

Leveraging Municipal Government Support for Agricultural Value Chains in Nicaragua

Jefferson Shriver
and Jorge
Manuel Brenes
Abdalah



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(Tel) 410-625-2220 Attn: PQSD Microfinance Unit
(Fax) 410-234-3178 Attn: PQSD Microfinance Unit
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Leveraging Municipal Government Support for Agricultural Value Chains in Nicaragua

Attracting Private Sector Investment to Rural and
Agricultural Markets

Jefferson Shriver and Jorge Manuel Brenes Abdalah
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ACORDAR Project Summary

The Alliance to Create Rural Business Opportunities through Agroenterprise Relationships (ACORDAR) is a USAID-sponsored, public-private sector, five-year initiative (2007–12) directly benefitting 7,000 smallholders, organized in 107 cooperatives in 50 municipalities of Nicaragua. Total project investments amount to US\$53 million. Project objectives are to assist small producers to increase their income, ensure ongoing employment, and strengthen their market-access capacities, through agricultural value chain development, in alliance with municipal governments, and private sector partnership in Nicaragua. The prioritized value chains are vegetables and fruits, roots and tubers, beans (red and black), coffee, and cocoa.

The value chain approach enables farmers to improve their productive capacities, add value to their products, gain better access to markets, and deepen relationships with different stakeholders in those value chains. ACORDAR works with the International Tropical Agriculture Center (CIAT), which offers technical assistance on value chain methodology, to develop inclusive business models and to strengthen business linkages with private businesses and the Nicaragua Association of Producers and Exporters (APEN).

To ensure postproject sustainability, ACORDAR prioritized three cross-cutting activities:

1. Implementation of an innovation fund to finance new initiatives for inputs, services, and value-added products;
2. Knowledge management and learning to share lessons learned with different stakeholders within the value chains; and
3. Application of the gender policy to create more opportunities for women: (a) to access resources, (b) to make decisions, and (c) to empower them to better manage their household resources and the resources of the cooperative enterprises.

After five years of operations, ACORDAR increased the incomes of 60 percent of the participating households by at least an additional 20 percent over the baseline figure, to produce 9,094 additional hectares of crops with US\$128



million in sales, generate 27,000 new jobs, and ensure contributions of US\$33 million by municipal governments and private investors.

ACORDAR is made up of a consortium of 14 organizations from the public and private sectors in Nicaragua, with CRS as the leader of the consortium. The core members are Catholic Relief Services, Lutheran World Relief (LWR), and TechnoServe (TNS). CRS and LWR provide support to the local implementing partners, while TNS executes its activities directly. Relationships with buyers are handled collectively.

The local partners are the Foundation among Women (La FEM), Caritas Estelí, the Association for Community Agricultural Diversification and Development (ADDAC), the Association for Social Development of Nicaragua (ASDENIC), the Aroma of Coffee Multi-service Cooperative Organization (CECOSEMAC), the Aldea Global Association, the Northern Multi-service Export and Import Cooperative Organization (CECOOPSEMEIN), the Organization of Northern Coffee Cooperatives (CECOCAFEN), the Society of Small Farmers for Coffee Export (SOPPEXCCA), the Institute for Democracy (IPADE), and the Association of Small-Scale Nicaraguan Coffee Farmers' Cooperatives (CAFENICA).

Creating Municipal-Level Supply-Chain-Friendly Environments

Nicaragua has one of the lowest population densities of all Central American countries.¹ Agriculture, one of the major pillars of the economy, contributes 60 percent of total annual exports,² which is approximately US\$1,600 million, with a per capita gross domestic product of US\$1,240. Forty-two percent of Nicaragua's total population of 5.9 million is located in rural areas. Seventy-two percent (4.25 million) of the population is less than 35 years old, and in 2005, 46 percent (2.72 million) was living below the poverty line.³

Rural road infrastructure in the 153 municipalities is deficient. It presents a significant barrier for farmers to get their agricultural products to market



Departments of Nicaragua

- 1 The population density in Nicaragua was 48.10 people per square kilometer in 2010. "Population Density (People per Sq. Km) in Nicaragua," Trading Economics, <http://www.tradingeconomics.com/nicaragua/population-density-people-per-sq-km-wb-data.html>.
- 2 "General Information," CentralAmerica.com, <http://centralamerica.com/nicaragua/info/general.htm#economy>.
- 3 "Nicaragua," World Bank, <http://data.worldbank.org/country/nicaragua>.

in an efficient and low-cost manner so that they can be competitive in both national and international markets. In the case of perishable (fresh) crops, poor road infrastructure creates an additional barrier to market access, especially when rural storage and processing centers do not exist or are located far away from the farmers. Currently, only 11 percent of the country's roads are paved, compared to 26 percent in neighboring Costa Rica and 42 percent in Panama,⁴ putting the Nicaraguan farmers at a regional cost disadvantage. Investment in the provision of services and infrastructure in locations of strategic importance can be decisive in improving income when farmers and other value chain actors are struggling to become more competitive.

Until recently, municipal governments in Nicaragua have not considered agricultural development, including responding to the farmers' supply chain needs, to be part of their institutional mandate, even though the municipal governments receive an annual budget subsidy from the central government, as well as local tax revenues, to invest in public works and services. The types of services and infrastructure needed to support the agricultural value chains are: (a) construction of roads, bridges and irrigation systems; (b) land donations to build packing and storage facilities; (c) in-kind donations of municipal government personnel for training and technical assistance to farmers; (d) renovation of the municipal markets; (e) the building of community centers to hold town hall meetings; and (f) investments in water and sanitation projects.

For example, the Rancho Grande Municipality, Matagalpa Department, is located 214 kilometers from Managua over a very bumpy road, which borders the most isolated Northern Atlantic Autonomous Region of the country. Rancho Grande is a highly productive area, producing cocoa, coffee, cattle, corn, and beans. Ninety-two percent of its population lives in rural areas.

In 2007, when ACORDAR began, Rancho Grande was one of 25 municipalities selected to create a friendlier municipal environment for agricultural value chains. To do this, collaborative relationships were established between the participating cooperative enterprises, private sector supply chain actors, and the Rancho Grande municipal government.

⁴ "Roads, Paved (% of Total Roads)," World Bank, <http://data.worldbank.org/indicator/IS.ROD.PAVE.ZS>.



One of the major cooperative enterprises in Rancho Grande is the Rios de Agua Viva multiservice cooperative, with 420 members. For years, their cooperative leaders had felt disconnected from the local political process as they lacked the connections and tools to influence municipal investment decisions. Poor roads, lack of access to water for irrigation and domestic consumption, and practically no rural packing centers (to process or store their agricultural products) left the Rancho Grande farmers vulnerable to lower prices, poor input quality, and high production costs.

ACORDAR has facilitated a friendlier environment for supply chain actors in Rancho Grande. Project technicians met with and trained cooperative leaders in ways in which they could become more central in the municipal decision-making process to influence the investments toward their most important supply chains. The project technicians negotiated an agreement with the municipal government to get their commitment to work with the local farmer organizations and to invest a percentage of their annual budget in infrastructure to enhance the supply chain competitiveness of their farmers. The specifics of the agreement were determined by mutual accord between the farmer organizations and the value chain stakeholders. As part of the agreement, CRS committed to invest ACORDAR project funds in the municipality, using the project activities and funding as leverage to positively influence the municipality.

Thus, during the project's first two years, CRS' implementing partners provided a series of trainings to Rios de Agua Viva cooperative farmers. These were done in coordination with the Rancho Grande municipal government, with the intent to equip the farmers with the skills needed to participate in the municipal decision-making processes. The trainings covered

- citizen participation,
- the legal framework and environmental law,
- the steps for municipal budget preparation, and
- the law on Potable Water and Sanitation Committees (CAPS).

Progressively, the cooperative leaders learned how to effectively participate in the municipal government planning and decision-making structures, such as

- town hall meetings,
- municipal development commission meetings, and
- CAPS.

Participation in these structures led to

- support for dissemination of municipal ordinances,
- support for dissemination of the environmental plan,
- support for the formation of 17 CAPS, of which 11 have been legally registered with the municipal government,
- two environmental campaigns for proper garbage disposal, and
- three community reforestation campaigns with schools, youth, and cooperative members.

Farmer participation in the municipal political process has had significant results over a short period of time. From December 2010 to September 2011,

the municipal government of Rancho Grande invested US\$341,000 in the supply chain competitiveness process. Of this amount, US\$160,000 was used for the rehabilitation of 22 kilometers of roads, directly benefitting 3,170 people in five communities. The remaining US\$181,000 was allocated for water and sanitation projects in four of these communities. These funds created access to water and waste water systems for domestic and agriculture use for the first time.

Additionally, the municipal government reestablished the 20-kilometer road between Rancho Grande and the collection center for the cocoa in the community of San Antonio de Kuskawas. This stretch of road was previously impassable. This was done in direct response to farmer supply chain needs. Priority has been given to this road to ensure that it is maintained at all times for transportation of cocoa from 10 Rancho Grande communities. Damaged bridges along this road were also repaired.

Thus, ACORDAR municipality investments have bolstered the farmers' supply chain competitiveness and created powerful synergies with municipal government investments. During the period from October 2007 through March 2012, the ACORDAR Project invested US\$320,810 as follows: US\$21,132 for water infrastructure; US\$37,624 for the construction of a cocoa harvest reception center; US\$251,360 invested in bean, root and tuber seeds, farm infrastructure



and reforestation; and US\$10,694 for training on different value chain topics. These investments were leveraged into agricultural product sales worth US\$1.2 million in beans and taro, generating 675 full-time jobs.

The Rancho Grande municipal government now recognizes the Rios de Agua Viva Cooperative as an influential stakeholder for local development. The increase in local tax revenues has led to positive economic growth in the agricultural sector. For example, on each hundred-pound sack of dried cocoa sold at an average price of US\$150, the cooperatives pay a tax of US\$6 (4 percent), which is distributed between the General Tax Office and the municipal government.

With increased revenues, the municipality is able to place a higher priority on environmental protection, reforestation, cleanup support, and water-source protection campaigns. In return, farmers have made commitments to care for and provide maintenance to the roads that have been rehabilitated.

CRS' Four-Phase Strategy for Creating a Value-Chain-Friendly Environment

Results like those of Rancho Grande did not happen by accident. Rather they were the product of careful selection of participants and a four-phase strategy that was designed and implemented by ACORDAR. The four phases are:

Phase 1: Obtaining Interest and Buy-In from Municipal Governments and Producer Organizations

Phase 1 focused on working with the mayors to achieve buy-in using three key steps:

1. Consulting with municipal governments to discuss the importance of the selected value chains
2. Explaining the initiative and benefits to producers and municipalities (demonstrating the win-win scenario)
3. Obtaining producers' and municipalities' political and financial commitments

Before the project began, CRS requested and received letters of intent from the mayors to support the value chains. CRS selected the 25 most motivated municipal governments out of a pool of 50 within the project’s geographic target zones by using the following criteria:

- High concentrations of farmers working in the targeted value chains
- Previous CRS and local partner presence and relationships
- Municipal government’s track record in demonstrating transparency and a willingness to work within a democratic process

Once the project began, these 25 municipal governments were actively engaged in a dialogue on the form of coordination, the type of contributions, and the commitments of the local governments.

Phase 2: Farmer Capacity Development

In Phase 2, investments were made in training and mentoring to build the farmers’ capacity to sustain their actions well beyond the project’s time frame, using two fundamental activities:

- Farmer training on the municipal legal framework
- Development of detailed action plans to lobby municipal governments for specific investments to strengthen the value chains

Initially, the cooperatives had not planned to negotiate with the municipal governments. They had little knowledge of the local legal framework or their right to participate in the municipal decision-making process. The municipal governments, in turn, did not consider the cooperatives to be local stakeholders, only recognizing them for tax commitments. Furthermore, the municipal governments did not consider support for agricultural production within their constitutional mandate, even though they were responsible for environmental protection and management.

During this second phase, the project engaged three civil society organizations that had prior experience in the issues and processes related to citizen



participation.⁵ Each organization was located in one of the project's geographic priority departments. These organizations conducted the training-of-trainers sessions for the cooperative leaders and project technicians. In addition, these three organizations facilitated the development of the relationships with the municipal governments. Following the initial trainings, a local partner staff was assigned to each cooperative organization to continue to work with them on municipal engagement. This allowed the cooperatives to work directly on the development of relationships among themselves and with the municipal governments and state institutions.

Project technicians then worked with the cooperatives to analyze their situations, identify and prioritize their problems, and align these findings with the appropriate decision-making level (municipal, provincial and national). The cooperatives used this exercise to prepare specific action plans that highlighted the priority needs of their communities. Support was provided until their objectives were achieved. This process is repeated annually to update their action plans for the selected value chains.

⁵ Instituto de Mujer y Comunidad, based in Estelí; Organización para el Desarrollo Rural, based in Matagalpa; and CUCULMECA Asociación, based in Jinotega.

Phase 3: Farmer Cooperatives Participate in Municipal Decision-Making Bodies

Phase 3 began once the farmers were trained. Given their successful participation in municipal decision-making bodies, it is imperative that they learn more about municipal policy and effective ways to influence the municipal governments. Three actions were introduced:

1. Active participation of farmer enterprises in municipal government consultations and town meetings to approve the municipal budget
2. Provision of technical support to the farmers to ensure that the lobbying platform was reflected in municipal budgets
3. Farmer participation in the technical commissions that develop local public policies and create the regulations that would benefit the specific value chains

Over time, the cooperatives became actively involved in the municipal budget consultation process, where they were able to express their agricultural needs as a unified body. Participation in the town meetings



was critical to influencing the municipal council's decision. Sector-specific town meetings were established for farmers in two municipalities, as well as one for women to make their gender specific needs more visible. Finally, the cooperatives participated in their respective municipality's technical commissions, particularly the environmental commission, to propose actions for protection and improvement of the local natural resources.

Phase 4: Sustainability—Making Farmer Participation in Municipal Activities a Permanent Political Process

The purpose of Phase 4 is to build on the relationships that have developed during the first three phases to create a mechanism by which the cooperatives and municipal governments are able to maintain and grow their relationships, within the value chain framework, over time. Key activities accomplished during Phase 4 are

- access to the quarterly publications of the municipal investments to ensure transparency,
- regular farmer attendance in government departmental meetings to create and maintain relationships, and
- annual sharing of the project investment plans with the municipal governments to develop synergies.

Phase 4 strengthens the relationships between the cooperatives and their respective municipal governments. Sharing investment information makes it possible to coordinate and jointly implement different initiatives. Building road infrastructure and potable water systems, participating in local fairs, and negotiating with public ministries are a few examples of these joint efforts. In addition, Phase 4 encourages the cooperatives to include a municipal liaison in their organizational structures to establish ongoing communication with the municipal government bodies. The cooperative's municipal liaison division thus becomes the permanent focal point for participation in municipal decision-making bodies. This process encourages the municipal governments to consider the cooperatives as important stakeholders.

Results

ACORDAR successfully influenced 25 municipal governments to invest more than US\$19 million of their annual budgets to strengthen value chains. Seventy-five percent of these investments were in roads and water infrastructure, which are considered essential for creating value chain competitiveness. Of this amount, US\$14.6 million represented investments in roads and water infrastructure, and US\$4.8 million in storage facilities, sanitation and market-access support.

Municipal negotiations undertaken by cooperative representatives and organized groups directly benefitted 3,167 farmers working in fresh fruits, vegetables, coffee, red and black beans, cocoa, roots and tubers, and indirectly benefitted thousands of other rural families, who did not participate directly in the project.

Rural Roads to Increase Supply Chain Competitiveness

Rural road investments have improved access to communities, either by enabling farmers to sell their products to brokers at the farm gate or by reducing the transport costs so that they can sell directly to buyers higher up in the supply chain. Damage to motion-sensitive crops such as taro and plantains has been greatly reduced, leading to higher incomes. Buyers, input suppliers, and financial service institutions now have greater access to rural communities because of the improved road infrastructure, resulting in an improvement in the farmers' competitive advantage.

Water to Improve Production, Processing and Consumption

Municipal investments in water and sewage have improved significantly during the ACORDAR project. The result has been an increase in water quality for human consumption and for agricultural production. These investments allow farmers to produce healthier food for local consumption and for high-value export.

Legal Regulations and Ordinances to Improve Resource Management

Under ACORDAR, 16 legal regulations were implemented to support value chain development. They include forest and agriculture fire prevention,



protection and adequate use of water sources, regulation of irrigated areas, agriculture-based water and solid waste management, and watershed and natural reserve protection. All resulted from the farmers' enterprise lobbying efforts. These regulations and ordinances have strongly contributed to better regulation of water for irrigation, prevention of burning of fields, and better solid and liquid waste management.

Citizen Political Participation to Improve Municipal Accountability

Thousands of farmers have been trained on topics such as citizen participation, municipal laws, environmental laws, municipal budgets, the development of action plans, and how to follow up on demands. As a result, the farmer groups regularly participate in town meetings, are part of the budget consultation process, and are active members of the municipal technical commissions.

Significant Achievement as a Result of Municipal Engagement

ACODAR has achieved:

- *117 percent increase in the participant farmers' annual net income from US\$2,306 to US\$4,998*

By getting better prices and reducing their production costs, farmers are earning more. The increased income achieved in just four years has allowed the farmers to improve their financial, social and physical well-being (e.g., the quality of their homes, their diets, and the education of their children). It has further enabled them to purchase more land and a means of transport. The increase in net income has helped them to pay off their debts.

- *66 percent increase in agricultural production*

The willingness of the farmers to change their production practices, access new technologies to improve yields, open new markets, and create capacities in the value chain processes has led to an increase in both production and the sales of their agricultural production.

- *98 percent increase in sales*

From October 2007 through March 2012, the participating farmers sold agricultural products valued at a total of US\$54.6 million, thus significantly contributing to the economic vitality of the municipalities and to an increase in taxes collected by the municipal government. For example, the cooperative pays US\$6 (4 percent) in taxes on each quintal of dried cocoa beans sold at an average price of US\$150. These tax revenues are shared between the General Tax Office and the municipal governments.

- *36 percent increase in employment*

In the period from October 2007 through March 2012, 11,231 full-time jobs were created in the 25 municipalities. The increase in jobs, with fair wages, has contributed to a decrease in farmer migration and indirectly to an increase in job opportunities for other farm workers who are not direct beneficiaries of the project. The new jobs contribute to greater food security for families and more social stability within the municipalities.

- *General improvement in municipal–farmer relationships*
Through participation in ACORDAR, municipalities have improved their relationships and coordination with local stakeholders, leading to the development of social projects and the creation of more jobs.

Lessons Learned

The ACORDAR project has led to a number of significant lessons learned:

- It is important to have an internally structured, municipal engagement division within the cooperatives for effective participation in municipal decision-making bodies.
- Municipal buy-in for investment in farmer enterprise support has greater potential to be included in the municipal budget when it is presented in town hall meetings in the presence of all local stakeholders.
- Actions to secure investments to create value-chain-friendly environments must be embedded in the municipal government planning structures and processes.
- The establishment of cooperative alliances with the municipal governments facilitates coordination among stakeholders to support value chain development and foster access to financial and nonfinancial services that benefit the cooperatives.
- Farmer participation in municipal decision-making bodies enhances their stake in and ownership of the entire process.

Replication

The lessons learned during the ACORDAR project can be used to examine how this successful process could be replicated. When organized farmers and municipal governments work together to strengthen value chains, using public-private partnerships, powerful synergies can result in new job opportunities, greater farmer incomes, and increased municipal revenues.

Verify the Existence of Positive Government Leadership and Farmer Organization Capacity

For the methodology to be successful in municipalities, local leadership needs to have a track record for being transparent and accountable. Careful selection of municipal governments with these characteristics will increase the chances of successful replication. Municipal governments can only be influenced if farmer enterprises exist and have a minimum level of organizational maturity so as to be able to effectively participate in the municipal decision-making bodies. It is therefore critical to identify forward-looking farmers and farmer organizations when deciding on a locale.

Select Appropriate Geographic Locations

Selection of the geographic priority zones relies on two fundamental criteria—need and opportunity. To be successful there must be a balance in the social, environmental, and economic needs of the population, and the existence of agricultural growth opportunities. One must take into account adequate agroecological conditions, access to water, strong market response, and the existence of potential service providers for geographic site selection.

Build Strategic, On-Going Relationships

Relationships built on trust do not happen overnight. It takes several years to ensure success with this municipal engagement strategy. Given an unpredictable and often polarized political atmosphere, it is best to start working in communities where the partners have a long-standing presence and a trusted relationship with local authorities. Multiple meetings with mayors, early on, can be used to explain the benefits of participation, especially to demonstrate how the increased project investments in their municipality will result in enhanced tax revenues from greater sales of agricultural products and services. On a number of occasions, mayors were brought together to share their successes and challenges. The mayors were able to see the benefits of the approach in multiple municipalities around the country, raising their individual levels of enthusiasm to increase participation.

Use Formal Agreements

The use of formal written agreements to establish financial and political commitments, with a public ceremony, makes the work more visible, and gives the government the opportunity to “take credit” for their financial and human resource investment with their stakeholders. This further motivates mayors and other municipal leaders to invest in improvements.



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