutional framework for trade and investment management.** The Ministry of Development, Industry, and Trade (MIFIC) is the lead agency in the external trade and foreign investment sector, with divisions specializing in the negotiation of trade agreements, the administration of treaties, investments, export promotion, quality and standardization, and promotion of SMEs. MIFIC coordinates the country's main support services for foreign trade management and the internationalization of SMEs. ProNicaragua is the official agency involved in attracting foreign investment and it works in coordination with MIFIC. The Ministry of Agriculture and Forestry (MAGFOR) establishes and regulates phytosanitary management and certification services.
- 1.7 This program seeks to strengthen the conditions for Nicaraguan producers to take advantage of the new opportunities flowing from the trade and investment agreements. To this end it will strengthen the government's capacity to manage trade and foreign investment and will provide tools and mechanisms to increase the capacity of exporting firms, particularly SMEs. The major export markets are imposing increasingly rigorous sanitary, quality, and safety demands, and these threaten to close off international market access for Nicaraguan products. This program will help maintain and enhance access for beef and beef products (at US\$238 million in 2008, the country's second-leading export) to those markets by introducing a traceability system.² The program will also reinforce the national quality management system to facilitate exports of greater value added and will foster a culture of quality and consumer protection. The program will also promote foreign investment attraction by strengthening investment promotion policies, institutions, and instruments.
- 1.8 The program has been designed in light of experience with the project to strengthen foreign trade management (1117/SF-NI),³ which was implemented between 2002 and 2006 and contributed in particular to: (i) institutional strengthening of MIFIC, resulting in the successful negotiation of Nicaragua's membership in DR-CAFTA

² The European Union now insists on traceability and the United States is expected to do so as of 2011. Other customers that buy cattle and beef, such as Venezuela and Russia, have also advised the government that a traceability system is a prerequisite for doing business.

³ Spanish version of PCR at <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1782517>.

and the incorporation of the "balanced scorecard" that accommodated the redesign of the Trade Directorate (DGCE); (ii) increase and diversification of exports, which rose from an initial FOB value of US\$315 million in the first half of 2003 to US\$1.079 billion in the second half of 2006. Some examples of new export markets created by the project are: backpacks to Mexico (Wal-Mart), sesame oil and handicrafts to Europe, cigars to Japan, and handcrafted piñatas to the United States (Miami); (iii) development of the one-stop shop for exporters (VUE); (iv) training for diplomatic staff in trade promotion; (v) the design of permanent dialogue and consultation mechanisms, including a webpage, online forums, installation of the Information and Consultation Center (CIC), which handles queries by telephone, mail, and in person); (vi) training for journalists in foreign trade issues (37 events); (vii) training for lawmakers (10 events for National Assembly members and ongoing training for 24 deputies); (viii) a "country branding" campaign via CNN World Report and the Internet, including 17 success stories from the project. The program's design takes into account the lessons learned from the bovine traceability pilot plan under operation 1500/SF-NI.

- 1.9 **Relationship to the Bank's country strategy.** The program is consistent with the Bank's country strategy with Nicaragua for 2008-2012. The general objective of that strategy is to provide selective support to the government in reducing and managing vulnerabilities that impede the achievement of the growth and equity goals that the country has set for itself. In this context, the Bank expects to focus its contribution on five areas, one of which is productive development.
- 1.10 The activities called for under this program relate directly to the country strategy objective of productive development, in three ways: (i) it will provide technical assistance for promoting exports and attracting investment; (ii) it will facilitate mechanisms to improve the quality and safety of export products; and (iii) it will develop marketing channels and tools to promote exports by small producers. Another strategy objective served by this program is the development of external markets through support for the negotiation of new trade treaties and the optimal use of treaties.
- 1.11 **Relationship to the National Human Development Plan.** The program is consistent with the National Human Development Plan 2008-2012. The productive and commercial strategy of the Plan is based on the country's comparative advantages. Its agricultural potential and its natural resources are considered the principal opportunities for boosting economic growth and reducing poverty. The productive strategy gives priority to small producers in the private sector.
- 1.12 **Coordination with donors.** During the design of this program a number of meetings were held to share information, experiences, and lessons learned and to avoid unnecessary duplications. This program's components target specific activities in which other donors are not directly involved, although they frequently

finance complementary activities. See the matrix of donors:
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2207307>

B. Objectives, components, and cost

- 1.13 The general objective of the program is to help Nicaragua take advantage of the trade and investment opportunities stemming from the trade agreements in force or under negotiation. The specific objectives are: (i) to strengthen the capacity to promote exports, particularly for SMEs; (ii) to strengthen the capacity to promote and attract foreign investment; (iii) to sustain and increase cattle and beef exports; (iv) to strengthen export process and product quality management; and (v) to strengthen institutional capacity to negotiate and administer trade and investment agreements. To achieve these objectives, the program will include the following components:

1. Component I. Promotion of exports and internationalization of SMEs (US\$1.33 million)

- 1.14 **Export promotion:** The program will support trade and export promotion activities, with financing for: (i) diagnostic assessment, strategy, and action plan for reducing the anti-export bias: this will involve studies and action plans to identify the country's export growth and diversification opportunities and the internal obstacles that constrain them; and (ii) strengthening of the national export promotion policy: update of studies of exportable supply for the North American, South American, and Central American markets, together with the associated product-market profiles;⁴ workshops for the private sector to promote these export opportunities; installation and operation of a trade promotion office in Europe, with the capacity to manage effective commercial contacts, charging results-based fees. The customer service facilities of the National Export Promotion Commission will be upgraded and its staff will be trained in export promotion techniques and tools, international market management, and international agribusiness, among other areas.
- 1.15 **Internationalization of SMEs:** (i) training and technical assistance will be provided for clusters of SMEs that are new or potential exporters, selected on the

⁴ Product market profiles are designed in a practical format and contain the information needed for marketing products in target markets, including the name of the product; the productive sector; a description of the tariff classification according to the Harmonized System; varieties and uses of the product; imports of the specific product in target markets, measured in dollars; a study of competing markets ("benchmarking"); measurement and forecast of demand; market segmentation, selection, and positioning; prices (history, price policy and strategy, fluctuations, and trends); principal outlets and distribution channels; the main elements of marketing technique that potential exporters must respect; promotion (communication, strategies, and advertising); organization of sales and credit conditions; commercial packaging and packing for transport; labeling and certifications; import barriers; warehouse and transportation conditions; technical, phytosanitary, and environmental standards; and delivery conditions and form of payment to be used. An initial version of these product market profiles was prepared with funding from operation 1117/SF-NI.

basis of technical criteria, to enhance their export capabilities; (ii) a limited number of small and medium-sized exporters will receive cofinancing to attend and participate in international trade fairs or events, selected in accordance with criteria established in the Program Operating Regulations (POR).

2. Component II. Investment attraction (US\$1.28 million)

- 1.16 **Strengthening investment promotion policy.** The program will finance the development and implementation of investment policies, under three subcomponents: (i) design and development of a national investment promotion policy, including simplified formalities and an investment statistics information system; (ii) improvement of the technical and functional operational features of the VUI, including the development and implementation of a staff training system for proper VUI management covering the following aspects, among others: (a) service to the public; (b) simplified procedures; (c) use of forms; and (d) access to public information. Good international practices will be introduced for VUI management. Maintenance and upgrades of the VUI central and departmental offices will be financed, with emphasis on electronic interconnection systems. A VUI dissemination, promotion, and sustainability strategy will be financed, which will include monitoring and tracking of service standardization at the departmental offices; and (iii) organization and implementation of specific investment attraction activities, including: (a) promotional missions abroad; (b) investment forums in Nicaragua; (c) organization of and participation in international investment events for selected sectors; (d) design and implementation of a country-branding strategy for getting messages across to target groups, identifying channels of communication, preparing promotional materials, and measuring their usefulness and impact; and (e) design and layout of promotional materials such as sector-specific brochures, country profile, investors guide, videos, and success stories.

3. Component III. Introduction of an export cattle and beef traceability system (US\$3.21 million)

- 1.17 **Preparation and introduction of the export cattle and beef traceability system.** This component will finance the following activities: (i) development of the capacity for export cattle and beef traceability: procedural manual and human and material resources for conducting traceability audits. A comprehensive strategy will be pursued for implementing and monitoring cattle and beef traceability, involving producers, ranchers' associations, technicians, municipal governments, the national police, slaughterhouses, merchants, and institutions linked to the cattle industry; (ii) implementation of an export cattle and beef traceability system: purchase and administration of the identification tools needed for tracing 900,000 head of cattle, together with a farm registration program that would use the latest technology for locating, recording, and identifying individual animals. A registry of good livestock practices will also be financed; and (iii) animal health laboratories for export certification: consulting services to determine demand and suggest sustainability

mechanisms for future support in the area of plant and animal health laboratories; ISO 17025 certification of the Veterinary Diagnostics Laboratory and the Residues Laboratory.

4. Component IV. Strengthening of the National Export Quality System (SNCE) (US\$2.17million)

- 1.18. **Strengthening of quality control institutions and policies.** The program will finance: (i) design of a national quality policy, and a strategy and comprehensive action plan for improving the National Export Quality System and its infrastructure; (ii) improvement of the applicability and enforcement of Nicaraguan Mandatory Technical Standards (NTONs): technical assistance to prepare conformity assessment procedures for compliance with NTONs and to evaluate the implementation of those procedures for export products; (iii) revival of the National Quality Prize (PNC): training for businesses and evaluators relating to the PNC guide and organization and funding of the prize; (iv) implementation of the International System of Units (SI): design and implementation of an action plan to implement the SI, specifically in four export sectors (meat, shrimps, dairy, and coffee); (v) strengthening of conformity assessment agencies: technical assistance to upgrade the accreditation of conformity assessment agencies, including certification of the assessors of the National Accreditation Office (ONA) in line with the accreditation requirements of international certification agencies. The technical assistance will focus primarily on implementation of ISO standards 17025 (1), 17020 (2), and 17024 (1) as well as on achieving mutual recognition through the InterAmerican Accreditation Cooperation (IAAC) system. The latter will involve improving the assessment of verification to correct non-conformities identified by IAAC, and the purchase of computer equipment; (vi) strengthening of producers' ability to implement quality management systems: technical assistance to identify SMEs with export potential in a position to implement the national quality system, and training workshops to help them do so; (vii) infrastructure upgrades for the National Metrology Laboratory (LANAMET): construction and equipment of facilities with the controlled environment necessary for the conservation and safekeeping of national measurement standards; (viii) support for the creation of municipal metrology units: training workshops for municipal staff in the verification of weight and volume measuring instruments, and workshops with producers and municipal authorities for creating awareness and fostering a culture of metrology; purchase of measurement standards and equipment for municipal units and reconditioning of physical infrastructure for the safekeeping of standards; and (ix) strengthening of the chemical metrology infrastructure: purchase of equipment, templates, and reference materials for chemical metrology infrastructure.

5. Component V. Strengthening of MIFIC's trade agreement administration (US\$660,000)

- 1.19 **Monitoring of international trade agreements.** The program will finance activities to help the country adapt so that it can seize the opportunities offered by trade agreements: (i) legislative adjustments: diagnostic assessments and preparation of draft laws/regulations, in consultation with stakeholders, to adapt national legislation to FTA commitments relating to market access, trade facilitation, intellectual property, etc.; (ii) design of and purchase of equipment for a computerized system for monitoring compliance with commitments under the free trade treaties in line with best practices in the region; (iii) design of a transition plan leading to elimination of export incentives: strategy and action plan to ready the country's productive sectors for the dismantling of export subsidies, pursuant to Annex VII of Article 27.4 of the Agreement on Subsidies and Countervailing Measures; (iv) participation in trade forums: a program to defend national trading interests in the principal international trade forums; (v) analysis and monitoring of commitments: analysis and systematization of opportunities and challenges stemming from international trade agreements, and purchase of computer equipment; (vi) workshops to publicize the commitments: training for the private sector and civil society on the challenges and opportunities stemming from international trade agreements; and (vii) trade policy evaluation: preparations for defending regional agreements in the WTO Committee on Regional Trade Agreements and the WTO's Third Trade Policy Review of Nicaragua.
- 1.20 **Strengthening of the administration of international trade agreements.** The program will support activities and finance knowledge products on issues relating to: (i) dispute settlement: technical training for public officials and the private sector and preparation of an executive document on dispute resolution and a technical document on the treatment of confidential information; (ii) trade remedies: update of the technical manual for antidumping investigations and preparation of an executive manual, preparation of a technical manual for subsidy investigations and adoption of countervailing measures, and preparation of an executive manual, preparation of a technical manual for safeguards investigations and an executive manual on safeguards; (iii) evaluation of trade liberalization: training in methodologies for evaluating the economic and social impact of trade liberalization and purchase of specialized software for impact analysis; and (iv) program of paid internships for recent graduates to support the foreign trade management functions of MIFIC
- 1.21 **Cost.** The total cost of the program is US\$10,437,000, of which US\$10,000,000 will be financed by the Bank and US\$437,000 will represent the borrower's counterpart contribution.

C. Key results matrix indicators

- 1.22 Expected program outcomes are detailed in the Results Matrix. The direct impacts will be: (i) to increase the exports of Nicaraguan SMEs; (ii) to attract more foreign direct investment and generate employment in the country; (iii) to boost substantially the number of cattle meeting traceability requirements for export; (iv) to have a national export quality system developed and running; and (v) to strengthen MIFIC's capacity to administer trade agreements and monitor trade negotiations. Indicators have been designed to measure the success of program activities in achieving these development objectives.

II. FINANCING STRUCTURE AND RISKS

A. Financing instruments

- 2.1 The proposed operation is an investment loan to be disbursed over four years. The total cost of the program is US\$10,437,000, of which US\$10,000,000 (US\$5 million from the Ordinary Capital (OC) and US\$5 million from the Fund for Special Operations (FSO)) will be financed by the Bank and US\$437,000 will represent the borrower's counterpart contribution. The revolving fund for the program will be comprised of 5% of the financing. Interest accruing during the disbursement period will be a partial charge to the financing; an amount of up to US\$324,158 will be included in the budget to cover such partial costs, notwithstanding the corresponding adjustments that may be made during the execution period.

Budget (US\$)

Investment categories	IDB	Counterpart	Total
Component I: Promotion of exports and internationalization of SMEs	1,337,000	0	1,337,000
Component II: Investment attraction	1,281,000	0	1,281,000
Subcomponent 1: Development of a national investment promotion and attraction policy	181,200	0	181,200
Subcomponent 2: Maintenance and remodeling of VUI facilities	399,800	0	399,800
Subcomponent 3: Investment attraction	700,000	0	700,000
Component III: Export cattle and beef traceability system	3,214,500	296,500	3,511,000
Component IV: Strengthening of the SNCE	2,171,500	0	2,171,500
Component V: Strengthening of trade agreement administration	644,000	0	644,000
Administration, evaluation, audit, interest, and other	1,352,000	140,500	1,492,500
Grand total	10,000,000	437,000	10,437,000

- 2.2 **Conditions precedent and partial eligibility.** The borrower will fulfill the following contractual conditions precedent to the first disbursement, established in the special provisions of the loan contract: (a) **signature of an execution agreement between the MHCP and MIFIC**, pursuant to which the funds and the responsibility for implementing the program components will be transferred to MIFIC; (b) **signature of a subsidiary execution agreement between MIFIC and ProNicaragua**, transferring to the latter the responsibility for executing the activities under Subcomponent 3 of Component II (investment attraction); (c) **signature of an interagency cooperation agreement between MIFIC and MAGFOR for executing Component III**; (d) **signature of an interagency cooperation agreement between MIFIC and the Ministry of Foreign Relations to support implementation of the trade promotion office under Component I** (promotion of exports and internationalization of SMEs), Subcomponent 1 (strengthening technical capacity to promote exports); (e) **evidence that the Program Executive Council (CDP) has been formally established and that its members have designated their representatives**; (f) **CDP approval of the Program Operating Regulations (POR) and the first annual work plan (AWP)**; and (g) for the first disbursement under each component, **the offices or units responsible for program activities in MIFIC and in each subexecuting agency must be operational, with suitable work premises available and professional staff appointed**. Notwithstanding the above, upon fulfillment of the conditions precedent indicated in article 4.01 (a), (b), and (e) of the General Conditions, an advance of US\$100,000 from the first disbursement may be made to cover the costs of the specialized consultants who will support the program coordination team of MIFIC and the subexecuting agencies during the first year, as well as to develop a launch workshop.

B. Environmental and social risks and safeguards

- 2.3 The program will provide financing for institutional strengthening, cattle and beef traceability, quality systems, export promotion, and the attraction of investment, none of which will have any direct, adverse impact of a social or environmental nature. Moreover, the traceability aspect will improve sanitary control and make the cattle industry more sustainable. The program is classed as a category C operation under the Bank's environmental safeguards policy. It will boost the country's foreign trade and attract foreign direct investment, both of which will generate economic growth and employment, with the attendant social benefits.

C. Fiduciary risks

- 2.4 The program will have MIFIC as its executing agency, while MAGFOR and ProNicaragua will serve as subexecuting agencies for some components and subcomponents. Interagency execution and cooperation agreements will be signed to this effect. MIFIC and MAGFOR will administer their respective components, and MIFIC will have a bank account that includes a subaccount for the Bank funds

earmarked for Subcomponent 3 of Component II, which will be executed by ProNicaragua. Fiduciary execution will be performed within the MIFIC organizational structure, and in the case of Component III by MAGFOR, while ProNicaragua will be responsible for technical execution, given the respective technical competencies of the two subexecuting agencies. See link: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2207369>

- 2.5 The institutional capacities of the two agencies performing administration tasks (MIFIC and MAGFOR) were assessed using the Institutional Capacity Assessment System (ICAS) and they were classified as institutions of medium development and average risk. Nevertheless, the program calls for using loan proceeds to finance the hiring of a general coordinator and two assistants to reinforce the procurement and financial administration areas of MIFIC, and another assistant to the general coordinator will be financed from the local counterpart contribution. Loan proceeds will be used to pay for reinforcing the MAGFOR execution team, which will have a technical coordinator and experts for planning and monitoring and traceability measures in the slaughterhouses. The team will also have a project accountant and an assistant for procurement and administrative support services. These human resources will strengthen MIFIC's overall administration and coordination capacity, and the capacity of MAGFOR to administer Component III. This will mitigate the risks identified in the assessment and ensure efficient execution of the program.
- 2.6 The consultants for MIFIC and MAGFOR as well as ProNicaragua staff will take part in launch workshops to be organized by the Bank's Country Office in Nicaragua, which will provide training for implementing the project execution plan and procurement plan for 18 months, consistent with Bank standards. The Bank will give priority to including this personnel in the 2009 and/or 2010 workshops, to ensure timely startup of the operation.

D. Other risks

- 2.7 Annual external audits will be performed over the life of the project, and other control measures will be included in the POR. These external audits are essential for ensuring efficient and transparent management of the internal control systems of MIFIC and MAGFOR, pursuant to the Code of Conduct and Ethics issued by the Executive Branch and the technical rules of internal control issued by the Comptroller General. This will reduce the possibility of irregularities in program execution.

III. IMPLEMENTATION AND ACTION PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Republic of Nicaragua. The executing agency will be MIFIC. MAGFOR will be the subexecuting agency responsible for Component II (export cattle and beef traceability system). ProNicaragua, under the fiduciary control of MIFIC, will execute activities under Subcomponent 3 of Component II (investment attraction).
- 3.2 **Executing unit.** Overall coordination and administration of the program will fall to MIFIC, which will be the executing agency vis-à-vis the Bank. The program will have a Program Coordination Team (PCT), which will be established and will operate within MIFIC's organizational structure. Under MIFIC coordination, MAGFOR will execute Component III (cattle and beef export traceability system), through the Directorate for Agricultural Protection and Health, and ProNicaragua will execute activities under Subcomponent 3 of Component II. MIFIC and MAGFOR will administer their respective components, and this will involve the following tasks: (i) opening and administering specific and separate bank accounts for program funds (the MIFIC account will include the funds for Subcomponent 3 of Component II, executed by ProNicaragua); (ii) budget programming, execution, and monitoring; (iii) preparing disbursement requests and their respective supporting documentation for expenditures for MIFIC to present to the Bank; (iv) maintaining an adequate system of financial accounting and internal control for recording transactions financed by the program; (v) preparing progress and financial reports on the program, which MIFIC will present in consolidated form; (vi) maintaining an adequate filing system for documentation supporting eligible expenditures for verification by Bank personnel and the external auditors; (vii) programming execution of the external audits, which MIFIC will contract; (viii) coordinating data collection for input to the monitoring and tracking system; and (ix) maintaining adequate administration and payment systems for supplier and consulting contracts.
- 3.3 **Program Executive Council (CDP).** The program will have an executive council, comprising representatives of MIFIC (as coordinator), MAGFOR, ProNicaragua, the MHCP, and a private sector representative, all as voting members. The CDP will have three basic duties: (i) to monitor and oversee program execution and administration; (ii) to approve the Program Execution Plan, the work plans, and the procurement plans and their amendments, to be submitted for Bank approval; and (iii) to suggest to the borrower any significant change in the strategic focus and main activities of the program. The MIFIC general coordinator for the program will serve as the technical secretary of the CDP. He or she may take the floor but may not vote.

- 3.4 **Traceability Advisory Committee (CAT).** A standing advisory and consultation committee will be created for execution of Component III (export cattle and beef traceability system), comprising three representatives of the Government of Nicaragua and two representatives of the private cattle industry.
- 3.5 **Program Operating Regulations (PORs).** These PORs will describe, among others, the procedures for executing the components, the eligibility requirements for program beneficiaries, the mechanisms of coordination between the executing agency (MIFIC) and the subexecuting agencies (MAGFOR and ProNicaragua) and their responsibilities for program activities. The PORs will also determine the specific functions and responsibilities of the CDP, the CAT and the PCT.
- 3.6 **Financial and fiduciary management.** MIFIC's PCT will employ the computerized financial management systems already developed and in use in the Nicaraguan government. These include the Integrated Project Management System (SIGFAPRO), a computerized information system developed by the MHCP's Technology Directorate.
- 3.7 **Procurement.** Procurement procedures used for the program will be consistent with the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (GN-2349-7), of July 2006; and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-7), of July 2006
- 3.8 For works contracts, international competitive bidding (ICB) will be used when the cost of the works is US\$1.5 million or more. Below that amount, national competitive bidding (NCB) will be used when the cost of the works exceeds US\$150,000. For contracts below that figure, three quotes will be accepted. For the procurement of goods, ICB will apply where the cost is US\$150,000 or more; NCB will apply above US\$25,000; and price comparison (PC) where the cost of the good is below that amount.
- 3.9 For consulting services, contracts exceeding US\$200,000 must be advertised internationally, while those below this figure will require only national advertising. The short list of consulting firms for assignments costing less than US\$200,000 equivalent may consist entirely of national consultants. The procurement of goods and services other than consulting services will be reviewed ex ante by the Bank. Ex post review will apply only to the price comparison procedure, subject to satisfactory completion of specific actions. Ex ante review will apply in the case of consulting firms and individual consultants, unless otherwise stipulated in the procurement plan.

B. Summary of results monitoring arrangements

- 3.10 **Annual work plan (AWP).** The AWP will be used to plan and program investments to be made annually. In the first quarter of each year of execution, the PCT will submit the AWP for the calendar year, to the Bank's satisfaction. The PCT and the Bank's Country Office will hold annual monitoring meetings to review and assess the previous year's progress against the AWP and fulfillment of the disbursement and technical execution criteria, before agreeing on the respective annual plan.
- 3.11 **Procurement plan.** The procurement plan indicates, for each contract or group of contracts, the procedure to be used for the procurement of goods, the contracting of works or services, and the method of selecting consultants, and other relevant measures for executing program procurement. The procurement plan will be updated annually or whenever necessary or as required by the Bank.
- 3.12 **Semiannual execution reports from the PCT.** Within 60 days after the end of each calendar half-year, the PCT will submit a semiannual program execution report to the Bank, with detailed information on the status of activities. These reports will include an analysis and overall summary of progress to date, including the financial status and execution of the procurement plan, as established in the PORs.
- 3.13 **Program evaluations.** The PCT will conduct two evaluations, using consultants selected and contracted for this purpose in accordance with terms and conditions previously agreed upon with the Bank. The objectives of those evaluations will be: (a) to verify the degree of progress and achievement of the program's development objectives in light of the indicators in the Results Matrix; (b) to report the outputs achieved through the activities financed by the program; (c) to indicate positive and negative externalities; (d) to identify risks arising in the course of program execution and propose measures to mitigate them; and (e) to make recommendations, propose corrective actions, and identify and systematize good practices and lessons learned. In addition, the program calls for specific evaluations of Component III, as detailed in the PORs.
- 3.14 **Accounting statements and external audit.** Within 120 days of the close of the respective fiscal year the PCT will present to the Bank the annual financial statements for the program, duly audited by an independent firm acceptable to the Bank. The final audit report for the program will be presented within 120 days after the last disbursement.

RESULTS MATRIX

GENERAL OBJECTIVE

The general objective of the program is to help Nicaragua take advantage of the trade and investment opportunities stemming from the trade agreements in force or under negotiation. The specific objectives are: (i) to strengthen the capacity to promote exports, particularly for SMEs; (ii) to strengthen the capacity to promote and attract foreign investment; (iii) to sustain and increase cattle and beef exports; (iv) to strengthen export process and product quality management; and (v) to strengthen institutional capacity to negotiate and administer trade and investment agreements.

To achieve this objective, program activities will be executed simultaneously by three entities with specific competencies in each area: MIFIC, MAGFOR, and ProNicaragua.

COMPONENT 1		Promotion exports and internationalization of SMEs				
Outcome indicator	Baseline	Target				Comments
Increased SME exports.	In 2008 Nicaraguan SMEs exported \$330.53 million, equivalent to 22.10% of total exports. SME exports grew at an average annual rate of 12.07% over the reference period 2006-2008.	By the end of the project, Nicaraguan SME exports are expected to have exported 5% more than the baseline of 12.07% (2006-2008).				Export figures were calculated using the criteria established in the MSME law, the technological characteristics of the firms, and export data for recent years. The target levels are set on the assumption that the government will continue to pursue an economic growth model based on export growth, especially among SMEs, and on investment growth.
Output	Baseline	Year 1	Year 2	Year 3	Year 4	Comments
Anti-export bias studies completed and recommendations implemented.	There is no comprehensive analysis or quantification of domestic obstacles facing the export sector, nor any action plan to overcome them. The existing export promotion policy needs to be updated.	Studies have been completed providing specific information on domestic obstacles to export diversification and growth. The export development and promotion policy has been revised and updated on the basis of those studies.	The process of implementing the recommendations in the action plan for overcoming domestic obstacles to exports has begun. Three workshops have been held for implementing the recommendations.	The process of implementing the recommendations in the action plan for overcoming domestic obstacles to exports has been completed. Three workshops have been held for implementing the recommendations.		The anti-export bias studies will be consulted with the private export sector and government bodies involved in the export process.
The national export sector has up-to-date information on international market demand for domestic products.	The 2004 study of exportable supply for the North American, Central American, and South American markets needs to be updated. The existing product-market profiles for those markets also need updating.	The study of exportable supply for the North American, Central American, and South American markets has been updated and published.	Number of product-market profiles (for the North American, Central American, and South American markets) updated: 60. Number of workshops for the private sector to publicize export opportunities based on the product-market profiles: 4.	Number of workshops for the private sector to publicize export opportunities based on the product-market profiles: 4.	Number of workshops for the private sector to publicize export opportunities based on the product-market profiles: 4.	
The country has reinforced its export presence in the European market, through a trade promotion office.	ST-CNPE has no staff posted abroad to handle export promotion.	The trade promotion office is installed in Nicaragua's diplomatic post in a strategic European country to be identified.	The trade promotion office has arranged 10 effective commercial contracts.	The trade promotion office has arranged 15 effective commercial contracts.	The trade promotion office has arranged 20 effective commercial contracts.	Effective commercial contacts are those that lead to concrete business for Nicaraguan exporters.
The quality of the export promotion services provided by ST-CNPE staff has improved	There is no training program for officials in the technical aspects of foreign trade directly relevant to the performance of their functions.	Number of ST-CNPE officials trained in export promotion, international market management and international agribusiness techniques and tools: 6.	Number of ST-CNPE officials trained in export promotion, international market management and international agribusiness techniques and tools: 9.	Number of ST-CNPE officials trained in export promotion, international market management and international agribusiness techniques and tools: 12.		Training and professional development of officials includes essentially: internships in similar institutions, participation in training events sponsored by international trade promotion agencies, courses offered in the country by international instructors, and online courses.
With its offices remodeled, ST-CNPE is providing better customer service.	ST-CNPE has inadequate infrastructure for serving export firms..	A design has been prepared for remodeling of 160 m² of ST-CNPE offices and the construction of a further 40 m² for service to businesses, and new office modules.	The project for remodeling of 160 m² of ST-CNPE offices and the construction of a further 40 m² for service to businesses, and new office modules, has been completed.			
Program of training, technical assistance, equipment and tools has been developed for associations of potential small and medium-sized exporters to support international marketing of their products.	The specific baseline for this output will be determined by consultants who will identify, profile, and evaluate the potential small and medium-sized exporters for the program.	Number of training workshops on international marketing of local products: 2. Number of clusters assisted in international marketing of their products: 15. Increase in exports by these clusters over the previous year: 10%.	Number of training workshops on international marketing of local products: 2. Number of clusters assisted in international marketing of their products: 15. Increase in exports by these clusters over the previous year: 10%.	Number of training workshops on international marketing of local products: 2. Number of clusters assisted in international marketing of their products: 15. Increase in exports by these clusters over the previous year: 10%.	Number of training workshops on international marketing of local products: 2. Number of clusters assisted in international marketing of their products: 15. Increase in exports by these clusters over the previous year: 10%.	

SMEs have a greater presence at international trade promotion events.	Programs for boosting and monitoring SME presence at international trade promotion events are limited.	Number of SMEs that have participated in international trade promotion events: 5. Annual increase in production and/or sales for export by participating SMEs: 30%.	Number of SMEs that have participated in international trade promotion events: 5. Annual increase in production and/or sales for export by participating SMEs: 30%.	Number of SMEs that have participated in international trade promotion events: 5. Annual increase in production and/or sales for export by participating SMEs: 30%.	Number of SMEs that have participated in international trade promotion events: 5. Annual increase in production and/or sales for export by participating SMEs: 30%.	The program will include support before, during, and after the events so that participating SMEs can conclude export deals.
COMPONENT 2	Investment attraction					
Outcome indicator	Baseline	Target level				Comments
Percentage change in FDI flows to Nicaragua over the baseline and number of jobs directly created by that difference.	In 2008 Nicaragua received \$626 million in FDI.	To attract an additional \$62 million in FDI over the baseline during program execution; 6,047 new direct jobs generated.				The increase in FDI flows to Nicaragua is based on the assumption that the business climate in the country does not worsen.
Percentage change in FDI flows attributable to ProNicaragua's efforts over the baseline and number of jobs directly created by that difference.						
Output	Baseline	Year 1	Year 2	Year 3	Year 4	Comments
Investment promotion policy formulated and implemented and investor procedures simplified.	There is no comprehensive investment promotion policy consistent with sector strategies. There are no programs for simplifying procedures for investors.	A draft investment promotion policy has been prepared, with an action plan and timetable. An analysis and program for simplifying investment procedures (licenses, permits, and associated procedures) have been prepared.	Investment Promotion Policy, action plan, and timetable approved. Program for simplifying investor procedures executed.	Execution of the action plan has begun.	The action plan is well advanced.	
Articulated plan with business opportunities identified for channeling domestic and foreign investment in Nicaragua's 10 main departments, including a portfolio of investment projects.	There is no articulated domestic and foreign investment plan. There is no portfolio of projects identifying investment opportunities in Nicaragua's 10 main departments.	Number of workshops held to identify opportunities for which investment project profiles will then be prepared: 20.	Number of investment opportunity studies completed: 20.	Number of investment project profiles in execution: 10.	Number of projects executed: 10.	
Strengthened capacity of the MIFIC Investment Promotion Policy Division (DPFI) in the areas of information technology and statistics.	MIFIC-DPFI lacks the hardware and software to generate and process statistical information.	A plan for equipping MIFIC-DPFI to improve its capacity in the areas of information technology and statistics has been prepared. A statistical system has been designed for input from institutional counterparts.	Statistical system for input from institutional counterparts is operating. Number of officials trained in working with the new statistical information system: 30. The plan for equipping MIFIC-DPFI to improve its capacity in the areas of information technology and statistics has been executed.			
The central and departmental VUIs have strengthened their infrastructure and their management and public-service capacities. The central VUI office is connected with the branch offices.	The central and departmental VUIs lack the technical means, infrastructure, and maintenance to facilitate the formalization of firms and to attract investment.	Number of departmental VUIs remodeled, with adequate maintenance and interconnection to the central VUI: 3.	Number of departmental VUIs remodeled, with adequate maintenance and interconnection to the central VUI: 2.			Interconnection involves upgrading the existing system and training new users. The systems will be subject to ongoing maintenance.
The departmental VUIs have implemented a harmonized monitoring and tracking system.	There are no monitoring and tracking mechanisms to ensure the uniformity and quality of departmental VUI services.	Monitoring and tracking mechanisms designed to ensure the uniformity and quality of departmental VUI services.	Number of departmental VUIs operating under monitoring and tracking mechanisms that ensure uniformity and quality of their services: 4.		Number of departmental VUIs operating under monitoring and tracking mechanisms that ensure uniformity and quality of their services: 2.	
Central and departmental VUI officials trained to provide adequate customer service and ensure efficient performance.	Officials have insufficient training and inadequate tools to offer a proper investment attraction service.	Training for approximately 100 employees of the VUIs and related and specialized institutions, on topics relating to investment, service to the public, and the MSME law.	Training for approximately 100 employees of the VUIs and related and specialized institutions, on topics relating to the design of procedures, forms, and access to public information.	Refresher training for approximately 100 employees of the VUIs and related and specialized institutions, on topics relating to investment, service to the public, and the MSME law.	Refresher training for approximately 100 employees of the VUIs and related and specialized institutions, on topics relating to the design of procedures, forms, and access to public information.	

International good practices introduced for the management of one-stop shops for investors.	There are no programs for analyzing and transferring international good practices for the management of one-stop shops for investors.	Number of international good practices in managing one-stop shops identified, analyzed, and transferred: 3.		Number of international good practices in managing one-stop shops identified, analyzed, and transferred: 3.		Some of the good practices for VUI management may relate to such topics as: system installation costs, business formalization mechanisms, strategies for overcoming obstacles
Strategy for publicizing, positioning, and sustainability of the VUIs implemented. Users duly informed of the services offered at the central and departmental VUIs.	There is no strategy for publicizing the services provided by the VUIs and securing them a public reputation for offering prompt and simplified procedures for attracting domestic and foreign investment. There are no plans for the sustainability of the VUI that will ensure their continuity for the ongoing attraction of investments.	A publicity strategy designed and plans formulated for the sustainability of the VUIs.	Progress in implementing the strategy through the media: 80 radio spots, 12 TV spots, and 24 press notices. 32,000 brochures (4 types of brochures, 8,000 each). 8,000 stickers. 8,000 booklets, guides etc. designed, printed and distributed. 6 banners. Strategies and action plans implemented and standardized. Participation in 2 fairs.	Progress in implementing the strategy through the media: 80 radio spots, 12 TV spots, and 24 press notices. 32,000 brochures (4 types of brochures, 8,000 each). 8,000 stickers. 8,000 booklets, guides etc. designed, printed and distributed. 6 banners. Strategies and action plans implemented and standardized. Participation in 2 fairs.	Media publicity campaign (radio, TV and press) completed. Participation in 2 fairs. 4 seminars held to publicize the VUIs and their services.	
A program of concrete actions has been executed for attracting investors to Nicaragua that succeeds in attracting at least 84 new FDI projects in sectors selected by the program.	Pro-Nicaragua lacks the funds to field missions to markets-countries in order to visit target firms and present customized solutions as grounds to justify expanding their business to Nicaragua.	Organization of one annual promotional mission per sector to give presentations to at least 12 potential firms.	Organization of one annual promotional mission per sector to give presentations to at least 12 potential firms.	Organization of one annual promotional mission per sector to give presentations to at least 12 potential firms.	Organization of one annual promotional mission per sector to give presentations to at least 12 potential firms.	Target countries and firms will be selected in light of annual sector studies performed in-house by the agency to define the annual investment attraction strategy for the sector.
	Pro-Nicaragua lacks the funds to participate in fairs specializing in the industries and sectors promoted, where the country profile could be strengthened and focus sessions and meetings with target firms could be held.	Organization of one forum per sector, attracting 15 potential investors per sector.	Organization of one forum per sector, attracting 15 potential investors per sector.	Organization of one forum per sector, attracting 15 potential investors per sector.	Organization of one forum per sector, attracting 15 potential investors per sector.	The topic or focus for the sector is selected in light of the annual strategy, which is based on sector-specific studies identifying market trends and opportunities.
	Pro-Nicaragua lacks the funds to host promotional events complementary to foreign missions, or local investment forums targeted at previously identified and qualified firms	Participation in one annual fair per sector selected in light of the annual strategy established by Pro-Nicaragua for that sector.	Participation in one annual fair per sector selected in light of the annual strategy established by Pro-Nicaragua for that sector.	Participation in one annual fair per sector selected in light of the annual strategy established by Pro-Nicaragua for that sector.	Participation in one annual fair per sector selected in light of the annual strategy established by Pro-Nicaragua for that sector.	International fairs and events will be selected annually in light of the annual promotion strategy for the sector.
Country Branding Strategy implemented for international promotion of investment opportunities in the country in priority productive sectors.	Country branding strategy designed. Promotional materials and tools designed (3 sector brochures, 1 investors' manual, 2 videos, 1 country profile, 1 services directory)	Country branding strategy updated. Promotional materials and tools updated (3 sectoral brochures, 1 investors' manual, 2 videos, 1 country profile, 1 services directory)	Country branding strategy updated. Promotional materials and tools updated (3 sectoral brochures, 1 investors' manual, 2 videos, 1 country profile, 1 services directory)	Country branding strategy updated. Promotional materials and tools updated (3 sectoral brochures, 1 investors' manual, 2 videos, 1 country profile, 1 services directory)	Country branding strategy updated. Promotional materials and tools updated (3 sectoral brochures, 1 investors' manual, 2 videos, 1 country profile, 1 services directory).	
COMPONENT 3 Strengthening the export beef and cattle traceability system						
Outcome indicator	Baseline	Target level				Comments
Number of farms subject to traceability, increase in the geographic coverage of traceability, increase in the number of cattle in 0-1 year class that meet the export traceability requirement.	770 farms have been registered covering 8,923 km². (Municipios of Nueva Guinea, El Almendro, El Coral, Matiguas, Muy Muy, Río Blanco, Paiwas). 75,000 heads of cattle have been traced.	An additional 40,000 farms will be registered, in 105 municipios. 900,000 cattle in 0-1 year class will meet the export traceability requirement.				The midterm and final evaluations will provide data on volume of meat and the number of cattle on the hoof that met the traceability requirements.

SUBCOMPONENT I						
Outcome indicator	Baseline	Target level				Comments
Implementation of the cattle and beef traceability program has been strengthened by equipping it with a proper organizational and management structure.	The 3-year pilot project for cattle and beef traceability carried out in the municipios of Nueva Guinea, El Almendro, and El Coral has yielded sufficient experience for expanding the program to the national level.	A cattle and beef traceability implementation and training strategy has been prepared, with an advisory committee comprising slaughterhouse operators, municipal inspectors, and ranchers' associations.				This component combines process traceability and primary production traceability.
Output	Baseline	Year 1	Year 2	Year 3	Year 4	Comments
A strategy for implementing the cattle and beef traceability program has been generated.	There is a strategy in place for implementing the cattle and beef traceability subprogram, allowing its extension to the national level.	A cattle and beef traceability implementation and training strategy has been prepared and discussed with the public and private sectors.				
Slaughterhouse operators and municipal inspectors have been trained to work with the cattle and beef traceability system.	Slaughterhouse operators and municipal inspectors are unfamiliar with cattle and beef traceability for operation and implementation of the subprogram.	Number of technical advisory visits to slaughterhouses: 144.	Number of technical advisory visits to slaughterhouses: 144.	Number of technical advisory visits to slaughterhouses: 144.	Number of technical advisory visits to slaughterhouses: 144.	This activity will be performed by the Process Traceability Chief of the Agrifood Safety Division.
A public-private advisory committee on cattle and beef traceability has been established.	There is a National Traceability Commission with public and private sector representation, which serves as the forum for consultation on implementing traceability.	The public/private advisory committee on cattle and beef traceability has been created and is making decisions.	The public/private advisory committee on cattle and beef traceability has been created and is making decisions.	The public/private advisory committee on cattle and beef traceability has been created and is making decisions.	The public/private advisory committee on cattle and beef traceability has been created and is making decisions.	This committee will comprise two public and three private sector members.
The facilities, inputs, and equipment needed for proper implementation and operation of the cattle and beef traceability subprogram at the national level are in place.	The facilities, inputs, and equipment are available for three municipios in which the cattle and beef traceability pilot project was conducted.	Acquisition of facilities, inputs, and equipment needed to run the cattle and beef traceability subprogram at the national level.				
SUBCOMPONENT II						
Outcome indicator	Baseline	Target level				Comments
Farmers, municipios, and slaughterhouse operators have been trained and are implementing the traceability system	Publicity and training tools are available in the pilot area for strengthening implementation of cattle and beef traceability.	The cattle and beef traceability program has been publicized nationwide and the main actors in the cattle industry have been trained to facilitate implementation.				In this component, the necessary experience to expand cattle and beef traceability know-how is available.
Output	Baseline	Year 1	Year 2	Year 3	Year 4	Comments
Strategy established for monitoring implementation of cattle and beef traceability	There is technical expertise available for monitoring the implementation of cattle and beef traceability nationwide	Number of technical visits to monitor implementation of traceability nationwide: 3,168.	Number of technical visits to monitor implementation of traceability nationwide: 3,168.	Number of technical visits to monitor implementation of traceability nationwide: 3,168.	Number of technical visits to monitor implementation of traceability nationwide: 3,168.	There are 11 zones to be covered nationwide: Jinotega, Matagalpa, Nueva Segovia, Chinandega, León, Rivas, Boaco, Río San Juan, Chontales, RAAS, RAAN.
Producers, ranchers' associations, technicians, municipal governments, the national police, slaughterhouse operators, merchants, and institutions linked to the cattle industry have received training in cattle and beef traceability.	Experience has already been gained through the training of more than 2,000 producers and more than 600 technicians connected to the cattle industry.	Number of training events for producers, associations, and institutions connected to the cattle industry: 75.	Number of training events for producers, associations, and institutions connected to the cattle industry: 75.	Number of training events for producers, associations, and institutions connected to the cattle industry: 75.	Number of training events for producers, associations, and institutions connected to the cattle industry: 75.	The pilot project served to refine the contents of traceability training. Implementation of the subprogram will be further strengthened by the experience gained by municipal authorities and the model farms
Educational materials on cattle and beef traceability have been produced and distributed to facilitate implementation of the system.	More than 50,000 sets of printed education materials were distributed in the pilot project areas.	Number of sets of educational materials on cattle and beef traceability that will be distributed in the coverage area: 40,000.	Number of sets of educational materials on cattle and beef traceability that will be distributed in the coverage area: 40,000.	Number of sets of educational materials on cattle and beef traceability that will be distributed in the coverage area: 40,000.	Number of sets of educational materials on cattle and beef traceability that will be distributed in the coverage area: 40,000.	The expertise is available for publishing educational materials on this topic.
SUBCOMPONENT III						
Outcome indicator	Baseline	Target level				Comments
40% of the cattle herd in the coverage zone has been identified with official traceability tags.	More than 55,000 head of cattle were tagged in the three pilot project municipios, and 20,000 in Matagalpa.	900,000 head of cattle identified for traceability for export purposes in the 11 coverage zones identified at the national level.				There are four municipios in the northern part of Nicaragua working on animal identification.

Output	Baseline	Year 1	Year 2	Year 3	Year 4	Comments
900,000 head of cattle tagged for export cattle and beef traceability	75,000 head of cattle were tagged for traceability nationwide under the pilot project.	Number of cattle tagged in the 11 zones nationwide: 225,000.	Number of cattle tagged in the 11 zones nationwide: 225,000.	Number of cattle tagged in the 11 zones nationwide: 225,000.	Number of cattle tagged in the 11 zones nationwide: 225,000.	The 11 program zones are: Jinotega, Matagalpa, Nueva Segovia, Chinandega, León, Rivas, Boaco, Río San Juan, Chontales, RAAS, RAAN.
Ranchers' associations have received advice on cattle and beef tagging process.	The experience for coordinating cattle and beef tagging with ranchers' associations has already begun in Matagalpa and Chontales.	Number of visits to ranchers' associations in the coverage zones to provide advice and monitor tagging: 360.	Number of visits to ranchers' associations in the coverage zones to provide advice and monitor tagging: 360.	Number of visits to ranchers' associations in the coverage zones to provide advice and monitor tagging: 360.	Number of visits to ranchers' associations in the coverage zones to provide advice and monitor tagging: 360.	There is already experience in working with the dairy cooperatives of Matiguás and San Pedro de Lóvago.

SUBCOMPONENT IV

Outcome indicator	Baseline	Target level				Comments
Introduce precise types of registry for effective implementation of the cattle and beef traceability system.	There is experience with registry implementation in 790 ranches and three municipal governments where the cattle and beef traceability pilot project was conducted.	Traceability registries will be introduced in 40,000 cattle ranches and 100 municipal governments implementing the system.				The registry types will be used to record: farm or ranch, animal identification, and movement of cattle.

Output	Baseline	Year 1	Year 2	Year 3	Year 4	Comments
Farms and ranches registered and georeferenced by ranchers' associations and MAGFOR offices.	790 ranches in the pilot project area, and 160 outside that area, have already been registered and georeferenced in the cattle and beef traceability system.	Number of ranches registered and georeferenced with the help of ranchers' associations and MAGFOR offices in 11 zones nationwide: 10,000.	Number of ranches registered and georeferenced with the help of ranchers' associations and MAGFOR offices in 11 zones nationwide: 10,000.	Number of ranches registered and georeferenced with the help of ranchers' associations and MAGFOR offices in 11 zones nationwide: 10,000.	Number of ranches registered and georeferenced with the help of ranchers' associations and MAGFOR offices in 11 zones nationwide: 10,000.	Ranchers' associations and MAGFOR offices maintain their interest in supporting the process.
Arrangements are in place with municipal governments to add cattle and beef traceability data to cattle movement documentation.	There are three municipal governments that have been working for three years with traceability data in cattle movement records.	Number of visits to municipios to implement registry and control of cattle movements: 1,200.	Number of visits to municipios to implement registry and control of cattle movements: 1,200.	Number of visits to municipios to implement registry and control of cattle movements: 1,200.	Number of visits to municipios to implement registry and control of cattle movements: 1,200.	Cattle movement recording forms exist and are currently being used in the three pilot project municipal governments.
Municipal ordinances have been issued to support the cattle and beef traceability system in 11 zones.	The three pilot project municipios have supported cattle and beef traceability with ordinances.	Number of municipal ordinances formulated and approved in support of cattle and beef traceability: 25.	Number of municipal ordinances formulated and approved in support of cattle and beef traceability: 25.	Number of municipal ordinances formulated and approved in support of cattle and beef traceability: 25.	Number of municipal ordinances formulated and approved in support of cattle and beef traceability: 25.	There is a standard model for municipal ordinances in support of cattle and beef traceability.
Data collection centers have been established for input to the official traceability software	There is experience in managing cattle and beef traceability information through computerized systems.	Number of data collection centers established for inputting farms and cattle data: 11.				
Information compiled nationwide is entered, processed and analyzed.	There is experience in entering and processing cattle and beef traceability information using computerized systems.	Number of cattle and beef traceability reports generated: 132.	Number of cattle and beef traceability reports generated: 132.	Number of cattle and beef traceability reports generated: 132.	Number of cattle and beef traceability reports generated: 132.	

SUBCOMPONENT V

Outcome indicator	Baseline	Target level				Comments
Animal health laboratories for export certification have been strengthened.	Experience was gained and investments were made under the IDB PASSAF project	To conduct a basic technical and economic study for investing in laboratories.				

Output	Baseline	Year 1	Year 2	Year 3	Year 4	Comments
Training has been provided for the MAGFOR Veterinary and Residues Laboratories, with training manuals prepared and certified under ISO 17025.	The laboratories are not ISO 17025 certified.	MAGFOR Residues Laboratory certified under ISO 17025.	MAGFOR Veterinary Laboratory certified under ISO 17025.			Certification of these two laboratories will be subject to: (i) their construction, which in the case of the Veterinary Diagnostic Laboratory is planned under IDB PASSAF project; (ii) installation in both laboratories of the equipment provided in other international projects (PAICEPAN, etc.)
The demand for laboratory services has been verified and an investment program has been defined and justified.	There is basic information thanks to the investments made under the PASSAF project.	Studies completed				

COMPONENT 4 Strengthening of the National Export Quality System

Outcome indicator	Baseline	Target level				Comments
Strengthening of the National Export Quality System.	The National Export Quality System is in the process of being developed.	The National Export Quality System has been developed and is in operation.				

Output	Baseline	Year 1	Year 2	Year 3	Year 4	Comments
A policy for the national export quality system has been formulated, with a strategy and action plan	There is no policy nor any comprehensive strategy or action plan relating to national quality system.	National System Quality policy prepared.	Strategy and action plan prepared for strengthening the National Quality System	Strategy and action plan implemented for strengthening the National Quality System		
Conformity evaluation agencies have been strengthened through accreditation of testing and calibration laboratories and inspection agencies..	There are currently 5 accredited agencies (2 inspection units, 3 labs) and 4 in the process of accreditation (3 testing labs, 1 calibration lab).	Program designed for promotion, call for tenders, and external pre-evaluation of conformity evaluation agencies with defined selection criteria	Number of laboratories accredited under ISO standard 17025: 1. Number of inspection units accredited under ISO standard 17020: 2.	Number of laboratories accredited under ISO standard 17025: 1. Number of inspection units accredited under ISO standard 17020: 2.	Number of personnel certification agencies accredited under ISO 17024: 1.	
Mutual recognition has been achieved through IAAC in laboratories for the National Accreditation Office (ONA).	There is no mutual recognition.	Number of accreditation technicians trained: 4. ONA has a computerized system for accrediting testing and calibration labs, inspection and certification agencies.		Number of corrections made in cases of nonconformity of results from peer evaluations pursuant to ISO/IEC standard 17011: 30.		
Production units strengthened (with emphasis on SMEs), creating conditions for implementing quality control systems, based on ISO 9001-2008.	SMEs lack quality control system capacities.	Identification of the profile of firms to be supported.	Number of SMEs that have a quality control system in place, under a pilot plan: 5.	Number of SMEs that have a quality control system in place, under a pilot plan: 5.	Number of SMEs that have a quality control system in place, under a pilot plan: 5.	
Expanded capacity for the volume of chemical metrology, based on international methodologies, to meet the needs of Nicaraguan exporters.	There are no tools for the volume of chemical metrology.	A manual prepared for installing chemical metrology infrastructure in two successive phases.		50% of the metrology templates and equipment purchased and installed for meeting requirements connected to needs and demand .	50% of the metrology templates and equipment purchased and installed for meeting requirements connected to needs and demand.	The country's volume of chemical metrology capacities and needs will be assessed by consulting services financed through technical cooperation from the European Union.
LANAMET's physical infrastructure strengthened to ensure conservation and safeguarding of national metrology templates.	Current facilities are not adequate for expanding services; must be relocated and a lab built with basic areas.		Number of controlled-environment facilities that meet technical specifications for each metrology area: 8.			The World Bank loan will finance consulting services for diagnostic assessment and design and a portion of the physical infrastructure for LANAMET. This operation will cover only the construction of 8 controlled-environment facilities, as identified by the consulting assignment.
Municipal metrology units created to verify metrology instruments in the productive sectors, with an emphasis on implementing the International System of Units (SI).	The country currently lacks the infrastructure and equipment to comply with existing legislation (Law 225).	Number of training sessions for 11 municipios in verifying measurement equipment: 12. Number of "metrology culture" training sessions for producers and authorities: 12.	Number of verification units purchased for each municipio: 11.	Number of equipment units purchased for each municipios: 11.		The municipios will be selected on the basis of criteria established in the PORs (level of output, level of exports, and current institutional capacity).
Nicaraguan Compulsory Technical Standards (NTONs) implemented for export products.	The NTONs are not being effectively enforced.	Conformity evaluation procedures prepared for compliance with NTONs relating to food safety, environmental protection, plant and animal health.		Evaluation of implementation of NTONs for export products.		
Recognition for firms making an effort to improve the quality of their products, processes, outcomes or services, consistent with technical standardization and quality legislation (Law 219).	The prize was created in 1996 and has been awarded on seven occasions to an average of 10 firms per year. The last prize was awarded in 2006. There is currently no budget to fund the prize.	Number of firms receiving the prize annually: 15.	Number of firms receiving the prize annually: 15.	Number of firms receiving the prize annually: 15.	Number of firms receiving the prize annually: 15.	
International System of Units (SI) introduced for 4 export sectors	There is legislation making the SI mandatory, but only certain sectors have adopted it.	Action plan defined for implementing the SI in the coffee, dairy, meat and seafood sectors	SI implemented in the coffee sector.	SI implemented in the dairy sector	SI implemented in the seafood and meat sectors.	

COMPONENT 5 Strengthening of MIFIC's trade agreement administration						
Outcome indicator	Baseline	Target level				Comments
Substantial improvement in MIFIC's capacity to administer trade agreements and follow up on trade negotiations.	550 points in the Basic Indicator of Trade Agreement Administration Capacity.	The baseline will be improved by 22% to 675 points in the Basic Indicator of Trade Agreement Administration Capacity				See the matrix for the indicator at the following web link: http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2207275 .
Output	Baseline	Year 1	Year 2	Year 3	Year 4	Comments
Draft legislative amendments prepared and regulations issued for fulfilling FTA commitments.	Nicaraguan legislation has been amended several times to reflect FTA requirements and commitments. It is estimated that at least four new legal or regulatory amendments will be needed to meet commitments in agreements signed or under negotiation		Number of draft legal amendments prepared and discussed with industry and the National Assembly: 2.		Number of draft legal amendments prepared and discussed with industry and the National Assembly: 4.	
Computerized system in place for publicity, consultation, and monitoring of compliance with commitments in trade and investment agreements.	Number of FTAs monitored under the current treaty commitment compliance monitoring system: 4. There is no automated system for public consultation	Number of FTAs monitored under the new treaty commitment compliance monitoring system: 6. Number of consultations handled through the automated system: 200.	Number of FTAs monitored under the new treaty commitment compliance monitoring system: 8. Number of consultations handled through the automated system: 400.	Number of consultations handled through the automated system: 600.	Number of FTAs monitored under the new treaty commitment compliance monitoring system: 9. Number of consultations handled through the automated system: 800.	
Increased participation and compliance with commitments assumed in trade negotiations, agreements and technical forums.	Partial and inconsistent participation in negotiations and technical forums for managing and defending Nicaraguans commercial interests. Diminished participation rights in those trade forums.	Number of technical forums for management, negotiation, and defense of national interests that are attended regularly: 10. Full participation rights in trade forums restored.	Number of technical forums for management, negotiation, and defense of national interests that are attended regularly: 10. Full participation rights in trade forums restored.	Number of technical forums for management, negotiation, and defense of national interests that are attended regularly: 10. Full participation rights in trade forums restored.	Number of technical forums for management, negotiation, and defense of national interests that are attended regularly: 10. Full participation rights in trade forums restored.	The principal forums in which Nicaragua will participate as a full member include the WTO. Participation will be strengthened in free trade negotiations that discuss issues related to tariff reduction, rules of origin, access for agricultural products, and others
Strategy prepared and publicly consulted for the dismantling of export subsidies, with expiration of the right pursuant to Annex VII of Article 27.4 of the WTO Subsidies and Countervailing Measures Agreement.	There is no strategy for defining trade policies and measures for coping with the dismantling of export subsidies.		Strategy prepared and consulted with the affected industries.			The strategy will include diagnostic assessment, impact, recommendations, legal maneuvering room, and other issues, that can be used by the country and affected sectors to reorient production and investment following the dismantling of export subsidies.
Nicaragua's position presented and defended in the trade policy and regional agreement reviews at the WTO.	There is no capacity to prepare, present, and defend the country's position in trade policy and regional agreement reviews at the WTO.	Number of FTAs successfully presented and defended before the WTO Regional Agreements Committee: 2 (DR-CAFTA, Nicaragua-Mexico FTA)	Number of FTAs successfully presented and defended before the WTO Regional Agreements Committee: 1 (Nicaragua-Taiwan FTA)	Number of FTAs successfully presented and defended before the WTO Regional Agreements Committee: 1 (Nicaragua-Panama FTA) Nicaragua's position prepared, presented, and defended at the WTO trade policy review		
Strengthened national capacity to handle international legal action relating to trade or investment disputes.	There are no programs or materials for training the public or potential arbitrators involved in legal actions to which Nicaragua is party.	Number of manuals on dispute resolution mechanisms: 2 (publicly available executive document and technical manual for dealing with confidential information). Number of basic training workshops for the public: 3. Number of technical training workshops for potential arbitrators: 3.				

Manuals prepared on unfair trading practices and safeguards.	There are no manuals on unfair trading practices and safeguards (the existing manual for antidumping investigations is obsolete)	1. Revision of the antidumping investigations manual. 2. Preparation of five manuals on (a) Subsidy investigations/countervailing measures; (b) Safeguards investigations; (c) Executive manuals on antidumping investigations, subsidies/countervailing measures and safeguards				
MIFIC technical staff trained to evaluate the economic impact of trade liberalization	Little capacity in the use of general equilibrium models. Number of MIFIC officials trained in the use of such models: 1.	Number of training workshops on methodologies for evaluating the impact of trade liberalization: 2. Number of officials trained: 4.	Number of advanced and refresher training workshops on methodologies for evaluating the impact of trade liberalization: 2. Number of officials trained: 4.			
A program of paid technical internships developed to support foreign trade management in MIFIC.	Reduced support and assistance capacity in the various MIFIC divisions that deal with foreign trade.	Number of interns in the Treaty Monitoring Division and responding to private sector consultations: 2. Number of interns in other foreign trade divisions: 4.	Number of interns in the Treaty Monitoring Division and responding to private sector consultations: 2. Number of interns in other foreign trade divisions: 4.	Number of interns in the Treaty Monitoring Division and responding to private sector consultations: 2. Number of interns in other foreign trade divisions: 4.	Number of interns in the Treaty Monitoring Division and responding to private sector consultations: 2. Number of interns in other foreign trade divisions: 4.	Interns will be placed in five divisions of the DGCE dealing with administration of trade agreements, trade negotiations, Central American economic integration, and external trade policy.

PROJECT PROCUREMENT PLAN

MODEL A - FOR SPECIFIC PROJECTS

1. General information

- **Country:** Republic of Nicaragua
- **Borrower:** Republic of Nicaragua
- **Executing agency:** Ministry of Development, Industry, and Trade (MIFIC); the Ministry of Agriculture and Forestry (MAGFOR) will execute one component, and ProNicaragua one subcomponent
- **Project name:** Foreign Trade Support Program
- **Project number:** NI-L1016

2. Brief description of the project's objectives and components:

The general objective of the program is to help Nicaragua take advantage of the trade and investment opportunities stemming from the trade agreements in force or under negotiation. The specific objectives are: (i) to strengthen the capacity to promote exports, particularly for SMEs; (ii) to strengthen the capacity to promote and attract foreign investment; (iii) to sustain and increase cattle and beef exports; (iv) to strengthen export process and product quality management and (v) to strengthen institutional capacity to negotiate and administer trade and investment agreements. To achieve these objectives, the program will include the following components:

Component I. Promotion of exports and internationalization of SMEs (US\$1.33 million)

- 1.1. **Export promotion:** The program will support trade and export promotion activities through studies of the anti-export bias and strengthening of the national export promotion policy.
- 1.2. **Internationalization of SMEs:** The program will provide training, technical assistance, and equipment for clusters of SMEs that have export potential, selected on the basis of technical criteria. It will also cofinance attendance and participation by a limited number of small and medium-sized exporters, selected on the basis of technical criteria, in international trade fairs or events.

Component II. Investment attraction (US\$1.28 million)

- 1.3. **Strengthening investment promotion policy.** The program will provide comprehensive support for the development and implementation of investment policies, through the design and development of a national investment promotion

policy, improved operation of the one-stop shop for investors (VUI), and organization and implementation of specific investment attraction activities.

Component III. Introduction of an export cattle and beef traceability system (US\$3.21 million)

1.4. Preparation and introduction of the export cattle and beef traceability system.

The following activities will be pursued to implement the cattle and beef traceability system in order to sustain access for beef products to major export markets: development of the capacity for export traceability, implementation of an export cattle and beef traceability system, and certification of animal health laboratories.

Component IV. Strengthening of the National Export Quality System (SNCE) (US\$2.17 million)

1.5 Strengthening of quality control institutions and policies. The program will finance the design of a strategy and action plan for improving the National Export Quality System. These activities will include improving the applicability and enforcement of Nicaraguan Mandatory Technical Standards (NTONs), revival of the National Quality Prize (PNC), implementation of the International System of Units (SI), strengthening of conformity assessment agencies, and strengthening of producers' ability to implement quality management systems.

1.6. Strengthening of the quality control infrastructure: The program will finance the improvement or equipment of physical infrastructure for quality control institutions. Specifically it will improve the infrastructure of the National Metrology Laboratory (LANAMET), support the creation of municipal metrology units, and develop chemical metrology infrastructure.

Component V. Strengthening of MIFIC's trade agreement administration (US\$660,000)

1.7. Monitoring of international trade agreements. The program will finance (i) diagnostic assessments and preparation of draft laws/regulations, in consultation with stakeholders, to adapt national legislation to FTA commitments relating to market access, trade facilitation, intellectual property, etc.; (ii) design of a computerized system for monitoring commitments under the free trade treaties in line with best monitoring practices in the region, and purchase of computer equipment for applying the system; (iii) design of a strategy and action plan to ready the country's productive sectors for the dismantling of export subsidies, pursuant to Annex VII of Article 27.4 of the Subsidies and Countervailing Measures Agreement; (iv) participation in trade forums; (v) analysis of commitments, opportunities, and challenges stemming from international trade agreements, and purchase of computer equipment; (vi) workshops to publicize the commitments, challenges, and opportunities stemming from international trade agreements; (vii) consulting services to prepare the defense of regional

agreements in the WTO Committee on Regional Trade Agreements and the WTO's Third Trade Policy Review of Nicaragua.

1.8. **Strengthening of the administration of international trade agreements.** The program will support activities and finance knowledge products on issues relating to: (i) dispute resolution; (ii) trade remedies; (iii) methodologies for evaluating trade liberalization; and (iv) paid internships for recent graduates.

- **Estimated date of project approval by the Board of Executive Directors: 25 November 2009**
- **Estimated date of signature of the loan contract: 15 January 2010**
- **Estimated date of the final disbursement: four years (15 May 2014)**

A. Introduction

Procurements for the proposed program will be carried out in accordance with the *Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank* (GN-2349-7), of July 2006; and the *Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank* (GN-2350-7), of July 2006, and with the provisions established in the loan contract and this procurement plan.

B. Procurement plan

The procurement plan for the **Foreign Trade Support Program** covering the first 18 months of project execution has been agreed between the Bank and the executing agency (MIFIC) with the involvement of the subexecuting agencies (MAGFOR and ProNicaragua) for their respective components or subcomponents. The plan, which is summarized in Appendix 1, indicates the procedure to be used for the procurement of goods, the contracting of works or services, and the methods of selecting consultants, for each contract or group of contracts. It also indicates cases requiring prequalification; the estimated cost of each contract or group of contracts; the requirement for ex ante or ex post review by the Bank; and estimated dates for the publication of specific procurement notices and completion of the contracts included in this program. The procurement plan will be updated annually or whenever necessary or as required by the Bank. The detailed procurement plan is available at: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2206778>.

Name of executing agency: MIFIC Coordination Team of the PACE NI-L1016 program

Mailing address: to be determined during the negotiation meeting

e-mail: to be determined during the negotiation meeting.

The procurement plan is available at the Internet page of the borrower, www.nicaraguacompra.gob.ni. It can also be found at the Internet page of the Bank: [Project Procurement Information](#).

C. Project procurement

The following is a general description of the procurement planned for the proposed project.

Works procurement: The works to be contracted include the remodeling of offices and infrastructure.

Project works requiring international competitive bidding (ICB) will be contracted using the standard bidding documents (SBDs) issued by the Bank. Procurement subject to national competitive bidding (NCB) and price comparison (PC) will be undertaken using documents agreed upon with the Bank.

Goods procurement: The goods to be procured for this project include computer equipment (software and hardware), communications equipment, teaching materials for training, and graphic communication and marketing materials.

Project goods requiring ICB will be procured using the SBDs issued by the Bank. Procurement subject to NCB and PC will be undertaken using documents agreed upon with the Bank.

Procurement of non-consulting services: The non-consulting services to be contracted for this project include logistics for organizing the information workshops, work sessions, and training, purchase of advertising space for the dissemination campaigns, and local ground transport services.

Non-consulting services requiring international competitive bidding (ICB), national competitive bidding (NCB) and price comparison (PC) will be contracted using documents agreed upon with the Bank

Procurement of consulting services: Consulting services for the project include technical advisory services for reengineering internal processes, the design of training for: (i) foreign trade promotion, (ii) international marketing of local products, (iii) best international management practices, (iv) dissemination and promotion of the VUIs; identification of fairs by sector and creation of an annual program; preparation of the study on anti-export biases; update of the exportable supply study; identification of SMEs with export potential; preparation of a national investment promotion policy; design of a statistics system; ISO 17025 certifications; accreditation of certification agencies; implementation of quality management systems; implementation of the International System of Units; analysis of commitments and challenges stemming from international trade agreements. In addition, individual consultants will be hired to provide specialized services in the sector and to administer and manage the program.

The consulting firms to be hired for the project will be selected using the standard request for proposals (RFP) issued by the Bank, or an RFP satisfactory to the Bank in cases where the standard RFP is not applicable. Individual consultants will be selected bearing in mind the provisions established in chapter V of the policy in document GN-2350-7.

Short lists of consultants for consulting services estimated to cost less than US\$200,000 equivalent per contract may consist entirely of national firms.

Operating expenses: The following operating expenses will be partially financed by the Bank: mail, messaging, photocopying and other office supplies, rental of stands at fairs, air tickets and travel costs for participants in workshops and joint work sessions; government officials, coordinators and other visitors to trade fairs and missions (potential investors and foreign buyers, and trainers); and translators for training events and trade missions. These mechanisms are described in detail in the Program Operating Regulations.

D. Bank review of procurement decisions

The following contracts will be subject to ex ante review by the Bank in accordance with Appendix 1 of the policies for the procurement of works and goods and the selection of consultants, respectively:

- (a) Goods contracts with an estimated total cost of US\$25,000 equivalent or more.
- (b) Contracts for non-consulting services with an estimated total cost of US\$25,000 equivalent or more.
- (c) All direct contracting.
- (d) Contracts for consulting services with firms.
- (e) Contracts with individual consultants
- (f) All single-source selection of consulting firms.
- (g) All contracts that so require because they relate to strategic processes of importance to achieving the program's objectives.

The remaining contracts involving the purchase of goods by PC will be subject to ex post review by the Bank, provided the following conditions are met:

- (i) the staff of the procurement office has attended a training session on Bank policies and procedures applicable to processes of this type, before program execution begins;
- (ii) the Bank and the executing agency agree on a standard model letters for requesting quotes and these are used in all PC processes; and
- (iii) the first three PC processes conducted are subject to ex ante review by the Bank, with the participation of the procurement specialist.

E. Domestic preferences

Not applicable

APPENDIX 1

Capacity of the executing and subexecuting agencies and supervision of procurement by the Bank

Assessment of the executing and subexecuting agencies' capacity to administer procurement

The Procurement Unit of MIFIC will be responsible for carrying out procurement under Components I, II, IV and V. The Administration and Finance Division of MAGFOR will be responsible for procurement under Component III. The subsidiary agreement between MIFIC and ProNicaragua for execution of activities under Subcomponent 3 of Component II may establish a procurement mechanism for that subcomponent. Having assessed the capacity of MIFIC, MAGFOR and ProNicaragua in accordance with the ICAS, the Bank rates them as institutions of medium development and average risk. MIFIC and MAGFOR have adequate systems for programming and monitoring procurement. However, the assessment revealed the need for professional assistants who would work full-time on procurement for the program, as a great number of transactions are expected. Consequently, for both MIFIC and MAGFOR the program will use loan proceeds to finance the contracting of full-time professional assistants to strengthen the procurement area in the two ministries.

Significant deficiencies identified and corrective actions agreed upon are summarized below:

Deficiencies	Corrective action	Completion date	Comments
Too few procurement specialists in the respective units of the executing and subexecuting agency	Hire full-time professional procurement assistants in MIFIC and MAGFOR.	First quarter, 2010	The requirements and functions of the procurement specialist are described in the PORs.

Frequency of procurement supervision

In addition to **ex ante** reviews, the Bank will conduct **ex post** reviews of procurement every year. The frequency of **ex post** reviews and the thresholds established for the **ex ante** review of contracts are consistent with the assessment made of the executing agency's capacity. These thresholds and the frequency of **ex post** reviews may be adjusted in the process of updating and revising the procurement plan, depending on the performance of the executing agency and the progress made in adopting the corrective measures described.

The first ex post review of procurement is recommended six months after completion of the first three price comparison processes mentioned in point (iii) of the second paragraph of section D of the Procurement Plan Summary.