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Enabling poor rural people  
to overcome poverty

## **Republic of Nicaragua**

### **Implementation of the second cycle of the Technical Assistance Fund Programme for the Departments of León, Chinandega and Managua under the Flexible Lending Mechanism**

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For: **Information**

## **Note to Executive Board Directors**

This document is submitted for the information of the Executive Board.

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## **Abbreviations and acronyms**

TAF	Technical Assistance Fund
FUNICA	Agriculture and Forestry Technology Development Foundation of Nicaragua
MAGFOR	Ministry of Agriculture and Forestry
FLM	Flexible Lending Mechanism
NITLAPAN	Institute for Applied Research and Promotion of Local Development
PPA	Food Production Programme
PRORURAL	Sector-wide Programme for Sustainable Productive Rural Development
ATTP	Agricultural Technology and Training Support Project



# **Implementation of the second cycle of the Technical Assistance Fund Programme for the Departments of León, Chinandega and Managua under the Flexible Lending Mechanism**

## **I. Introduction**

1. The purpose of this information note is to comply with paragraph 13 of the guidelines governing the Flexible Lending Mechanism (FLM) (document EB 98/64/R.9/Rev.1), which stipulates that "...for each FLM loan, and prior to the end of each cycle, IFAD Management will decide whether to proceed to, cancel or delay subsequent cycles. Management will inform the Board accordingly."

## **II. Background**

2. The Technical Assistance Fund (TAF) entered into operations on 20 June 2001 under the FLM,<sup>1</sup> as part of the Agricultural Technology and Training Support Project (ATTP), to promote access to technical assistance for small- and medium-scale producers in León, Chinandega y Managua. Total cost is US\$20.6 million, of which IFAD is contributing US\$14.0 million. The Ministry of Agriculture and Forestry (MAGFOR) is responsible for TAF overall, and the Agriculture and Forestry Technology Development Foundation of Nicaragua (FUNICA) is charged with implementation. An independent evaluation conducted in early 2009 concluded that producers had improved their productivity and were on the way to consolidating linkages and partnerships. In May, an IFAD mission visiting the country for the second-cycle review concluded that the preconditions or triggers for proceeding from the second to the third cycle of the programme had been met, and therefore recommended that the third cycle commence.
3. MAGFOR deems the inclusion of TAF, initially within the ATTP, then in the Sector-wide Programme for Sustainable Productive Rural Development (PRORURAL), and currently within the Food Production Programme (PPA), as important steps in promoting participation in national public-sector policy dialogue and creating a transparent and efficient instrument for channelling public resources to small- and medium-scale producers in the form of new kinds of technical assistance services. TAF will be consolidated during the third cycle as an instrument to promote technology innovation policy, in support of MAGFOR. The Nicaraguan government authorities have stated their interest<sup>2</sup> in continuing TAF into a third cycle.

## **III. Achievements during the second cycle**

4. The review of second-cycle achievements is based on an independent evaluation by the Institute for Applied Research and Promotion of Local Development (NITLAPAN), as well as TAF second-cycle monitoring and supervision documents and reports. TAF has served three kinds of producers: the most vulnerable population segment (52 per cent); groups at an intermediate level of development, (41 per cent) and more developed organizations with linkages to markets or value chains (7 per cent). Substantial improvements have been made in production processes and yields (between 10 per cent and 20 per cent), cultivated areas have been expanded and 52 per cent of TAF users have applied new technologies to their plots.

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<sup>1</sup> FLM operations are characterized by an evolving design process, the implementation of separate cycles of three to four years' duration and preconditions or critical milestones that act as triggers for proceeding to the implementation of subsequent cycles.

<sup>2</sup> Letters from the Ministry of Finance and Public Credit and MAGFOR.

5. **Compliance with conditions precedent to the third cycle.** TAF has reached the critical milestones for proceeding with the third cycle. For all seven triggers, targets set for the second cycle have been met and in some cases exceeded, as indicated in the table below:

**Verification of compliance with conditions precedent during the second cycle of TAF**

<i>Objective/outcome</i>	<i>Trigger</i>	<i>Status at 15 May 2009</i>	<i>Performance</i>
<b>Specific objective: Access by small and medium producers to private technical assistance services based on a competitive supply that meets their needs</b>	(1) At least 30 per cent of small and medium producers having received TAF services have improved their productivity and/or incomes.	42 per cent (3,007) of small and medium producers having received TAF services have improved their productivity and/or incomes.	<b>140 per cent</b>
	(2) 6,000 small and medium producers have access to technical assistance services in municipalities in the departments of León, Chinandega and north-western Managua.	7,142 small and medium producers have access to services in 24 municipalities of León, Chinandega and north-western Managua. In addition, 7,700 producers, mainly women, have been served by PPA.	<b>119 per cent</b>
	(3) Informal groups are able to access technical assistance services on a level playing ground.	60 informal groups of a total of 81 organizations have access to technical assistance services. Nine groups have been incorporated as cooperatives.	<b>Satisfactory</b>
<b>Outcome 1: Small and medium producers in groups or organizations have generated demand for, contracted, used and cofinanced technical assistance services that meet their needs</b>	(4) A significant percentage of organized demand is contracting services with no TAF support.	18 of strengthened organizations are contracting services with no support from TAF.	<b>Satisfactory</b>
	(5) 80 per cent of organizations are cofinancing services.	100 per cent of organizations are cofinancing services and investments.	<b>120 per cent</b>
<b>Outcome 2: A competitive and sustainable supply of private technical assistance services has been developed that is demand-driven and responsive</b>	(6) 80 independent professionals and at least 15 enterprises have been contracted to provide technical assistance services.	216 independent suppliers and 28 enterprises have been contracted to provide technical assistance services.	<b>270 per cent (independent professionals)</b> <b>187 per cent (enterprises)</b>
	(7) New TAF mechanisms and strategies have been systematized and disseminated, and are available in the rural sector.	4 documents have been systematized and one disseminated.	<b>Satisfactory</b>
<b>Outcome 3: New ways of providing technical assistance services have been developed that link supply and demand selectively and sustainably</b>			

6. In addition, **the review of logical framework indicators** shows satisfactory performance. TAF has been consolidated within its intervention area, has adjusted successfully to sector policies, and has achieved outstanding participation in PPA,<sup>3</sup> which has provided support to more than 7,000 families. In addition, 7,142 producers have been served, belonging to 81 organizations (19 ad hoc associations, 41 food production bonus groups and 21 formal organizations). Of all users, 3,834 are women, and 829 of these are heads of household.

<sup>3</sup> PPA promotes technological change to capitalize on and convert smallholder production. The beneficiaries are poor campesino families, chiefly households headed by women.

7. **Compliance with development objective: Strengthen the production and marketing capacities of small and medium producers and rural microenterprises.** TAF has served three types of producers during the second cycle: the most vulnerable population segment (52 per cent); groups at an intermediate level of development (41 per cent) and more developed organizations with linkages to markets or value chains (7 per cent). According to the household survey and study on the impact of the second cycle of TAF and proposed third-cycle design (NITLAPAN, March 2009), substantial improvements have been made in production processes and yields (between 10 per cent and 20 per cent), cultivated areas have been expanded, and 52 per cent of TAF users have introduced new technologies on their plots. The best results are seen in livestock, where 80 per cent of users have applied the knowledge gained. The greatest impact is observed in groups belonging to an organization or linked to markets. Some users are not incorporating technology, despite having acquired new knowledge, because of economic constraints. One of the challenges during the third cycle will be to link these groups to sources of financing, markets or organizations to consolidate the capacities acquired.
8. **Compliance with specific objective: Access by small and medium producers to private technical assistance services based on a competitive supply that meets their needs.** The most significant result of this cycle is the progress made on developing the local market for technical assistance services. Although the current context encourages technical assistance free of charge, TAF has promoted a payment culture among producers assisted, with gradually increasing cofinancing, mainly among the more developed organizations. All 81 organizations and groups have negotiated and contracted the services of 216 independent professionals and 28 enterprises. Although the market for more specialized services is still at an incipient stage of development, promising results are emerging, with 18 organizations having begun to contract their own services with no assistance from TAF. This has been achieved with technical assistance providers under a systematic demand-driven strengthening plan. However, capacity-building is still needed among technical assistance providers in terms of business vision, credit management and organizational development. Women's participation in TAF has been high, particularly among the most vulnerable groups and the population served by food production bonuses. Nevertheless, participation platforms must continue to be developed and a differentiated approach must be pursued, based on graduation from these activities.
9. **Outcome 1: Small and medium producers in groups or organizations have generated demand for, contracted, used and cofinanced technical assistance services that meet their needs.** With the use of incentives and training, capacities have been developed in services negotiation and demand-driven decision-making, which has proved to be valuable in establishing horizontal relationships with service providers. The organizations and groups served have achieved a certain degree of maturity through skills-building and organizational strengthening. The most vulnerable population, organized into 42 nuclei of producers who receive the food production bonus, are laying the groundwork for economic and social self-management. This group will continue into the third cycle. Groups with an intermediate level of development have consolidated their knowledge of technology and improved their business skills, and have moved from setting up ad hoc associations to incorporating organizations. More developed organizations, which are grouped into associations and linked to markets, are cofinancing services at a rate of between 10 per cent and 20 per cent. Currently the more developed producers' groups are supporting less developed groups in building management capacity and integrating with dynamic markets and value chains.

10. **Outcome 2: A competitive and sustainable supply of private technical assistance services has been developed that is demand-driven and responsive.** TAF's operations in the area have been appropriate and have helped to build up a supply of more than 200 service providers, which have gradually consolidated and adapted to issues relating to farm production, business management and market linkages. Three types of service providers have been identified: (i) cooperatives and associations of producers with stronger organizational capacity; (ii) specialized enterprises; and (iii) individual professionals. Generally speaking, users state that they are satisfied with the services received. The more developed projects are those that have evolved into agreements or partnerships. Service providers have determined that producers' organizations and groups are more demanding of service quality. During the third cycle, it will be necessary to consolidate a more highly specialized supply of services in management issues and in consolidating organizations and their linkages with financial and other services.
11. **Outcome 3: New ways of providing technical assistance services have been developed that link supply and demand selectively and sustainably.** The organizations have contracted 244 services, 82 per cent with subsidies and 18 per cent with their own funds or financial arrangements. The results show that the services market is functioning better in more developed organizations with product or business lines that are tied in with markets and value chains. Some 18 organizations with a total of 2,900 users are using their own resources to hire 45 service providers. Similarly, technical assistance services are important for less developed groups and organizations. Such assistance helps them improve their management and decision-making capacity, expands their access to other services, including financing, and establishes linkages and partnerships with other actors. Workshops to identify gaps in technology and research partnerships have enabled beneficiaries to detect the potential for obtaining fresh resources in order to establish market linkages or procure additional services.

#### IV. Third-cycle challenges

12. TAF will wind down on 30 June 2013, after 12 years of operation. The third and last cycle commences in the second half of 2009 for a period of four years. TAF's results and lessons learned during the second cycle should be consolidated to ensure sustainability. There are several challenges that will need to be addressed during the third cycle.
13. **Policy dialogue.** The inclusion of TAF, initially in ATTP, then in PRORURAL and now in PPA, has marked important steps towards its consolidation as an instrument of public policy on agricultural technology. Accordingly, TAF has proved to be a transparent and efficient instrument for channelling public resources to small and medium producers in the form of new kinds of technical assistance services.
14. With the change in government, sector policy was reoriented to prioritize food production and improve food security. Through this adjustment, MAGFOR emerged strongly as the lead agency for the sector framework. FUNICA has also been strengthened in managing new approaches to service provision, and has maintained its position and credibility both in the public sector and among counterpart cooperation agencies and organizations internationally (IFAD, Danish International Development Assistance [DANIDA], Swiss Agency for Development and Cooperation [SDC], Ford Foundation, World Bank, SNV Netherlands Development Organisation). Within this context, TAF instruments have been adjusted to meet the various demands generated by different producers' groups. During the final cycle, both MAGFOR and FUNICA will strengthen the ties they have been developing to meet the new challenges, reinforce other partnerships, generate technological innovation and, in particular, provide efficient service to groups needing greater support towards consolidation.



15. **Market-driven value chain approach.** TAF should continue to pursue this approach to ensure that applied research and technology markets projects are focused on seeking low-cost alternatives with standards of quality, volume and product features that are responsive to market demand. It will also need to meet demand from the agricultural public sector in terms of innovation, improved seed, processing and technical assistance. This will entail bringing specialized providers into business processes and value chains for knowledge strengthening purposes.
16. **Support for collective bargaining and market access.** To enable groups to obtain higher prices for their products and better market access, it is important to promote collective bargaining strategies, based either on volume or on differentiating products to achieve higher prices. TAF will need to generate incentives to promote interventions with a value chain orientation. This will improve the system of production, consumption and market quality standards to orient needed technical changes towards the certification of producers' groups, access to markets, and establishing contract farming and/or processes to differentiate products for niche, organic and fair trade markets.
17. **Greater impact on vulnerable groups.** TAF has demonstrated its value added in implementing the food production bonus transparently, which has legitimized its work in the field. During the third cycle, however, greater efficiency will be needed to achieve more of an impact on boosting incomes for the most vulnerable. Accordingly, TAF will need to take advantage of opportunities arising in the context of the crisis and underpin public policies that support food security in the form of technological change, capitalization and linkages to markets under a value chain approach.
18. **Cofinancing of technical assistance, producer typology and gender.** The results of the household survey (NITLAPAN, March 2009) show that TAF continues to assume between 80 per cent and 90 per cent of the cost of technical assistance. Under the new cycle, this rate should be adjusted based on organizations' characteristics, by setting criteria and pay rates for each type of organization. In particular, consideration should be given to the possibility that the most vulnerable producers, as well as women receiving assistance through food production bonuses, gradually increase their cofinancing, in accordance with their economic conditions. The results of the household survey also attest to the degree of satisfaction with technical assistance services, making reference to two demands that are deemed essential: comprehensive production service and market access. With respect to gender, progress has been made, although women's participation averages only 20 per cent in the implementation of innovation and business projects, compared to 100 per cent under PPA. The final cycle will need to come up with better ways to reflect women's demands and participation.
19. **Quality of technical assistance services.** There is clear demand from organizations and individual producers for greater project supervision over service quality. This is an indication that relationships between technicians and organizations or producers are presenting issues that could be addressed by greater oversight or participation by TAF. Monitoring of the quality of technical services provided must be improved, particularly with respect to the frequency of visits, the content of work done by technicians in the field, access to innovations, service delivery, technician coverage, technician-producer relations, results and client satisfaction. Regarding the coverage of technical assistance services, the next cycle will pay more attention to improving the producer-technician ratio and the cost of providing service to producers in different contexts (counties with disperse populations but good roads, isolated counties with inadequate roads, etc.). FUNICA-TAF should set a standard for producer density per extension worker. In terms of the content of technical assistance, the household survey includes a specific item on the need for technicians to have a global view of farming rather than focusing solely

on particular aspects. FUNICA-TAF support for technical assistance service providers will need to address this issue using specific methodologies.

20. **Greater administrative efficiency.** TAF has a network of organizations with which it implements projects and funds, and possesses knowledge and eight years' experience in the region. However, the expected growth in demand for the next cycle will call for greater efficiency in administrative areas. Progress will need to be made on expediting disbursements, shortening approval times for project proposals and establishing a performance monitoring system. Direct supervision of this project by IFAD will help to provide the tools and support needed to achieve this objective.
21. **Sustainability strategy.** TAF receives different kinds of demands because it serves organizations at different stages of development, and should continue to apply differentiated policies in providing services. Accordingly, the major challenges and recommendations for the third and final cycle will be as follows: (i) strengthen support for the implementation of public policy on food security by systematically assisting the most vulnerable groups to increase their food production, strengthen their own organizations and/or join more established organizations, identify opportunities and improve their market positioning; (ii) secure markets for services to more developed organizations, strengthening their integration with value chains and helping to consolidate linkages with financial and other services; (iii) improve knowledge management with strong stakeholder participation to systematize and disseminate lessons learned on innovation and adaptation among the groups served, in particular vulnerable groups; (iv) consolidate associations for technology research and validation to reduce the environmental vulnerability of products, and define platforms for the systematization and dissemination of knowledge generated; (v) underpin the organization and consolidation of organizations, cooperatives and other forms of associations, and reinforce partnerships with less developed groups to support the adoption of technology and management skills as ways of ensuring continuity in service provision; and (vi) support associations through the network of partner organizations with which they have carried out projects and utilized funds transparently, thus legitimizing their work in the field.

