

NICARAGUA

AGRICULTURAL DIVERSIFICATION IN INDIGENOUS COMMUNITIES OF THE

ATLÁNTICO NORTE AUTONOMOUS REGION

(SP/TC-02-09-01-8-NI)

EXECUTIVE SUMMARY

Executing agency: Cooperativa Multisectorial Aikuki Wal R.L. (CMAW)

Amount and source:	<u>IDB (US\$)</u>	<u>Local (US\$)</u>	<u>Total (US\$)</u>
Nonreimbursable financing:	110,000	58,000	168,000
Nonreimbursable technical cooperation:	<u>160,000</u>	<u>206,000</u>	<u>366,000</u>
Total:	270,000	264,000	534,000

The resources will be drawn from the net income of the Fund for Special Operations in foreign exchange.

Problem to be addressed: Rural families in the Atlántico Norte Autonomous Region earn low incomes and live in conditions of extreme poverty, primarily as a result of the following **problems they face**: (i) *lack of production options* with which to feed themselves, generate revenues, and improve their living standards; (ii) *little knowledge of and access to production technologies* that would allow them to diversify their production; (iii) lack of *access to diversified sources of food* with a high nutritional value, because of their meager purchasing power and the lack of local supply; (iv) *meager economic resources and limited capacity of support institutions to make the productive and infrastructure investments* needed to improve productivity; (v) *lack of programs and plans for revitalizing production* in the area, either from the regional or national (central) levels; and (vi) *vulnerability to natural disasters* (floods, fires) caused by traditional agricultural practices (slash and burn).

Objectives: The overall objective of the project is to help improve the revenues and diet of some 200 families in 20 rural indigenous communities in the Atlántico Norte Autonomous Region (hereinafter RAAN, the Spanish acronym for the region) through the small-scale production and marketing of sheep. Sheep raising is expected to represent a new way to generate additional revenues and obtain healthy, highly nutritional meat for family consumption.

The specific objectives are to: (i) increase the capitalization of 200 campesino families, promoting sustainable tropical sheep production on a small scale; (ii) strengthen the adoption and assimilation by beneficiary families of basic knowledge and technologies related to the management and marketing of sheep; and (iii) strengthen the capacity of the CMAW to provide the services demanded by the communities in the RAAN in the areas of production, organization, management, and marketing.

Description:

The project consists of two components: (i) a nonreimbursable financing component; and (ii) a nonreimbursable technical-cooperation component. The financing component is comprised of two categories: (a) an *animal revolving fund*; and (b) *productive investments*. The technical-cooperation component will expand the impact and ensure the sustainability of the operation among the target group and will contribute to the technical and operational strengthening of the executing agency.

Nonreimbursable financing component (Bank: US\$110,000; local: US\$58,000): The resources from this component will be used for the establishment and startup of an animal revolving fund (US\$87,000) for families in the beneficiary communities, which will be administered *in kind* by the CMAW, and for investments in infrastructure and productive equipment (US\$23,000), with which a training and technical assistance and sheep collection and distribution center will be placed into operation in the project area. In addition, 20 communities will be given the tools and materials needed to improve their community centers and facilities for the sheep.

The *animal revolving fund* will be established with the purchase of 500 breeding ewes and 50 breeding rams of the Pelibuey breed, which will be transported to the area's collection and distribution center (close to the Kururia community). Through the collection and distribution center, the CMAW will hand over five breeding ewe modules per family to the first 10 families of the first 10 communities. The breeding rams will be distributed in such a way that one ram will service the herd of two families (10 ewes in all). Based on the projections for the development of each family's herd, 18 months after receiving their sheep module, each family will return to the "revolving fund" the same number of ewes it received, plus two males, on a one-time basis, as fund interest charges. Each family will deliver another two males each year to the Technical Assistance Center for technical assistance and veterinary services provided to each family, during the period in which it receives such services. The projections show that, even under a pessimistic scenario, the balance of sheep per family would be 10, 13, 21, and 36 by the end of years 1, 2, 3, and 4, after having returned the five ewes received to the revolving fund and the four males in payment of interest and technical

assistance. The fund will continue to revolve, benefiting 100 more families every 18 months and generating “revenue” in the form of rams returned by the families, which can be sold to help cover the fund’s operating costs.

To receive the modules, families must meet the following eligibility requirements: (i) live permanently in one of the communities selected for the project; (ii) have agricultural production be the main source of their income; (iii) not be a member of the CMAW; and (iv) sign an agreement with the CMAW undertaking to: (a) build small-scale infrastructure for the proper care of the sheep, prior to receiving them; (b) comply with the regulations of the revolving fund for the return of the sheep received and the payment of interest in kind; (c) participate in all the training courses and receive the technical assistance offered by the CMAW as part of the project; and (d) provide reliable production and accounting information.

The **productive investments** will focus on providing: (i) infrastructure improvement and equipment of a collection, distribution, and technical assistance center, which will be the base of operations of the project and will provide services, training, and technical assistance for the establishment, management, and maintenance of the sheep production modules with each beneficiary family; (ii) tools and other inputs for the beneficiary families in the 20 communities to build pens, stables, and fences; and (iii) typewriters and other materials and inputs for the community centers in the 20 beneficiary communities, which will be used to monitor and control the project’s productive activities.

Technical-cooperation component (Bank: US\$160,000; local: US\$206,000). This component will focus on activities that will have an impact by: (i) transferring the knowledge and technology necessary for the proper management of sheep and natural resources to the beneficiary families; (ii) identifying and promoting appropriate channels and expected conditions for the small-scale marketing of sheep meat in the communities and municipal capitals; and (iii) strengthening the capacity of the CMAW to provide training and technical assistance services to the project beneficiaries, monitoring the planned activities from the technical, administrative and financial standpoint, and carrying out awareness building and organizational activities at the community level.

**Environmental
and social
review:**

At its meeting of 11 October 2002, the Committee on Environment and Social Impact reviewed this operation and made some recommendations as to the environmental sustainability and feasibility of the silvopastoral alternative proposed and the impact of the project on the traditional indigenous economy in the project area. The recommendations have already been incorporated into the document.

Benefits: The direct beneficiaries of the project are some 200 rural indigenous families living in extreme poverty in the southern flatlands of the Municipality of Waspam and the central and southern flatlands of the Municipality of Puerto Cabezas, both in the Atlántico Norte Autonomous Region. At least 10 families in each of the 20 communities selected are expected to benefit during the project execution period. Given that the impact on diet and income generation involves the whole family, at least 1,600 people are expected to benefit from the project.

Risks: The main **risks** of the project are that: (i) the producers are not able to assimilate the knowledge and technology transferred under the project or do not comply with the operating regulations of the revolving fund, consuming the animals beforehand instead of optimizing the growth of the herd, which would affect “loan repayments” to the animal revolving fund and the sustainability thereof; (ii) the CMAW could have difficulties in meeting the Bank’s requirements as to procedures and rules as well as the counterpart called for under the project; and (iii) there are natural risks that can affect agricultural activities in the project area.

To offset these risks, the project provides that: (i) the CMAW will apply teaching and technical assistance methodologies that it has already validated by experience and that will be consolidated under the technical-cooperation component in that the technical-operational team will be strengthened and as will the support for beneficiaries at farm level through productive, veterinary, and community technical assistance and monitoring throughout the project execution period. The CMAW technical team’s close tracking is expected to ensure the adoption of proper animal breeding techniques and an understanding and awareness on the part of the beneficiary families of the higher benefits of growing the herd over immediate consumption of the animals; (ii) the technical-cooperation component will cover the cost of an accountant and administrative secretary at the regional office of the CMAW (Puerto Cabezas), who will be in charge of the accounting and administrative monitoring of project execution. An operational-administrative analysis will also be commissioned under the technical-cooperation component five months after execution begins, to detect and correct any deficiencies in project administration. Lastly, the technical-cooperation budget has been designed in such a way as to allow the Bank and the CMAW to share the operating costs on a gradual, staggered basis over the course of the project. This will allow the CMAW to have a little more time to generate the income necessary to cover all operating costs beginning in year 3 of the project; and (iii) although natural risks can hardly be mitigated, the project is expected to help prevent forest fires (one of the greatest risks in the area) by: (a) reducing undergrowth and weeds in the forests and meadows since they can be used as food for the sheep; and

(b) providing training to the sheep breeders to act as rangers in the meadows of their communities and raising the awareness and know-how of the residents of each community with regard to fire prevention and environmental protection.

Strategy of the government and the Bank:

The new strategy of the Bank with Nicaragua, set out in document CP-2455 (dated 28 August 2002 and distributed to the Board of Executive Directors for review), includes “productivity of the very poor” as one of the three main strategic approaches. This approach assigns top priority to social and productive investments that benefit the very poor through job creation and income generation, particularly programs with highly positive short-term impacts, with special emphasis on Afro-Nicaraguans and indigenous peoples. This proposal, by directly affecting the productivity and income generation of rural indigenous families in the RAAN, is compatible with the Bank’s strategy with Nicaragua.

Coordination with other official development institutions:

The proposed project has been prepared with cognizance of the various activities of multilateral agencies and bilateral donors in support of small-scale producers in Nicaragua. During project execution, complementarity with other programs of those institutions will be sought.

Rationale:

The project is justified because: (i) it expands opportunities for generating additional and growing revenues throughout the year and obtaining healthy meat of high nutritional value for families living in extreme poverty in the RAAN; (ii) sheep raising represents a production option that it is profitable, resistant to climatic factors, and easily adopted by the indigenous campesino families of the area. In addition, it complements agricultural production for on-farm consumption and sale and there is a potential market for meat products in the RAAN; and (iii) the CMAW is the only institution with a base in the RAAN that has proven experience in activities to support the indigenous communities and is capable of carrying out the proposed project.

Special contractual clauses:

As a condition to the first disbursement of resources from the *nonreimbursable financing* component, the CMAW will present the following to the Bank’s satisfaction: (i) the final regulations of the revolving fund, including a draft contract that the CMAW will sign with each beneficiary family, and evidence to the Bank’s satisfaction that they were adopted by the cooperative’s governing council; and (ii) the cooperative’s work plan for year one of the project.

As conditions precedent to the first disbursement of the *technical-cooperation* component, the CMAW will present to the Bank’s satisfaction: (i) evidence that the project coordinator has been hired; and (ii) terms of reference for the technical director, veterinary specialist, outreach workers, and baseline study consultants.

For disbursement of over 25% of the technical-cooperation resources, the CMAW is to have acquired and distributed the initial herds financed under the nonreimbursable financing component to the first 50 beneficiary families. For disbursement of over 60% of the nonreimbursable financing component, the CMAW is to have: (i) contracted all the members of the technical-operational team; (ii) performed a socioeconomic diagnostic study to serve as the project's baseline; and (iii) conducted the first two training courses (awareness/organization and management of in-kind credit) for the first 50 beneficiary families.

For disbursement of over 70% of the technical-cooperation resources, the CMAW will present a proposal for the Bank's approval on the disposal and/or transfer of the animal revolving fund and the residual value of the assets related to the project beneficiaries within a period of less than five years from project conclusion.

Five months after the first disbursement of the technical-cooperation funding, and prior to disbursing over 25% thereof, the Bank will use technical-cooperation resources to hire a consultant to conduct an operational and administrative analysis of the CMAW, to assess its compliance with the Bank's procedures and requirements regarding resource management, accounting and financial reports, procurement and contracting, and reports monitoring the project's operational and technical details. The findings and recommendations of this analysis will allow the CMAW to make the necessary adjustments in the management and administration of the project in order to ensure that its objectives are achieved and that the financial resources are adequately administered. If significant deficiencies are found in the execution and administration of the project, the Bank will not authorize further disbursements until the CMAW has taken satisfactory measures to correct the deficiencies.

The financing and technical-cooperation components will be executed over a 36-month period and the funds for both components will be disbursed over a 42-month period. Because of the need for the project needs to have the resources to start up with a significant portion of the animal revolving fund and the technical team that will support project implementation, the Bank will establish a revolving fund containing up to 30% of the total of each component.

Reports and evaluations:

Reports: The CMAW will submit *progress reports* to the Country Office within 60 days of the end of each six-month period, with a final report due within 60 days of the end of the disbursement period. These reports will include an analysis of fulfillment of performance indicators and progress achieved in the execution of the work plan, including: (i) number of communities and families benefited with sheep modules; (ii) quantitative and qualitative data at the level of the

beneficiary family, community, collection and distribution center and at the consolidated level on the animal revolving fund and the inventory of sheep in each of these instances; (iii) development and results of training and direct technical assistance activities; (iv) information on revenues generated by the beneficiary families and the CMAW through the sale of sheep; (v) results of the special consultancies on marketing and organization of community businesses; (vi) information on trends in the areas of mortality and state of health of the sheep in the inventory of family herds and of the collection and distribution center; (vii) information on the sociocultural aspects of introducing a new technology package into the indigenous communities and participation of the beneficiaries in project decision-making, report preparation and evaluation; and (viii) a summary of the contribution in cash and in kind provided by the CMAW at the time of each report. The first report is also to contain socioeconomic data on the beneficiaries collected in the course of the baseline study financed with technical-cooperation resources. The last of these reports will constitute the final report and is to contain a summary of the results achieved in comparison with the original objectives.

Evaluations: The Bank will use technical-cooperation resources to commission a midterm evaluation and a final evaluation of the project. A midterm evaluation of the project, commissioned by the Bank, will be carried out 12 months after the first disbursement of the financing and will measure: (i) the progress achieved in the establishment and operation of the animal revolving fund, with quantitative data on the number of families, sheep, returns, sales, etc.; (ii) the adoption by the beneficiary families of herd management techniques, sheep reproduction, and business management; (iii) degree of progress and impact of the training, technical assistance, and dissemination activities; (iv) difficulties encountered and solutions proposed; and (v) lessons learned and recommendations for improving the project and replicating it. The following will be taken into account to measure these aspects: the indicators set out in the logical framework and the project's table of performance measures, as well as progress reports presented up to that date and the socioeconomic data gathered in the baseline study.

A final evaluation will be performed when 100% of the financing and 90% of the technical-cooperation funding have been disbursed. It will measure and document: (i) the outcome of meeting the objectives; (ii) the operation of the animal revolving fund and the possibility of its being replicated in other projects; (iii) marketing and sales of sheep meat and suggestions for future growth; (iv) economic and social indicators on the beneficiary families; and (v) lessons learned in the project. The following will be taken into account to measure these aspects: the indicators set out in the logical framework and the

project's table of performance measures, as well as progress reports presented up to that date and the socioeconomic data gathered in the baseline study.

**Exceptions to
Bank policy:**

None.