

GRANT APPLICATION FORM

1. Project title	Project Preparation Grant for the Nicaragua Market-Oriented Training Service on Standards Application (MOTSSA)
2. Requesting government/agency or private body	Nicaragua Ministry of Agriculture (MAGFOR) and Ministry of Finance, Industry and Commerce (MIFIC)'s SPS Committee
3. Collaborating government(s)/agency	The Presidential Commission on Competitiveness (CPC in Spanish)
4. Project objectives Attach description of project background and rationale.	Please see detail description below.
5. Project activities Itemise main elements here and attach a detailed work plan, dissemination plan and evaluation plan.	See detail below.
6. Private/public sector co-operation Detail the arrangements for public/private sector cooperation, if any, in the project.	Not at this stage.
7. Partner institutions involved If appropriate, identify STDF partner institutions who will be involved and describe the nature of that involvement.	Michigan State University, International Institute of Agriculture
8. Project outputs Specify outputs clearly and in detail and show relationship to key STDF objectives including capacity enhancement, improved market access and trade opportunities, poverty reduction, linkages to country or regional program development priorities, public-private co-operation, innovativeness, demonstration effects, etc.	Please see detail below.
9. Project Impact Specify the expected impact the project will have on market access, the SPS situation and poverty reduction. Identify how the project will fit with existing bilateral or multilateral donor projects and programmes, examine the sustainability of the proposed action and, where possible, suggest where the project may be replicated	Please see detail below.
10. Project inputs Specify total project cost. Attach detailed breakdown of proposed uses of funds.	Please see budget below.
11. Non-STDF contributions If appropriate specify any financial contributions expected from sources other than STDF.	Michigan State University's copy-righted materials for short courses and trainers' guidelines.
12. Timetable Show proposed commencement and conclusion dates (maximum project duration two years)	See attached.

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Nicaragua Ministry of Agriculture (MAGFOR) and Ministry of Finance, Industry and Commerce (MIFIC)

3. Collaborating Government(s)/Agency

Presidential Commission for Competitiveness and the SPS Committee Group formed by both Ministries for the negotiation of the DR-CAFTA.

4. Project Objectives

This section offers a short summary of the recent changes in Nicaragua's agriculture sector in regards to trade and the rationale for creating this service.

4.1. Nicaragua's entry into dynamic markets

Over the past five years Nicaragua has undergone what can be characterized as its most dynamic agricultural transformation period since the early days of globalized food procurement systems in the 1980's. During this period, two driving forces have further accentuated the difference between the suppliers to traditional food and agricultural markets and those who supply export markets and regional supermarkets, where compliance with sanitary and phytosanitary standards (SPS) has become a sine-qua-non condition. First, the launching of the Central America, Dominican Republic-U.S. Free Trade Agreement (DR-CAFTA) has taken off, presenting vast potential for further integration of public policies to facilitate the already liberalized trade in export markets. Second, the "supermarketization" of the region has been remarkable and the purchase of 51% of the regional supermarket chain CARHCO by Wal-Mart announces further interlinking across countries with increased regional and global market access opportunities for small and medium scale farmers. At the same time, the pressure to meet standards of quality, safety (especially phyto-sanitation) can only increase as farmers compete for market share with producers from neighboring countries and beyond.

Now-important value chains such as beans, plantains, oriental vegetables, processed fruit pulps and cheese were nearly non-existent just five years ago. These export products have risen from a few thousands dollars in sales to millions of dollars in exports in only a few production seasons. Important market opportunities have been seized by small and medium Nicaraguan farmer groups by taking advantage of the abundant fertile soils and water resources of the country and the support of NGO and Government of Nicaragua market access initiatives. However, Nicaragua's ability to capture these markets and, in turn, its propensity to lose them as a result of food safety problems and constant export refusals due

to poor management of plant pests and diseases, continues to plague the country in the absence of a sound, market-oriented SPS training service.

Previous studies carried out by Michigan State University have demonstrated that the implementation of SPS standards is highly costly for small and medium farmers, and such investments are not often acknowledged by the market. However, the fulfillment of private and public standards has become an intrinsic product characteristic, and non-compliance has come to mean only one thing – no market access. Building capacity for SPS standards application in a way that minimizes costs and improves compliance is a necessary step to increased export market access for Nicaragua’s producers. Conscious of the financial and technical difficulties that national entities face in bringing about targeted training programs aimed at specific market and value chain standards, this grant will be used as a springboard to the design and implementation of a market-oriented training and inspection service program, guided by an SPS standards task force for food and agricultural exports. The legal framework to constitute such taskforce and other proposed developments will be discussed with stakeholders during a workshop planned for that purpose.

4.2 Objectives

This project preparation grant aims to work with stakeholders in Nicaragua’s food and agriculture exports industry to understand their specific needs and concerns about how to enhance their capacity to meet SPS requirements imposed by their trading partners.

Specifically, the preparation grant will:

- Organize a public-private stakeholder workshop and follow-on field visits to assess the priority needs for strengthening trade-oriented SPS capacity and export compliance.
- Develop a full STDF proposal in support of trade-related SPS capacity and compliance, and building on the direct input from private and public stakeholders during the workshop and follow-on fieldwork.

The specific actions required to meet these objectives are discussed in the following section.

5. Project Activities

5.1 Workshop and Follow-on Fieldwork

The first activity in this proposal preparation initiative will be the organization of a two-day “stakeholder workshop” to be held in Managua. The workshop will include a mix of public (authorities, trainers and inspectors) and private sector representatives (leaders of producer groups, major NGO’s providing market access promotion services and exporters) from the urban and rural areas. During the workshop, the MSU coordinator and one in-country coordinator in IICA will moderate the event. Attendees will be encouraged to share their views in the design of a capacity building program and implementing service that will provide producer groups and exporters the technical assistance, training and inspection services from government personnel to ensure that Nicaragua’s food and agriculture exports will meet the SPS requirements of regional and U.S. markets.

The workshop will be followed by a week of targeted visits and interviews with key stakeholders in the field. This follow-on fieldwork will enable the team to develop a stronger appreciation for the range of SPS standards issues encountered in the country and engage in discussions about how to address these issues.

5.2 Development of SDF Proposal

A final SPS standards capacity building proposal will be developed in line with stakeholder concerns and submitted to STDF 60 days after the workshop and fieldwork are completed. This time is necessary to allow opportunity for public authorities to review drafts and provide additional input.

6. Private/Public Sector Co-operation

For the past three years, Michigan State University has led an important market access facilitation initiative for the Nicaraguan small and medium scale farmers funded by the US Agency for International Development (USAID). During these three years, agriculture diversification in fresh fruits and vegetable exports has dramatically improved incomes for small and medium-scale producers throughout rural Nicaragua and has created new and strengthened existing linkages between the Nicaraguan farmers, buyers and the private and public assistance organisms promoting increased trade. Michigan State University counts on this experience and the credibility it has received as result, to implement the proposed workshop and fieldwork in a manner where farmers and exporters of the major export value chains can openly discuss with the Government and support institutions their thoughts about the challenges they face and how the public sector can play a key role in facilitating and improving Nicaragua's SPS management system in support of increased food and agricultural exports.

7. Partner Institutions Involved

Michigan State University and the Inter-American Institute for Cooperation on Agriculture as project implementers, the latter which has extensive experience in providing technical assistance to government programs in MAGFOR and MIFIC.

8. Project Outputs

The main output of the project preparation grant will be a fully-developed proposal to be submitted to STDF. Discussions during the workshop will allow stakeholders to provide their input in the following tentative areas.

- Challenges posed by SPS requirements of major importing countries
- Identification of constraints and training needs in basic good practices (e.g. BPA's GMP's, HACCP) designed according to the specific value chain when it is needed
- Identification of regulatory aspects that need to be adapted according to the specific value chain requirements (e.g. based on product contamination risk assessments)

- Definition of the institutional structure of the task force to be in charge of trade-related SPS management functions of technical assistance, capacity building and inspection

9. Project Impact

With a constantly changing landscape in export markets, Nicaragua now competes with neighboring Costa Rica, Honduras, Guatemala and Mexico on cost, different production seasons, and quality. Such competitive level has been difficult to attain and is expected to grow as producers become more flexible in adjusting to the needs of the value chains. With the proper expert assistance to develop customized export standards compliance programs, it is anticipated that product refusal will not be a hindrance to the expansion of Nicaragua's agriculture trade and increasing reputation as a world class supplier.

Concentrating on product subsectors also promises stronger relationships between farmers and exporters, organized industry groups with the advocacy and resources to continue promoting compliance with SPS standards inspired by greater market access while protecting consumers and supporting plant and animal health requirement of the importing countries.

10. Project Inputs

Please see budget in Annex 1.

11. Non-STDF contributions

n/a

12. Timetable

The workshop is expected to be held during the third week of November, 2006.

ANNEX 1

PROJECT PREPARATION GRANT BUDGET

Line Item	Annual Salary	Unit Cost	Unit	Units	Total Cost
Salaries and Wages					
MSU Coordinator	50,000	4,167	Month	1	5,250
In-Country Coordinator (consultant)	40,000	3,333	Month	1	4,200
Logistics support personnel (consultant)	12,000	1,000	Month	0.5	630
Logistics support personnel (consultant)	12,000	1,000	Month	0.46	578
TOTAL SALARIES AND WAGES					10,658
Fringe Benefits					
MSU Coordinator (34% of montly salary)	50,000	5,250	Month	1	1,837
TOTAL FRINGE BENEFITS					1,837
Travel/Transportation					
Luis Flores, Project Coordinator					
Airfare: Lansing/Managua	6 day/trip	1000	per trip	1	1,260
Lodging/Per Diem: Lansing/Managua		176	night	6	1,331
TOTAL TRAVEL/TRANSPORTATION					2,591
Supplies and Services					
Workshop Managua, 2 days					
Meeting room at IICA	2	75	day	2	378
Breaks/meals, 20 attendees, 2 breaks 1 lunch	2	35	day	40	3,528
Lodging for at least 10 people from the rural area)	1	45	night	10	567
Transportation (10 people from the rural area)	1	15	rnd trip	10	189
Materials (name tags, programs, photocopies, etc)	1	10	package	20	252
Audiovisuals to be provided by MSU office					0
TOTAL SUPPLIES AND SERVICES					4,914
TOTAL					20,000