

NICARAGUA

TRAINING FOR AGRICULTURAL BUSINESS DEVELOPMENT IN THE DEPARTMENTS OF LEÓN AND CHINANDEGA

(TC-96-03-07-9)

EXECUTIVE SUMMARY

BENEFICIARY AND EXECUTING AGENCY: Asociación Techno Nicaragua (Techno Nicaragua)

FINANCING:

Modality:	Grant
MIF:	
Human Resources Facility:	US\$1,200,000
Counterpart contribution:	US\$ 400,000
Total:	US\$1,600,000

IMPLEMENTATION SCHEDULE:

Execution period:	3 years
Disbursement period:	3 years

BENEFICIARIES: Under the project: (a) 1,500 small and medium-scale agricultural producers in the departments of León and Chinandega will benefit directly, (b) 1,550 members of producer households will benefit indirectly, through training provided by locally trained technicians, along with (c) 30 members of nongovernmental organizations, who in turn will train several thousand other individuals.

OBJECTIVES: The objective of the project is to increase the income of the producers by introducing changes in their prevailing production practices and culture, so that their income can be improved on a sustainable basis in an increasingly competitive market. This objective is to be achieved through a training process, applying a methodology and providing a package of services to improve the business capacity and productive competitiveness of traditional small-scale farmers.

DESCRIPTION: To achieve these objectives, agricultural business training and technical assistance services will be developed and offered to the beneficiaries, using a methodology that combines social, economic, environmental, and technical elements, to support rural communities in the establishment and operation of community enterprises owned by the producers.

This methodology is based on inductive and participatory processes for the transfer of managerial

skills and technical know-how to small farmers organized into enterprises. Employment generation will thus be stimulated in rural, low-income communities to produce and market agricultural products of higher quality and greater value added.

In Nicaragua, as in many other countries, agricultural extension services are generally provided by the government free of charge, on the assumption that the outcome substantially more than offsets the costs, and that the benefits will accrue to both the producers and to the national economy. However, this monopoly of agricultural technical assistance services is neither feasible nor sustainable. First of all, its scope is limited due to budgetary constraints, and secondly, its quality is usually low, due to the limited public-sector capacity to provide innovative services and to respond to the demand for services in an ever-changing environment.

Techno Nicaragua promotes the development of small-scale commercial farming and charging for services through small incremental fees. Its approach consists of first boosting demand for services, then promoting awareness of their value and developing a culture of payment for them. The project focuses on training beneficiaries in agricultural production and diversification, marketing and post-harvest management, use of information on both domestic and export markets, and promotion of links with credit and marketing institutions, thereby improving access to conventional and nonconventional sources of credit for agricultural processing and exporting enterprises.

Designed on the basis of producer needs in the region, the program will offer a package of services divided into three components: (1) business organization, management training, and technical assistance for farmers; (2) complementary services for linkage with private credit and marketing institutions; and (3) trainer training.

1. Business organization, management training, and technical assistance for farmers. This component consists of training and technical assistance in business management, production and marketing techniques, and natural resource management. The services will be delivered in three modules.

2. Complementary services for linkage with private credit and marketing institutions. In order to expand community enterprises' business operations,

the executing agency will provide links with local marketing and export institutions. In addition, through agreements with nonconventional credit institutions, training in credit and financial management will be provided.

3. **Trainer training.** To achieve a multiplier effect, the methodology will be transferred to nongovernmental organizations (NGOs) involved in development and that provide training for producers and community enterprise leaders. In each of the two departments, an NGO will be strengthened and a community information center will be established.

BENEFITS:

The benefits of the project will be reflected in increased productivity, with the resultant increase in income and development of the skills necessary for producers to work more efficiently, both in their traditional area of expertise and in their connections with other links in the food production and agricultural export chain. Other benefits include transfer of the training methodology to 50 local technicians, thus expanding the scope of the project. In addition to providing guidance in business management and community organization to the farm owners, the project will support leadership initiatives in the community enterprises for them to attract more members. Lastly, the provision of information services as a supplement to the training will improve both the negotiation capacity and decision-making skills of the producers.

RISKS:

Considering the magnitude of the cultural changes proposed, the executing agency will have to address the inherent risk stemming from weak organizational structures and from the individualism and resistance to change of traditional farmers. To overcome these limitations, and in contrast to traditional extension services, the project will focus on resolving the problems through a flexible, participatory, multidisciplinary approach, by designing and adjusting the programs according to the particular circumstances and needs of the producers. Furthermore, the participants will be carefully selected: they must have viable production levels as determined by farm size and from the onset they must demonstrate a positive attitude towards participation, one indicator of which is their willingness to pay a small fee for the services, which will be gradually increased.

THE BANK'S COUNTRY STRATEGY:

The project is consistent with the Bank's strategy for Nicaragua, which includes, among other elements,

promotion of the private sector, training of human resources, reactivation and diversification of agriculture, development of agricultural exports, and support for microenterprise.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

As conditions precedent to the first disbursement of program funds, Techno Nicaragua will submit the following to the Bank's satisfaction:

- (a) evidence that an agreement between Techno Nicaragua and TechnoServe, Inc. has been signed under which TechnoServe, Inc. agrees to provide the local counterpart contribution and deliver the technical assistance services (paragraph 3.23(a));
- (b) evidence that the basic technical team that will carry out the project has been selected, that its terms of reference have been drawn up, and that its members have been hired (paragraph 3.23(b));
- (c) the first annual plan of operations, which shall include at a minimum a schedule of activities, the human resources assigned, the budget, performance indicators and annual goals, and expected results (paragraph 3.23(c));
- (d) a description of the payment system for the training and technical assistance services, demonstrating how the producers can cover a substantial portion of those costs in the medium term (paragraph 3.23(d)); and

Within six months after the date of the first disbursement:

- (e) a definition and socioeconomic description of the beneficiaries participating in the program and the baseline indicators that will be monitored for evaluation purposes (paragraph 3.23(e)).

**EXCEPTIONS TO BANK
PROCEDURES AND
POLICIES:**

An exception to Bank procedures and policies for the selection and hiring of consultants is being requested, to allow Techno Nicaragua to hire the services of TechnoServe, Inc. directly so that the latter can provide international project supervision services (paragraphs 2.18 and 4.5).

**ENVIRONMENTAL
CLASSIFICATION:**

The Environment Committee, at its meeting of September 25, 1996, classified this as a Category II operation.

I. COUNTRY ELIGIBILITY

- 1.1 The Donors Committee declared Nicaragua eligible for all types of Multilateral Investment Fund (MIF) financing in June 1994.

II. BACKGROUND

A. The agricultural sector

- 2.1 Agriculture constitutes the largest sector of the Nicaraguan economy, contributing more than 30% of GDP, 60% of total exports, and one third of employment for the economically active population. The main exports are coffee, sugar, meat, dairy products, tobacco, and shellfish. Cotton, formerly the country's main export, became less profitable due to the drop in international prices and the considerable increase in production costs attributable principally to improper use of agricultural chemicals. By the late 1970s, it was no longer cultivated.
- 2.2 Per capita GDP is approximately US\$460, one of the lowest in Latin America. The illiteracy rate is 23%, and up to 50% in high-poverty areas. Some 43% of the population lives in absolute poverty, of whom almost 50% are truly indigent. Over three fourths of the poor live in rural areas, where the main economic activity is agriculture. Inadequate access to education services, which are deficient, leads to low productivity of the work force, thereby limiting the creation of jobs that require skilled labor.
- 2.3 The 1980s were characterized by a centrally planned economy and a civil war that led, among other things, to an exodus of skilled human resources. The procedures followed by the Sandinista government to carry out agrarian reform created disputes and uncertainty over land ownership. Programs for regulation and titling implemented with support from the international community have considerably reduced the number of disputes, but a substantial number of cases remain pending, a situation that continues to represent an obstacle to reactivation of the agricultural sector. The growth of agriculture was also being stunted by massive State intervention in trade policy through price-setting and marketing channel controls. This in turn led to great inefficiencies in the organization of production, marketing, financing, productivity, and business management capacity.
- 2.4 In 1990, the Nicaraguan government launched structural reforms to reestablish a market economy, achieve economic stabilization, and set the country on a course for growth. The Bank has supported the country by financing such programs and projects as rehabilitation of the financial sector, structural readjustment of the agricultural sector, support for rural development nationwide,

modernization of agricultural services, establishment and development of an agricultural commodities stock exchange, and support for microenterprise. At the same time, macroeconomic adjustments contained hyperinflation and prompted an increase in agricultural exports. However, that growth mainly benefited agribusinesses with a better management capacity, while leading to little improvement in the socioeconomic indicators of the population at large.

B. The departments of León and Chinandega

- 2.5 The departments of León and Chinandega are located in low-lying, warm, dry tropical areas along the Pacific Coast, and have deep, fertile soils of volcanic origin. The land in this region is suitable for a wide variety of crops. Despite this potential, the small and medium-scale farmers in the region lack the business management skills, initiative, and know-how to diversify their production (due in part to the legacy of single-crop farming of cotton, an agricultural industry run by a small number of large-scale entrepreneurs, who emigrated during the sociopolitical conflicts). This situation limits their options to the production of traditional crops such as grains, with low levels of technology and physical inputs. Surveys of production in the region show low productivity in traditional crops and little production of nontraditional crops, which require better technology as well as greater business development.
- 2.6 This process of productive, economic, and social deterioration, with high unemployment rates, low family income, and production systems with low returns and little diversification, must be remedied urgently. A viable solution is to introduce better technology for production and to develop nontraditional cash crops, given the great farming potential of the region, if the factors currently limiting its development are overcome.

C. The agricultural and business sector in León and Chinandega

- 2.7 **Agricultural sector.** Because of the crisis in the domestic market that took place in the late 1980s, certain producers with more initiative turned to exporting traditional and nontraditional agricultural products, and were consequently willing to learn about business organization and technology. The most important lesson learned from this experience has been to recognize that in order to become a player in a competitive environment, the production base needs to be broadened and an effective, timely system needs to be established for delivery of technical assistance and financial services to support growth through diversification and improved productivity.

- 2.8 Small and medium-scale farmers in the departments of León and Chinandega face serious constraints, whether as individuals or in associations, to reshaping the production process so as to produce more competitive products: inadequate management skills; lack of knowledge of the technology available for diversification of production and sustainable use of resources; limited knowledge of product marketing and access to information on markets; limited access to sources of financing and lack of training in credit and financial management; problems with formalization of land titles; and institutional weakness in the delivery of financial services, training, and technical assistance.
- 2.9 **Business sector.** Although there is little reliable information on small and medium-sized enterprises (SMEs), it is estimated that they account for 50% of all jobs in the country. Small enterprises are defined as family units or firms operating at the subsistence level, that depend exclusively on family labor, and that do not distinguish between family and business finances. Medium-sized enterprises employ 30 to 50 employees and are associated with more complex production technology and better access to markets. In rural areas, the seasonal nature of agricultural activities forces rural families to combine subsistence crop-farming and small animal-farming with small-scale trade and employment as day laborers.

D. The market for technical assistance services

- 2.10 As a result of the need to reduce the fiscal deficit and resize government agricultural offices, technical staffing at the Nicaraguan Agricultural Technology Institute [Instituto Nicaragüense de Tecnología Agropecuaria] (INTA) and the Ministry of Agriculture [Ministerio de Agricultura y Ganadería] (MAG) has been streamlined, with a consequent reduction in coverage of the public technology transfer system. Agricultural extension programs have limited coverage: in April 1996, the INTA reported that services had been delivered through traditional systems to 21,500 farmers nationwide, and another 5,400 had received services through a pilot program cofinanced by the government and contributions by the farmers (on the assumption that the latter will eventually be able to cover a substantial portion of the cost of the services). A total of only 11% of agricultural producers received technical assistance through INTA programs.
- 2.11 Privately-funded technical assistance for small producers is rare. Although a few NGOs do offer it, it is usually delivered in conditions of limited technical capacity. In the project region, there are a number of local NGOs, but they have limited operations.
- 2.12 New marketing instruments have recently been established, such as the stock exchange for agricultural commodities and warehouses, but they have not yet had much impact on traditional farmers, who

generally have little access to the services. In addition, there is not enough information on markets and on mechanisms to improve marketing.

- 2.13 The demand for training and technical assistance services on the part of agricultural producers was identified during several consultations with community leaders and heads of cooperatives, representing the rural areas of León and Chinandega, carried out by Techno Nicaragua, the organization that has requested the proposed project. The findings reflect a need for training and technical assistance in management, farming technology, diversification, financial services, and support for farmers to adapt to new market conditions.
- 2.14 The proposed training program for development of community enterprises in the departments of León and Chinandega is designed to meet these needs. Its purpose is to help transform traditional farmers into agricultural entrepreneurs, perhaps the greatest challenge facing the agricultural production and export sector in order to become an engine for growth in the country. This will be achieved through a system for comprehensive training, organization, and technical assistance services for development of a business culture, using modern production and management techniques.

E. Techno Nicaragua

- 2.15 The organization requesting the financing, Techno Nicaragua, is a private, not-for-profit development association, whose mission is to improve the economic and social welfare of the low-income population through the development of employment- and income-generating enterprises. It achieves this purpose by providing managerial assistance and technical training to enterprises and institutions involved in agriculture.
- 2.16 The approach used by Techno Nicaragua combines social, economic, environmental, and technical elements to support rural communities in the establishment of community enterprises owned by the farmers. It is based on the promotion of participatory community organization for development of community enterprises. Operation of the enterprises will help generate jobs, employ local labor, and produce foods with higher value added. Unlike traditional agricultural extension work, which is aid-oriented and focuses on the technical aspects of growing staple grains, the Techno Nicaragua approach stresses the development of commercial farming and training of individuals in the areas necessary for them to be able to become responsible for their own development.
- 2.17 The training program fosters leadership and ongoing support for community participation and organization in all areas affecting the economic and social welfare of the farmers. Courses will be given in production and marketing, sustainable management of natural

resources, financial management, and technical support in matters pertaining to secure land ownership.

- 2.18 TechnoServe, Inc., a nonprofit international agency, which works with Techno Nicaragua under a cooperation agreement, will provide technical assistance and the counterpart resources for the proposed project under a separate agreement with Techno Nicaragua. The two agencies have previously carried out a large-scale rural development project in Nicaragua in remote areas of the departments of Jinotega and Matagalpa, working with extremely poor communities of people displaced by the armed conflict. A project for agroforestry development and strengthening of rural employment (known by the Spanish acronym "DAFER") has been carried out since 1993 with support from the United States Agency for International Development (USAID).

F. Rationale for participation by the Bank

- 2.19 The Bank's strategy for Nicaragua assigns a leading role to private sector development in the process of economic recovery. The participation of SMEs therefore needs to be expanded, in order to consolidate the reforms undertaken. The new economic context calls for traditional farmers to develop competitive skills so that they can efficiently meet the challenges raised by the opening up and globalization of the economy. The proposed program would contribute to spurring the development of such a business culture in the private agricultural sector through training and technical assistance.
- 2.20 Although the agricultural extension and technology transfer system is reemerging in Nicaragua, its coverage and content remain limited. Moreover, the focus of the programs is based on traditional models of agricultural technical assistance for production of staple grains, even though there is growing interest in the introduction of other, nontraditional products and the greatest constraints for traditional farmers are their lack of managerial and organizational skills rather than the production techniques they use. In contrast to the proposed project, the traditional approach does not include training in management, marketing, business organization, or rational use of natural resources.
- 2.21 Current policies for liberalization of trade in Nicaragua will lead to opportunities and challenges for private sector development. Support will be needed for training programs such as the one proposed herein that promote competitiveness and increased productivity, the introduction of new technology, the promotion of efficient institutions, and business information services.

III. THE PROJECT

- 3.1 The objective of the project is to increase the income of traditional farmers by introducing changes in their prevailing production practices and culture, so that their income can be improved on a sustainable basis in an increasingly competitive market. To achieve this objective, a package of training and technical assistance services will be offered to traditional farmers in the departments of León and Chinandega, in areas designed to help them achieve sustainable production and to manage their farms like commercial enterprises. The training and technical assistance are designed to achieve the following: increase the efficiency of and diversify production; improve the management of natural resources; strengthen the managerial skills of the producers and their associations; help producers gain access to domestic and export markets; help them gain access to conventional and nonconventional financial services; and help develop local capacity in NGOs that provide services for production.
- 3.2 The project will thus apply the community enterprise development approach in the western region of the country, with a focus on participation. This practical approach will reflect Techno Nicaragua's philosophy of "learning by doing" both in the field and in the training centers, thereby strengthening the process of assimilation of theoretical and practical concepts and development of self-confidence in decision-making.
- A. Performance indicators
- 3.3 Achievement of the project objectives during the three-year life of the project will be gauged by monitoring the following indicators: number of producers who have increased their income thanks to increased farm productivity, better management of natural resources, adoption of better product management practices, and access to credit and to more profitable domestic or export markets.
- B. Description of the project
- 3.4 The project is characterized by a comprehensive approach to intervention, based on producer needs. Seminars, workshops, and specific activities will be organized. The project activities are divided into three components: (1) business organization, management training, and technical assistance for farmers; (2) complementary services for linkage with private credit and marketing institutions, coordinated with other private-sector institutions; and (3) trainer training.

1. Component I: Business organization, management training, and technical assistance for farmers

- 3.5 The purpose of this component is to develop agricultural business skills in producers who are community leaders through intensive workshops, courses, and seminars, to help them establish competitive community enterprises that will increase in membership, be consolidated, and become sustainable in the medium term.
- 3.6 The participants will be selected from cooperatives, groups of producers, and other associations for development interested in participating in the project activities. The target group will consist of approximately 1,500 farmers organized into some 15 groups with an average of 100 members each. The groups should be reasonably homogenous in terms of income level, education, feasibility of production, and farm location.
- 3.7 The component activities will be carried out in three sequential course modules: (1) during the first year of program execution, module 1, the basic level, will be offered, for establishment of 15 community enterprises, with full legal status, including the appointment of their respective boards of directors and support committees; (2) during the second year, module 2 will be carried out; and (3) during the third year, module 3 will be offered.
- 3.8 Module 1. Based on the priorities identified and the degree of development and interest expressed by the target groups, 225 community enterprise leaders, NGO trainers, and farmer leaders will be given training in business organization (establishment of community enterprises); decision-making processes; and legal and commercial aspects of enterprise management. The module will also cover human and social development topics, such as equity and gender, building self-esteem, community participation, and leadership, to be supplemented with other subjects directly related to production, marketing, and natural resource management.
- 3.9 Module 2. This module will be adapted to the education level of the farmers in order to enable them to grasp basic credit management and accounting concepts. Courses will also be given on diversification and selection of high-return cash crops, decision-making and price negotiating, information on markets and technical aspects of agronomy, stock-farming, agroforestry, and natural resource management. This module will be given to 1,500 farmers, 30 NGO technicians, and 20 local leaders.
- 3.10 Module 3. Under this highly practical module, technical assistance will be provided on specific topics to resolve managerial problems. The technical assistance will address matters of productivity, quality control, sustainable resource management, administration, finances, product processing to increase its value added, and marketing. Based on the identification of crops with a greater commercial value and potential for processing and export, market

studies will be carried out, marketing plans drawn up, risk analyses conducted, post-harvest management explored, and quality standards for the products developed.

- 3.11 One-day seminars will be held to promote the adoption of positive attitudes towards business development. Three-day workshops will be offered to community leaders, heads of community enterprises, and project technical staff.

2. Component II: Complementary services for linkage with private credit and marketing institutions

- 3.12 This component, which targets the heads of community enterprises, is designed to develop financial and credit management skills and to improve access to credit resources managed by financial institutions in the region. The services of a nonconventional financial intermediary will be used to provide training in credit and financial management under an agreement with Techno Nicaragua. As the community enterprises are strengthened, their administrative systems are consolidated, and profitable production systems are adopted, Techno Nicaragua will establish links with organizations that provide credit.
- 3.13 In addition, in order to expand the business operations of the community enterprises, agreements will be entered into with private-sector enterprises. Techno Nicaragua will act as intermediary in promoting links between established community enterprises in order to facilitate information exchanges among them, and with local marketing and export institutions, such as the Nicaraguan Association of Nontraditional Exporters and Producers [Asociación Nicaragüense de Productores y Exportadores No Tradicionales] (APENN) and the Export and Investment Center [Centro de Exportaciones y Inversiones] (CEI), to help place agricultural products on the market.

3. Component III: Trainer training

- 3.14 To ensure that the program has a multiplier effect, the methodology used will be transferred by training 50 trainers: 30 technicians, to be selected from a sample of approximately 10 NGOs involved in agricultural development in the region, and 20 leaders selected from the 15 community enterprises established at the beginning of the program.
- 3.15 To strengthen local institutional capacity in the delivery of support services for all aspects of project sustainability and to ensure effective transfer of information, two of the participating NGOs will be strengthened, one in the department of León and one in Chinandega. The two NGOs will be selected on the basis of their track record in project impact, technical capacity, and financial soundness. They must agree to receive the training offered by Techno Nicaragua. They will be selected within the first six

months after project initiation and upon project completion will take on the duties of Techno Nicaragua in channeling training and technical assistance services to the producers. They will be given technical assistance in administration, accounting, financial and human resource management, preparation of manuals, and design of information systems and controls.

- 3.16 Furthermore, an information center will be established in each NGO to make available materials generated by the training programs and additional information that is relevant to the project. The centers will provide information on market prices of agricultural products and supplies. Information will also be given on productive activities designed to prompt interest on the part of the producers in keeping up-to-date and to help them make decisions on business development.

C. Project execution

- 3.17 **Basic project team.** For project execution, Techno Nicaragua will select and hire a basic eight-member technical team, consisting of a coordinator, an administrative manager, two specialists in agricultural production, two business development extension workers, a sociologist specializing in training, and an expert in marketing. A five-member support team will also be hired.
- 3.18 **Advisory board.** The project team will be supported by an advisory board made up of two Techno Nicaragua officers and two representatives from each department (León and Chinandega), selected from among the producer associations and private-sector institutions. The board will have the following responsibilities: (a) support Techno Nicaragua and the other organizations involved in the project in fulfilling contractual conditions and in the decision-making process, to help ensure that the project operates smoothly; (b) participate in the discussion and approval of the annual plan of operations and financial reports; (c) take part in the establishment of procedures for the hiring of services and procurement of goods; and (d) help prepare disbursement requests and progress reports on the project.

D. Target population

- 3.19 The project will directly benefit 1,500 small and medium-scale agricultural producers in the departments of León and Chinandega and indirectly benefit another 1,550 members of producer households and 30 members of nongovernmental organizations, who in turn will be able to provide better assistance to thousands of their own clients in the region, thereby ensuring the continuity of the project benefits.
- 3.20 The basic selection criteria for the first group of 1,500 producers will be: (i) they must be traditional farmers with some level of

community organization; (ii) they must have viable farms, i.e. they must own farms having an area of 5 to 35 *manzanas* (3.5 to 25 hectares); and (iii) farming must be their main source of income.

- 3.21 Based on the consultations made during project preparation (subject to confirmation during the first six months of project execution), the participants will be recruited from the following counties: (a) León-Quezalguaque, Lecheguagos, Mercedes Varela, Eugenio Pérez, Aristides Sánchez, Nicolás López, El Sauce, and Achuapa; and (b) Chinandega-La Bolsa, La Grecia, and Rancherías.

E. Cost and financing

- 3.22 The total cost of the project is US\$1.6 million, 75% of which (US\$1.2 million) would be provided by the MIF, and the other 25% (US\$400,000) by Techno Nicaragua and TechnoServe, Inc.

COMPONENT	MIF (US\$)	TECHNOSERVE COUNTERPART (US\$)	TOTAL (US\$)
Initial diagnostic study and hiring of staff	108,415	17,320	125,735
1. Component I: Training and technical assistance	352,954	50,000	402,954
2. Component II: Complementary services from other private-sector institutions	32,679		32,679
3. Component III: Trainer training	387,666		387,666
4. Community information centers		22,860	22,860
5. Project coordination		237,342	237,342
6. Project supervision	77,400	51,000	128,400
7. Evaluation	80,893		80,893
Subtotal	1,040,007	378,522	1,418,529
8. Contingencies	159,993	21,478	181,471
TOTAL COST	1,200,000	400,000	1,600,000

F. Disbursements

- 3.23 As conditions precedent to the first disbursement of the MIF resources, Techno Nicaragua must submit the following, to the Bank's satisfaction:
- (a) evidence that an agreement has been signed between Techno Nicaragua and TechnoServe, Inc. under which the latter agrees to provide the local counterpart contribution and deliver the technical assistance services;

- (b) evidence that the basic technical team that will carry out the project has been selected, its terms of reference have been drawn up, and its members have been hired;
- (c) the first annual plan of operations, which must include at a minimum a schedule of activities, the human resources assigned, the budget, the cost of the services, performance indicators and annual goals, the indicators to be used for project monitoring and evaluation, and expected results;
- (d) a description of the payment system for the training and technical assistance services, demonstrating how the producers can cover a substantial portion of those costs and how soon; and

Within six months after the date of the first disbursement:

- (e) the final eligibility criteria for the beneficiaries participating in the program, their socioeconomic status, and the baseline indicators that will be tracked for monitoring and evaluation purposes.
- 3.24 The project resources will be disbursed in accordance with Bank procedures and the eligibility criteria of the MIF, and will be administered by Techno Nicaragua. An advance of up to the equivalent of 10% of the funding may be granted upon written request.
- 3.25 The Bank's procedures will be followed for the procurement of goods and the hiring of services.
- 3.26 As an exception, Techno Nicaragua may directly hire TechnoServe, Inc. for project supervision.

IV. BENEFITS AND RISKS

A. Project benefits

- 4.1 The benefits of the project will be reflected in increased productivity, with the resultant increase in income and the development of the skills necessary for producers to work more efficiently, both in their traditional area of expertise and in their connections with other links in the food production and agricultural export chain.
- 4.2 Another major benefit will be the experience gained with the approach proposed by Techno Nicaragua, if the results achieved are used to overhaul both the public and private service delivery systems for the transfer of technology to farmers. The lessons

learned may be used by the INTA as well as local and international NGOs involved in training and organizing traditional small farmers to become agricultural entrepreneurs. Furthermore, the project will develop the market for professional technical assistance services in agriculture, a key element for agricultural reactivation in Nicaragua.

- 4.3 Nonconventional financial institutions (village banks and farm loan banks) in the departments of León and Chinandega will benefit from the improved management capacity the community enterprises will develop under the project, making them more creditworthy clients. The community enterprise system promotes savings by the producers and reinvestment of the resources generated into expansion of productive activities.

B. Project risks

- 4.4 Considering the magnitude of the cultural changes proposed, the executing agency will have to address the inherent risk stemming from weak organizational structures and from the individualism and passivity of traditional farmers. To overcome these limitations, and in contrast to traditional extension services, the project will focus on resolving the problems through a flexible, participatory, multidisciplinary approach, by designing and adjusting the programs according to the particular circumstances and needs of the producers. Furthermore, the participants will be carefully selected: they must have viable production levels as determined by farm size and from the onset must demonstrate a positive attitude towards participation, one indicator of which is their willingness to pay a small fee for the services, which will subsequently be gradually increased.
- 4.5 Techno Nicaragua will hire the basic technical team that will carry out the project, which will be supported by its regular staff. Selection and hiring of suitable instructors to conduct the training constitutes a key element for successful implementation of the project. Techno Nicaragua will minimize the risk connected with this factor through careful selection of the technical staff it hires for the project. In addition, the permanent staff of its Managua office and the international sponsor, TechnoServe, Inc., whose main office is located in Norwalk, Connecticut, will support and supervise the project. Techno Nicaragua has working ties with TechnoServe, Inc. and will enter into an agreement with it for it to provide technical assistance and financial support specifically for this project. Attached as Annex I-3 is a summary of the institutional background of Techno Nicaragua and TechnoServe, Inc., describing their capacity to manage projects such as the one proposed.
- 4.6 Sustainability. There is a risk that the producers may not achieve productive self-sufficiency within the project execution period. However, the proposed program is not just a specific one-time

operation, but the beginning of an entire process with the target group that will take several years to bear fruit and lead to a substantial increase in the farmers' income. The sustainability of the project impact should therefore be viewed as a medium-term objective.

- 4.7 The criteria used to predict the sustainability of the project impact are based on the positive outcome achieved in the northern region of the country under the DAFER project and in applying the lessons learned. In addition, the León and Chinandega region has greater agricultural potential than the northern region. Other positive factors not observed in the DAFER project, which was carried out by TechnoServe, Inc., are that the target population in the León and Chinandega region has more experience in the production activities to be promoted under the proposed project and that local capacity will be strengthened through support for NGOs and the training of local technicians.

V. COMPLIANCE WITH ELIGIBILITY CRITERIA

- 5.1 General criteria for project eligibility. Considering the objectives and expected results of the project, the purpose of the financing is consistent with the general objective of the MIF, particularly the provisions of Article I, paragraphs (c) and (d) of the Agreement Establishing the MIF.
- 5.2 Eligibility criteria for the Human Resources Facility. The proposed project is fully consistent with the criteria for financing under the Human Resources Facility, particularly the provisions of Article III, Section 3 of the Agreement Establishing the MIF, which includes the training of workers to ensure that the needs of an expanded private sector are met.

VI. COMPATIBILITY WITH THE BANK'S COUNTRY STRATEGY

- 6.1 The project is consistent with the Bank's country strategy for Nicaragua, which includes promotion of the private sector, human resources training, reactivation and diversification of agriculture, agricultural export development, and support for microenterprise. The proposed operation is in line with this strategy, since it promotes human resource development in rural areas and supports the establishment of small businesses for development of sustainable food production systems.

VII. AVAILABILITY OF MIF RESOURCES

- 7.1 Financing modality. Based on the following considerations, the proposed project would be financed with a grant: (a) in June 1994, the Donors Committee declared Nicaragua eligible for all forms of MIF financing; (b) according to section III of the country eligibility memorandum, Nicaragua has fulfilled the eligibility criteria for obtaining grants; and (c) the proposed project will have a significant impact on the region through its support for the transformation of production and business development, as required under Article III, Section 5(a) of the Agreement Establishing the MIF.

VIII. EVALUATION

- 8.1 During the life of the project, two outside evaluations will be conducted by independent consultants. The first, a midterm evaluation, will be conducted after completion of year one of the project. An ex post evaluation will be carried out one year after project completion. The evaluation system design will be financed as part of the project and will include the two diagnostic studies and sampling necessary to establish the baseline data, to be carried out by qualified experts, and to review the project records and collect additional information from the producers and participating institutions.
- 8.2 Midterm evaluation. The midterm evaluation will be conducted using the baseline data and additional information obtained under the monitoring system as a benchmark and will include: a review of the services hired and payment systems; figures on project impact on the participants; an evaluation of the project team, degree of cooperation, network of links established, number and features of the community enterprises established, and the NGOs benefiting from the project, broken down by size and area of productive activity; quality of the services delivered and level of client satisfaction; and program impact on the promotion of training services.
- 8.3 Ex post evaluation. In addition to the topics covered in the midterm evaluation, the final evaluation will include a cost-benefit analysis of the project, a review of lessons learned, and a discussion of the replicability of the project model.

NICARAGUA
TRAINING PROGRAM FOR COMMUNITY ENTERPRISE DEVELOPMENT
LOGICAL FRAMEWORK

SUMMARY OF OBJECTIVES	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS/RISKS
and medium-scale farmers in the of León and Chinandega converted agricultural entrepreneurs with responsible for sustainable of natural resources	Sustained increase in farmer income	Comparison with baseline information from initial diagnostic study Findings of project evaluation	Favorable political and economic conditions are maintained that the project activities be carried out
a methodology and package of improve the business skills and competitiveness of small and e farmers in León and Chinandega	<ol style="list-style-type: none"> 1. Farmers increasing their profit margins 2. Farmers moving into other links in the food production chain, either directly or through their organizations 3. Farmers diversifying their production by including nontraditional crops with greater value added 4. Farmers marketing their products and purchasing inputs through efficient instruments to achieve economies of scale in purchase and sales transactions 5. Farmers recognizing the value of technical assistance services and increasing their demand for them 	<p>Review and comparison with baseline information from initial diagnostic study</p> <p>Review under monitoring system and evaluation of project outcome</p>	<p>The project strategies and methodologies are appropriate for achievement of the objectives, which are alternative to resolve problems experienced by participants</p> <p>The training given motivates self-management of the process and has a multiplier effect on the process</p> <p>TechnoServe, Inc. organizes and trains the farmers and establishes successful relationships between them and financial intermediaries and markets</p>

SUMMARY OF OBJECTIVES	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS/RISKS
<p>for training and technical assistance in agricultural business management designed according to needs, implemented and fully operational</p> <p>mentary services and links with financial intermediaries and product marketing institutions established and operational</p> <p>icians from local NGOs and community enterprise leaders trained, strengthening the community enterprises</p>	<p>1(a) 3,050 farmers trained</p> <p>1(b) 15 community enterprises in operation, with increased membership, participating in the programs</p> <p>1(c) New farming technology adopted</p> <p>1(d) Nontraditional crops introduced</p> <p>2(a) Farmers receiving credit through links established under the project</p> <p>2(b) Community enterprises participating in marketing information networks for marketing of their products</p> <p>2(c) Community enterprises participating in Stock Exchange for Agricultural Commodities</p> <p>2(d) Community information centers organized and operational</p> <p>3(a) Leaders and technicians trained and participating in decision-making</p> <p>3(b) NGOs with staff trained under project providing services to farmers</p>	<p>- Review and comparison with baseline information from initial diagnostic study</p> <p>- Initial programming and periodic progress reports</p> <p>- Annual progress reports, financial intermediary records, and administrative and accounting records of the community enterprises</p> <p>- Records of marketing organizations</p> <p>- Information center records</p>	<p>TechnoServe, Inc. selects and hires qualified human resources to carry out the training and technical assistance activities</p> <p>The project gains support from government service agencies, local governments, and the community</p> <p>The participating farmers selected have the attitude and education level needed to absorb the know-how and practices promoted under the project</p>
<p>Training and technical assistance for farmers</p> <p>Human and social development activities for target groups according to criteria established, obtain support of leaders, and sign participation agreements</p> <p>Diagnostic studies to confirm participation on target groups, set priorities, and plan activities</p> <p>Establish 15 community enterprises</p> <p>Training in production, marketing, financial protection, and human resources</p> <p>Training and managerial assistance for farmers</p>	<p>- 15 groups with a total of 1,500 farmers established</p> <p>- 45 seminars held for training in participatory diagnostic studies, social research, nutrition and health</p> <p>- 15 workshops held in training, planning, community enterprise organization, communication techniques, equity, and self-esteem</p> <p>- 15 boards of directors and 60 support committees organized</p> <p>- 15 training events held in business organization, decision-making, and legal aspects of enterprise establishment, for 225 community enterprise leaders</p> <p>- 224 training events held for 1,500 farmers, 30 NGO technicians, and 20 community leaders in technical and environmental aspects of agricultural production, consisting of modules on crop-farming, stock-farming, agroforestry and pasturing, and natural resource management</p>	<p>Reports on and visits to verify:</p> <p>1(a) 3,050 farmers trained</p> <p>1(b) 15 community enterprises participating in the programs</p> <p>1(c) 386 seminar-courses and 27 workshops</p> <p>1(d) hours and quality of training received by each participant</p>	<p>- Farmers motivated and interested in actively participating in the project</p> <p>- Timely preparation and acceptance of diagnostic studies and plans for operations</p>

SUMMARY OF OBJECTIVES	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS/RISKS
<p>I: Complementary services: institutional aspects with local financial institutions and technical assistance on establishment of community information centers</p>	<ul style="list-style-type: none"> - Two agreements signed between TechnoServe, Inc. and local financial institutions, 600 credit applications approved in year two and 1,500 in year three - 28 training seminars held for 195 participants (150 leaders, 30 NGO members, and 15 local technicians) in basic marketing concepts, selection of crops with market potential, post-harvest management, and marketing plans - Assistance for 600 farmers in year two and 1,500 in year three to participate in the Stock Exchange for Agricultural Commodities and to join APENN - 600 farmers in year two and 1,500 in year three have access to market information through the community information centers 	<p>Reports on and visits to verify:</p> <p>2(a) Number of farmers and trainers participating in financial and credit management courses</p> <p>2(b) Number of farmers with access to credit through the links provided</p> <p>2(c) Number of community enterprises participating in the Stock Exchange for Agricultural Commodities</p> <p>2(d) Number of community enterprises in the market information network</p> <p>2(e) Number of information centers in operation</p>	<ul style="list-style-type: none"> - No substantial land ownership problems - Financial resources available to grant loans to farmers in community enterprises - Financial intermediaries interested in the client promoted by TechnoServe, Inc.
<p>II: Trainer training and training of NGO members, local technicians, and farmer leaders to ensure sustainability of the services</p>	<ul style="list-style-type: none"> - 2 local NGOs and 150 leaders trained as trainers for farmers belonging to community enterprises - 30 local technicians and 30 NGO members trained in resource management and technical aspects of production - 7 workshops for 180 participants (30 from NGOs and 150 leaders) in bank account management, use of credit, and relations with financial institutions - 7 workshops for 105 participants (30 from NGOs and 75 local technicians) in human development, communication, and establishment of information centers - 1,550 new farmers recruited into community enterprises by TechnoServe, Inc. and by the two NGOs beginning in year two 	<p>Reports on and visits to verify:</p> <p>3(a) Number of NGOs and trained staff providing services</p> <p>3(b) Number of leaders trained</p>	

PROPOSED RESOLUTION

NICARAGUA. NONREIMBURSABLE TECHNICAL COOPERATION FOR A TRAINING PROJECT FOR
AGRIBUSINESS DEVELOPMENT IN LEON AND CHINANDEGA

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Asociación Techno Nicaragua, of Nicaragua, and to take such additional measures as may be pertinent for the execution of the proposed memorandum referred to in Document MIF/AT- with respect to a technical cooperation for a training project for agribusiness development in León and Chinandega.

2. That up to the amount of US\$1.200.000, or its equivalent in other convertible currencies, is authorized for the purpose of this resolution, chargeable to the resources of the Human Resources Facility of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.