

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

NICARAGUA

PROGRAM TO SUPPORT AGRIFOOD PRODUCTION

(NI-L1020)

LOAN PROPOSAL

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ELECTRONIC LINKS	
Required	
1.	Annual Work Plan http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1663832
2.	Monitoring and Evaluation Plan http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1663848
3.	Complete Procurement Plan http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1663784
4.	ESR Forms http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1430625
Optional	
1.	Operating Regulations http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1663785
2.	BPA Technical and Economic Evaluation http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1675051
3.	Institutional Capacity Analysis http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1675055

ABBREVIATIONS

BPA	Bono Productivo Alimentario [Food Production Support]
CAFTA	Central America Free Trade Agreement
DGDPET	Dirección General de Delegaciones y Promoción de Estrategias Territoriales [Bureau of Local Offices and Territorial Strategy Promotion]
DGPSA	Dirección General de Protección y Sanidad Agropecuaria [Bureau of Agricultural Protection and Health]
ESG	Environment Safeguards Unit
FCR	Fondo de Crédito Rural [Rural Credit Fund]
FSO	Fund for Special Operations
MAGFOR	Ministry of Agriculture and Forestry
MEO	Menu of Eligible Options
MES	Monitoring and Evaluation System
OC	Ordinary Capital
PORs	Program Operating Regulations
PPA	Programa Productivo Alimentario [Food Production Program]
SISEVA	Sistema de Seguimiento y Evaluación del MAGFOR [MAGFOR Monitoring and Evaluation System]

PROJECT SUMMARY

NICARAGUA PROGRAM TO SUPPORT AGRIFOOD PRODUCTION (NI-L1020)

Financial Terms and Conditions				
Borrower: Republic of Nicaragua Executing agency: Ministry of Agriculture and Forestry			OC	FSO
		Amortization period:	30 years	40 years
		Grace period:	5.5 years	40 years
		Disbursement period:	5 years	
Source	Amount	Inspection and supervision fee:	*	0%
IDB (OC)	US\$10,000,000	Interest rate:	Variable	0.25%
IDB (FSO)	US\$10,000,000	Credit fee:	*	0%
Total	US\$20,000,000	Currency:	U.S. dollars	
Project at a glance				
Project Objectives and Description: The general objective of the program is to contribute to raising the income of poor rural campesino families in Nicaragua. The specific objectives are to (i) support low-income campesino families through the Bono Productivo Alimentario [Food Production Support] (BPA) by introducing technological changes to help increase production and productivity and (ii) improve business management among campesino families who receive the BPA. The program activities are broken down into two components: Component I – Production support payments, and Component II – Business development support services.				
Special contractual conditions: In addition to the conditions precedent established in the Bank's General Conditions for loan contracts, the only special condition precedent to the first disbursement of program resources will be proof that the Program Operating Regulations agreed upon with the Bank have entered into force (paragraph 3.3). Other special conditions for execution: The following special conditions for execution must be met prior to disbursement of the resources for Component I – Production supports: (i) The operational agreements between the executing agency and the financial institutions participating in the disbursement mechanism of Component I have been signed (paragraph 3.6); and (ii) the information system module for managing the program's production supports has been established. (paragraph 3.21).				
Exceptions to Bank policies: None.				
Project consistent with country strategy: Yes [X] No []				
Project qualifies as: SEQ [X] PTI [X] Sector [] Geographic [X] Headcount [X]				
Procurement: The procurement of goods and the selection and contracting of consultants will be carried out in accordance with the Bank's policies contained in documents GN-2349-7 and GN-2350-7, respectively (paragraph 3.19)				
Verified by ESR on: 16 May 2008				

* 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. PROGRAM DESCRIPTION AND RESULTS MONITORING

A. Background, problems, and rationale

- 1.1 The agriculture sector and the rural domain are of critical socioeconomic importance in Nicaragua. The sector accounts for 19% of the country's GDP and over 75% of its exports and is the primary source of employment in rural areas. It has performed well since 1990, with an average annual growth rate of 4.0% (1990-2005). More than 40% of the population lives in rural areas, where there is a high poverty rate (66%).
- 1.2 These figures are, to a certain extent, a reflection of the diversity of Nicaragua's agriculture sector, which includes both a modern, business production subsector whose production is intended primarily for export and a subsector consisting of small producers, who account for the majority of the country's farms (80%), with plots ranging in area from 0.5 to 50 manzanas.¹ Small producers have limited access to productive capital, have low productivity, and produce 90% of the corn, beans, sorghum, and sesame in the country.
- 1.3 The trade policies of Nicaragua and the Central American region also affect agriculture sector and rural performance. Public investment in this sector must therefore focus on instruments that enhance competitiveness and benefit traditional farmers. The analyses made by the Bank and other cooperation agencies under the framework of the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA) highlight the importance of developing a system to support the poorest groups in the rural economy using well-defined targeting criteria, particularly towards small and medium-sized producers of basic grains.
- 1.4 Recognizing the production lag facing small farmers, the Government of Nicaragua launched the Programa Productivo Alimentario [Food Production Program] (PPA), which seeks to provide capital to this segment of producers as part of the transition toward a more competitive rural economy. The PPA is a national program initiated by the Ministry of Agriculture and Forestry (MAGFOR) that has an instrument for introducing technological changes that contribute to the capitalization and changes in the production patterns of Nicaragua's small farmers—the Bono Productivo Alimentario [Food Production Support] (BPA). The BPA focuses on the purchase and distribution of productive capital goods (cattle, smaller animal species, improved plant materials) and on providing the necessary technical assistance to ensure the efficient use of these goods. The beneficiaries of the BPA are poor campesino families, most of whom traditionally produce basic grains for own consumption.
- 1.5 With the food crisis facing the Central American region, the BPA has become a key tool of the Nicaraguan government for helping to increase the availability of food and promoting sustainable production for low-income rural families. Under this

¹ One manzana is equivalent to 0.7 hectares.

rubric, poor, capital deficient campesinos incorporate the sustainable production of animal proteins (milk, meat, and/or eggs), energy (basic grains), and micronutrients (fruits and vegetables) into the farming system through the adoption of BPA technologies. The idea of comprehensive farming is one in which few or no external inputs are used in production thanks to processing systems that make animal feed, organically produce fertilizer, and generate energy. Between 2007 and 2008, the BPA has benefited more than 17,000 families living in 11 departments and the Atlantic Autonomous Regions, for a total of US\$18 million. The Government of Nicaragua expects the BPA to benefit some 75,000 campesino families over the next five years. The proposed program will contribute to these comprehensive MAGFOR goals.

- 1.6 To enhance support for the adoption of production technologies, MAGFOR, with technical support from the Fondo de Crédito Rural [Rural Credit Fund] (FCR), has developed activities aimed at providing basic training on managing the resources generated by increases in farm production. As part of the introduction of these activities, the FCR has focused on training women heads of household. At a later stage, technical support is also planned for the development of agroindustrial ventures built on surpluses resulting from the technological change in the primary production of beneficiary families.
- 1.7 In order to improve the efficiency and effectiveness of the PPA, particularly the BPA, it has been determined that the execution, monitoring, and evaluation mechanism needs to be strengthened, while maintaining a system for prioritizing the provision of technological goods and services that have a positive socioeconomic impact and contribute to environmentally sustainable production, while enabling greater integration between the beneficiaries and providers of these goods and services. Moreover, as implementation of all of the PPA components progresses, efficient support instruments will need to be developed to enable beneficiary families to more fully participate in the rural financial and high-value product markets.
- 1.8 Bank strategy in the sector. Bank financing of Nicaragua's agriculture sector has focused on strengthening the provision of public agricultural goods, particularly through the Rural Production Revitalization Program (NI-0159), the Improvement of Plant, Animal and Forest Health Services Program (NI-0182), and the Socioenvironmental and Forestry Development Program II (POSAF II) (NI-0141). The proposed operation complements these programs in that it will provide resources to promote the use of technological capital among small producers and contribute to making the transfer of income to producers more efficient. The design to incorporate the lessons learned through MAGFOR's BPA work since mid-2007 and through other Bank operations in the region, seeking to (i) promote the participation of producers in decision making in order to ensure appropriation of the technology; (ii) enable timely delivery of the support payments; and (iii) establish a monitoring system to provide information necessary to its evaluation.

B. Objectives and components

- 1.9 The general objective of the program is to contribute to raising the income of poor rural campesino families in Nicaragua. To this end, the specific objectives of the operation are to (i) support low-income campesino families through the BPA by introducing technological changes in order to increase production and productivity; and (ii) improve business management among campesino families who receive the BPA. This operation is in line with the strategic approaches of economic growth and improving the productivity of the very poor laid out in the Bank's country strategy with Nicaragua (document GN-2230).
- 1.10 **Component I. Production supports:** This component includes the provision of financial assistance to eligible producers so that they may purchase eligible technological goods and/or services for the production of food and agriculture products. These technologies will be selected from a Menu of Eligible Options (MEO) determined each year by the executing agency. For the purposes of this program, any combination of technologies selected by program beneficiaries will be designated as Food Production Support (BPA).
- 1.11 The financial support to be granted to cover the costs of introducing the technology will consist of a specific amount determined for each technology, up to an aggregate ceiling of US\$1,400 per producer over the life of the program. The specific amounts will be established prior to selection of the technology by the beneficiaries. For each technology, the value of the support financed by the program will cover the cost of inputs, labor, transportation, and technical assistance. The amounts will be agreed each year during the annual program review by the Bank and the executing agency.
- 1.12 Technologies eligible for financing with program resources must (i) contribute to the objective of increasing agricultural food production; (ii) have a positive medium-term impact on the net income of beneficiary families, measured as an internal rate of return equal to or above 12%; (iii) be appropriate for the agricultural and ecological conditions in which they will be used; (iv) have a neutral or positive environmental impact; (v) enable easy and objective verification by the program of adoption by the beneficiary; and (vi) include certification of the quality of inputs and goods associated with each technology by the competent authority. For each technology, the executing agency will have a technical specifications sheet that includes a description of the technology, the expected impact on productivity, the goods and services that include the technology, and the expected cost of its implementation. In addition to the technologies that have already been analyzed ([see link](#)), technologies for using and managing firewood, water, and soil have been pre-identified that will be subjected to technical/economic analysis prior to program launch, in order to determine the viability of their inclusion in the MEO.
- 1.13 Producers who meet the following criteria will be eligible to receive program support: (i) they own land with an area between a minimum of one manzana and a maximum of 10 manzanas that is not located in the core zones of protected areas;

and (ii) they have not previously been beneficiaries of either the Food Production Program (PPA) or this program. There will be a maximum of one beneficiary per nuclear family.

- 1.14 **Component II. Business development support services:** The resources from this component will be used to acquire goods and specialized services to (i) provide eligible program beneficiaries with basic financial education as developed by the FCR; (ii) raise awareness and disseminate information on the PPA so that financial service providers learn about possible business opportunities with small producers; and (iii) strengthen the development of associative groups of beneficiaries eligible for this program and the PPA.

C. Costs and financing

- 1.15 The total cost of the program is US\$20 million. The Bank's financing will be US\$10 million from the Fund for Special Operations (FSO) and \$10 million from the Single Currency Facility of the Ordinary Capital. The disbursement period will be five years from the date on which the loan contract enters into force.

Cost Summary Table (in US\$ thousands)				
Budget Category	Bank	Local	Total	%
I. Production support payments	16,900		16,900	84.5
1.1 Food production support (BPA)	15,400		15,400	
1.2 Monitoring of BPA implementation	1,500		1,500	
II. Business development support services	2,000		2,000	10.0
2.1 Financial education	700		700	
2.2 Strengthening of associative groups	1,300		1,300	
III. Program administration²	900		900	4.5
IV. Financial costs	200		200	1.0
4.1 Commitment fee				
4.2. Inspection and supervision fee	0			
4.3 Interest	200		200	
Total	20,000		20,000	100.0

D. Key indicators in the Results Matrix

- 1.16 The expected outcomes of this operation are that (i) at the end of the program, at least 80% of the beneficiaries receiving BPA supports in the first two crop years, included in a statistically acceptable representative sample, obtain an economic internal rate of return equal to or above 12% of the technologies introduced; (ii) at least 11,000 beneficiary campesino families incorporate appropriate technological

² "Administration" includes support services for program execution, midterm and final evaluations, the monitoring and evaluation system, and general dissemination activities. This category will not exceed 8% of the total.

goods and services (technological capital) to sustainably increase productivity and production on their farms; (iii) at least 5,500 program beneficiaries have received training in basic financial education; and (iv) at least 20 groups of beneficiaries have been formed successfully (campesino businesses in operation). Closer ties between agricultural technology providers and the program target group are also expected to develop.

- 1.17 The selected indicators summarize the program results chain. At the most aggregate level, the internal rate of return on technological investments will serve as a tool for evaluating the efficiency of public investment in the program. The indicators reflecting the number of program beneficiaries express the immediate results of the activities in each component.

E. Viability

- 1.18 The technical annex referring to the analysis of technological options details the viability of the technologies that will be supported by the program. The technologies included in the BPA will be selected by the eligible beneficiaries, which will ensure their appropriability. The production supports also include resources for technical assistance for eligible beneficiaries, to ensure adoption of the technologies. With regard to environmental impact, each of the technologies has been evaluated and all those included on the menu of options have a neutral or positive environmental impact. Lastly, the ex ante economic analysis of the menu of technological options indicates that the technologies to be financed generate economic internal rates of return above 20%.
- 1.19 The activities included in Component II stress training and business strengthening for the groups of beneficiaries. They focus on financing the best practices developed by the FCR in Nicaragua and by the PPA. These activities will contribute to making the technological investments sustainable.
- 1.20 Lastly, the program's institutional viability is strengthened because it is in line with a broad strategy initiated in 2007 by the Government of Nicaragua to assist low-income campesino families (paragraphs 1.4 and 1.5). The program design takes into account the experiences with executing the government's policy, seeking to help develop a more efficient and effective system.

II. FINANCING STRUCTURE AND RISK

A. Financing instruments

- 2.1 The financing is structured as an investment loan from the Bank for up to US\$20 million under a concessional finance structure, with 50% of the resources from the Fund for Special Operations (FSO) and 50% from the Ordinary Capital (OC), in accordance with the following estimated disbursement schedule:

Disbursement Schedule					
Source	Year 1	Year 2	Year 3	Year 4	Year 5
IDB /OC	25%	25%	25%	20%	5%
IDB /FSO	25%	25%	25%	20%	5%

B. Environmental and social risks

- 2.2 According to the guidelines of the Bank's Environment and Safeguards Compliance Policy (OP-703 and OP-765), the project team classified this program as a category "C" operation, using the safeguard filter. The program is expected to have a positive environmental and social impact, in that it will support lower income families in Nicaragua and promote environmentally friendly technologies. As part of the preparation of this operation, the required environmental and social analysis was carried out, which included the following activities: (i) a review of the proposed alternatives and evaluation of the environmental risks of each of the technologies to be included in the BPA; (ii) review of the current environmental legal framework in Nicaragua under which this program falls; (iii) review and supplementation of the Program Operating Regulations (PORs) to include environmental criteria for executing the activities; (iv) review and supplementation of the monitoring and evaluation system that includes environmental monitoring indicators; and (v) consultation meetings with program beneficiaries.
- 2.3 The main conclusions of the analysis were that (i) the extent of the negative impact is low considering the scale of the interventions and the implementation strategy. However, as a mitigating measure, specific training activities for the beneficiaries on implementing the technologies have been proposed; (ii) the main environmental risks are related to operating livestock technologies. To reduce this risk, the BPA will be made flexible in order to enable beneficiaries to adapt the technologies to their operating capabilities; (iii) Nicaragua's environmental laws promote the effective management of natural resources. In this regard, MAGFOR will arrange for the respective implementation permits and licenses. Based on the analysis carried out, the environmental risk of the program is expected to be classified as low; (iv) the program will not finance the purchase of agrochemicals and will promote the use of silvopastoral technologies. The BPA includes technologies that increase the availability of vegetables and animal feed for beneficiaries; however, the scale of this intervention is minimal and intensive use of agrochemicals is therefore not anticipated. This inclusive program will have significant social impact in that women heads of household from the most depressed municipios in Nicaragua will be direct beneficiaries.

C. Fiduciary risks

- 2.4 In preparation for this operation, the Bank analyzed MAGFOR's institutional capacity, in order to assess the availability of human and material resources and information systems in the following areas: (i) planning and organizational capacity; (ii) capacity to execute the scheduled activities; and (iii) control capacity.

The analysis determined MAGFOR's consolidated level of risk concerning these capacities to be medium. Specifically, MAGFOR's planning and organizational capacity (activity planning system and administrative organization system) was determined to be low risk; its capacity to execute the scheduled activities (staff administration system, goods and services management system, and financial management system) was determined to be low risk; and its internal control capacity was determined to be high risk. These results lead to the conclusion that MAGFOR is a stable institution with sound execution capacity in terms of financial management, procurement of goods and services, and human resources administration. However, in order to strengthen the institution's internal control system and reduce fiduciary risk, the Bank has recommended that MAGFOR implement a number of specific corrective actions in the short term. These actions are included in the institutional capacity assessment (ICAS) strengthening plan.

D. Other risks and special considerations

- 2.5 The adoption of technologies on a sustainable basis is a challenge inherent to projects that promote innovation in agricultural technologies. The target group of the proposed program consists of small producers with low levels of technological capitalization who in many cases have little experience using the technologies promoted by the program. The program therefore focuses on providing resources to ensure that the beneficiaries receive the necessary technical assistance to implement the technologies and take ownership of the program objectives. The financial supports incorporated into the BPA include resources for purchasing technical assistance services. MAGFOR is also launching a process to train and select program field technicians, who will assist in supervising the implementation of the technologies. Lastly, as part of the program monitoring plan, data will be collected, on-farm, to provide information on program performance. Information from the monitoring and evaluation system (MES) will be used during program execution to make the necessary adjustments.
- 2.6 While the proposed execution plan for the program is innovative in Nicaragua, similar arrangements have been implemented in other countries in the region (for example DR-0138, UR-0137, UR-0141, and PR-L1001). In all of these cases, experience demonstrated that having a program monitoring and evaluation system was a key element. The project team and MAGFOR have agreed to launch MES implementation immediately. To this end, resources from technical cooperation operation NI-T1047 will be used to set out the details of the MES design so that it will be ready for implementation in the first half of 2009.

III. PROGRAM IMPLEMENTATION AND ADMINISTRATION PLAN

A. Execution plan

- 3.1 **Program administration:** The program executing agency will be the Ministry of Agriculture and Forestry (MAGFOR). MAGFOR's Dirección General de Delegaciones y Promoción de Estrategias Territoriales [Bureau of Local Offices

and Territorial Strategy Promotion] (DGD PET) will be responsible for program execution and supervision, and will serve as the direct link between MAGFOR and the Bank. Within the DGD PET, program execution, administration, and supervision will be the responsibility of its General Director, who will be supported by a program operations manager, a technical secretary, and specialists in evaluation and monitoring and information technology. A procurement specialist and a financial-accounting specialist from MAGFOR's Procurement and Financial Management Units will also provide support for program execution.

- 3.2 Specifically, the DGD PET will (i) carry out annual programming for the activities necessary to achieve results; (ii) prepare the disbursement requests with the corresponding eligible expense vouchers and financial statements for the program; (iii) verify the eligibility of producers and authorize the corresponding support payments; (iv) oversee regular verification that the agreed outcome targets have been reached; (v) operate and properly maintain the monitoring system; (vi) prepare the periodic reports on progress toward the agreed outcome targets as well as the external audit reports for the program and make them available to the public; and (vii) oversee compliance with the contractual clauses stipulated in the loan contract and any agreements established with financial institutions regarding payment of the supports provided for under the program. The DGD PET will receive the support of MAGFOR's Procurement Unit to conduct calls for proposals and tenders, as well as for the contracting process; and the support of MAGFOR's Dirección General de Administración Financiera [Bureau of Financial Management] (DGAF) to maintain exclusive bank accounts and accounting and financial records that make it possible to break down how the loan proceeds are used.
- 3.3 Program administration will be governed by the Program Operating Regulations (PORs), the draft of which was drawn up during program preparation. These regulations establish, inter alia, the standards and procedures for procurement, contracting, management and filing of support documents, financial-accounting information, MES operation and maintenance, and supervision and verification of the implementation of technologies and external audits. The regulations set out and cover the operational and financial mechanisms for executing the program components. The entry into force of these PORs will be a condition precedent to the first disbursement.
- 3.4 The program activities will be national in scope. However, during the first year, the departments of Jinotega and Matagalpa, where the population consists primarily of campesinos and the poverty level is above the national average, will be given priority in terms of individual production supports.
- 3.5 **Operational-financial mechanism:** Before the start of each agricultural cycle, the executing agency will announce the objectives, scope, and requirements for receiving the BPA, with emphasis on the eligibility criteria, the operational-financial mechanisms of the BPA, the technologies included on the menu of eligible technological options, and the amount of financial and technical support established for each technology. The executing agency will be responsible for

- disseminating this information. This will consist of coordinating and promoting activities at the departmental, municipal, and comarca [community] levels through the coordinating bodies of the PPA. Local media may be used for these purposes.
- 3.6 Once the beneficiaries have been identified, the financial institutions will support MAGFOR in making the payments associated with the production supports included in Component I. These financial institutions will be subject to the applicable regulation and supervision and must have experience providing services in rural areas, adequate geographical coverage, and computer networking systems in their branches to provide customer service. With regard to the eligibility criteria for participating financial institutions, together with the financial institutions regulated by the Superintendent of Banks, the FCR may participate in this program. The responsibilities of participating financial institutions are described in the PORs. The participation of each institution will be formalized through the signing of an agreement with MAGFOR, in accordance with the terms laid out in the PORs. Signing of the operation agreements between the executing agency and the financial institutions participating in the Component I disbursement mechanism will be a condition precedent to the first disbursement.
- 3.7 **Component I – Production supports.** Eligible beneficiaries will apply for support from the program through MAGFOR's Departmental Offices. Applications for the technologies for which the beneficiaries request supports will be registered in the MES. Once the eligibility of the request has been verified, the DGD PET will issue a BPA in the name of each beneficiary. This BPA will contain basic information on the beneficiary, the total amount of the support for purchasing the technology, and a series of separable payment order requests specifying the technologies and/or technology services that will be purchased by the beneficiary and the amount to which the beneficiary is entitled for each technology selected.
- 3.8 The BPA will have a unique serial number and bar code. The separable BPA payment orders, in triplicate, will detail the technologies to be purchased by the beneficiary and will bear the same serial number as the BPA, in addition to a unique identifier to differentiate it from the other BPA payment orders. The original and two copies of the payment order must be signed by the beneficiary and a MAGFOR field technician and made out in the name of the technology provider. By signing, the field technician guarantees that the technological good complies with the technical specifications established by the program.
- 3.9 MAGFOR's DGAF will prepare and send the consolidated list of payment orders to the financial institutions participating in the program broken down by financial institution. This list will include (i) information identifying the provider; (ii) the number of each payment order request; and (iii) the amount to be paid. MAGFOR will deposit a specific amount in the financial institutions, which will in turn make the payments as per the lists approved by the DGD PET.
- 3.10 Technology providers. Through the DGD PET, MAGFOR will draw up a list of providers of technology and technical assistance included in the BPA technical

- options menu. To establish the list, MAGFOR will issue a public call to register interested providers who meet the criteria established in the PORs. The list of providers will contain relevant information enabling BPA beneficiaries to contact providers directly. The MAGFOR field technicians will give the provider list to the beneficiaries upon submission of the information required on the support registration/application. The list of providers may also be found on the website of the executing agency and at all of its central and local offices.
- 3.11 Selection of the technologies. The beneficiaries, individually or as a group, will contact the technology providers to begin negotiations on purchasing and transferring each technology to the beneficiary farm. Beneficiaries may receive support from the MAGFOR field technicians in contacting and/or negotiating with the providers and in learning about the technologies sold by each provider. The program beneficiaries will be responsible for making the final decision as to whether or not they will accept the good or service being offered. Once they have accepted the good or service, they will sign the respective payment order request in the name of the provider.³
- 3.12 Payment to technology providers. When the technology is received on the beneficiary's farm, he or she will sign the corresponding payment order request together with the field technician, who will certify that the technology has been transferred. The payment order signed by the beneficiary and the field technician will be submitted to the technology provider. A copy will be sent to the MAGFOR departmental office to be entered, validated, authorized, and electronically transmitted to the financial institution through the program's MES. The technology provider will cash the payment order at the financial institution indicated by MAGFOR. The terms and conditions of the payment mechanism will be set out in the PORs.
- 3.13 Technology verification. The DGD PET will randomly verify that the technologies financed by the program have been effectively incorporated by the beneficiaries. This task will be carried out by an independent entity using a procedure established by the DGD PET in agreement with the Bank. Once the verification process is complete, a verification report will be prepared with information that will be entered into the program's MES. The report will contain information (i) certifying that the technology in question has been introduced on the beneficiary's farm and that the technology meets the program's technical specifications; (ii) certifying the identity of the technology provider and that he or she is a registered program provider; (iii) attesting to the receipt of the technology by the beneficiary; and (iv) immediately communicating to the program any noncompliance detected during the verification. The verification reports will be attached to the expense vouchers for Component I to be submitted to the Bank by MAGFOR.

³ While beneficiaries will be free to select the technologies that are most in line with their conditions, during the first year of execution MAGFOR intends to promote the production of livestock, vegetables, fruits, wood, and basic grains.

- 3.14 If any irregularities (failure to transfer the technology, use of non-certified technology, etc.) are detected during the verification process, the technology provider will be temporarily removed from the list of providers, the beneficiary will be removed from the list of eligible beneficiaries for this and other MAGFOR programs, and the field technical will be temporarily suspended. A detailed investigation will then be carried out to determine whether or not the irregularity can be corrected (for example, certified technology cannot be supplied). If it cannot be corrected, the beneficiary, provider, and field technician will be permanently removed from the list of beneficiaries, providers, and field technicians, respectively. MAGFOR will also publish a list of offenders and the penalties applicable to each one on its website, in all of its offices, and in the corresponding communities.
- 3.15 Review of the menu of technological options. In accordance with the eligibility criteria for the technology (paragraph 1.12), the menu of eligible technology options will be reviewed, adjusted, and/or expanded during the first quarter of each year. As part of the annual review of the Operating Regulations, the DGD PET will request the Bank's no objection to modifications to this menu.
- 3.16 **Component II. Business development support services:** MAGFOR and the FCR will agree on whether to carry out all or part of the financial education activities. MAGFOR will then sign an interagency agreement with the FCR defining each party's responsibilities during execution. This agreement will include an implementation guide for the activities. The FCR will be responsible for technical coordination and supervision of activities related to basic financial education. MAGFOR, through its administrative units (DGAF and Procurement Unit) under the supervision of the DGD PET, will be responsible for procuring the goods and services necessary for meeting the program goals in this area.
- 3.17 The DGD PET will be responsible for technical coordination and supervision of activities related to the procurement of goods and services necessary to implement association strengthening activities involving groups of beneficiary producers participating in the program. As the beneficiary groups are strengthened, specific actions to develop group ventures (campesino businesses) may be financed. To this end, beneficiary associative groups will present project proposals for which they will request program resources. The proposals will be evaluated using criteria related to sustainability, technical and economic viability, and the likely impact on beneficiaries. The evaluation criteria and the supervision mechanism will be an integral part of the PORs.
- 3.18 **Retroactive recognition of eligible expenditures:** The Bank may reimburse up to a total of US\$250,000 for eligible expenditures chargeable to the Bank loan incurred up to six months before the loan is approved by the Board of Directors, provided that procedures substantially similar to those established in the loan contract were followed.
- 3.19 **Procurement:** The program only calls for the procurement of goods and related services and contracting of specialized advisory services. It will not include the

construction of civil works. Goods and services will be procured in accordance with the practices and procedures established in the Bank's procurement policies set out in documents GN-2349-7 and GN-2350-7. The principles of competition, economy, efficiency, transparency, equity, publicity, and due process will be adhered to in application of these procedures. MAGFOR's Central Procurement Division will be responsible for the procurement of goods and related services and contracting of consulting services included under the program. This division will have an appropriate staff who will receive training on contracting procedures and practices in force under Bank policy.

- 3.20 **Audits and accounting:** MAGFOR will have separate books for the loan proceeds and will keep these books in accordance with generally accepted principles. It will also establish internal control methods that ensure compliance with the program's operational standards. Accounting and audit procedures will be consistent with Bank policies.

B. Monitoring and evaluation

- 3.21 MAGFOR will operate a computerized monitoring system with password-protected multi-user access. This system will consist of the following modules: financial management; management of goods and services; management of Components I and II; and monitoring and evaluation of results. The MES will generate reports for the management team and for program accountability at different levels of supervision and for MAGFOR's monitoring, evaluation, and learning system (SISEVA/PRORURA2). The establishment of the information system module for managing the BPAs under the program will be a condition precedent to the first disbursement.
- 3.22 In the program's MES, information on the payment of payment orders will be linked to each beneficiary and provider. This allows individual real-time monitoring with effective traceability of the support received by each beneficiary, as well as the characteristics and quantities of goods and services delivered and the corresponding payments received by the providers. The MES will be equipped with software tools that make it possible to directly measure the quality and traceability of the different processes, to provide feedback to the program management team and automatically generate the contents of the reports drawn up by the different users.
- 3.23 Ongoing and systematic monitoring will be the responsibility of the DGD PET. In addition to the independent verification of implementation of the technologies described above, (paragraphs 3.13 and 3.14), a monitoring system will be also implemented. It will be based on household surveys and will enable evaluation of the contribution of program supports to the objective of increasing the net income of beneficiaries. In the case of the BPA supports, the monitoring system will include additional fields to register the adoption of the technologies by the applicants. This information will include basic information on the applicant (marital status, age, sex, and ethnic group), and his or her farm (size and type of tenure), information on the previous crop year (area cultivated and production by type of

- crop, technology adopted, and income earned). This information will serve as a baseline (the "without project" situation) that will make it possible to measure the performance of the final indicator in the Results Matrix; carry out the economic analysis of the determining factors in adopting new technology, which will be included in the final performance evaluation report; and make any ex post evaluations of the program.
- 3.24 The executing agency will prepare and submit a monitoring report on the progress of activities to the Bank at the end of each calendar six-month period during program execution. These reports will focus on meeting the indicator goals laid out in the Results Matrix (Annex I). They will include the results from the environmental impact monitoring of program activities and analyze the problems encountered and the corrective measures adopted. The reports from the second six-month period will also include planning for the following calendar year (Annual Work Plan), with a disbursement forecast and updated procurement plan. Program adjustments resulting from the review of these reports will be agreed with the Bank. In accordance with Article 4.01(c) of the General Conditions of the loan contract, the initial report must include the annual work plan for the first year of execution. Based on these reports, the executing agency and the Bank will review the program to make recommendations on program performance and the necessary corrective measures. Once they have been accepted by the Bank, the monitoring reports will be published on the page dedicated to the program on the executing agency's website.
- 3.25 MAGFOR will select and contract the consulting services that will carry out the midterm performance evaluation once 50% of the program resources have been disbursed, as well as a final evaluation. These evaluations will base their analysis on the data compiled by the MES, including economic, social, and environmental performance indicators. They will be carried out by independent consultants hired in accordance with the Policies for selection and contracting of consultants financed by the IDB (document GN-2350-7). The selected consultant must have demonstrated database analysis skills and extensive experience in the economic and technical analysis of public sector projects, preferably in the area of agriculture. The terms of reference for contracting the consulting services for the independent evaluations will constitute an annex to the PORs. The performance evaluation reports, including the supporting documentation and statistical information, will remain available for the Government of Nicaragua or the Bank to carry out an ex post evaluation if they decide to do so once the program is completed.

C. Other post approval design considerations

- 3.26 This program will help meet the Government of Nicaragua's goals with regard to the number of beneficiaries receiving technical supports under the PPA. While the proposed execution mechanism will contribute to more efficient management, it also proposes changes in the way that the BPAs work. Therefore, before the program is launched, MAGFOR will promote it among potential technology providers and beneficiaries and will establish the appropriate financial arrangement

with the financial institutions as well as the program's monitoring and evaluation system.

PROGRAM TO SUPPORT AGRIFOOD PRODUCTION (NI-L1020)
RESULTS MATRIX

Program Development Objective	Contribute to improving incomes for rural small farming families.
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Impact Indicators	Baseline	Target for the End of the Program	Means of Verification
<u>Final outcome indicator:</u> Percentage of beneficiaries in the first two crop years receiving production supports, included in a statistically acceptable representative sample, who obtain an internal rate of return above 12% of the net profits generated.	0	80%	Monitoring and evaluation system; analysis of data obtained through the methodology design developed by the program (panel data).

Component I Objective	Support low-income campesino families by introducing technological changes through the Bono Productivo Alimentario to contribute to increasing production and productivity.							
Component I	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Means of Verification
<u>Output indicators</u>								
Number of beneficiaries who have implemented at least one of the technologies supported by the program, in accordance with program parameters.	0	2,500	3,000	3,000	2,500		11,000	Monitoring and evaluation system; technology verification certificates; annual reports and midterm and final evaluations.
Component II Objective	Improve business management among campesino families receiving the BPA.							
Component II	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Goal	Means of Verification
<u>Output indicators</u>								
Number of beneficiaries trained in basic financial education.	0	1,000	1,500	1,500	1,000	500	5,500	Monitoring and evaluation system; annual reports on training activities and midterm and final program evaluations.
Number of campesino enterprises formed.	0		5	5	5	5	20	Monitoring and evaluation system; annual reports and midterm and final program evaluations.

Program to Support Agrifood Production
Project Number NI-L1020 and Loan Contract _____ [when available]
Period included in this Procurement Plan: Year 1

Ref. No. ¹	Procurement Contract Category and Description	Estimated Cost of Procurement (US\$)	Procurement Method ²	Review (ex ante or ex post)	Source of Financing and Percentage		Prequalification ³ (Yes/No)	Estimated Dates		Status ⁴ (pending, in process, awarded, cancelled).	Comments
					IDB %	Local / Other %		Publication of Specific Procurement Notice	Termination of Contract		
1	GOODS										
	4 x 4 Vehicles (double cab pickups)	66,000.00	NCB	Ex ante	100%		No	25-Jan-09	24-Mar-09	Pending	3 pickups
	Workstations (desktop computer, printer)	4,000.00	S	Ex post	100%		No	25-Jan-09	24-Apr-09	Pending	2 Workstations
	Office furniture and equipment (desks, chairs, credenzas)	4,000.00	S	Ex post	100%		No	25-Jan-09	24-Apr-09	Pending	DGDPET
	Photocopier (black and white, 150% enlargement, 20% reduction, automatic feed for 200 pages)	6,000.00	S	Ex post	100%		No	15-Jan-09	14-Mar-09	Pending	DGDPET
	Office materials (various paper items, desk implements)	16,700.00	S	Ex post	100%		No	15-Jan-09	14-Mar-09	Pending	DGDPET
	Vehicle maintenance materials (lubricants and vehicle parts)	2,400.00	S	Ex post	100%		No	15-May-09	14-Jul-09	Pending	3 sets of tires
2	NONCONSULTING SERVICES										
	Broadband internet services	25,000.00	S	Ex post	100%		No	25-Jan-09	24-Apr-09	Pending	DGDPET
	Payment order design and printing	17,510.00	S	Ex post	100%		No	2-Jan-09	1-Apr-09	Pending	Component 1
	Printing of financial education materials	150,000.00	NCB	Ex ante	100%		No	1-Feb-09	30-Jun-09	Pending	Component 2
	Financial education workshops (40 workshops)	50,000.00	S	Ex post	100%		No	29-May-09	15-Dec-10	Pending	Component 2
	Monitoring and evaluation system implemented	50,000.00	NCB	Ex ante	100%		No	1-Feb-09	29-May-09	Pending	DGDPET
3	CONSULTING SERVICES										
	<u>Individual Consultants</u>										
	Program Operations Manager	113,400.00	NICQ	Ex ante	100%		No	2-Jan-09	31-Dec-11	Pending	DGDPET
	DGDPET Assistant Director	46,800.00	NICQ	Ex ante	100%		No	2-Jan-09	31-Dec-11	Pending	DGDPET
	Financial Specialist	41,400.00	NICQ	Ex ante	100%		No	2-Jan-09	31-Dec-11	Pending	DGDPET
	Administrative Assistant 1	18,000.00	NICQ	Ex post	100%		No	2-Jan-09	31-Dec-09	Pending	DGDPET
	Administrative Assistant 2	18,000.00	NICQ	Ex post	100%		No	2-Jan-09	31-Dec-09	Pending	DGDPET
	Evaluation and Monitoring Specialist	31,200.00	NICQ	Ex ante	100%		No	2-Jan-09	31-Dec-09	Pending	DGDPET
	Audit Specialist	14,400.00	NICQ	Ex post	100%		No	2-Jan-09	31-Dec-09	Pending	DGDPET

Ref. No. ¹	Procurement Contract Category and Description	Estimated Cost of Procurement (US\$)	Procurement Method ²	Review (ex ante or ex post)	Source of Financing and Percentage		Prequalification ³ (Yes/No)	Estimated Dates		Status ⁴ (pending, in process, awarded, cancelled).	Comments
					IDB %	Local / Other %		Publication of Specific Procurement Notice	Termination of Contract		
	Evaluation and Monitoring Technician	36,000.00	NICQ	Ex ante	100%		No	1/2/2009	31-Dec-11	Pending	DGDPET 2 technicians x 3 years
	IT Specialist	13,000.00	NICQ	Ex post	100%		No	1/2/2009	31-Dec-09	Pending	DGDPET
	Field Technician Supervisors, 20 Technicians	144,000.00	NICQ	Ex ante	100%		No	1/2/2009	31-Dec-09	In Process	Component 1
	Procurement Specialist	36,000.00	NICQ	Ex ante	100%		No	12/1/2008	31-Dec-09	Pending	Admin Support
	Animal Health Specialist (DGPSA) 4 Technicians	57,600.00	NICQ	Ex ante	100%		No	1/2/2009	31-Dec-09	Pending	Component 1
	Training and Development Specialist	19,500.00	NICQ	Ex post	100%		No	1/2/2009	31-Dec-09	Pending	Component 2
	Training and Development Technician	16,900.00	NICQ	Ex post	100%		No	1/2/2009	31-Dec-09	Pending	Component 2
	Business Training and Development	36,000.00	NICQ	Ex ante	100%		No	1/2/2009	31-Dec-09	Pending	Component 2
	Consulting Firms										
	Financial and Compliance Audits	36,000.00	QCBS	Ex ante	100%		No	5-Aug-09	4-Sep-09	Pending	DGDPET
	Midterm Evaluation	25,000.00	CQS	Ex ante	100%		No	30-Apr-10	30-Aug-11	Pending	DGDPET
	Independent Verification	100,000.00	QCBS	Ex ante	100%		No	31-Mar-09	30-Apr-12	Pending	Component 1

1. If there are groups of similar individual contracts that will be executed at different sites or at different times, they may be grouped under a single heading with an explanation in the Comments column indicating the average individual amount and the execution period. For example, for an education project that includes the construction of schools, a heading would be "School Construction," with an estimated total cost of US\$20 million and an explanation in the Comments column: "This is a group of approximately 200 contracts for the construction of schools at an average of US\$100,000.00 each, to be awarded individually by the participating municipalities over a three-year period from January 2006 to December 2008."

2 **Goods and Works:** ICB: International Competitive Bidding; LIB: Limited International Bidding; NCB: National Competitive Bidding; S: Shopping; DC: Direct Contracting; FA: Force Account; PSA: Procurement through Specialized Agencies; PA: Procurement Agents; IA: Inspection Agents; PLFI: Procurement in Loans to Financial Intermediaries; BOO/BOT/BOOT: Build, Own, Operate / Build, Operate, Transfer / Build, Own, Operate, Transfer; PBP: Performance-based Procurement; PLGB: Procurement under Loans Guaranteed by the Bank; PCP: Community Participation Procurement; **Consulting firms:** QCBS: Quality- and Cost-based Selection; QBS: Quality-based Selection; FBS: Selection under a fixed budget; LCS: Least-cost Selection; CQS: Selection based on the Consultants' Qualifications; DS: Direct Selection; **Individual consultants:** IC: Individual Consultant Selection; IICQ: International Individual Consultant based on comparison of Qualifications; NICQ: National Individual Consultant selection based on comparison of Qualifications.

3 Applicable in the case of new policies for goods and works only. For the old policy, applicable to goods, works, and consulting services.

4 The Status column will be used for retroactive procurement and modifications to the Procurement Plan.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/08

Nicaragua. Loan ____/BL-__ to the Republic of Nicaragua
Program to Support Agrifood Production

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Nicaragua, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a program to support agrifood production. Such financing is under the multilateral debt relief and concessional finance reform at the Bank, and will be for the amount of up to US\$10,000,000, from the resources of the Single Currency Facility of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____ 2008)

LEG/SGO/CID/IDBDOCS#1720570
NI-L1020

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/08

Nicaragua. Loan ____/BL-__ to the Republic of Nicaragua
Program to Support Agrifood Production

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Nicaragua, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a program to support agrifood production. Such financing is under the multilateral debt relief and concessional finance reform at the Bank, and will be for the amount of up to US\$10,000,000, from the resources of the Bank's Fund for Special Operations, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____ 2008)

LEG/SGO/CID/IDBDOCS#1720593
NI-L1020