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Enabling poor rural people  
to overcome poverty

## Republic of Nicaragua

### Country strategic opportunities programme

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For: **Review**

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## Abbreviations and acronyms

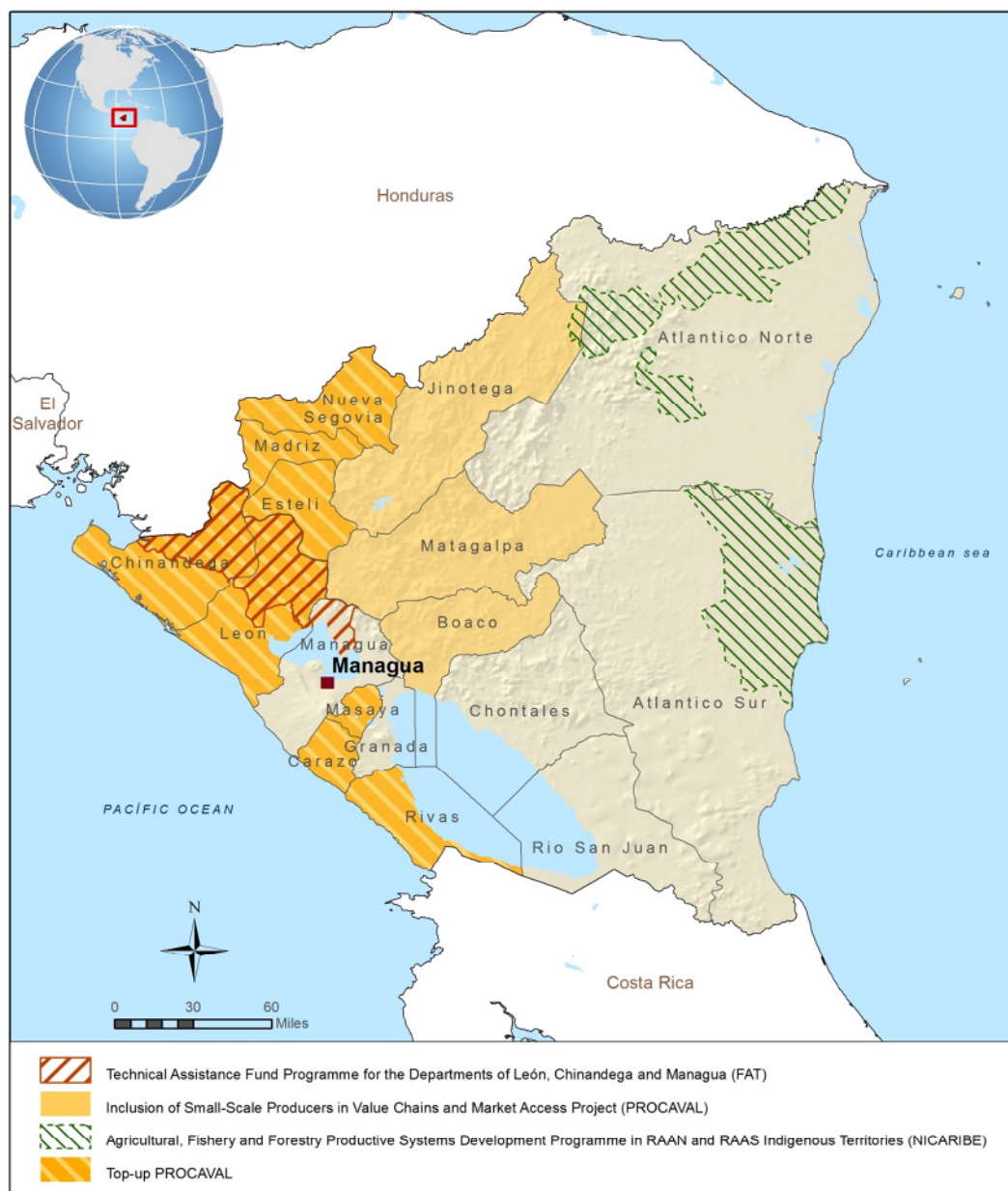
CABEI	Central American Bank for Economic Integration
COSOP	country strategic opportunities programme
EMNV	National Household Living Standards Survey
IDB	Inter-American Development Bank
IDR	Institute for Rural Development
INTA	Nicaraguan Institute of Agricultural Technology
MAGFOR	Ministry of Agriculture and Forestry
MFCCA	Ministry of Family, Communal, Cooperative and Associative Economy
MHCP	Ministry of Finance and Public Credit
MIFIC	Ministry of Industrial Promotion and Commerce
MINREX	Foreign Ministry of Nicaragua
NICARIBE	Development Programme for the Agricultural, Fishing and Forestry Productive Systems in the Indigenous Territories of RAAN and RAAS
PNAIR	National Rural Agro-Industry Programme
PROCAVAL	Inclusion of Small-scale Producers in Value Chains and Market Access Project
PRODESEC	Programme for the Economic Development of the Dry Region in Nicaragua
PRONicaragua	Official Investment Promotion Agency of the Government of Nicaragua
PRORURAL	Productive Rural Development Programme
RAAN	North Atlantic Autonomous Region
RAAS	South Atlantic Autonomous Region
RB-COSOP	results-based COSOP
RIMS	Results and Impact Management System
SDC	Swiss Agency for Development and Cooperation
UNAG	National Union of Farmers and Ranchers
UPANIC	Nicaraguan Agricultural and Livestock Producers Union

## Map of the ongoing operations in Nicaragua

### Republic of Nicaragua

IFAD-funded ongoing operations

COSOP



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD

27-06-2012

## Summary of country strategy

1. Nicaragua is the second-poorest country in Latin America, with the lowest per capita income among Central American countries (US\$1,239 in 2011 – Central Bank of Nicaragua). The Nicaraguan economy has grown over the last 10 years, with rates of 4.5 and 4.7 per cent in 2010 and 2011, respectively, and made important advances in reducing poverty from 2005 to 2009. Despite these positive indicators, they are not sufficient to reach the level of other economies in the region, and to confront the persistent levels of overall poverty (42.5 per cent) and extreme poverty (14.6 per cent).
2. As a result of the extensive consultation process for this results-based country strategic opportunities programme, the Government of Nicaragua requested that IFAD support development of its agriculture sector, focusing on implementation of the National Rural Agro-Industry Programme (PNAIR).
3. PNAIR uses a value-chain and market-based approach, giving priority to the participation of small and medium farmers in cooperative businesses and other associative organizations. Its priorities are governance, capacity-building, investments to encourage agribusiness, technological development, quality and safety, and commercial promotion. Its actions focus on the sector's most important linkages, both for their dynamism and the employment they generate: basic grains, roots and tubers, fruits and vegetables, dairy products and meat, coffee and cocoa and apiculture.
4. Based on these considerations, IFAD's strategy in Nicaragua will support government and farmers' organization efforts to increase growth in the agriculture sector as a vehicle for reducing poverty, generating employment and improving family food consumption, as well as contributing to sustainability and the replication of good practices. The strategic objectives to promote this development will centre on:

**Strategic objective 1 – Inclusion.** Access is facilitated to assets, markets and income-generating activities, and job opportunities are increased. These will be achieved through affirmative actions that contribute to implementing inclusive strategies for the poor rural population in local and national socio-economic development processes.

**Strategic objective 2 – Productivity.** Labour productivity is increased through incentives that facilitate access to information, technology and technical and financial services.

**Strategic objective 3 – Sustainability.** Environmental, fiscal and institutional sustainability are improved.

5. The current portfolio and new funding will be used to achieve the above strategic objectives and will focus on the following areas: (i) improve productivity and competitiveness; (ii) strengthen the capacities of indigenous and Afro-descendant communities on the Caribbean coast; and (iii) support the development of innovative models, including: (a) inclusive strategies for the development of businesses led by rural women and youth; (b) organizational strategies for small rural businesses; and (c) investment strategies and access to markets for small farmers. The strategy proposed represents a scaling up of the first two focal areas. The third area is more focused on knowledge management for innovation.

# Republic of Nicaragua

## Country strategic opportunities programme

### I. Introduction

1. IFAD has collaborated with the Government of Nicaragua since the 1980s. It has mobilized US\$250 million, of which US\$104 million was in the form of cofunding, benefiting some 670,000 people. Between 2005 and 2012, IFAD financed US\$57 million, with additional contributions of US\$43 million from other sources, totalling some US\$100 million.
2. The Government recognizes IFAD as a strategic partner owing to the organization's expertise and experience in promoting rural development. The preparation of the present results-based COSOP (RB-COSOP) included an extensive consultation process with small producers, indigenous leaders and women's organizations.

### II. Country context

#### A. Economic, agricultural and rural poverty context

##### Country economic background

3. Nicaragua is the second-poorest country in Latin America, and the country with the lowest per capita income among Central American countries (US\$1,239 in 2011 – Central Bank of Nicaragua). According to official figures, the Nicaraguan economy has grown over the last 10 years, with rates of 4.5 and 4.7 per cent in 2010 and 2011, respectively. Despite these positive indicators, it is still deemed insufficient to reach the level of other economies in the region and to confront the levels of overall poverty (42.5 per cent) and extreme poverty (14.6 per cent) that persist in the country.
4. According to figures from the Central Bank of Nicaragua, the agriculture sector is a motor of the economy, representing 20 per cent of GDP. The sector produces more than 60 per cent of annual exports, constitutes more than 30 per cent of the labour force and grows 70 per cent of the food supply. It grew at an annual rate of almost 3 per cent during the period 2000-2010, which increased to 3.7 per cent from 2007 to 2010. This growth reflects the stability of the country's macroeconomic policies and the high prices of exportable goods. The role of small farmers is notable – 75 per cent with less than 3.5 hectares – producing 80 per cent of the basic grains, 65 per cent of livestock products and 56 per cent of the sector's exports.
5. Among the sector's most important products are basic grains, which represent nearly 40 per cent of agricultural GDP; coffee, which provides more than 50 per cent of the sector's jobs; and livestock, representing 45 per cent of agricultural GDP (Central Bank of Nicaragua). All these products present substantially lower yields and greater production costs than those found in other Central American countries, meaning that low productivity and technological constraints hinder the country's competitiveness. Additionally, these products are poorly linked to demand and market opportunities, creating barriers to investments in the sector. This requires improvements in the integration of agriculture with rural agribusiness and in the competitiveness of rural businesses.
6. As a whole, the agriculture sector is becoming increasingly important to the economy, although its specialization in production of commodities for domestic consumption and export may have implications for the country's development in the medium term. The Government expects to modify this model by promoting investments in sectors such as energy and tourism, and developing infrastructure to stimulate other sectors. In the short and medium term, however, the agriculture

sector requires an increase in productivity, added value to primary goods and diversification of markets and products.

### **Rural poverty**

7. Nicaragua showed important advances in reducing poverty between 2005 and 2009. According to data from the National Household Living Standards Survey (EMNV – Encuesta de Medición de Nivel de Vida), the number of people living in poverty decreased by 5.8 percentage points, and the number of people living in extreme poverty fell 2.5 percentage points. More promising figures can be seen in the rural sector, where the national poverty rate dropped 7 percentage points, and that of extreme poverty dropped 4 points (compared with 4.1 and 1.1 points, respectively, in the urban sector). However, poverty in Nicaragua, and in particular rural poverty, continues to be a challenge: 42.5 per cent of the Nicaraguan population lives in poverty, and 14.6 per cent in extreme poverty. Among the rural population, the overall rate of poverty stands at 63.3 per cent and at 26.6 per cent for those living in extreme poverty. Caribbean and Central Region rural areas show particularly high poverty rates. Nearly 70 per cent of the population in these areas lives below the poverty line and about 30 per cent lives in extreme poverty.
8. From 2005 to 2009, Nicaragua saw a decrease in inequality among household consumption levels. The national Gini coefficient fell from 0.41 in 2005 to 0.37 in 2009, with a similar dynamic in both rural and urban zones. Inequality of consumption is still lower in rural zones (Gini 0.31) than in urban ones (Gini 0.35). The combined decrease in poverty and in inequality of consumption suggests that economic growth during this period contributed to improving income distribution in the country.
9. The structure of the job market in the economy showed little change from 2005 to 2009. The agriculture (32.8 per cent) and trade (31.7 per cent) sectors employ the greater part of the economically active population, with less participation in the service sector (18.6 per cent) and industry (16.8 per cent). The importance of non-wage-earning employment continues to be considerable, particularly in the agriculture sector. Wage earners represent 58.7 per cent of workers in non-agricultural sectors (2.6 percentage points lower than in 2005) and 33.8 per cent in the agriculture sector. In the latter, the participation of family members as labourers continues to be considerable (representing 26.6 per cent of total employment in this sector). Although the median income in the agriculture sector grew by 18 per cent from 2005 to 2009, it continued to be significantly lower than that of other sectors: 68 per cent of the median income for people employed in the service sector, 66 per cent of median income in trade and 58 per cent of the industry sector's median wage.
10. The association between lack of skills, employment and poverty is one of the greatest challenges. Some 67 per cent of homes with a head of household with no schooling, and 44 per cent of homes with a head of household who only attended elementary school, live below the poverty line. In these groupings, 28.6 per cent and 13.9 per cent of homes, respectively, live in extreme poverty. In Nicaragua, extreme poverty is almost exclusively rural – in homes where the head of household has only an elementary school education or less and works in the agriculture sector.
11. The data also reveal salary gaps that may be associated with important lags in the agriculture sector's labour productivity with respect to the rest of the economy. For example, controlling for age and education level, the income per hour for people employed in non-agricultural sectors in the rural zone is between 44 per cent and 52 per cent higher than in the agriculture sector. Similarly, in the rural zone, controlling for age and geographical region of residence, the population with a high school or university education earns an average of 25 per cent and 80 per cent more, respectively, than the population without studies of any kind.

### **Environmental vulnerability and climate**

12. Nicaragua's geographical position and geomorphology make it especially vulnerable to natural disasters. During the 1991-2010 period, Nicaragua was one of the 10 countries most affected by weather, suffering up to 43 extreme events. In the last 10 years, disasters have caused over 3,300 deaths and much economic loss, mostly to infrastructure and agriculture. Vulnerability to natural disasters that affect the country's competitiveness is linked to environmental degradation. Although the country has implemented a system for detecting and responding to disasters, effective prevention and adaptation measures are necessary, especially in response to environmental and climatic events.

## **B. Policy, strategy and institutional context**

### **National institutional context**

13. The Government's commitment to combat poverty and promote rural development is confirmed in the priorities set forth in the National Human Development Plan. Its sustainable rural development policies are expressed in the Caribbean Coast Development Plan (CCDP) and in the Productive Rural Development Programme (PRORURAL) sectoral plan, which outlines public investment in the sector based on dialogue with national stakeholders and the community of cooperating partners.
14. The CCDP seeks to build an economic reality that restores the rights of its inhabitants and their access to productive opportunities, supported by the autonomous regime. For the period 2012/2016, this plan involves implementation of a regional development model that aims to: (i) increase the economic welfare of the Caribbean population; (ii) achieve economic transformation through equitable, sustainable and harmonious relationships between people and nature; and (iii) strengthen the capacity of regional institutions to promote human development.
15. PRORURAL aims to raise the incomes of rural families through enhanced productivity – promoting value added in primary production and food safety – and increased market access within a framework of equity and integration for indigenous and Afro-descendant communities. PRORURAL is implemented through the National Food Programme, the National Forestry Programme and the National Rural Agro-Industry Programme (PNAIR).
16. PNAIR provides the general framework for the IFAD strategy and coordinates with the other PRORURAL programmes and CCDP in generating employment and improving the incomes of rural families. It does this through increased value added in primary products, with a focus on value chains and access to markets. Through this approach, PNAIR emphasizes the participation of small- and medium-scale farmers in cooperative businesses and other associative forms. The priorities are governance, capacity-building, investments to encourage agribusiness, technological development, quality and safety, and commercial promotion. Its actions focus on the most important chains, both for their dynamism and for the employment they generate: basic grains, roots and tubers, fruits and vegetables, dairy products and meat, coffee and cocoa and apiculture.
17. PNAIR is particularly interested in coordinating actions with CCDP, supporting economic transformation with an emphasis on agribusiness development of food production in the humid tropics, promotion of artisanal fisheries processing and capacity-building of communities. It is committed to supporting basic infrastructure investments in transport and hydroelectric power generation – to improve local food production – and the changes in production proposed for the region.
18. Even with this policy framework for developing agribusiness, there are limitations that affect the competitiveness of rural enterprises and the opportunities to leverage market conditions and the economic environment. These limitations are manifested in capacity gaps, related to business management, market knowledge and access to



financial and other services. This is compounded by problems of productivity and by local conditions that require attention in the short to medium term.

#### **Harmonization and alignment**

19. IFAD has established consistent policy dialogue with Government and cooperation agencies, actively participating in the mechanisms established for this purpose. In particular, the Fund contributes to working groups within PRORURAL and coordinates the working group on agro-industry.

### **III. Lessons from IFAD's experience in the country**

#### **A. Past results, impact and performance**

20. IFAD has collaborated with the Government since the 1980s, financing US\$104 million and mobilizing an additional US\$150 million, benefiting some 670,000 people. From 2005 to 2012, IFAD has financed US\$57 million, with additional contributions of US\$43 million from other sources, totalling some US\$100 million. The principal cofinancing partners during the period have been the Central American Bank for Economic Integration (CABEI), the Government, beneficiaries with cash contributions, the World Bank and the Swiss Agency for Development and Cooperation (SDC). During this period, the portfolio has represented 53 per cent of the total financed throughout the last 30 years.
21. Active projects are the following: (i) Technical Assistance Fund Programme for the Departments of León, Chinandega and Managua (TAF), which ends in 2013, with a total cost of US\$20.6 million, of which US\$14.2 million is financed by IFAD; (ii) Inclusion of Small-scale Producers in Value Chains and Market Access Project (PROCAVAL), approved in 2007, with a total cost of US\$38 million, of which US\$20.3 million is financed by IFAD; (iii) Development Programme for the Agricultural, Fishing and Forestry Productive Systems in the Indigenous Territories of RAAN and RAAS (NICARIBE), approved in December 2010, with a total cost of US\$14 million, of which US\$8 million is financed by IFAD; and (iv) a grant to the Ministry of Agriculture and Forestry (MAGFOR) in the amount of US\$500,000 to support the Fourth National Agricultural Census, with a total cost of US\$6 million. TAF is financed by a loan on highly concessional terms; PROCAVAL and NICRAIBE are financed through grants (50 per cent) and loans (50 per cent) on highly concessional terms.
22. **Results.** The results of the 2005 COSOP show that some 400,000 people have benefited from the portfolio of projects, and an additional 122,000 are expected to benefit from the approved supplementary funds. According to the 2005 COSOP, the cumulative results to date can be summarized as follows: (i) improved processes, mechanisms and incentives to promote access to markets by poor rural men and women; (ii) increased capacity and efficiency of the rural institutions that facilitate access to markets and improve the business climate at the local level; (iii) scaled up strategies and best practices, and greater expertise and innovations in rural development policy – gained from the projects; and (iv) positive impact on food insecurity and malnutrition in the country's dry region.

#### **B. Lessons learned**

23. The portfolio of projects has transitioned from a focus on food security to an approach to jobs and business development through rural microenterprise, and then towards a focus on including small farmers in larger-scale businesses and added value products. The following are the principal lessons learned from this experience:
  - **Inclusion of small farmers in markets.** Addressing the issue of poverty initially resulted in more linkages between rural families and dynamic markets, through the promotion of rural microbusinesses and the creation of job opportunities.

- **Associativity and competitiveness.** Rural enterprises organized in various forms of association are more effective in terms of design proposals and increase their likelihood of becoming successful businesses. Associative processes have resulted in greater economies of scale, increased competitiveness and marketing, and better access to services.
- **Participation and ownership in rural businesses.** The success of rural family businesses and business organizations depends on the degree of ownership. Similarly, organizations that are willing to take on credit risks are an indication of greater ownership and of a sense of direction for business development opportunities.
- **Women in the rural economy.** As a result of the conflicts during the 1980s, women have taken on leadership roles, and their participation in the decision-making process within different spheres of political, social and economic life has increased significantly. This leadership can be observed at the level of local governments, legislative bodies, public institutions, unions and private organizations. This capacity can increase substantially in rural areas, facilitating access by young women to assets and knowledge, with the potential to develop rural businesses at various levels.

## IV. IFAD country strategic framework

### A. IFAD's comparative advantage at the country level

24. As mentioned earlier, the Government recognizes IFAD as a strategic partner owing to the organization's expertise and experience in promoting rural development. The results and lessons of project implementation provide input for dialogue and the development of sector policy instruments, especially in terms of including women and small farmers in value chains and access to markets, as well as self-employment and the generation of job opportunities.
25. The value added of PNAIR favours rural employment and seasonal revenues and improves the quality of work. The policy context, prospects for increasing production and productivity, the possibility of developing mechanisms for producers and their organizations to increase value added, and opportunities for integration into value chains warrant a strategy capable of supporting the further development of these processes. Some small producers have already benefited from their participation in value chains, and this participation can be extended and consolidated. In some chains (basic grains, coffee), it is evident that the benefits have reached small farmers. A search for new markets and diversification of production are also needed.
26. The experiences of IFAD projects represent a set of lessons and of issues on PRORURAL's agenda. Among the most important elements of IFAD's contribution to this programme, we can mention use of the framework, approach and business plans of PROCAVAL, as well as the access to markets and creation of employment opportunities that are elements of the Programme for the Economic Development of the Dry Region in Nicaragua (PRODESEC) and a fundamental part of the design of PNAIR.
27. During the RB-COSOP consultation process, the Government requested that IFAD support the development of its agriculture sector, focusing on policy dialogue and implementation of PNAIR. This implies the development of actions designed to increase production and productivity, such as adding value to primary production, which could contribute to a pragmatic vision and a greater alignment with other stakeholders. The Government also requested that IFAD continue providing support to national challenges in improving the access to opportunities and resources of the indigenous and Afro-descendant peoples of the autonomous regions of Nicaragua.
28. The consultation process also identified the challenge and importance of institutionalization in the sector and the need for an emerging institutional

architecture to address sectoral risks and opportunities and, in particular, the development of agribusiness.

29. The Government expressed interest in developing specific policies for small family farmers, establishing goals for the GDP contribution of these economic agents, and defining clear mechanisms of inclusion through a model centred on people and their organizations.
30. One of the priorities of the IFAD Strategic Framework 2011-2015 is to improve resilience<sup>1</sup> to the risks associated with climate change and the degradation of natural resources, aiming to reduce the vulnerability of beneficiaries and IFAD investments. The country strategy will strengthen its intervention with appropriate measures to help prevent and adapt to these changes, ensuring the success of the proposed interventions.

## B. Strategic objectives

31. The avenues of IFAD strategic engagement in Nicaragua are along the following lines:
  - **Inclusion.** IFAD will continue to implement inclusive strategies for the poor rural population in local and national socio-economic development processes, with the goal of incorporating its experience and knowledge into policy. This will be carried out in terms of income generation, increased job opportunities for women, youth and indigenous and Afro-descendant peoples, and access to assets and markets through affirmative action programmes that compensate for greater vulnerability.
  - **Productivity.** In general terms, productivity refers to the relationship between the level of production and production inputs. The present strategy emphasizes the productivity of one of the operational factors in the rural sector: employment. IFAD operations in the country will thus be focused on improving individual and collective capacities, as well as dedicated to improving productive processes, such as institutional arrangements that promote access to markets with greater value added for small farmers and rural inhabitants in general. In specific terms, we refer to facilitating access to information, technology, funding, public goods, investments and technical services to create added value through the creation or diversification of the productive base.
  - **Sustainability.** Medium-term sustainability of rural development processes is a fundamental concern of IFAD. Sustainability is multidimensional in nature, including, but not limited to, environmental issues. Thus the capacities of the state and territories should be taken into consideration. The present strategy will also focus on fiscal and institutional dimensions, which are considered essential to achieving development goals. The Fund's operational programme in Nicaragua will integrate these three dimensions of sustainability into the design of its loans and grants, as well as into the knowledge of its products, as these dimensions are the foundation for attaining rural development in the medium term.
32. Based on these considerations, IFAD's strategy in Nicaragua will support the efforts of farmers' organizations and the Government to increase inclusive growth in the agriculture sector as a vehicle for reducing poverty, generating employment and improving family food consumption, as well as contributing to sustainability and the replication of good practices. The strategic objectives to promote this development will centre on:

**Strategic objective 1 – Inclusion.** Access is facilitated to assets, markets and income-generating activities, and job opportunities are increased. These will be achieved through affirmative actions that will contribute to implementing

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<sup>1</sup> Understood as "capacity for resistance and adaptation to environmental and climatic phenomena".

inclusive strategies for the poor rural population in local and national socio-economic development processes.

**Strategic objective 2 – Productivity.** Labour productivity is increased through incentives that facilitate access to information, technology and technical and financial services.

**Strategic objective 3 – Sustainability.** Environmental, fiscal and institutional sustainability are improved.

33. The instruments to reach these strategic objectives centre on broadening the scope for innovative best practices and knowledge in the field, in order to integrate them into rural development policies and the practices of rural families and organizations. Moreover – and in association with other cooperating partners, public institutions and farmers' organizations – IFAD will promote knowledge management, standardizing successful innovations in order to achieve more-effective rural development practices. Policy dialogue will enable the replication of best practices and incorporate these into rural development policies. The line of action will consist of systematic monitoring, adoption of results-measuring techniques, and implementation of technical, assessment and learning processes.

### C. Opportunities for innovation

34. Opportunities are envisioned in the following areas:
  - **Improve productivity and competitiveness** in production chains where there is a strong presence of small farmers (coffee, cocoa, beans and milk) through the development of capacities and facilities that draw on opportunities in the country's business environment.
  - **Strengthen the capacities of indigenous and Afro-descendant communities on the Caribbean coast** for the management of productive and sustainable use of natural resources in their territories.
  - **Support the development of innovative models**, including: (i) inclusive strategies for the development of businesses led by rural women and youth; (ii) organizational strategies for the family economy (or small rural businesses), based on the capacities and assets that beneficiary families gained from transfer programmes; and (iii) investment strategies and access to markets for small farmers.
35. The strategy proposed represents a scaling up of the first two focal areas, with the support of the Government and other cooperating agencies. It will employ technological and productive innovations to support the socio-economic inclusion of small farmers in the national and local economy and their interaction with markets. The strategy will yield concrete, measurable results in the COSOP period.
36. The third area is more centred on knowledge management for innovation. It will be financed primarily by grants and will include the identification of strategic partners for its implementation: for example, the Nuevas Trenzas programme for a characterization of the new rural woman; analysis of social protection policies and exit strategies with the Paris School of Economics; and promotion of investments in territories and productive linkages with the Official Investment Promotion Agency of the Government of Nicaragua (PRONicaragua).

### D. Targeting strategy

37. Despite the advances made in poverty reduction in Nicaragua, poverty is still widespread and concentrated in rural zones, where the rate more than doubles that of urban areas. In absolute terms, this means that in a rural population of 2.4 million people, more than 1.5 million live in poverty and 655,000 live in extreme poverty. In this context, and considering that the targeting policies defined in PNAIR are compatible with IFAD's targeting policies, a meta-group has been identified of

600,000 people (some 90,000 families) that includes: (i) families of small farmers of basic grains, coffee, cocoa and dairy products; (ii) women and youth with or without access to land, with the potential for income-generating initiatives; and (iii) poor, rural indigenous and Afro-descendant peoples living in territories on the Caribbean coast.

38. The Government estimates that US\$200 million in financing is needed to serve this target group. The Government currently can provide US\$50 million in financing, with the ability to serve 210,000 people (33,000 families), leaving a gap of US\$150 million in financing and 300,000 people. This gap could be covered: (i) by allocating PBAS 2013-2015 from IFAD; (ii) with budget resources; and (iii) with contributions from other bilateral and multilateral agencies, such as CABI and the Inter-American Development Bank (IDB).

## **E. Policy linkages**

39. PRORURAL is a key component of the National Human Development Plan, which prioritizes economic growth, macroeconomic stability (along with increasing employment), and reduction of both poverty and inequality. Priorities also include investment in infrastructure for productive transformation and social change. Both the national and rural plans are under revision and will be updated. PRORURAL focuses on three programmes: food production, rural agro-industry and forestry. IFAD's work is closely linked to the food and agro-industry programmes through the existing portfolio with the Ministry of Family, Communal, Cooperative and Associative Economy (MFCCA)<sup>2</sup> and MAGFOR. Main challenges are related to rural poverty reduction, food security, support to vulnerable people and access to markets.
40. PNAIR was designed in consultation with diverse stakeholders, including the private sector and the donor community. The IFAD-supported projects PRODESEC and PROCAVAL provided inputs regarding approaches, lessons and methodologies on value chains and access to markets. The programme provides a framework for COSOP objectives and also for policy dialogue and innovation.
41. The human development programme for the Caribbean coast of Nicaragua is related to the COSOP's innovative approach that enables indigenous and Afro-descendant communities to develop an inclusive, sustainable model of production and management of resources within their communal lands.
42. A national strategy for the environment and climate change has been developed by the Government with an emphasis on adaptation activities. This is an opportunity both for policy dialogue, within the framework of IFAD's recent policy on climate change, and for programme planning with a view to productivity and sustainability.

## **V. Programme management**

### **A. COSOP management**

43. Implementation progress of the COSOP will be monitored using the results and indicators identified in the results framework. Performance indicators are developed based on the indicators of IFAD's Results and Impact Management System (RIMS), and data will be obtained from the monitoring and evaluation systems of projects.
44. Annual reviews of the COSOP will employ mechanisms established by the Latin America and the Caribbean Division. The annual report will include information on portfolio management and overall progress of the projects, followed by an aggregate RIMS, progress in project monitoring, policy advice and knowledge management activities. The results will be discussed with national stakeholders.

<sup>2</sup> During the design of this COSOP, the Government informed IFAD of the creation of MFCCA, which will absorb the functions of the Institute for Rural Development (IDR).

45. IFAD and the Government will undertake a midterm review of the COSOP in 2015 and will make needed adjustments in response to the lessons that emerge from the review and/or new priorities.

## **B. Country programme management**

46. IFAD will continue direct supervision of the project portfolio in Nicaragua, supporting implementation and strengthening the capacity of project management teams. It will continue to support the activities of financial management and procurement to ensure that projects comply with procedures and adopt best practices, thus avoiding delays in implementation. The projects will follow the IFAD Project Procurement Guidelines. None of the current projects are classified as risks.

## **C. Partnerships**

47. Key partners are CABEI, the agencies participating in the Common Fund of PRORURAL, IDB and the World Bank. The main institutional partners are MFCCA, with whom IFAD implemented NICARIBE and PROCAVAL, MAGFOR, which led sector policy, the Secretariat of the Caribbean Coast, regional governments, and territorial governments of the Caribbean coast. Other partners include: the Nicaraguan Institute of Agricultural Technology (INTA), Banco Produzcamos, Ministry of Industrial Promotion and Commerce (MIFIC) and PRONicaragua. Producer organizations are key partners, as is the private sector, which has developed successful work experiences through PROCAVAL.

## **D. Knowledge management and communication**

48. The design of the strategy for knowledge management and communication (KMC) will be based on a needs assessment of KMC. Its implementation will include: (i) a workshop on KMC strategy; (ii) selection of information or experiences to be analysed for the generation and dissemination of learning; (iii) tools for the systematization of communication, for example, electronic libraries, databases of contacts, backup copies of files, plans drawn, results of the plans, etc.; (iv) tools for the feedback of results achieved to users (systematization of good practices, printed newsletters, etc.); and (v) seminars, conferences and meetings.
49. Special attention will be devoted to the following activities: (i) contacts between various actors at the user level, technicians and officials, jointly or by sector; (ii) periodic meetings of producers of a particular value chain, who share advances in executed plans; (iii) field visits or tours of exchange between producers; and (iv) implementation of learning at the level of cooperatives or producer organizations, under the COSOP, and supported by universities and schools.

## **E. PBAS financing framework**

50. The COSOP will cover two PBAS cycles: 2013-2015 and 2016-2018. Based on PBAS scores and current criteria, it is assumed that IFAD financing will remain at about US\$17-18 million for 2013-2015. Table 1 shows how to derive the allocation for Nicaragua. The funding available would be allocated in a single project for a period of six years, to be developed so as to achieve a reasonable portfolio size.

Table 1  
PBAS calculation for COSOP year 1

<i>Indicators</i>	<i>COSOP year 1</i>
A(i) Policy and legal framework for rural organizations	4.53
A(ii) Dialogue between government and rural organizations	4.06
B(i) Access to land	3.69
B(ii) Access to water for agriculture	3.44
B(iii) Access to agricultural research and extension services	4.00
C(i) Enabling conditions for rural financial services development	3.94
C(ii) Investment climate for rural business	4.00
C(iii) Access to agricultural input and produce markets	3.50
D(i) Access to education in rural areas	4.00
D(ii) Women representatives	3.67
E(i) Allocation and management of public resources for rural development	3.88
E(ii) Accountability, transparency and corruption in rural areas	3.94
Sum of combined scores	46.63
Average of combined scores	3.89
Project-at-risk (PAR) rating 2011	5
Country policy and institutional assessment (2009)	3.5
Country score	2 914.42

51. The PBAS score was updated in consultation meetings in the country in April 2011. The two main variables of performance are the PAR rating and the rural-sector assessment. There are currently no projects rated as risks, and the score of the rural sector assessment was 3.89. The performance in some areas remains weaker than average and will require attention. This includes B(i), access to land; B(ii), access to water for agriculture; and C(iii), access to agricultural input and product markets. PBAS allocations are reviewed annually and depend on a number of variables, such as the general programme of IFAD loans and the availability of resources. It is thus possible that IFAD annual commitments could be significantly higher or lower than the current amount. The potential impact of the project and sector performance in the annual allocation follow a series of highly suggestive scenarios (table 2).

Table 2  
Relationship between performance indicators and country score

<i>Financing scenario</i>	<i>PAR rating (+/- 1)</i>	<i>Rural sector performance score (+/- 0.3)</i>	<i>Percentage change in PBAS country score from base scenario</i>
Hypothetical low case	4	3.59	-22%
<b>Base case</b>	<b>5</b>	<b>3.89</b>	<b>0%</b>
Hypothetical high case	6	4.19	24%

## F. Risks and risk management

52. The consultation process and systematization of lessons learned has allowed the identification of more-sensitive risks relative to the COSOP implementation phase.
53. There are risks associated with organizational changes in rural-sector institutions, which can modify the roles and responsibilities of the different entities responsible for implementation of sectoral policies and programmes. On the other hand, the integration of projects and activities into the operational structures of the institutions presents risks associated with their capacity and administrative efficiency that can affect the effectiveness of implementation of the project portfolio. This risk is mitigated by the experience gained in projects recently completed, with direct supervision and systematic monitoring, as well as with supporting implementation.

54. There are market risks that may assume different forms. An acceleration of the modernization process of trading systems is possible, compared with a possible drop in the capacity of small producers or organizations to adapt and respond to these demands. This would leave small and marginalized producers without the ability to integrate into markets and value chains. This risk can be minimized through a strategy of: partnerships among producers, capacity-building, business management and associative processes, public/private partnerships and agroprocessing.
55. Limited technical support services and management and the known problems of access to financial services are significant risks that producers or their businesses have to face. These risks will be mitigated by promoting capacity-building and access to public goods, information and technologies that improve labour productivity. The search for effective strategies and innovative financing and procurement of technical services are ways to manage these risks.
56. Environmental and fiscal vulnerability are high risks. Adverse weather events may impact productive capacities, with potential effects on the continuity and sustainability of the plans of producers, particularly in terms of productivity and market performance. To mitigate these risks, actions are planned to strengthen the resilience of linkages and to improve risk management capacity in the territories.
57. In the autonomous regions of the Caribbean coast, there are political/institutional risks related to changes in regional legislation that could have an impact on relations between the institutions of the central government and the autonomous institutions of the Nicaraguan Caribbean. The processes related to autonomy are being consolidated, but different views may manifest themselves among the various players in national and local politics.
58. Mitigation of these risks requires: intense monitoring, supervision, global transfers of knowledge, application of IFAD experience, development of partnerships and the strengthening of political dialogue. For the early management of some of these risks, IFAD will employ mechanisms of observation and systematic analysis. Risks can be minimized through a continuous dialogue between IFAD and the Government, as well as with partners having extensive experience and capabilities.



## Appendix 1: COSOP consultation process

1. During the COSOP process some 50 interest groups (stakeholders) were consulted on their views and recommendations through interviews, conversations, workshops and participation in specialized events. The consultations included the following relevant actors in the agricultural and rural development sector:

- Authorities from 12 government institutions, including cabinet members, mid-level officials, specialists, mayors and regional leaders in autonomous territories. Also included were sector and global institutions, such as the Secretariat of the Presidency, Foreign Affairs and Finance.
- Organizations of small farmers at various levels: federations, unions, cooperatives and associations. The 25 organizations represent farmers that produce coffee, dairy products, honey, basic grains, vegetables and cocoa. Many of these organizations were led by women and youth and represent farmers from all over the country.
- A total of nine partner agencies, including international financial institutions such as the World Bank, the IDB and the CABI; bilateral agencies and United Nations agencies.
- Other groups included NGOs that specialize in export promotion and the environment.

2. A workshop was held with leaders from cooperative organizations and unions of cooperatives, linked to the value chains of coffee, beans, corn, rice, livestock and honey. The objective of this workshop was to share the organizations' successful experiences, limitations, opportunities and alternatives for successful management. The organizations agreed that backing and leadership for organizational development, and investments to develop skills have been factors that have helped them create successful businesses, with good levels of quality production to position their products in national and international markets. They indicated that the barriers to further development and sustainability are related to access to longer-term credit, access to technology, and access to other types of services, which complicates. Although three of these organizations are among the country's 50 exporters, they indicated that trade presents challenges in terms of volume and quality.

3. One of the workshop recommendations was to develop public policies that focus specifically on SMPs to help them develop their ability to gain access to the benefits and incentives generated by the existing business environment in the country, although it was made clear that the pricing policy places restrictions on SMPs. They referred to the services and incentives for supporting production as well as the policies to improve technology, stating that these needed to adapt to new agro-climatic conditions. They perceived that the government was responsible for investing in public goods and creating policies that allow more flexible management for trade and export.

4. Moreover, a conversation was held with women entrepreneurs of microbusinesses, leaders and managers of cooperatives who indicated that they have developed their abilities and leadership in organizational and business topics. However, there is a persistent challenge to take advantage of the organizational and productive potential of women, based on the experiences and existing skills in consolidated organizations like SOPPEXCA and PRODECOOP, which are led by women. Other experiences are related to the progress of female farming collectives and their transition towards cooperatives, which has made it possible for them to increase the scope of their businesses and strengthen their abilities to transcend the role of housewives to become farmers and businesswomen. They demanded that the IFAD incorporate their strategy for developing business and organizational skills among rural women, as well as access to assets, taking advantage as well of the country's existing gender equality policy.

5. Both general organizations and women's organizations identified associativity as an opportunity and a challenge. It is an opportunity to gain strength, as it allows people to come together and create economies of scale and more competitiveness. It also lets people develop alliances, which in turn strengthens their abilities to bargain collectively and negotiate more effectively. They indicated that it is important to continue to work both with cooperative development and business development. Complementary aspects of both dimensions must be developed.

6. At the workshops, as well as during the interviews with union leaders (UNAG, UPANIC) and cooperatives at different levels (Federation of Agro-Industrial Cooperatives of Nicaragua, Federation of Cooperatives for Development), there was general agreement in terms of the challenge of promoting business development, improving productivity and competitiveness in order to take advantage of market opportunities in a sustainable way, and add value to primary products. There was also agreement in terms of taking advantage of the country's potential and resources, and the need for development programmes and investments to improve productivity through sustainable management of livestock, renewed coffee production and qualification of the labor force. The issue of the scope and quality of public services for sectorial development was identified as a gap, particularly regarding access to rural credit, limited in part by problems of access, which requires policies and instruments to help overcome these barriers. Other aspects related to credit are the absence of medium and long-term financing, credit that also covers farm infrastructure, and pre-investment studies like soil studies, agribusiness studies and agricultural insurance.

7. All the interview subjects, both from the public and private sector, indicated that the issue of diversification requires attention with an eye towards sustainability in the sector. Diversification is a public policy challenge and a strategy for each organization and its farmers. Diversification can be approached from various angles: as an adaptation strategy for climatic variability, and in terms of diversifying production and markets for exports.

8. Forums were held to discuss and exchange views with the participants involved. The international funding institutions (CABEI, World Bank, IDB), considered Prorural Incluyente to be a valuable forum for strategic dialogue with the government and because this is where key lines of action are determined for this sector: food programmes, agribusiness programmes and forestry policy. The cooperating partners offered support for this policy framework in different forms, such as budget support and technical cooperation. The IFIs considered it appropriate to continue receiving feedback throughout the year regarding the country's support strategies, which each one is preparing, working on a complementary framework to create financial synergy while responding to the country's priorities. There was also consensus regarding the need to continue exchanging information regarding expected changes in the agricultural sector's institutionality, due to their implications for resource management. Other bilateral partners (USAID, COSUDE, Finland) recommended that the IFAD pay attention to issues related to public and private sector capacities, in order to implement the National Rural Agribusiness Programme and give priority to aspects related to business and competitive development.

9. The consultations with public sector officials were conducted bilaterally and were reviewed in a joint session with ministers from sector institutions and the Ministers of Finance and Foreign Affairs. The review produced an aide memoire, which highlighted a series of opportunities for investment in the agricultural sector, such as macroeconomic stability, a sectoral policy framework, human capital and the country's resources, the existence of a developed cooperative sector, the interest in expanding small farms and agribusiness, the country's expertise as a producer of agricultural products, market diversification, increased foreign investment and a favorable investment climate. The dialogue between authorities and the IFAD identified a few challenges in the sector that can be considered in the strategy: easier access to credit; improved productivity, added value and competitiveness; agribusiness policy and programme implementation;

diversification and adaptation strategies for climate change; ability of rural women and youth to bolster the rural economy; and the inclusion of the Caribbean in the national productive dynamic, among others.

10. The first round of consultations identified the following areas of work to be considered in the strategy: (a) productivity, added value, competitiveness and access to markets; (b) business development and information technology development, with an emphasis on the business skills of rural women; (c) adaptation measures for climate change and the management of natural resources; and (d) territorial development on the Caribbean Coast. Another round of dialogue later identified productivity, sustainability and inclusion as three possible pillars of the strategy.

## **Appendix 2: Country economic background**

### **A. Economic Situation**

1. Nicaragua is the second poorest country in Latin America and the country with the lowest per capita income among Central American countries (US\$1,239 in 2011). According to official figures, the Nicaraguan economy grew during the last 10 years at a rate of 4.5 per cent and 4.7 per cent in 2010 and 2011, respectively. Despite these positive indicators, it is still deemed insufficient for reaching the level of economies in the region and confronting the levels of general poverty (42.5 per cent) and extreme poverty (14.6 per cent) that persist in the country.

2. The recovery of fiscal space remains one of the main challenges of the Government. Tax revenues are located around 20 per cent of GDP and in 2011 these reported a growth of 18.5 per cent, while total revenues increased 19.3 per cent over the same period of time. Note that during 2012 was adopted Reform Act for Fiscal Equity, in order to stabilize the prices of some products, but no effect on revenue. Meanwhile, public expenditure registered a growth of 10 per cent over 2011, while social spending grew 8.9 per cent, mainly in the sectors of education, health and asset transfers to rural women. By the end of 2011, the fiscal deficit reached 2.7 per cent of GDP and total public debt amounted to US\$5 243 400 000, equivalent to 71.8 per cent of GDP, ranking above the reasonable limit of public debt (35 per cent of GDP). Possible changes related to the reduction in cooperative resource flows to poverty relief programmes put the programmes' maintenance and coverage at risk.

3. The agricultural sector is a motor of the economy, representing 20 per cent of GDP, producing more than 60 per cent of annual exports and providing more than 30 per cent of the labor force and 70 per cent of the food. The sector grew at an annual rate of nearly 3 per cent during the period 2000-2010, which increased to 3.7 per cent between 2007 and 2010. This growth reflects stability of its macroeconomic policies and high prices of exportable goods. The role of small farmers is notable –75 per cent with less than 3.5 hectares– who produce 80 per cent of the basic grains, 65 per cent of the livestock and generate 56 per cent of the sector's exports.

4. The country's exports increased in recent years. Between 2007 and 2010, exports grew from US\$1.222 billion to US\$2.264 billion, and between 2010 and 2011, agricultural exports increased by 16.3 per cent. In terms of value, exports increased by 66 per cent between 2010 and 2011, due primarily to international prices that compensated for the low levels of registered exports.

5. Among the sector's most important products are basic grains, which represent nearly 40 per cent of agricultural GDP. Of these, beans account for 13 per cent and occupy 22 per cent of total farmed land. Coffee represents 17.3 per cent of exports in the last three years, generating 14.7 per cent of national employment in the same period, and more than 50 per cent of the jobs in the sector. Livestock in 2010 generated 7.5 per cent of the GDP, 45 per cent of the agricultural GDP and 27 per cent of exports of domestic goods. All these products have low productivity and technological limitations, which affect the cost of production and the country's competitiveness. Additionally, the value chains for these goods are poorly linked with market demands and opportunities, creating barriers to investments in the sector. This requires improvements in the integration of agriculture with rural agribusiness and in the competitiveness of rural businesses.

6. As a whole, the agriculture sector is becoming increasingly important for the economy, even though its commodity production capability for internal consumption and exportation may have implications for the country's development in the medium term. The country is expected to modify this model by promoting investments in sectors like

energy and tourism, and developing infrastructure to stimulate other sectors. In the short and medium term, however, the agriculture sector requires an increase in productivity, added value to primary goods and diversification of markets and products.

7. Since 2005, the Rural Development Sector Programme (PRORURAL: *Programa Sectorial de Desarrollo Rural*) has contributed to the sector's performance and to maintaining a dialogue between the government, cooperating partners and the private sector, taking into account the principals of ownerships, alignment and harmonization. In 2008, the government presented the National Human Development Plan, which reformulated the sectoral programme and gave way to the Inclusive Rural Development Sector Programme (PRORURAL Incluyente, 2010-14), which is implemented by the public sector.

8. The sector's policies are outlined in the National Human Development Plan (PNDH: *Plan Nacional de Desarrollo Humano*) and work together with policies and instruments that attract foreign investment, and with policies that promote market access, productivity and competitiveness of small and medium businesses. Other relevant policies for sustainable farming and resilient chains are policies for adaptation to climate change, and those directed to the use and management of natural resources.

9. The support for indigenous groups is a core component of the IFAD's strategy in Nicaragua<sup>3</sup>, outlined in the Development Plan for the Caribbean Coast. The fund supports projects to improve the quality of life of indigenous groups and to strengthen both institutions and the capacity for farming and sustainable use of natural resources, taking their ancestral knowledge into account.

## B. Poverty in Nicaragua

10. **Changes in Poverty and Inequality.** According to data from the Household Living Standards Survey (EMNV: *Encuesta de Medición de Nivel de Vida*)<sup>4</sup>, the number of people living in poverty in the country decreased between 2005 and 2009. The population living in poverty decreased by 5.8 per cent, and the number of people living in extreme poverty fell by 2.6 per cent. During this period, overall poverty decreased 7 per cent in the rural sector, and extreme poverty decreased 4 per cent. Overall and extreme poverty in the urban sector decreased 4.1 per cent and 1.1 per cent, respectively.

11. Despite this progress, poverty continues to be a widespread phenomenon in Nicaragua, where 42.5 per cent of the population lives below the poverty line and 14.6 per cent in extreme poverty. Poverty in rural areas continues to be higher than in urban zones, as 63.3 per cent of the rural population lives in poverty, and 26.6 per cent in extreme poverty. Likewise, eight of every 10 people (78.1 per cent) living in extreme poverty live in rural zones. On the other hand, people living in poverty in rural zones have an average consumption of 26.6 per cent below the general poverty line, while in urban zones, this figure is 7.2 per cent. Inequality in consumption also decreased. The Gini coefficient at the national level decreased from 0.41 in 2005 to 0.37 in 2009.

12. **Profile of Homes Living in Poverty.** Between 2005 and 2009, the number of homes with a female head of household increased 3.3 per cent, which are also less likely to find themselves living in poverty. Estimates indicated that in 2009, overall poverty was at 44.6 per cent when the head of household is a man, and 38.1 per cent when it is a woman. This may be explained by the effect of social programmes focused on women and a greater propensity for saving.

<sup>3</sup> Based on the guidelines found in "IFAD's Policy, Engagement with Indigenous People" 2008.

<sup>4</sup> Ricardo Estrada, Nicaragua Poverty Profile. Processing the information from the EMNV 2005-2009. International Fund for Agricultural Development (IFAD), May 2012.

13. **Job Market.** According to the EMNV, in 2009 the agricultural sector employed 32.8 per cent of the Economically Active Population, and was also the sector that generated the most jobs. Salaried workers represent 50.6 per cent, self-employed workers 37.8 per cent and family workers 11.7 per cent. In relation to agricultural and non-agricultural jobs, the salaried workers category drops to 33.8 per cent, while family worker increases to 26.6 per cent.

14. In terms of poverty by job sector, 63.2 per cent of people employed in agricultural activities find themselves living in poverty, and 27 per cent in extreme poverty. The rates of poverty and extreme poverty, however, decreased more in the agricultural sector (7.5 per cent and 3.3 per cent, respectively) than in other sectors.

**Changes in Income.** In real terms, income increased 12.4 per cent between 2005 and 2009. Although men earn higher incomes than women, the latter saw greater increases in average wages (17.5 per cent compared to 13.8 per cent). A greater relative increase can also be observed in the incomes of youth under 24 years of age (25.5 per cent) and in people living in rural areas (18.7 per cent). Similarly, the income of the poor grew 14.8 per cent, while the income of those who are not poor increased 7.4 per cent.

### Appendix 3: COSOP results management framework

Country Objectives	Main Results for COSOP Alignment			Topics for Policy Dialogue
	Strategic Objectives	Results Indicators*	Milestone indicators*	
<p>Increase small farmers contribution to the generation of agricultural value added.</p> <p>Promote conservation and sustainable management of natural resources</p> <p>Improve access for women farmers, rural youth, indigenous communities and Afro- descendants to financial services, technology, and technical services appropriate to their strategic needs.</p> <p>Promote income generation and decent employment.</p>	<p><b>SO1 (Inclusion).</b> Access to assets, markets, income generation activities is facilitated and job opportunities are increased. This will be achieved through affirmative actions that will contribute to implement inclusive strategies for the poor rural population in the local and national socio-economic development processes;</p> <p><b>SO2 (Productivity).</b> Labour productivity is improved through incentives which facilitate access to information, technology, and technical and financial services;</p> <p><b>SO3 (Sustainability).</b> Environmental, fiscal and institutional sustainability is improved.</p>	<p>per cent of rural population living above poverty line.</p> <p>per cent of reduction of salary gap for vulnerable groups (women, youth, indigenous population)</p> <p>Number of rural jobs created for vulnerable groups (women, youth, indigenous population)</p> <p>per cent of gap reduction of rural poor that access to assets</p> <p>per cent of increased of volume and value of sales in selected commodities</p> <p>per cent of increased added value by employed rural workers</p> <p>per cent of rural people with access to water for consumption and productive purposes.</p> <p>per cent of rural families that diversifies sources of incomes.</p>	<p>Number of people accessing to projects services</p> <p>Number of people (men and women) trained in business abilities.</p> <p>Number of people that access to Information &amp; Communication Technologies.</p> <p>Number of rural people (men and women) that access to technical services</p> <p>Number of rural people (men and women) that access to financial services</p> <p>Km of rehabilitated rural roads</p> <p>Number of rehabilitated or newly built watering points for consumption or production.</p>	<p>Facilities and conditions for access to credit in rural areas</p> <p>Instruments and incentives in the agro-industrial sector framework, such as financing strategy.</p> <p>Rural women as actors in business development.</p> <p>Integration of rural youth as economic actors and agents of change.</p> <p>Learning on Indigenous and Afro descendants practices for territorial management.</p> <p>Strengthening the fiduciary management abilities of sector institutions.</p> <p>Rural development Budget/GNP</p> <p>Sectorial Budget by sources (Multilateral/ bilateral /Ordinary)</p> <p>Appropriate monitoring and evaluation systems.</p>

\* During project design and COSOP implementation, special attention will be paid to setting a baseline and quantifying the indicators linked to national and sectorial monitoring systems.

## Appendix 4: IFAD programme in Nicaragua

### A. Current Project Portfolio within the COSOP Framework 2005-2012

1. The country strategy under review covers projects approved between 2005 and 2012, although it also includes those under the TAF 529-NI loan agreement, which initiated operations in June 2001 and will end in December 2012 (a 12-year loan with *flexible loan mechanisms*). The projects reviewed include the following:

**Table 1: Portfolio of projects included in COSOP 2005-2012**

Nro.                      Nombre Proyecto		Amount Approved USD	Amount Executed USD	Date				Status
				Approved	Effective	Signed	Closed	
Loans								
529	FAT	14 000 000	12 656 961	09/12/1999	20/06/2001	29/05/2000	31/12/2013	On-going
610	PRODESEC	14 000 000	13 747 936	10/04/2003	17/08/2004	17/09/2003	31/03/2011	Closed
760	PROCAVAL	4 514 000	1 673 221	12/09/2007	20/08/2008	22/01/2008	31/03/2016	On-going
830	NICARIBE	4 000 000		15/12/2010	20/08/2008	27/09/2011	31/03/2016	Signed
863	PROCAVAL Supplementary funds	5 900 000		13/12/2011				Approved
Sub-total Loans		42 414 000	28 078 118					
Donaciones								
466	FAT	200 000	200 000	09/12/1999		29/05/2000	31/12/2013	On-going
8009	PROCAVAL	4 514 000	1 673 221	12/09/2007		22/01/2008	31/03/2016	On-going
8071	NICARIBE	4 000 000		15/12/2010		27/09/2011		Signed
8075	CENAGRO	500 000	221 801	23/12/2010		16/05/2011	30/06/2013	On-going
8097	PROCAVAL Supplementary funds	5 400 000		13/12/2011				Approved
Sub-total Grants		14 614 000	2 095 022					
Total		57 028 000	30 173 140					

2. The amount financed by IFAD through loans and grants during the above period totals US\$57 million, of which US\$42.4 million (74 per cent) are in the form of highly concessional loans and US\$14.6 million (26 per cent) in grants. These resources have mobilized another US\$42 million in contributions from other funding sources, such as the Government of Nicaragua, beneficiaries, credit institutions (Peasants' Development Fund /Banco Produzcamos), the World Bank, the SDC and the CABEI, which has been IFAD's main cofinancing partner during this period, representing 38 per cent of all cofinancing. Contributions from credit institutions and the beneficiaries themselves represent 40 per cent (20 per cent each), while contributions from the government counterpart represented approximately 13 per cent of total cofinancing.

3. During this period, the loans and grants portfolio amounted to 53 per cent of total funding during IFAD's 30-year presence in Nicaragua and is estimated to have benefited approximately 250,000 families. It is worth noting that cofinancing represents only 29 per cent of the total amount throughout these 30 years.

### 1. Results and Lessons Learned

4. The active projects are the following: i) Technical Assistance Fund, FAT (529-NI), which ends in 2013 at a cost of US\$20.6 million (US\$14.2 million from IFAD and cofinancing from the World Bank and other sources, and contributions from government counterparts and beneficiaries); ii) Project to Incorporate Small Farmers into the Value Chain (PROCAVAL: *Proyecto de Inserción de Pequeños Productores en Cadenas de Valor*), approved in 2007 and implemented in 2008, overseen by the IDR at a total cost of US\$38 million (US\$20.3 million from IFAD – 50 per cent donation and 50 per cent grant – , CABEI with US\$8 million, GRUN (US\$5.5 million) and contributions from beneficiaries (US\$4.2 million); iii) Rural Development Programme for the Caribbean Coast (NICARIBE), approved in December 2010 and implemented in January 2011, at a total



cost of US\$14 million (IFAD US\$8 million, CABEI US\$4 million and contributions from beneficiaries and matching funds); and iv) a grant in the amount of US\$500,000 to support the 4th National Agricultural Census, approved in December 2010 and fully disbursed.

5. **Results.** The results of the 2005 COSOP show that some 400,000 people have benefited from the project portfolio and another 122,000 more are expected to benefit from the programme with the approved supplementary financing. The cumulative results to date according to the COSOP 2005 results can be summarized as follows:

- a. **Improved processes, mechanisms and incentives promoting access to markets by poor men and women from rural zones.** Some 153,000 people, namely farmer families and small rural entrepreneurs, are linked with markets (coffee, honey, cacao, basic grains and livestock); more than 60,000 people gained access to job opportunities through 357 rural businesses; more than US\$9.37 million in credit for farmers and small entrepreneurs benefited 60,000 people; more than 60,000 people –50 per cent of them families with female heads of household– benefited from asset transfers through the Food Production Programme (*Programa de Producción de Alimentos*); more than 7,400 water harvesting and management projects benefited some 65,000 people in 33 localities in the dry region.
- b. **Increased capacity and efficiency of rural institutions to facilitate rural access to markets and improve the local business climate.** Nearly 5,000 families started businesses to generate income within the PROCAVAL framework and more than 2,200 worked in business chains with access to markets for basic grains, coffee, honey, cacao, livestock; 43 active marketing groups with some 35,000 members and more than 140 cooperatives were formed in the last three years with a high level of participation by women; there are plans to reproduce investment models for water harvesting; and there are some 35 IDR contracts with farmer organizations in order to participate in different stages of the value chains and market access.
- c. **Scaled-up strategies and best practices, and greater expertise and innovations as a result of the projects, in rural development policy.** Value chains and market access have been the focus of IFAD in the formulation of the national rural agro-industrial plan that is part of the sector's public policy; the projects supported by IFAD provide innovative models – markets, associativity, training service providers- for the implementation and sustainability of the national food production voucher scheme. NICARIBE was created as a result of the policy dialogue, which is the first public farming and territorial management project, benefiting 70,000 people from 100 indigenous Afro-descendant communities.
- d. **Impact on Food Security.** In PRODESEC's coverage area, the number of families experiencing hunger decreased from 61.4 per cent to 43.2 per cent; the average length of time these families experienced hunger fell from more than 3 months to 2.5 months. In the same area, *acute malnutrition* decreased from 3.4 per cent in 2005<sup>5</sup> to 1.3 per cent; and *overall malnutrition* also decreased within the programme's area of coverage, from 6.7 per cent to 4.6 per cent, reflecting both the current and/or past nutritional state of children.

<sup>5</sup> This indicator measures the effect of inadequate nutrition, deterioration of the diet and/or the presence of acute disease.

**6. Lessons learned.** The portfolio of projects has transitioned from a focus on food security to a focus on job and business development through rural microbusiness, and then towards a focus on including small farmers in larger-scale businesses and added-value products. The main lessons derived from this experience are outlined below:

- ***Inclusion of small farmers in markets.*** Addressing the issue of poverty initially resulted in more dynamic linkages between rural families and markets through the promotion of rural microbusinesses and the creation of job opportunities.
- ***National strategies and policies.*** The country has a framework of strategies and sector policies that creates a space for dialogue to identify new innovations and replicate good practices. However, this framework can be complemented with an appropriate business environment at the local level to increase opportunities and competitiveness for small farmers.
- ***Associativity and competitiveness.*** Rural start-up businesses organized in a variety of associative forms are more effective in terms of designing proposals and to increase their probability of becoming a successful business. The associative processes have resulted in businesses with greater economies of scale, increased competitiveness in production and marketing, and better access to services.
- ***Participation and ownership in rural businesses.*** The success of rural family businesses and business organizations depends on their level of ownership.
- ***Differentiated capabilities and access to markets.*** The project has demonstrated that these conditions and capabilities are primarily determined by the type of current markets, the business development capacity of farmer organizations and the level of technological development.
- ***Ownership and risks.*** The fact that organizations are willing to take on the credit risk is an indication of ownership and of a sense of direction for business development opportunities.
- ***Institutional development and resource management.*** National institutions have developed from autonomous project units to independent structures with their own practices and procedures. Public institutions are becoming facilitators for access to resources and services.
- ***Inter-institutional monitoring mechanism.*** The performance of the project portfolio is related to the leadership of institutional counterparts at IFAD (MINREX and MHCP) and the coordination with sector institutions (Ministry of Agriculture, Institute for Rural Development, Caribbean Coast Development Secretariat). As a result of certain problems in the project's performance, a high-level committee was created with officials from the above-mentioned ministries, in order to find effective solutions. This is a government monitoring mechanism that is activated when the project's performance encounters difficulties.
- ***Monitoring and direct supervision.*** Direct supervision began in the country in 2009 and has led to substantial changes in the relationship between IFAD and the country, and in the portfolio performance. This has resulted in a greater presence, and has made policy dialogue with the government and with international cooperation agencies possible.
- ***Women in the rural economy.*** As a result of the conflicts during the 1980's, women have taken on a role as leaders and their participation in the decision-making process within different spheres of political, social and economic life has increased. This leadership can be observed at the level of local governments,

legislative bodies, public institutions, unions and private organizations. This capacity can increase substantially in rural areas, facilitating access by young women to assets and knowledge, with the potential to develop rural businesses at different levels.

## **B. Portfolio of projects financed by IFAD in Nicaragua (1979-2011)**

**Table 2: Portfolio of IFAD loans and grants to Nicaragua (1979-2011)**

Loan/Grants	Projec Name	FIDA (USD)	Co-financing (USD)	Total
30/	PROGRAMA DE REHABILITACION AGROPECUARIA E INDUSTRIAL	12 500 000	71 000 000	83 500 000
89 2/	PROYECTO DE DESARROLLO RURAL INTEGRADO DE LA REGION PRONORTE	11 000 000	14 000 000	25 000 000
346/	PEQUEÑOS PRODUCTORES DEL TROPICO SECO EN LAS SEGOVIAS - I	11 424 000	13 160 000	24 584 000
406/20	PROYECTO DESARROLLO RURAL REGION SECA PACIFICO SUR	12 244 000	6 627 000	18 871 000
529/466	PROGRAMA NACIONAL DE TECNOLOGIA Y FORMACION AGROPECUARIA-FAT	14 200 000	6 378 000	20 578 000
610/	PROGRAMA DESARROLLO ECONOMICA DE LA REGION SECA DE NICARAGUA	14 000 000	11 000 000	25 000 000
760/8009/863/8097 1/	PROYECTO CADENAS DE VALOR Y ACCESO A MERCADOS - PROCAVAL	20 328 000	17 630 000	37 958 000
830/8071 1/	PROGRAMA NICARIBE	8 000 000	6 954 000	14 954 000
8075/	CENSO AGROPECUARIO	500 000		500 000
<b>Total</b>		<b>104 196 000</b>	<b>146 749 000</b>	<b>250 945 000</b>

1/ 50% Donación y 50% Préstamo

2/ Condiciones intermedias

7. From 1980 to December 2011, IFAD has approved loans and grants in the amount of USD\$104 million (SDR 74.2 million), mobilizing an additional US\$146.75 million from contributions by the government, beneficiaries and funding organizations, which has resulted in a total investment of US\$251 million. These resources have benefited approximately 670,000 people. The investments have targeted the country's central and Pacific coast regions. The first project for Nicaragua's Caribbean Coast (NICARIBE) was approved in December 2010. The projects have been implemented within a period of five to seven years, except for the FAT, which is a 12-year project implemented in three phases.

8. Among the principal funding organizations that have participated in these projects as cofinancers are the IDB, the European Union, the Government of Venezuela, WFP, SDC, the World Bank and CABEI.

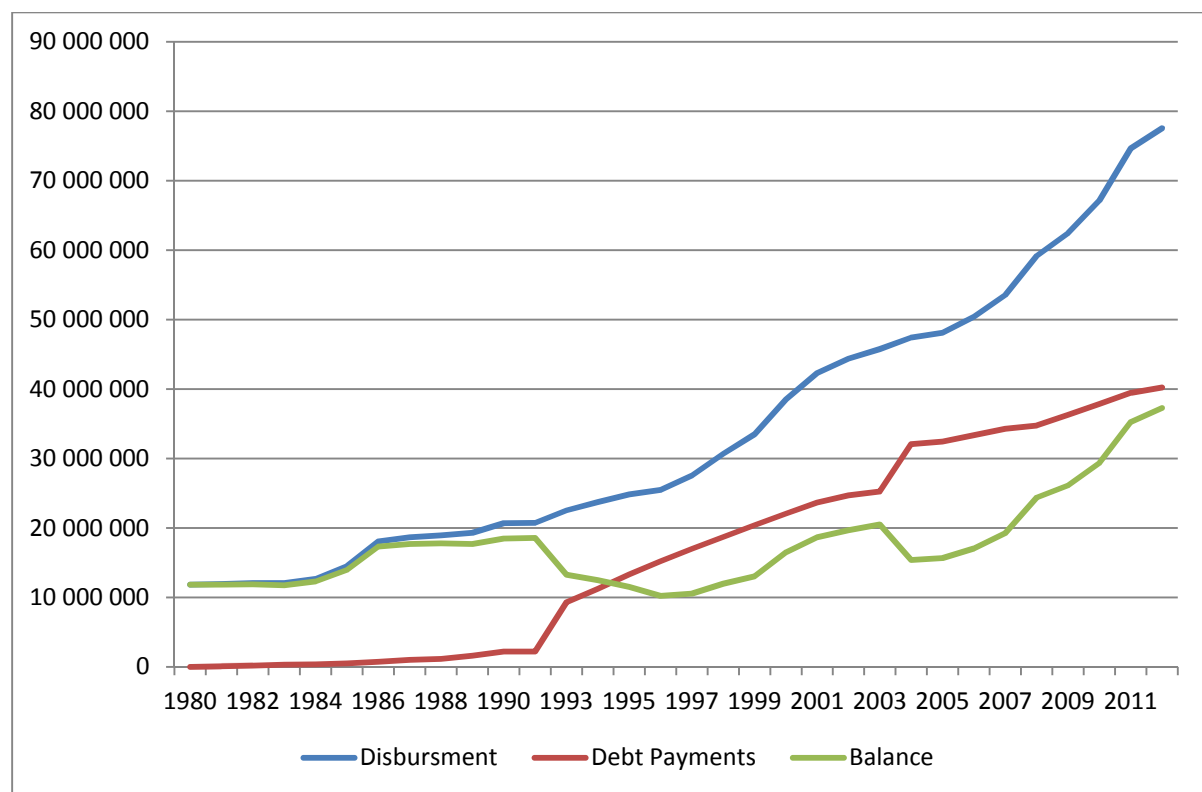
9. The IFAD loan conditions have been highly concessional, except for the PRONORTE project (Loan No. 89) with intermediate conditions. The funding conditions became more favorable as of 2007, with 50 per cent of funding within the category of highly-concessional loans and 50 per cent in grants, due to the fact that Nicaragua is in the DSF framework.

10. The loan conditions and disbursement rate have resulted in a resource balance that is highly favorable for Nicaragua. The following graph illustrates IFAD's disbursements in Nicaragua, the debt payment by the Government of Nicaragua (principal repayments plus interest) and the balances derived from the difference between disbursements and debt payments. This flow was negative between 1995 and 1999 due to the fact that no new loans were approved between 1981 and 1993.

11. The flow of balances decreased again between 2003 and 2004, primarily as a consequence of the end of TROPISec and PROSEUR in 2002 and 2003, respectively, which meant that the FAT project was the only one in operation, thus lowering the disbursement rate. It should be noted that the flow of resources began to increase notably as of 2007 as a result of growing project disbursements. In 2007, the FAT and PRODESEC projects were in full operation, and PROCAVAL initiated operations in August

2008. Greater detail of this increase in disbursements is presented below, as it refers to the COSOP 2005-2012 project portfolio analysis period.

**Figure 1: Cash Flow IFAD Financing (Nicaragua 1980-2012)**

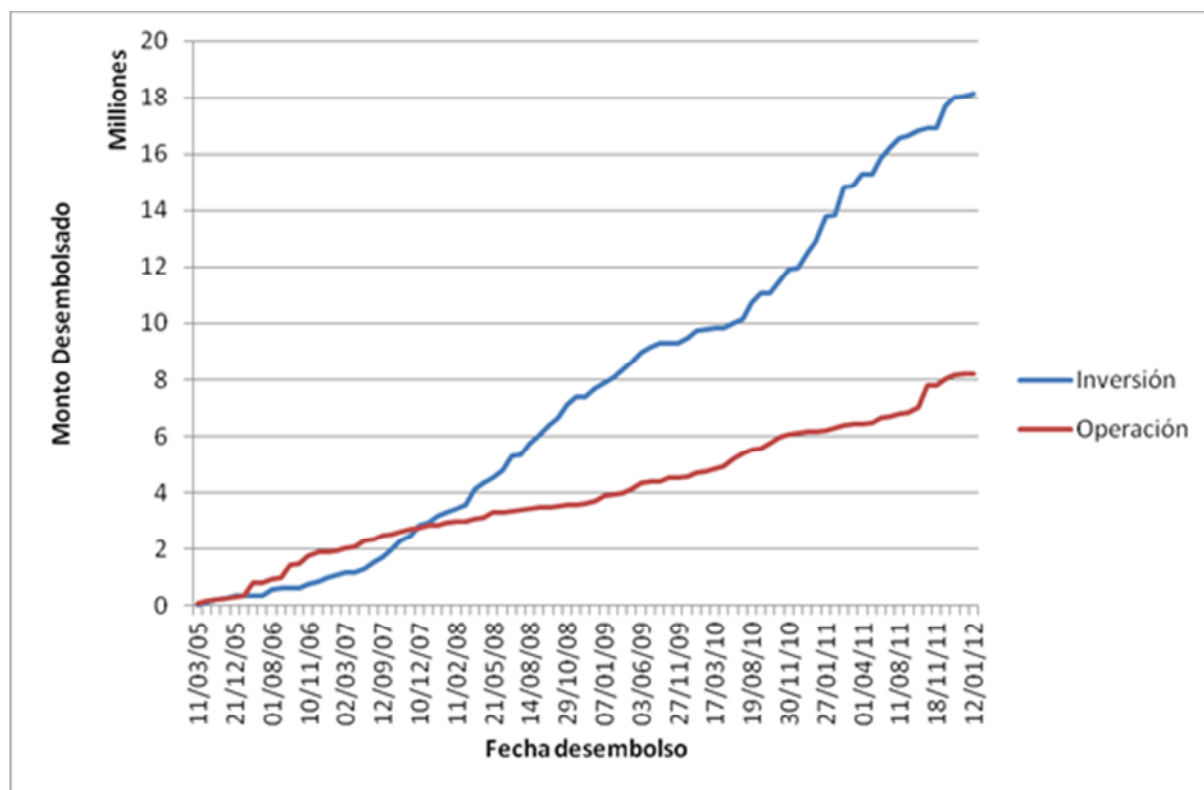


### **Progress of COSOP disbursements and investment and operation expenses, 2005-2009**

12. The graph below illustrates the aggregate disbursements for the FAT, PRODESEC and PROCAVAL projects (loans 529-NI, 610-NI, 760-NI and DSF 8009A grant) between January 1, 2005 and January 12, 2012, the date of the last disbursement under consideration. This data is divided into investment expenditures and operational expenditures<sup>6</sup>.

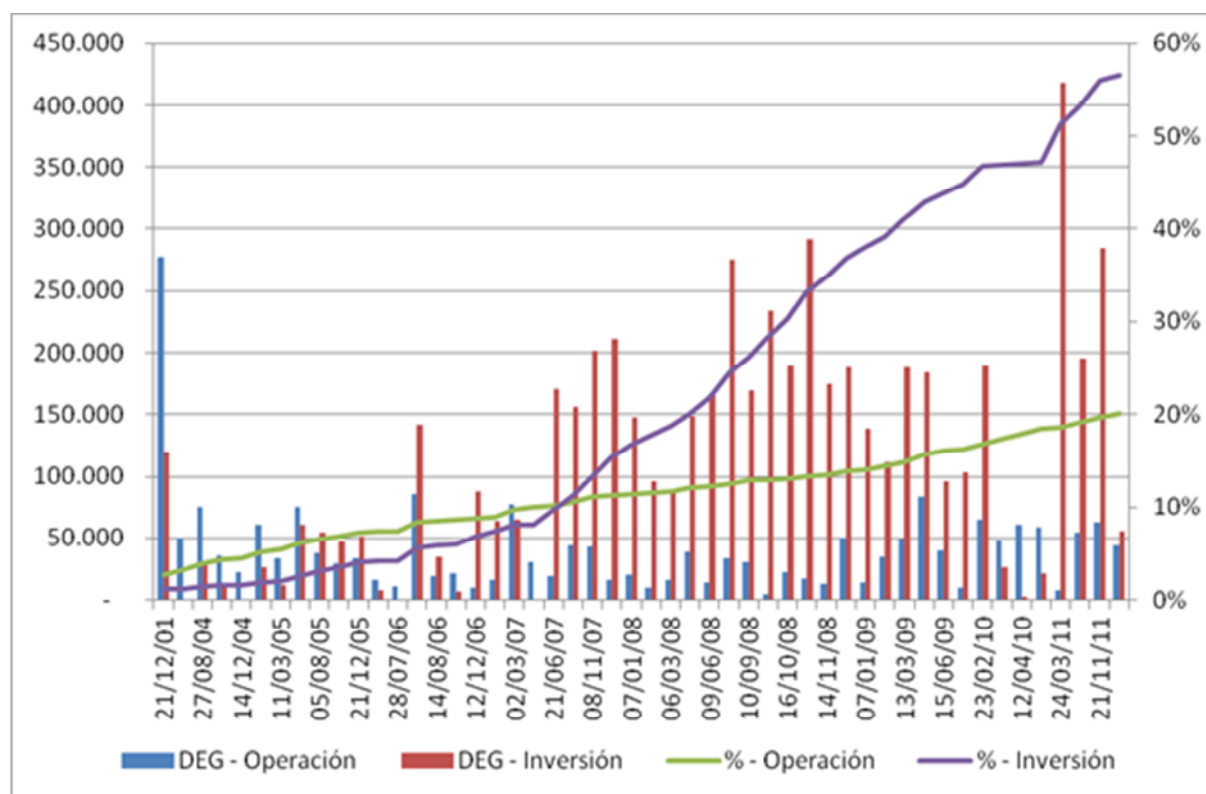
13. It is noteworthy that at the beginning of 2007 investment expenditures began to increase at a greater rate than for operations, and at the end of that year, investment expenditures exceeded those for operations. While in 2005 investment expenditures represented 30 per cent of the total, at the end of 2007 it was 50 per cent. The opposite occurs now, with investment expenditures representing 70 per cent and operation 30 per cent.

<sup>6</sup> Investments are considered to be expenditures in the following categories: local assistance fund, *Fondo de Asistencia Local* (Loan 529-NI); business opportunity fund - *Fondo de Oportunidades de Empleo y Negocio* (Loan 610-NI); local initiatives fund - *Fondo de Iniciativas Locales*, and food security fund - *Fondo Seguridad Alimentaria* (Loan 760-NI/DSF 8009A-NIC). Operations expenditure included the categories of Vehicles and Equipment, Contract Services, Salaries, and Operating Costs.

**Figure 2: FAT, PRODESEC, PROCAVAL: Disbursements by type of expenditure**

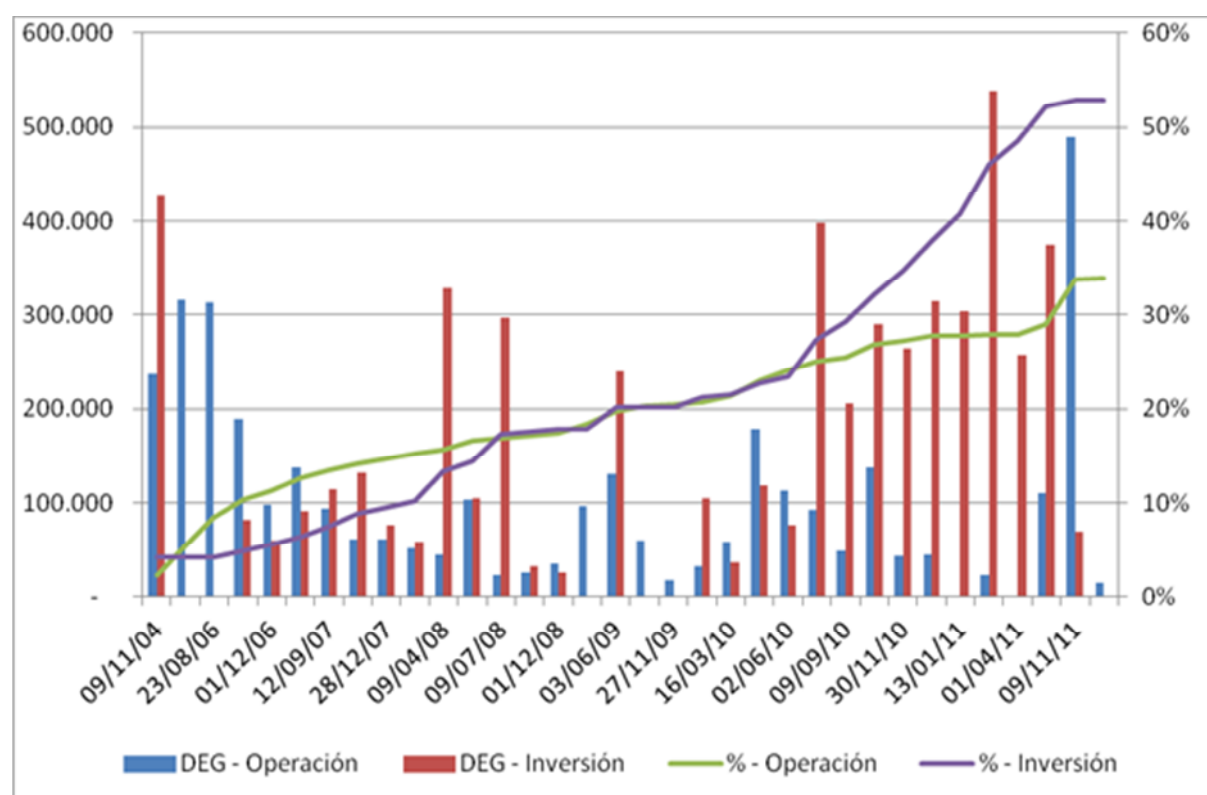
14. As we will see in detail for each project, during the 2005-2007 period, the greatest proportion of operation expenditures was for the two projects –FAT and PRODESEC– that were in the implementation phases and therefore did not elicit greater levels of investment: PRODESEC was in its initial phase of developing work methods, targeting and definitions of communities and groups, preparation, and formalization of proposals; while FAT was transitioning from phase 1 to 2, a period in which investments transitioned from very low-scale and low-value (which required greater attention and cost) to investments of greater scale and value (with less cost and more investment).

15. Beginning in 2007, both projects entered a state of maturity that drew greater investments required for operation expenditures, which was facilitated further by the Government of Nicaragua's interest in favoring investments aimed at small farmers as well as IFAD's greater presence as of 2009 overseeing the operations, supporting its implementation and providing direct supervision.

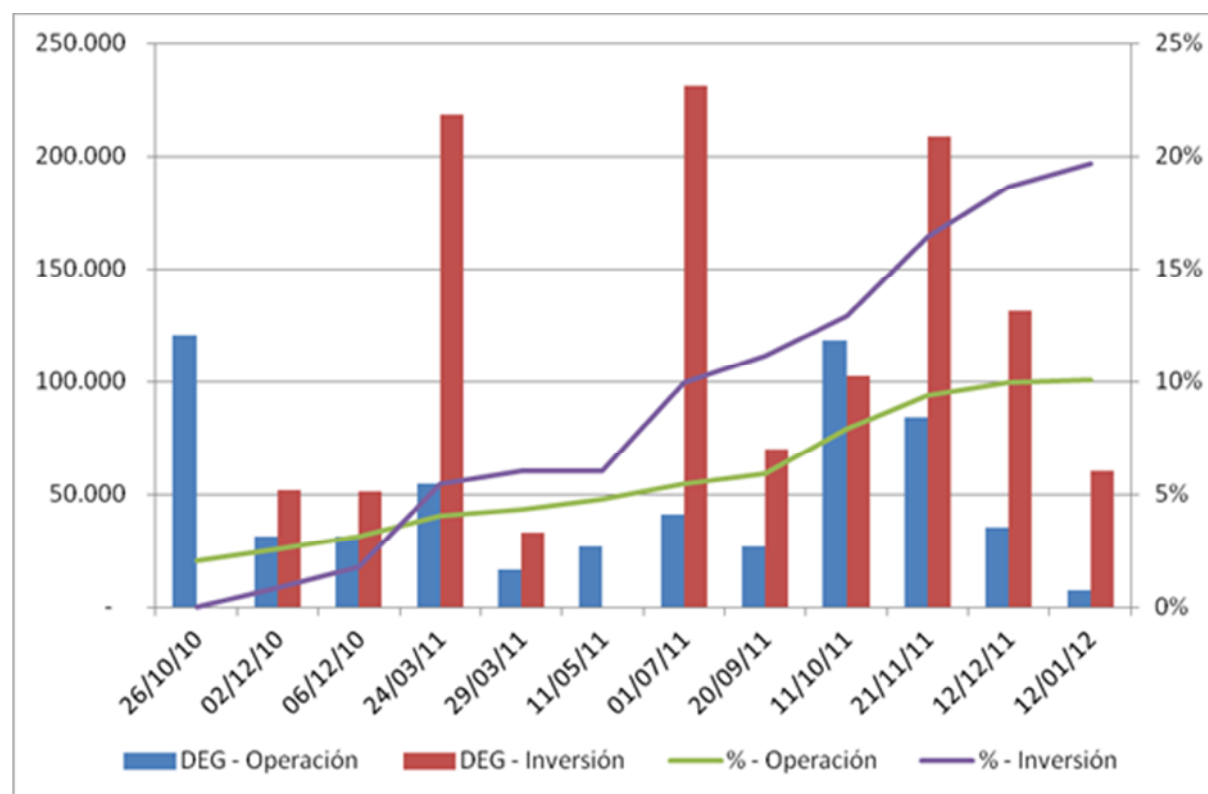
**Figure 3: FAT: Disbursements and type of expenditure**

16. Figure 3 illustrates the percentage of the cumulative disbursements of the FATs, in terms of investments and operations, and each disbursement request, as per spending for operations or investments. As the graph illustrates, only recently -in mid-2007- FAT improves its ratio of investment costs/operational costs, after which the increase in investment expenditure grows faster than operational expenditure. Apart from improving this ratio, the spending capacity increases considerably, and each disbursement request is for a greater amount, with lower costs for related transactions. A change can be noted in 2010, when the operational costs are greater than investment costs, which is due to the transition from phase 2 to phase 3, and in particular, to a decision by the government to reassign executive responsibility to MAGFOR, which required a process of reorganization, design and implementation of the conditions agreed upon for the third phase. Beginning in 2011, investments increased again, due to the BPA's execution.

17. PRODESEC, for its part (Figure 4), shows reasonable behavior in terms of its ratio of operational expenditure to investments according to the cycle of projects, transitioning from initial costs and implementation costs when the programme began, to consolidated proposals and increased investments as of July 2008. At that point, the programme suffered the consequences of the continuous changes in the IRD Executive Board (five in three years), with the resulting management change in PRODESEC, and it is only in the second semester of 2010 that a greater stability in the Executive Board (the current Executive Director assumed office in April 2010) and the programme management allows the programme to improve significantly its performance. As it can be observed in the same graph, it is only in the second semester of 2010 that each disbursement generally exceeds SDR 150,000. Prior to the second semester of 2010, each disbursement was below SDR 100,000. Two factors that led to an increase in disbursements for investments beginning in October 2010 were the incorporation of a greater number of contracts with municipal associations for water harvesting investments, and the maturity of the business plans of small companies.

**Figure 4: PRODESEC: Disbursements and type of expenditure**

18. For its part, PROCAVAL has notably improved its financial performance compare to the two previous projects. As Figure 5 illustrates, investment expenditure already exceeded operational expenditure after the fourth disbursement. In 2009, the project was operational but made no type of disbursement, and it isn't until October 2010 that it made the first disbursement, and only to account for operational spending; this is the result of the slow implementation and organization of executive teams and procedures in the departments. The initial investments that begun in 2010 were related to the Food Security Plans, and it is not until the last trimester of 2011 that investments increase for Business Plans (Insertion in Value Chains, Capacity Building and Income Initiatives).

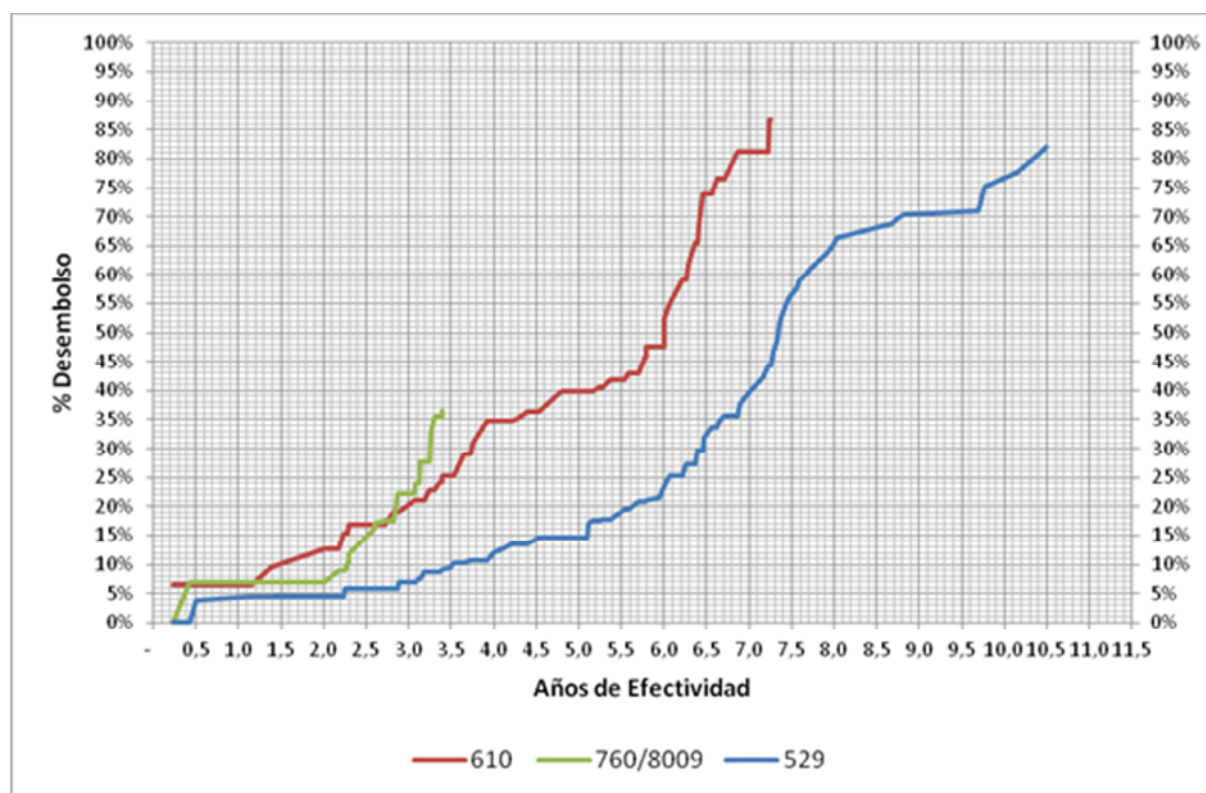
**Figure 5: PROCAVAL: Disbursements and type of expenditure**

### 1. Rate of disbursement of the projects

19. The graph below illustrates the rate of disbursement for each project in relation to the years transpired since the date of each project's effective implementation.



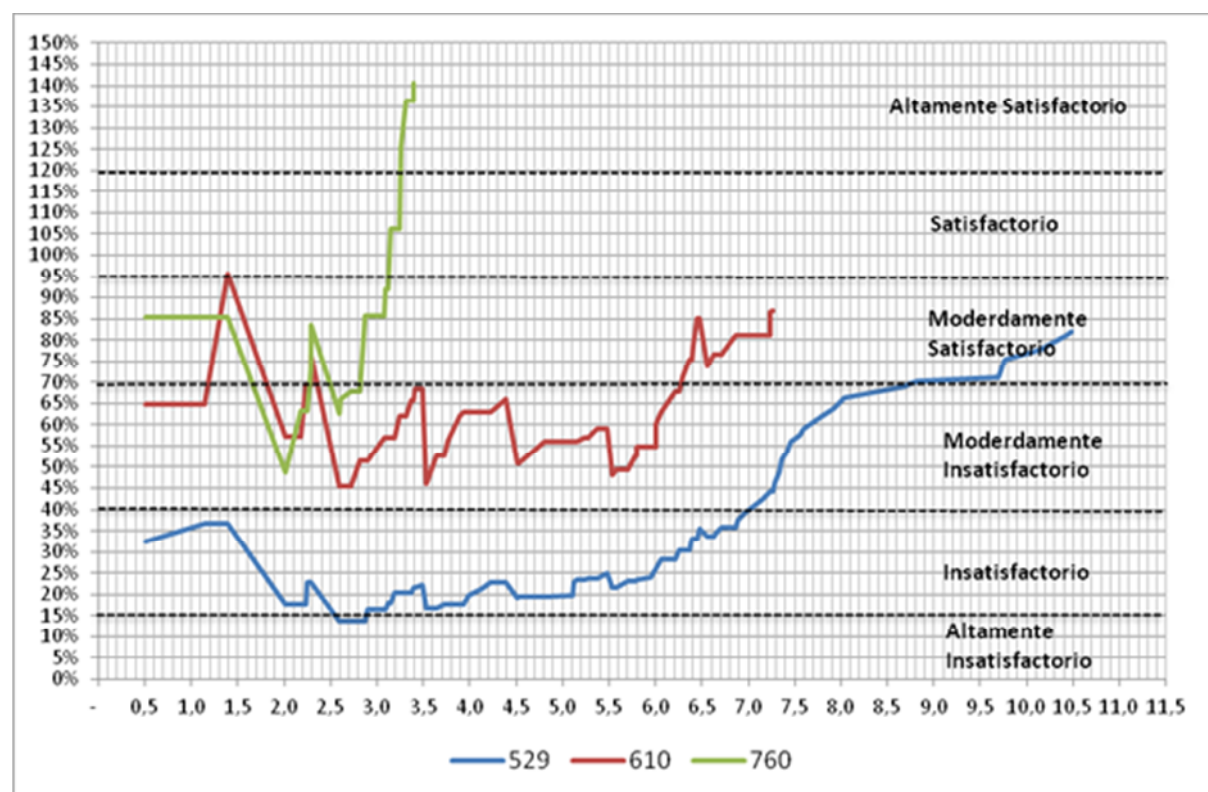
**Figure 6: FAT, PRODESEC, PROCAVAL: per cent Disbursed, by years of effective operation**



20. FAT and PROCAVAL, after the initial deposit was made in the special account, took a little more than two years to complete the first disbursement. PRODESEC, however, made its first disbursement in the first year.

21. This initial delay often occurs due to several reasons –depending on the project–, is a characteristic that repeats itself each time a new project begins. These delays can be explained in part in the expected period of preparation for implementation and the learning process required for each project, but a recurring reason is the lack of financial management skills and of the capacity to formulate the disbursement requests, due namely to: a management culture that is unaccustomed to considering financial issues as a strategic element and delegates finances to administrators, as an operational element; executive teams with little experience in managing outside resources; the development of investment plans with the target population that are weak in terms of activity planning, financing and resource flows.

22. With respect to the changes in disbursement rates throughout the years of operation, a slow change can be observed in the FAT. This is largely explained by the fact that, unlike PRODESEC and PROCAVAL, the FAT has been in operation for 12 years.

**Figure 7: Disbursement rate compared to the average of similar IFAD projects**

23. Upon comparing the disbursement rate with the average of similar IFAD projects, it can be observed that only PROCAVAL –after 2.5 years in operation– has reached a highly satisfactory rate of disbursement with values up to 140 per cent after 3.5 years (20 per cent higher than the average for similar IFAD projects). In the case of PRODESEC, despite that its disbursement level has increased significantly in the last year of operation, it was affected by its final disbursement rate of 85 per cent and by its six-month deferment, for which it was penalized one point and dropped from a score of satisfactory to moderately satisfactory.

24. The opposite applies to the FAT, which earned an extra point for being in operation for 12 years, earning a score of moderately satisfactory despite its low disbursement rates and irregularities during the transitions between phases.

25. One factor that has favored PRODESEC and PROCAVAL in its disbursement rates, has been the use of the reimbursement mechanism, which does not limit the availability of resources offered with the anticipated payment of the special account.

## Appendix 5: Nicaragua - Support National Rural Agroindustry Programme

### A. Background

1. IFAD has financed nine operations in Nicaragua for approximately US\$104 million, while mobilizing additional resources (cofinancing and counterpart funding) for US\$250 million. The projects under implementation are fully in line with the national policies/strategies of the Reconciliation and National Unity Government (*Gobierno de Reconciliación y Unidad Nacional-GRUN*) as outlined in the Inclusive Productive Rural Development Programme (PRORURAL I) and with Result Based- Country Strategic Opportunities Programme (RB-COSOP 2013-2017). IFAD actively participates in project implementation and country dialogue with GRUN and the donor community.

2. The **on-going lending portfolio** includes: (a) the 20.6 million *Technical Assistance Fund Programme for the Departments of León, Chinandega and Managua (FAT Programme)* (US\$14.2 IFAD financing approved in December 1999; US\$3.6 million IDA/World Bank and Swiss Agency for Development financing); (b) the US\$38.0 million *Inclusion of Small-scale Producers in Value Chains and Market Access Project (PROCAVAL)* (US\$20.3 million IFAD loan and grant financing approved in September 2007 and a supplementary financing approved in December 2011, complemented by US\$8.0 CABEI financing; US\$5.5 million by the Government and US\$4.17 million by Beneficiaries); and (c) the USD15.0 million *Development Programme for the Agricultural, Fishing and Forestry Productive Systems in the Indigenous Territories of RAAN and RAAS (NICARIBE)* was approved in December 2010. The programme is being financed by IFAD (US\$4.0 million loan, US\$4.0 million grant) and CABEI (US\$4.0 million). Finally, a US\$0.5 million grant has been allocated to support the IV National Agricultural Census.

3. **Key lessons.** Experience from IFAD projects demonstrate that in a poor country with agricultural vocation, such as in the case of Nicaragua, it is possible and advantageous: (a) to support the increase of production and access to markets in order to achieve increased rural incomes and employment; (b) to apply Business Plans, as a means to achieve project appropriation by the beneficiaries; (c) to link organized small producers with dynamic economic centres (small towns, agro industries, etc.) through the strengthening of their organizational capacities, entrepreneurial development and technical knowledge; (d) to promote the aggregation of value through innovation and technology transfer; (e) to achieve efficiency, effectiveness and sustainability, strengthening fiduciary management within public institutions and beneficiary organizations; and (f) to accomplish field development impact through the application of territorial approaches and a programmatic perspective together with inter-institutional alliances, private-public partnerships and coordination with other projects and programmes.

### B. Strategic Context/Rationale for IFAD Involvement, Commitment & Partnership

4. Nicaragua has a population of 5.8 million, largely rural (60 per cent of total population). Its Gross National Income (GNI) per capita is US\$1,239, with a Gini coefficient of 0.37 in 2009, and a Human Development Index of 0.565 (rank 115 of 169 countries. 2010). The national economy has grown over the past two years at 4.5 and 4.7 per cent, while in the last five years there has been an average annual growth of 4.23 per cent in agricultural production and 10.5 per cent in livestock. However, difficulties persist to improve productivity in the sector that is one of the lowest in Central America. National **extreme poverty** has been reduced in Nicaragua, from 17.2 per cent to 14.6 per cent; and rural extreme poverty has been reduced from 30.5 per cent to 26.6 per cent, in the period 2005-2009 as a result of a favorable international economic context and the implementation of the *Hambre Cero* (Zero Hunger) Programme, Seed Food Programme and other PRORURAL I initiatives. Other social protection programs in health, education and housing have also contributed to reduce it. However, **general poverty** still reaches 42.5 per cent at national level and 63.3 per cent of the **rural population**; a percentage that almost doubles the one faced by urban areas (26.8 per cent).

5. **Programme rationale.** The GRUN commitment for rural development and poverty reduction was ratified by the priority that has been assigned to the National Human Development Plan and the PRORURAL I. Within this context, the government of Nicaragua developed the National Rural Agro-industry Programme (PNAIR) with the objective to achieve that small producers increase their participation and appropriate themselves of the value added, establishing linkages with local and external markets, strengthening value chains and activating local economies. The PNAIR also aims to develop innovations, knowledge and business skills of small and medium producers to improve productivity and sustainability. The program pays particular attention to women who have been capitalized assets and have the potential to develop entrepreneurship at different scales. IFAD's proposal is to support PNAIR within a programmatic approach, financing together with other donors.

PNAIR has been designed as an up scaling of IFAD Project PROCAVAL which is considered as a living "lab project" for PNAIR.

6. PNAIR's principal institutional partners are the MFCCA (former IDR), responsible for PNAIR's design/implementation and for the implementation of PRODESEC, PROCAVAL and NICARIBE; the Ministry of Agriculture and Forestry; the National Institute for Agricultural and Livestock Technology; the Ministry of Enterprise Development, Industry and Commerce; Regionals Institutions from de Caribbean Cost and the *Produzcamos* Bank. The small producers associations are key partners, as well as the private sector, which has produced successful experiences through PRODESEC and PROCAVAL. Other organizations such as the Investment Promotion Agency of Nicaragua, PRONicaragua, aimed at attracting investment that drive growth and create jobs.

### C. Possible Geographic Area of Intervention and Target Groups

7. The **intervention area** consists of territories that respond to: (a) socioeconomic priority criteria, including poverty levels, local and international economic markets; (b) criteria for prioritization of production activities and value chains established by PNAIR; and (c) criteria for comparative competitiveness.

8. **Target group/user-beneficiaries.** Although poverty has been reduced in Nicaragua, it's still significant and concentrated in rural areas. Is more than twice that in urban areas. That means that with a rural population of 2.4 million people, more than 1.5 million live in poverty and 655 thousand in extreme poverty. In this context, and considering that targeting policies defined in the Agribusiness Program is consistent with IFAD's targeting policy, a target group of 600 thousand people (about 90 000 families) has been identified and includes: i) small producers of basic grains, coffee, cocoa and milk, ii) women and youth with or without access to land, with potential for income-generating initiatives, and iii) the rural poor indigenous and African descent living in territories Caribbean Coast of Nicaragua.

### D. Justification and Rationale

9. Despite the average growth experienced by the agricultural/rural sector of 7-8 per cent over recent years (2007-2009), the high indicators of rural poverty and the ever-present food insecurity and vulnerability due to input price volatility and climate change factors, fully justify the need to support the government's efforts to promote a strategy of inclusion of small producers to value chains related to food production in order to complement and develop the food security and rural poverty reduction national strategy. The political contexts, the existing opportunities to increase production/productivity, to promote the increase of youth and women income and to develop suitable mechanisms for value aggregation by small-producer organizations, justify the implementation of a new operation. While some significant numbers of small producers (men and women) have attained some experience in value chain and commercial linkage development, the proposed initiative aims at systematically expanding and consolidating these actions. The innovation and learning will be capitalized to facilitate the replication of good practices in the operation of chains.

### E. Key Programme Objectives

10. The proposed initiative's **development goal** is to contribute to improve the living conditions of the rural poor through a steady increment of incomes as well as to achieve overall food security in line with and complementary to the objectives of the PNAIR. The **objective** of the proposed IFAD financing is that small producers of the identified priority territories integrate themselves to relevant suitable markets while improving their incomes and employment through market access and value aggregation, within enhanced national rural development policies. The **specific objectives** include: (a) contribute to achieve the overall objectives of the National agroindustry programmes through articulated and complementary financing; (b) establish steady alliances with other actors involved in the value chains; (c) assure technology transfer, asset-building and development of entrepreneurial capacities; (d) facilitate value aggregation processes and availability of climate change adaptation technologies; and (e) contribute to the development of rural women and young people's capacities for the improvement of their incomes. All interventions will be based on participatory, gender sensitive and social inclusion approaches.

### F. Ownership, Harmonization and Alignment

11. IFAD has established a consistent policy dialogue with the government and the donor community, while participating actively in the existing harmonization and cooperation mechanisms. Specifically, the Fund participates in working groups within the PRORURAL and coordinates the working

group on Agro industry. This financing proposal responds to the priorities of the PRORURAL, while the specific financing of the PNAIR is being proposed by IFAD in consensus and articulation with other donors. The proposal is in line with the Fund's country strategy (COSOP 2013-17) and further integrations.

### **G. Components and Activities**

- Improve productivity and competitiveness of the chains with a high presence of small producers such as coffee, cocoa, beans and milk, through the development of skills and facilities to harness the opportunities of the business climate in the country.
- Strengthen the capacities of indigenous and Afro-Caribbean Coast for the management and sustainable use of natural resources in their territories.
- Support the development of innovative models which include: a) inclusive strategies for business development of rural women and youth; b) organizational strategies of the family economy (rural or small businesses) from the capabilities and assets families have benefited from the transfer programs, and c) investment strategies and market access for small producers.

12. The proposed strategy represents a scaling-up of the first two focus areas, through technological and productive innovations as a way to increase productivity, socio-economic inclusion of small producers to the national and local economy and its interaction with markets and economic value creation. The third focal area, focusing on knowledge management and innovation, will be funded by grants and will include the identification of partners, achieving an adequate analysis and support to national institutions for implementation.

### **H. Costs and Financing**

13. The estimated financing to achieve this population is US\$200 million, of which currently has funding of US\$50 million deal with an expected 210 000 people (33,000 families). The funding gap is USD150 million to address a population of 300 thousand people. This funding gap may be provided: a) allocation of IFAD PBAS 2013-2015; b) budgetary resources, and c) support from other bilateral and multilaterals as CABI and IDB.

14. The main institutional partners are the MFCCA with whom IFAD and PROCAVAL NICARIBE implements, and MAG-led sector policy. Other partners include the INTA, the Bank Produzcamos, SDCC and MIFIC. The producer organizations are key partners and the private sector which, through PRODESEC and PROCAVAL, have developed successful work experiences

### **I. Organization and Management**

15. IFAD's financing resources will be implemented under the responsibility of MFCCA in agreement with IFAD guidelines. The technical functions for implementation will be inserted within MFCCA's operative units. To this effect, a single operative unit will be created within MFCCA, which will manage this new financing and the other IFAD operations in Nicaragua, with the necessary additional staff.

### **J. Monitoring and Evaluation Indicators**

16. The Annual Work Plan (AWP&B) will be integrated and consolidated in PNAIR's and MFCCA's operative plans. The results-based Planning/M&E system will be integrated within MFCCA's, PROCAVAL's and PNAIR/PRORURAL's systems. Knowledge management will be a priority and will be assigned specific resources. Key performance indicators will include those related to: (i) number of families with access to stable markets; (ii) number of families that participate in the value chains; (iii) number of youth that participate in Project activities; (iv) living standard indicators; (v) variation of net family income indicators; (vi) productive results parameters (diversification, performance, quality); (vii) production volume commercialized and products' prices evolution; (viii) value added to the production and sustainability; and (ix) organizations' and families' capitalization degree.

### **K. Risks**

17. The project's primary risks involve: (a) political priority changes at sectoral level that may result from adjustments to the National Human Development Plan and the PRORURAL Incluyente during the period of government administration (2012-16), including a possible new institutionality. This risk is minimised by the agreements that have been reached for the PNAIR programme by the government and the donors in the framework of PRORURAL; (b) financial risks faced by enterprises

market risks. This will be minimised by the formulation of solid business plans, and strengthening support at the distinct links of value chains; and (c) the threat of low implementation capability will be minimized, based on PRODESEC and PROCAVAL experiences, through a dialogue with MFCCA, MAGFOR, and the Ministries of Finance and Foreign Relations. (d) There is a climate and adaptation to climate change risk that will be minimized through technical assistance services, good agricultural practices and active measures to ensure income. This will be offset by direct IFAD supervision, and a consistent M&E/KM system.

18. **Innovations.** The main innovation is the participation of IFAD's financing through a programmatic approach and in collaboration with the Government and other donors. Another innovation is the scaling up of PROCAVAL and IFAD's experience into a national level programme as PNAIR. IFAD has identified the innovative potential of Nicaragua on issues such as working arrangements, the policy dialogue or how to ensure effective capacity building for small farmers and particularly women developments from one stage of receiving transfers and assets to improve productivity and market access.

#### **L. Timing**

19. The PNAIR project will be presented to the September 2013 Executive Board. A project design mission will be done in September 2012.

## Appendix 6: Composition of the Country Programme Management Team (CPMT)

1. The in-house component of the CPMT is proposed to consist of the following staff members of IFAD:

Latin America & Caribbean Division	Josefina Stubbs	Director
Latin America & Caribbean Division	Enrique Murguia	Coordinator for Central America, Mexico and Panama
Latin America & Caribbean Division	Francisco David e Silva	Portfolio Adviser
Latin America & Caribbean Division	Marco Camagni	Country Program Manager
Latin America & Caribbean Division	Jesus Quintana	Regional Environment and Climate Change Expert
Latin America & Caribbean Division	Esther Kasalu-Coffin	Country Program Manager
Latin America & Caribbean Division	Tomás Rosada	Senior Rural Development Specialist
Office of the General Counsel	Rocío Gómez-Sánchez	Counsel
Financial Services Division	Manuel Rocha Fontes	Finance officer and Team Leader (Grants)
Strategic Planning Division	Cheikh Sourang	Senior Programme Manager
Operation Policy and Technical Advisory Division	Rudolph Cleveringa	Senior Technical Advisor
Operation Policy and Technical Advisory Division	Eloisa de Villalobos	Technical Advisor
IFAD Consultant	Adolfo Castrillo	Rural Development Expert
IFAD Consultant	María del Rocío Díaz	Fiduciary and Implementation Support Expert

2. **The in-country component of the CPMT** proposed to consist of the following representatives from the key government agencies involved in the IFAD country program, project directors of IFAD supported projects in the country, key external development agencies, civil society organizations and farmers organizations, and resource persons:

Organization	Name	Position
<b>Key Government Institutions</b>		
Ministry of Finance	Ivan Acosta	Minister
Ministry of Foreign Affairs	Valdrack Jaentschke	Vice-Minister
Ministry of Agriculture	Ariel Bucardo	Minister
Rural Development Institute	Pedro Haslam	Executive Director
<b>Agency directors and managers and project coordinators of on-going IFAD Projects</b>		
Ministry of Agriculture	Silvio Palacios	General Secretary
Ministry of Agriculture	Claudia Tijerino	Director of International Cooperation
Ministry of Agriculture	Justo Pastor	TAF Coordinator
Rural Development Institute	Maria Antonieta Machado	Financial Director
Rural Development Institute	German Flores	Agroindustrial Director
Rural Development Institute	Martin Cabrera	PROCAVAL Manager

Rural Development Institute	Gloria Manga	NICARIBE Manager
<b>Farmers Organizations and Civil Society Organizations</b>		
UNAG	Alvaro Fiallos	President
UPANIC	Manuel Alvarez	President
FECOSESA	Javier Pasquier	President
FENIAGRO	Madeleine Herrera	Manager
<b>Development Partners</b>		
World bank	Augusto García	Sectorial Expert
IDB	Duval Llaguno	Sectorial Expert
CABEI	Edda Melendez	Sectorial Expert
SDC	Maria Antonia Zelaya	Sectorial Expert
Finnish Cooperation	Pekka Muuttomaa	Sectorial Expert
Spanish Cooperation	Blanca Yañez	Sectorial Expert



### Key File 1: Rural poverty and agricultural/rural sector issues

Priority Areas	Groups affected	Main topics	Action needed
Human capital	Small and medium producers. Women Youth Indigenous and Afro-descendants communities	Weaknesses in the formal and technical education. Weak or no access to information, knowledge and experience. Weak or no access to new technologies and economic opportunity. Weak local management capacity and low level of access for women and youth to the development of agricultural enterprises and employment support through financial and nonfinancial services. Market access, productivity, competitiveness, value addition Business Development and Information Technology	Enhancement of knowledge, training and dissemination of new experiences and sustainable agricultural entrepreneurship. Coordinate with the formal and technical education, as well as programs and projects for actions aimed at adapting and mitigating climate impact. Promote activities and programs to train youth and women leaders on topics of entrepreneurship, adaptation to climate and marketing of products .. Strengthening access to markets by improving productivity and competitiveness, value addition Business Development and Information Technology
Gender	Family businesses led by women Small and medium entrepreneurs Women organized for production Indigenous women	Poor control and management of economic assets Limited access to education beyond 6th grade Poor maternal and child health services Limited participation of women in traditional institutions and territorial community Unequal gender, age and geographical accessibility. Opportunities for improvement does not guarantee the reduction of inequalities Entrepreneurship in family businesses led by women Rural women's entrepreneurship	Incorporate a gender strategy that promotes women's equal participation in all processes of formation, economic initiatives, and monitoring and evaluation. Train technical staff of programs and projects to pay attention to gender issues. Accompanying the construction of territorial level political agendas of women. Develop and implement policies and guidelines of territorial governance with a gender. Identify the factors leading to inequality and focus on strategies to reduce them.
Rural organizations	Rural territorial governments  Community authorities and	Territorial governments are established with emerging capabilities for efficient management Uncertainty functions of the territorial governments.	Comprehensive training and support on self-government and economic organization in order for communities to take a primary role in territorial development with identity Participatory and inclusive planning at the level of territories and communities

	<p>groups of African descent</p> <p>Community organizations (associations, cooperatives, and others)</p> <p>Municipal Associations</p> <p>Grassroots Organization</p> <p>Rural cooperatives</p>	<p>Lack of coordination between traditional authorities and cooperatives or associations for economic</p> <p>Dependence of communities in any programs run by actors outside the community</p> <p>Limited capacities for planning and administrative management of the traditional organizations</p> <p>Weakness of local grassroots organizations, especially in their ability to organize business management and support services.</p> <p>Weakness in demand for services difficult to provide services in poor rural areas.</p> <ul style="list-style-type: none"> <li>- Uneven development of cooperatives: Central Federations and unions strong and weak</li> </ul>	<p>Promote ability to negotiate with organizations and institutions outside the community</p> <p>Capitalize the minimum infrastructure community organizations (human capital and physical infrastructure)</p> <p>Support and incentives to local grassroots organizations to guide the process, organizing services, develop business plans that link local producers to markets.</p> <p>Increasing demand by strengthening local firms endogenous.</p>
Atlantic region: development of production, forestry and food security	Indigenous, black and mestizo	<p>Little support for economic development</p> <p>High rates of poverty and extreme poverty</p> <p>High rates of malnutrition and severe or moderate food insecurity</p> <p>Limited access to education beyond 6th grade</p> <p>Limited access to health services</p> <p>Lack of housing, schools, health clinics, potable water, electricity, and sanitation</p> <p>High vulnerability to natural disasters / extensive destruction of forests by the effects of Hurricanes and climate change.</p> <p>Limited labor market</p> <p>Limited or no public transport</p> <p>Lack of access to communication systems</p> <p>Small and difficult market access</p> <p>Restrictions on access to credit system</p>	<p>Capacity building at community level and territories in the institutions of governance and the production and reproduction</p> <p>Design and implement an investment program and comprehensive support to the territorial level, according to social and potential agro-ecosystem</p> <p>Promote bargaining and advocacy of communities and territories with donors, NGOs, regional government and central government.</p> <p>Form strategic alliances with universities and other training centers in the region to ensure access to long-term</p> <p>Promote community-level planning and territories as a tool to manage investment in social and economic infrastructure</p> <p>Involve community organizations and territorial planning, management and participatory evaluation of public services</p> <p>Ensure the inclusion of vulnerable communities through operational regulations</p> <p>Promote non-traditional markets to areas accessible (Caribbean, Honduras and other indigenous and African</p>

		<p>Persistence subsistence production systems and without access to markets by the high costs (transport and quality)</p> <p>Access to inputs and production tools with high costs</p> <p>The domestic financial system does not recognize (no policies) to the economic growth of the commons (Cn. Law Article 5 and 445)</p> <p>Low participation in value chain</p> <p>Low participation of women and youth in territorial governance and administration of the RR.NN</p>	<p>territories)</p> <p>Revitalising food management systems endogenous (seed varieties and practices agrobiodiversity friendly)</p> <p>Comprehensive promotion of agroforestry systems (food, traditional medicine, spirituality, recreation, fuel, shelter, tools, resources and conservation)</p>
Dry region and agricultural production	Small and medium farmers and agricultural land with and without Cooperatives Women's Cooperative	<p>Limitations on productivity resulting from the destruction of natural resources and their effects, erratic rainfall, and the meager soil quality.</p> <p>Few opportunities for access to: markets, adding value to agricultural products, agricultural diversification, nonfarm microenterprises, intensification and diversification.</p> <p>Limited access to quality support services.</p> <p>Persistence of traditional agricultural practices have had a negative impact on the productivity of agricultural production.</p> <p>Environmental degradation is more evident in the reduction of forest and water sources.</p> <p>Uncertainty of ownership of the land.</p>	<p>GRUN gives high priority to macro dry region on the basis of a comprehensive climate risk in particular drought.</p> <p>Validation, analysis and dissemination of "best practices" developed to promote rural development in the dry region.</p> <p>Enabling poor rural people to access market opportunities.</p> <p>A more rational use of water and soil conservation approach based on demand and natural resources.</p> <p>Introducing new crops to diversify production opportunities and employment.</p>
Institutional Strengthening	<p>Territorial governments</p> <p>Communal authorities</p>	<p>Lack of definition of the rights of communal ownership.</p> <p>Lack of coordination between government programs and institutions, and between different levels of government</p>	<p>Facilitate the learning process of the different forms of government and help the adoption of appropriate procedures to ensure fairness, transparency, and efficiency.</p> <p>Promote coordination of public services based on plans and priorities of the community and territory</p>

	Municipal governments Dry Zone and Atlantic region	<p>Limited implementation capacity of central government ministries and regional levels.</p> <p>Weak public sector capacity to regulate forest exploitation and facilitate resolution of conflicts over access and ownership of land and resources</p> <p>Conflicts of leadership divisions (games), institutional crisis</p> <p>Weaknesses of local governments in the orientation of rural development processes and the promotion of linkages between organizations and local markets to do business.</p> <p>Weaknesses of the local presence of central government agencies for rural development.</p> <p>Institutional weaknesses in agriculture and rural public sector with both redundancies and gaps in the functions and activities.</p>	<p>Strengthen community capacity to participate in environmental monitoring</p> <p>Legalization policies of territorial authorities and community, fluid and agile.</p> <p>Develop strategic partnerships between: organizations, traders, NGOs, municipalities and professional associations.</p>
Vulnerability and Natural Resource Management	Dry zone and Atlantic Region Small and medium farmers and agricultural land with and without Indigenous, black and mestizo	<p>Limited technical and managerial capabilities for the use and sustainable management of natural resources</p> <p>Lack of rules and regulations agreed with communities for sustainable management of natural resources</p> <p>Illegal harvesting of forest</p> <p>Pressures on the land for the expansion of livestock and extensive agriculture (oil palm and others) for agriculture and livestock enterprises</p> <p>Extensive expansion of monocultures (oil palm) at the expense of native forest destruction.</p> <p>Pollution from natural sources (rivers and other) by chemicals, solid waste and mining</p> <p>Lack of sanitation services and actions to reduce the increasing pollution of water sources (rivers, tributaries and</p>	<p>Involving rural families and communities national programs aimed at strengthening the capacity of communities for sustainable management of water resources, soil, forests and biodiversity.</p> <p>Integrate the vision ethnic and native cultural principles defined national policy for natural resource management and adaptation strategies and mitigation to climate change.</p> <p>Build a system of financial incentives to support initiatives of sustainable natural resource management in accordance with the management capacity of stakeholders</p> <p>Directly involve local and community organizations throughout the planning, organization, implementation of activities of sustainable handling of natural resources and environmental monitoring.</p> <p>Using the spatial approach to mapping the process of land titling as a support tool for natural resource management and territorial planning</p> <p>To encourage, train and set in rural environmental sanitation and sustainable management of waste liquids,</p>

		<p>groundwater)</p> <p>The communities do not participate in policy and strategic plans of territorial environmental management (threat to the conservation and sustainable use of water, soil, forest and biodiversity)</p> <p>Environmental degradation of natural resources, a higher frequency of natural disasters and greater effects on climate change.</p> <p>Problems of food security and nutrition increase vulnerability and insecurity of poor rural families.</p>	<p>solids and chemicals.</p> <p>Systematize, disseminate and use best practices and traditional indigenous knowledge on sustainable management of natural resources and environmental</p> <p>Develop and implement management plans for natural resources and territorial approach with the effective participation of rural actors.</p> <p>Using the watershed approach to the use and management of water sources.</p> <p>Use systems and cost efficient to establish cropping systems and water use.</p> <p>Promote and establish sustainable ecosystems agricultural production market attachment means eating for adapting agriculture to climate change.</p>
Provision of services in rural areas (financial and nonfinancial)	<p>Dry zone and Atlantic Region</p> <p>Small and medium farmers and agricultural land with and without Indigenous, mestizo and African descent Cooperatives and producer associations</p>	<p>Weaknesses in the services market operations.</p> <p>Insufficient capacity to promote private business operators, local business organizers, traders, NGOs and professionals.</p> <p>The disconnect between local markets and national or regional markets.</p> <p>Very limited access to adequate funding for agricultural cycles</p> <p>Lack of long-term financing</p> <p>Limited credit windows in indigenous territories and Afro</p> <p>Gaps in financial policies to ownership patterns and production collectives (traditional systems of communities)</p>	<p>Improve systems and mechanisms for rural business development and supporting rural services market (financial and nonfinancial).</p> <p>Improve systems and mechanisms for private agents capable of promoting rural enterprises.</p> <p>Promote partnerships with financial institutions with a presence in the region</p> <p>Advice for community initiatives in development of rural banks</p> <p>Designing public policies in the domestic financial system to promote entrepreneurship communities with collective legal concept.</p> <p>Promotion of pilot projects and community enterprise community (traditional figures of production and market)</p> <p>Implement young emperors with products originating in traditional knowledge systems</p>

## Key File 2: Organizations matrix (strengths, weaknesses, opportunities and threats [SWOT] analysis)

Institution	Strengths	Weaknesses	Opportunities	Threats	Notes
Ministry of Finance	Has extensive experience and expertise in negotiations with the IC and is efficient in its responsibility as the representative of the Borrower and in particular responsible for ensuring the financial aspects and relations with funding agencies as well as budgetary issues and the matching funds.	Has limited capacity to monitor and evaluate projects.	IFAD relations - Nicaragua can be strengthened even more from the good relations that already exist. It is appropriate to make an effort to greater involvement of the Ministry in monitoring and evaluation of operations.	There are no threats in the short to medium term.	IFAD maintains an ongoing dialogue with the Ministry and this dialogue can be strengthened and expanded
Ministry of Agriculture and Forestry- MAG-FOR.	Responsible for formulating policies and strategies for agricultural and forestry development. He has held an important leadership role in the formulation and implementation of inclusive PRORURAL. Especially in the sectoral operational planning and the design and operation of a monitoring and evaluation sector. Strategic role in food security programs as leader of the Food Production Programme and specifically as executor of BPA.	Alongside his role in policymaking must perform functions such as implementation of projects and coordinate the provision of services and incentives to producers to raise funds to enable it to operate, weakening their ability to assume leadership of the sector. It has low implementation capacity and field presence Bureaucracy and organizational deficiencies detract from efficiency. Specializing in agricultural development, has limited experience in rural development.	Cooperation with the MAG-FOR is necessary in designing policies and strategies. His leadership role in formulating PRORURAL, has opened opportunities for coordination with public and private sector management and the IC. Strengthened the role and outcome of the institutional modernization, combined with the sectoral policy can rationalize the use and allocation of resources and be more efficient in the role it deserves.	Their ability to maintain leadership, to coordinate the PRORURAL and especially the MFCCA, the dependence of this from the Presidency. Having to rely on external resources to maintain much of its operational structure.	
Ministry of Familiar, Communal, Cooperative and Associative Economy MFCCA	You have access to external resources. He has developed extensive experience in resource management and implementation capacity. Has made progress in institutionalizing processes and approaches of the projects	Shows a major institutional weakness, it depends on the externally funded projects to maintain its institutional structure. It has limited capacity to provide continuity to the strategies, methods and results of the	The process of formulation of sectoral policy has provided an appropriate framework for modernization and for the formulation of rural development policy. This will strengthen their	The main risk to the MFCCA is unable to develop its own institutional capacity, which can sustain and to continue the projects after completion.	

(former IDR)	implemented. Has been integrated into coordination processes for formulation and implementation of sectoral policies and strategies. It has laid an important resource managed by territorial cooperation. Has been assigned the leadership role in developing policies and programs of rural agroindustry.	projects implemented. The lack of a monitoring and impact assessment will prevent adequate follow-up actions and results. The lack of instruments to facilitate the institutionalization of processes in the field of A and A	implementation capacity and the impact of their projects. The new authorities have built a clear strategic approach based on the results to be reflected in its target population. Integration into the MFCCA government entities that perform activities.		
National Institute of Agricultural Technology INTA	The process of decentralization of extension functions by promoting Private Technical Assistance (PTA) has been successful. Runs efficiently generating programs and transfer of agricultural technology with emphasis on food security and income generation. Has local presence, serving small producers and manages comprehensive support systems and developing important programs of seed, among others.	Depends heavily on foreign aid to sustain the operational structures. The dependence on external resources has led it to close offices in some regions and some programs have been canceled.	The government's emphasis to programs of poverty alleviation and food security, market orientation and not welfare approach. The technological basis of the institution is a platform to support the development of production and testing and introduction of adapted crops for food security and the market, especially the production of seeds adapted	There are no specific threats, other than a possible lack of resources.	INTA is expected to be strengthened in its ability to accelerate technological innovation by providing quality services and specialized services in technical assistance and seed production adapted.
Development Secretariat of the Caribbean Coast-SDCC	The SDCC, attached to the Secretariat of the Presidency of the Republic, is the body responsible for establishing the relationship of coordination between the Autonomous Regional Councils of the Caribbean Coast, the Government and various Ministries of State. The SDCC is responsible for monitoring and control and execute projects implemented in the autonomous regions. It has good capacity to influence actions and projects to promote the Coast	Its structure is very low, low budget and operational capacity and presence at the Coast Regions is limited His role is more in the field of public policy and operational task of operating as a liaison between the National Government and the Autonomous authorities requires constant attention and mediation skills. It has no capacity to enter into commitments to external resources directly by the ministry is an entity of the presidency.	It is a key moment for the project from the design stage to implementation and for relations with the national government and the autonomous regions. The close connection with the Presidency of the Republic and with the Council and Government of the RAAN and the RAAS, is essential for the strategic and political as well as for project monitoring and	The greatest risk of SDCC is a political institution in the failure to maintain current policies towards the coast and on the processes of autonomy. Difficulties can manifest themselves in their real ability to support with technical proposals and institutional changes and economic and	The SDCC is the strategic and political space of the design and subsequent implementation of the Project. Also it is adequate space for coordination (with the autonomous governments) and the accompanying monitoring and

	and has the capacity for coordination with all public sector institutions and External Cooperation.		supervision.	political processes that are taking place in the autonomous regions given their limited operational capability.	evaluation. To this should be appropriately strengthened.
Associations of Municipalities	Structure of networks between municipalities to support decentralization. High levels of agreement between municipalities.	The associations have limited resources and rely on municipal contributions to its budget.	The decentralization and transfers are the greatest opportunity for associations to strengthen their skills and improve their contribution and link with the municipalities.	The skills with others who have similar roles and competing for resources.	
Bank Produzcamos	Development Bank which has multiple sources of resources for integrating different financial institutions. Provides concessional resources				
Grassroots Organization	Important development of small organizations and their networking and second-level organizations as National Federation of Agricultural and Agribusiness Cooperatives. Five major grassroots organizations (UNAG UPANIC, UNAPA, UNICAFE and the Nicaraguan Association of Non-Traditional Export Products and Goods) that integrate more than 60 per cent of farmers in the country.	Present organizational weaknesses, opportunities and achievement of market integration, which are recognized and are being corrected. 45 per cent of the cooperatives have no legal status. Have weaknesses related to its development more as a political-union, that management and services or economic. Many of them depend on foreign aid for operating	The greatest opportunity for these organizations is the recognition that for the small producer, the chances are greater if you have some level of association, a condition that favors their insertion into markets and value chains. Given the challenges of economic and institutional changes and context in the country have been strengthened and specialized to service delivery, financial management and capacity building of its affiliates.	The actors are better positioned in the markets and value chains require strong organizations as partners and allies with skills developed.	
NGOs, service	They have varying levels of development and fieldwork. They have proven to be especially effective when working directly	Difficulties managerial and development of new initiatives. Service delivery has been linked to its range of capabilities to	Are present in most of the country. It has great potential for development, especially in	Not be able to transform and develop mechanisms of care that meet demand and	



	with grassroots organizations and more recently the private sector. Some of them have entered the commercial field, performing work of gathering and marketing products to supplement the provision of services.	meet the real demands of the target population. Many of them depend on foreign aid to operate.	the provision of services based on demand and especially if they are associated with the marketing and sale of products	ensure its sustainability.	
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**Key File 3: Complementary donor initiative/partnership potential**

<b>Organism Agency</b>	<b>Priority sectors and areas of action</b>	<b>Strategy period in the country.</b>	<b>Complementarity / synergy / potential</b>
World Bank	Rehabilitation and reconstruction of housing and social infrastructure, including roads. Reactivation of the productive sectors (agriculture, fisheries, forestry). Institutional strengthening. Generalized Access to Financial Services Land Administration and Regularization of Land Tenure systematic Economic Administration (effectiveness, efficiency and transparency in the use of public resources) To support the implementation of the Strategy of Poverty Reduction. Access to Care services and innovations in agriculture, forestry and natural resources.	2009-2012	Support for infrastructure and productive reactivation. Actions on institutional strengthening. Cover topics of production, services (AT and SFR) and local economic development.
Inter-American Development Bank	Fiscal sustainability and strengthening governance; Reliability of power supply and improvement of the existing road network, (iii) management and coverage of social services, including development of a social welfare system, (iv) development of production, and (v) institutional management for disaster prevention. Adequacy of Health Services Agriculture and Forestry Contributing to increased domestic and international trade of animal products, vegetable and forestry in the country. Support technological innovations that increase productivity. Promotion of sustainable agricultural productivity. Housing, water and sanitation	2008-2012	Promotion of sustainable agricultural productivity Adequacy of Health Services Agriculture and Forestry Contributing to increased domestic and international trade of animal products, vegetable and forestry in the country. Support technological innovations that increase productivity
Central American Bank for Economic Integration	Productive Development Support Productive Transformation Support (PTP) Rural road infrastructure and productive Electrification Security	In Force	Development and changing production Rural Infrastructure
UNDP as implementing	Governance in the Caribbean Coast Community Empowerment	2008 - 2013	Productive development, revenue generation and strengthening of local governments.

agency.	Support for the Rehabilitation and Reconstruction of the RAAN Watershed management with a focus on risk management Provision of renewable energy Agroforestry production systems and income-generating capacity of local institutions, cultural rescue. Natural resource management and environmental service delivery Water and Sanitation		
German Cooperation GIZ	Policies, land use and development of competitiveness. Specific actions in community forestry, value chain development in cocoa and timber. Training in the Rural Sector, to generate revenue, increase productivity of small and medium rural enterprises. Regional Rural Development to strengthen the public, local governments, institutions and companies to enable them to foster economic, social and ecological development.	2009 - 2013	Community management and institutional framework for managing natural resources and socioeconomic development
FAO	Food chains. Production of food and seeds. Agroindustrial production Climatic Changes	2012	Implementation of socio-economic initiatives in rural communities and in response to climate change effects
SDC Switzerland	Promoting Financial Services for Small Business and Small Farmers Food Production Climate Change	Running	Implementation of socio-economic initiatives in rural communities and in response to climate change effects
AECI Spain	Democratic Governance Rural Development and Fight Against Hunger Basic Social Services: Education, Health, Water and Sanitation Economic Growth for Poverty Reduction Environmental Sustainability Combat Climate Change Gender and Development Humanitarian Aid.	2012	Implementation of socio-economic initiatives in rural communities and in response to climate change effects
Finland	Rural development and rural poverty reduction. Strengthening good governance and development of health services.	2009 -2012	Economic development initiatives for rural poverty reduction

Ford Foundation	Research: Support in municipal planning. Systematization logging felled by Hurricane Felix. Community Adaptation to climate change. Production	2009-2013	Matching theme in production and climate change.
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**Key File 4: Target group identification, priority issues and potential response**

<b>Typology</b>	<b>Levels and causes of poverty</b>	<b>Measures to combat</b>	<b>Priority Needs</b>	<b>Support from other initiatives</b>	<b>Response COSOP</b>
Landless farmers, farm workers and farm	High level of food insecurity. Strong deficiencies in basic services. Poor access to the labor market. Lack of productive capacity and labor. Generally suffer more from exclusion.	Promoting new technologies and better agricultural knowledge and skills. Capacity building to take advantage of employment opportunities in the priority value chains.	Training for better jobs. Differentiated services according to their abilities and potential. Technical, financial and capacity building to develop their activities in the agricultural and non agricultural.	With government agencies responsible for programs for poverty reduction and food security, such as food production program, seed production, performed by government entities.	
Small and medium producers	Subsistence economy, supplemented by occasional overtime income plot. High vulnerability to natural factors, social and economic. High level of food insecurity. High deterioration of natural resources, their production is highly dependent on weather conditions. Traditional production and low yields, poor diversification. Strong deficiencies in basic services and access to markets for goods and services. Lack of knowledge and skills to develop and exploit business opportunities. Rural women, especially heads of households suffer from higher levels of exclusion. Workforce in their family plots is mainly	New production technologies and economic alternatives based on specific characteristics of the agricultural region. Improving capabilities to identify and exploit business opportunities. Access to technical and financial resources to implement new technologies and knowledge. Access to infrastructure and basic services, education and health services.	Access to technical, financial and knowledge to improve and diversify their agricultural production and agriculture. Market access for goods and services. Technical education to enhance their productive capacities and economic. Building and strengthening their social capital, local organizations and their ability to seize new opportunities. Develop skills to identify and do business. Differentiated services according to their characteristics and potential, particularly women and youth.	Transfer programs and projects for investment and capitalization resources (financial and human) to develop profitable productive activities. Linking to reimbursable financing programs of the Government.	

Intensive peasant farmers and microentrepreneurs	<p>Economic activities are generally poor and unprofitable. Poor knowledge and low insertion in the markets. High vulnerability to social and economic factors. Strong deficiencies in basic services and access to markets for goods and services. Lack of knowledge and skills to take advantage of business opportunities. Rural women represent an important group and suffer from higher levels of exclusion. Workforce in their family plots is mainly</p>	<p>New production technologies for their economic activities. Improve their ability to identify and exploit business opportunities. Access to technical and financial resources to implement new technologies and knowledge. Access to infrastructure and basic services. Access to education and health services.</p>	<p>Access to technical, financial and knowledge to improve their activities. Improving market access for goods and services. Technical education to improve their production and economic. Building and strengthening their social capital, local organizations and their ability to seize new opportunities. Develop skills to seize new opportunities and do business. Differentiated services according to their characteristics and potential, particularly women.</p>	<p>Government programs that provide support services to small rural businesses to improve communications, methodologies and knowledge. Funding rural providing for your needs and demands.</p>	
Families and communities	<p>Widespread poverty and HDI measures quality of life index (UNDP) Highest poverty rates in the municipalities of the largest indigenous populations. Jobs focused on agriculture characterized by low performance, high vulnerability and lack of access to markets. Limited access to basic services (education, health, water and electricity). Housing shortage and other basic infrastructure. The policy and regulations of the national financial system are not conducive to investment in the community property system</p>	<p>Temporary and permanent relocation of indigenous communities to Bilwi (Puerto Cabezas) and Managua for employment. Basic grains, hunting, and limited extraction of NTFPs for subsistence (extensive systems cutting, slashing, burning). Sale of rights to third parties to exploit the forest; Rescue of fallen timber</p>	<p>Make available the land rights and management capacity of the commons. Food security through subsistence and market promotion. Training in livelihoods and natural resource management. Access to capital for investment. Access to technical. Accompaniment to strengthen community organization and territorial</p>	<p>Management with public institutions to coordinate and improve access to basic services. Partnerships with regional universities and other educational and training. Strategic alliances with local NGOs and financial institutions.</p>	

Non-indigenous poor families settled within the indigenous community space	History of displacement and armed conflict (1980s); Irrational exploitation of natural resources in enclaves of foreign companies; Relative exclusion of public investments; External Programmes and projects ill-suited to community needs; Negative impact of environmental degradation and natural disaster. Government welfare approach in promoting productive communities Conflicts over land and access to resources, low capacity related to land management The input costs of production are the highest in the country The road and port infrastructure under increasing costs.	Renting land to farmers Market sale of parcels of land rights Fishing (for communities near the Atlantic coast) Food security programs of the government Third-farm wages Join organizations function external projects (internal and not their own)	Public sector services more responsive to and inclusive communities. Investment in social infrastructure Accompaniment to manage and resolve conflicts Environmental health of communities Organize production units in terms of internal social fabric of communities	Management with public institutions to coordinate and improve access to basic services Partnerships with regional universities and other educational and training Strategic alliances with local NGOs and financial institutions.	•
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