



**Enhancing Small Enterprise Growth of Nicaragua
through the Development of Existing Value Chains
PROPEMCE**

Final Evaluation

Final Report

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ABBREVIATIONS

ATP	Main Technical Consultant = International Coordinator for PROPEMCE
BCIE	Central American Bank for Economic Integration
BPA	Good Agricultural Practices
BPM	Good Manufacturing Practices
CANISLAC	Nicaraguan Chamber of the Dairy Sector
CANTUR	Nicaraguan Chamber of Tourism of the Micro, Small and Medium Enterprises
CEI	Export and Investment Center
CENPROMYPE	Centre for the Promotion of Micro and Small Enterprises in Central America
CONIMSME	Nicaraguan Council of Micro, Small and Medium Enterprises
COOPROLECHE	Milk Producers Cooperative El Triunfo R.L.
COPROLAC	Dairy Producers Cooperative La Unión R.L.
CTP	PROPEMCE Technical Committee
DFID	Department for International Development of Great Britain
EAP	Program Administration Team
EE	Evaluation Team
EMVS	Sustainable Livelihoods Approach (Enfoque de Medios de Vida Sostenibles)
FEMUPROCAN	Federation of Agricultural Cooperatives of Rural Women Producers of Nicaragua
FIDA	International Fund for Agricultural Development
GRN	Government of the Republic of Nicaragua
INAFOR	National Forestry Institute
INATEC	National Technological Institute
INFOCOOP	Nicaraguan Institute of Cooperative Development
INTA	Nicaraguan Institute of Agricultural Technology
INTUR	Nicaraguan institute of Tourism
MAEF	Ministry for Foreign Affairs of Finland
MAGFOR	Agricultural and Forestry Ministry
MARENA	Environmental and Natural Resources Ministry
MC	Management Committee
MEFCCA	Ministry of Family, Community, Cooperative and Associative Economy
MIFIC	Ministry of Development, industry and Commerce
MINREX	Ministry for Foreign Relations
MSME	Micro, Small and Medium Enterprise
MOPES	Planning, Execution and Follow up Operations Manual
M4P	Market for Poor Approach; (Making Markets Work for the Poor)
NIFAPRO	Agro-biotechnology program Nicaragua-Finland
NITLAPAN	Institute of Applied Research and Promotion of Local Development

PM	Program Memorandum
POA	Annual Operational Plan
POG	Overall Operational Plan
PRODEGA	Rural Livestock Development Program
RAAN	North Atlantic Autonomous Region
RAAS	South Atlantic Autonomous Region
RSJ	Rio San Juan Department
RyT	Roots & tubers
SB	Supervisory Board
ToR	Terms of Reference
UCA	Agricultural Cooperatives Union
UNAG	National Farmers and Ranchers Union
URACCAN	University of the Autonomous Regions of the Nicaraguan Caribbean Coast

EXECUTIVE SUMMARY

According to “Household Survey and Measurement of Living Standards in Nicaragua – 2011”, 44% of the population lived in general poverty and 8.2% lived in extreme poverty; in both cases, a reduction in relation to 2009 and 2010 was observed, particularly in rural areas, where the incidence of general poverty decreased from 67.8% in 2009 to 62.8% in 2010, and to 61.5% in 2011.

In terms of productive and labor aspects, micro, small and medium enterprises (MSME) in Nicaragua generate close to 300,000 jobs in over 150,000 establishments. In urban areas, these economic entities generate 58% of the jobs. The aforementioned capability, coupled with the flexibility in productive processes, make these companies a source of growth and economic development potential. On the other hand, the micro-enterprise sector in Nicaragua continues to be characterized by informality and low productivity.

PROPEMCE was conceived as a continuation of the United Kingdom’s DFID program, “Promote Equality through Economic Empowerment (PEMCE)”, which took place between 2005 and September of 2008. The PEMCE focused primarily on strengthening: i) producer associations and groups; ii) dialogue between MSMEs and the Government on a national, regional and municipal level; and; iii) dialogue between MSMEs and international financial institutions. Regarding PROPEMCE, the Program Memorandum signed by both donors (the United Kingdom and Finland) contains the following formulation of objectives: “The program goal is: Sustainable inclusive growth in the private sector in Nicaragua; the program purpose is: Enhanced MSME growth and provision of opportunities for women and excluded populations.”

In January 2008 a decision was made to change the way that DFID works in Latin America, by increasing cooperation through British NGOs and multilateral entities. In the case of Nicaragua, priority was given to inclusive growth, poverty reduction, and governance. Finland decided to co-finance PROPEMCE and take over coordination, under the formula of “delegated cooperation”. In April 2009 the DFID office for Central America was closed.

The execution of PROPEMCE should have started in January 2009, but negotiations of the corresponding agreement between Finland and Nicaragua continued until July, and therefore the program’s startup date had a 6-month delay. Subsequently, the program was severely obstructed by a series of difficulties related to differences between the involved parties regarding several aspects: i) the program’s strategy, particularly with respect to how to aid the poorest of the poor; ii) how to implement the M4P focus; and, iii) the program’s type of independent management by a Program Administration Team (EAP), made up of personnel hired through a consulting firm. The EAP answered to a Management Committee and a Supervisory Board, with the donors in the majority and Nicaragua’s governmental sector in the minority. Subsequently, there were problems in terms of complying with Finnish laws and regulations relating to state purchases, acquisitions and donations. All of this led to a standstill in carrying out the program until November of 2011.

Despite these setbacks and delays, the program’s conclusion date continued to be late 2012, but granting an administrative closing phase until the end of March 2013. This meant that the actual execution time of the vast majority of interventions was reduced to a little more than a year, and thus all processes could not be properly concluded, leading to results that were not very solid, with limited sustainability perspectives. The global budget of the program was executed by 55% and operational or administrative costs came to over half of that, which is to say more than the investments made in specific projects. It should be added that if the program had been executed in full compliance with the M4P approach, a budget of over 7 million Euros would not have been necessary.

The M4P approach was only partially implemented, despite both donors insisting on its proper application. One reason for this was the difficulty in finding personnel for the program that had sufficient knowledge of, and experience in, this approach. This problem also affected all the other

parties involved, particularly the members of the program's managerial staff, i.e. the Management Committee (MC) for technical follow-up, and the Supervisory Board (SB) for managing policy and strategies. Another reason was that this manner of working did not have sufficient convergence with the policies and strategies of the Government of Nicaragua in relation to reducing poverty.

PROPEMCE achieved a very low level of compliance with its objectives. Overall, as a program, it does not leave very many long-lasting results. Some specific interventions with certain strategic partners and groups of final beneficiaries have had some observable effects, and show signs of being able to achieve sustainability, despite the unacceptable short duration that had to be given to many training efforts, technical consultancies and follow-up. During the startup phase a process for selecting the five value chains to address was performed, which turned out to be technically sound and was accepted by all parties. The chains were: roots & tubers, wood and furniture, tourism, vegetables, and cheese. The first interventions began in the tourism and vegetables chains, while the one whose startup was delayed the most was that of wood and furniture.

The most promising results for the future include some of those obtained in the tourism, roots/tubers and cheese chains, where there was indeed a greater application of the different M4P elements, meaning attention to every link in the chains and not only to poor producers as a primary link. These results, however, were obtained more through the direct work of the Program's Administration Team than through the involvement and participation of strategic partners, as should have been the case, according to the M4P approach. This is one of the factors that, in general, significantly reduced the potential sustainability of what was done.

The program also proposed to create a Multi-donor Fund to expand and continue the work. This idea, however, did not prosper, which is not surprising considering the initial base program's low level of success.

The following highlights the most important PROPEMCE lessons learned: i) projects should be identified and formulated based on an analysis of the environment where it is to work, and not based on *de rigueur* approaches; ii) designing theoretically logical projects is not enough, a practical feasibility analysis is required, both in the technical and political sense.

A successful international cooperation project cannot be carried out if there is no basic consensus between the cooperating parties regarding strategy and governance.

The table on the following page contains a summary of the most important observations, conclusions and recommendations.

SUMMARY TABLE

FINDINGS	CONCLUSIONS	RECOMMENDATIONS
<i>Design</i>		
<p>The project design reflects a certain ambivalence in terms of determining the core problem to be solved: the need to strengthen micro, small and medium enterprises, and include marginalized groups is discussed simultaneously, but without analyzing how both problems are related (hierarchy of problems).</p>	<p>This design allowed for project performance to be negatively affected, because donors were more focused on strengthening businesses through the M4P, while the Government of Nicaragua's policy revolves more around the direct reduction of poverty and inclusion.</p>	<p>Given that the project has concluded, it is not necessary to make recommendations for it; however, this is necessary for designing other similar projects:</p> <p>1) Formulate projects based on concrete analyses of the situation to be changed, and not based mainly on the supposed advantages of certain methodologies or novel approaches.</p>
<p>The organizational design of the project marginalizes Nicaraguan governmental stakeholders (they are the minority in management staff) while a component of the project depends on the government's cooperation (a change of regulations that affects private enterprise)</p>	<p>This organizational model results in an additional cause of limited synergy between the different project stakeholders.</p>	<p>2) Do not attempt to perform projects outside of the strategy of the recipient partner government.</p>
<i>Relevance</i>		
<p>The project's objectives were perfectly pertinent to the development policies of both Finland and Nicaragua. However, the work strategy to perform them did not sufficiently coincide with Nicaraguan strategies. The Nicaraguan government was not committed to the M4P approach.</p>		
<i>Efficiency</i>		
<p>The project executed only 53.3% of the budget and more than half of the corresponding resources were dedicated to financing the Program's Administrative Entity. Almost all project activities were performed during the final year of performance, out of a total period of 4 planned years and 3.5 actual years.</p>	<p>It must be taken into account that, according to their creators and accumulated experience, M4P projects should have a duration of 5 to 7 years, as a minimum.</p>	

<i>Effectiveness</i>		
Due to the delays in its startup, the disagreements between the interested parties, and the Finnish legal problems related to purchases and acquisitions, the majority of interventions were executed with insufficient time margins.	Due to the lack of effective work time, the project was not effective at all, meaning, it had a very low level of fulfillment of objectives.	Do not allow the pressure to execute program budgets to lead to performing actions with a limited perspective of achieving results.
<i>Impact</i>		
For the same reason as the limited effectiveness, it is impossible to identify any sort of project impact. Not enough time has transpired for the project to have an observable impact.		
<i>Sustainability</i>		
It cannot be anticipated that the entire program, or the attempt to implement the M4P approach, will have any great degree of sustainability. Some of the specific interventions, for example the cheese and roots/tubers chains, can have sustainable impacts, but that can only be verified within two or three years.		

1. INTRODUCTION

1.1 PRESENTATION OF THE EVALUATION TEAM AND THEIR TASKS

This evaluation of PROPEMCE forms part of a simultaneous evaluation task, by one single team, of three programs in the Nicaraguan rural sector, financed by Finland. The other two were: i) an *ex post* evaluation of the rural development and livestock program, PRODEGA, implemented between 1990 and 2003 and; ii) a final evaluation of the Nicaragua-Finland agro-biotechnology program, 2007 – 2012, NIFAPRO. PROPEMCE is also a final evaluation, undertaken over the final weeks of the program's execution, which began in July 2009 and ended on March 31, 2013.

The evaluation team included:

Lars Eriksson Team Leader, International expert in program evaluation, results oriented management and local/rural development.

Benicia Aguilar Local environmental, livestock and rural development expert.

Kristina Boman International expert in value chains and economic development.

Thomas Pijnenburg International rural development and evaluation expert.

Maaria Seppänen International expert in university education, gender and good government.

All team members contributed to the three evaluations, in various degrees; however, there was a clear distribution of responsibilities among the consultants between one subject and another. Lars Eriksson and Kristina Boman were, mainly, in charge of the PROPEMCE evaluation.

1.2 EVALUATION OBJECTIVES

Originally, the agreement between the MAEF, DFID and the Government of Nicaragua, regarding the execution of PROPEMCE, concluded at the end of 2012; it was extended through March 31, 2013. In accordance with said agreement, and with normal international cooperation procedures, a final evaluation was required. The evaluation should have analyzed the results obtained towards the end of the program, to provide judgment criteria, with respect to this type of cooperation in similar conditions. According to the Terms of Reference of the evaluation (Annex IV), it was considered particularly valuable to have an external opinion regarding the effectiveness, efficiency, and impact and sustainability of the program, and regarding the necessary conditions for this cooperation modality for development. Upon confirming that the project didn't have much success in relation to these parameters, the evaluation team deemed it necessary to consider, as another work objective, the analysis of the project's formulation and management process, thereby attempting to identify the causes and circumstances of the lack of success.

1.3 METHODOLOGY AND SPECIAL CONSIDERATIONS OF THE CASE

The work methodology of this evaluation was made up of:

- The study of a very abundant documentation resulting from the program
- In depth interviews with:
 - Nicaraguan government officials and representatives of the nation's private sector organizations

- Representatives from the Ministry for Foreign Affairs of Finland and from the Department for International Development of the United Kingdom
- The three coordinators of the Program Administration Team (EAP)
- Current and former personnel of the EAP
- Strategic partners of the program
- Direct beneficiaries of the program
- Other pertinent stakeholders
- Direct observation of program activities and facilities throughout all geographical areas of intervention: Departments of Boaco, Chontales and Río San Juan, and the Autonomous Regions of the South Atlantic and North Atlantic, respectively
- Triangulation of information obtained and collective analysis within the evaluation team, including pertinent observations made during evaluations of the PRODEGA and NIFAPRO programs.
- A careful analysis of the comments on the draft of this report, provided by stakeholders. It is appropriate to mention this, since comments of many different types were presented by 7 interested parties. This unusually high number of commentators is probably a consequence of the sensibility of many evaluated aspects, that is to say the existence of contradictory opinions on the project, which were previously known by the MAEF. The comments have been taken seriously into account when preparing the final version of the report, since part of them turned out to be useful and important.

During the development phase of the Initial Report, the possibility to organize a number of workshops with the program's stakeholders was considered, but the idea had to be discarded due to the program's expansive scope and geographical dispersion, as well as the amount and variety of beneficiaries and other parties involved. It would have been impossible to organize an equitable and representative participation within the available timeframe and with the available resources.

An important advantage for the PROPEMCE evaluators was the ability to work with substantive and logistical support from the Program Administration Team (EAP), which continued to operate during the evaluation. The Coordinator and other personnel did everything possible to facilitate documentation, devote time to interviews, and help organize field trips.

On the other hand, a significant difficulty for the evaluation team (ET) was the defective administration of the Management Committee's (MC) and PROPEMCE's Supervisory Board's (SB) meeting protocols. Up until early 2012, these documents - which the ET has obtained in electronic format - are in their majority poorly drafted and difficult to interpret. In reply to inquiries with both the PROPEMCE's EAP and the Finnish Embassy in Managua, the ET has been informed that no printed and signed copies of these documents exist. The second program Coordinator maintains that some minutes do not correctly reflect what was said during the corresponding meetings, but - in the absence of signed documents and without knowing who really assumed final responsibility for the content - it is impossible to verify or refute this assertion.

As will be seen throughout this evaluation report, PROPEMCE has been a conflictive program with difficult execution, and as such, it is particularly unfortunate that more complete, understandable, and reliable MC or SB protocols, which would demonstrate what the positions of the different interested parties and decision makers have been at different times, do not exist. The ET has had to deal with a large amount of personal information and opinions, which are divergent or contradictory to each other, originating from different sources, and impossible to corroborate. We have not considered finding individuals responsible for this program's different problems as a task of the evaluation team. However, it would have been desirable to be able to determine, with firmer bases, in what way, in what measure and for what reasons the different institutions or agents involved in the management of PROPEMCE interacted to jointly cause such a delay and so many complications while executing the program.

In any event, it has been inevitable to mention some of the project stakeholders in this report – beyond what is normal – given that the strong differences of opinion among them have had significant consequences during execution.

Another aspect given special attention in this evaluation is the overall work result of PROPEMCE, meaning its effects, impact and sustainability. To this end, the team has endeavored to obtain information and points of view directly from the greatest possible number of representatives of beneficiaries, from the so called “strategic partners”, and from other multiple interested parties. The evaluators also made direct observations of several activities and installations, undertaken and provided for the program. Almost 20 person days were devoted to field trips throughout the provinces, and a large amount of interviews were carried out in Managua.

Nevertheless, we insist on the fact that the formulation and general management of PROPEMCE, somehow shared by various stakeholders, have turned out to be the aspects that most require evaluation in this case. As such, the account of the highs and lows and starts and stops of the program, and the analysis of their causes and consequences, makes up a large part of the report. The analysis of PROPEMCE’s management includes the issue of what M4P is, according to its inventors and subject matter experts, to what extent it has been applied or not in this case, and with what results. The ET considers that this is particularly in relation to the management and methodology aspects that PROPEMCE has produced some lessons learned, which may ultimately be taken into account for other programs in the future and in other locations.

Finally, it should be pointed out that, in addition to this evaluation report, the ET has also produced parts of the DFID’s “Project Completion Review”.

2. DESCRIPTION OF THE EVALUATED PROGRAM

2.1 BACKGROUND AND CONTEXT

Official Nicaraguan Government projections indicate that the country has a population of approximately 6.1 million inhabitants as of June 30, 2012. According to the “Household Survey and Measurement of Living Standards in Nicaragua – 2011”, an initiative supported by the Netherlands and Switzerland, 44% of the population lived in general poverty and 8.2% lived in extreme poverty; in both cases, a reduction in relation to 2009 and 2010 was observed, particularly in rural areas, where the incidence of general poverty decreased from 67.8% in 2009 to 62.8% in 2010, and to 61.5% in 2011.

In terms of productive and labor aspects, MSMEs in Nicaragua generate close to 300,000 jobs in over 150,000 establishments, of which 55% are administered by women, according to 2009 data from the Ministry of Development, Industry and Commerce (MIFIC). In urban areas, these economic entities generate 58% of the employment, according to data from the Urban Economic Directory of the Nicaraguan Central Bank. The aforementioned capability, coupled with the flexibility in productive processes, makes these companies a source of growth and economic development.¹ On the other hand, Nicaragua’s private sector continues to be characterized by informality. The levels of productivity and contribution to the Gross Domestic Product of micro, small and medium enterprises are relatively low compared to large businesses, and their competitiveness remains limited.

PROPEMCE was conceived as a continuation of the United Kingdom’s DFID program, which was executed between 2005 and September of 2008. PEMCE focused mainly on the strengthening of: i) producer associations and groups; ii) the dialogue between MSMEs and the Government on a national, regional and municipal level, and; iii) the dialogue between MSMEs and international financial institutions.

During the implementation of PEMCE, some of the main bottle necks, which if eliminated could facilitate a process of inclusive development of the Nicaraguan economy’s private sector, were identified: i) the lack of timely and good quality services focused on improving the operation and competitiveness of the different companies that make up a productive chain; and, ii) the lack of existence and application of clear rules and regulations. Among the services’ limitations, the following stood out: inadequate integration in, and weak coordination of, the value chains; limited access to financing; insufficient public services; inadequate infrastructure; and, deficient access to information. Discriminatory rules and regulations were also indicated as significant bottlenecks. PROPEMCE was born out of these identified lessons learned and bottlenecks, with the purpose of providing explicit attention to the subject of inclusive development project promotion in a limited number of value chains, with special emphasis on including women and indigenous groups.

In January 2008, a decision was made to change the way DFID worked in Latin America by increasing cooperation through NGOs from the United Kingdom and multilateral entities. Regarding Nicaragua, inclusive growth, poverty reduction and governability were the prioritized topics. Finland decided to co-finance and take over management of PROPEMCE, under the United Kingdom’s “delegated cooperation” formula. The total agreed upon for international financing of the program rose to €7,270,940, with 3 million corresponding to Finland. In April 2009, the DFID office for Central America, located in Managua, was closed. From then on, the program’s follow up, which was performed by DFID and carried out from their office in Barbados.

¹ International Foundation for Global Economic Challenge, FIDEG; El Observador Económico, July 2011 – Managua.

In February 2012, Finland announced the conclusion of their official bilateral cooperation with Nicaragua. In January 2013 an announcement was made that the Finnish Embassy in Managua would close before the end of the year. PROPEMCE concluded its execution on March 31, 2013.

2.2 PROPEMCE FORMULATION AND GENERAL MANAGEMENT PROCESSES

2.2.1 Formulation: from PEMCE to PROPEMCE

It is appropriate to begin the description of the evaluated program with a somewhat detailed account of its processes and management, given that both took greatly winding and uneven paths, thus establishing the bases for this intervention to be performed with very little efficiency and effectiveness during most of its lifecycle. The topics of formulation and management are handled jointly, under the same heading, given that the latter depends in great degree on the former.

During an interview, the Ministry of Development, Industry and Commerce of Nicaragua (MIFIC), the main governmental counterpart² of PROPEMCE through mid-2012 – maintained that this project had been “inherited” from the previous government, which –if true- would explain to a certain extent the controversies that affected the program during the first three of its four years of planned execution, and which seriously hindered its progress. While the current Government of Nicaragua prioritizes the reduction of poverty in a “direct” or immediate manner, attributing a degree of urgency to it, PROPEMCE proposes to reduce poverty through the inclusion of the poor in benefits that could result from small and medium business growth, and an improvement of the value chains where these are inserted; this is more of a long term approach and focuses more on the sustainability aspect.

MIFIC’s declaration in regards to the “inheritance” was obtained as a reply to the question of why the Government of Nicaragua accepted a program with an approach that was so different from its own. In a formal sense, it is inaccurate to say that the Ortega Government inherited PROPEMCE from the Bolaños Government, given that the former began in January of 2007, while PROPEMCE was negotiated between DFID, Finland and the Government of Nicaragua since early 2008 and through June 2009, and the corresponding Cooperation Agreement between the Governments of Finland and Nicaragua was signed on July 6, 2009. This Agreement incorporates the Program Memorandum previously signed by the donors; the two documents together, with their annexes, form the “legal” and technical basis that should have governed the program’s execution.

The apparent contradiction between the reality and the aforementioned perception relating to inheritance at MIFIC is blurred if is taken into account that PROPEMCE – as has been mentioned in 2.1 – is a kind of descendant of DFID’s PEMCE program. It is possible that the Nicaraguan authorities did not pay much attention to the change in configuration in terms of donor/cooperator, but rather saw PROPEMCE as a direct continuation of PEMCE.

On the other hand, PROPEMCE was given the form of an “independent”³ project, in contradiction with the ideals of “approval” and “alignment” of the Paris Agenda; according to the consulted sources, this would have been a condition presented by DFID, while also being a model supported by the MAEF. The conversations with different representatives of Nicaraguan governmental authorities, who have been involved with PROPEMCE in addition to other stakeholders, lead to the

² MIFIC was the only Nicaraguan governmental jurisdiction that had a vote on the program’s Management Committee and Supervisory Board

³ An independent project is, according to terminology from the Finnish Embassy in Nicaragua, a traditional type project, not inserted into an institution of the receiving partner nation, which is responsible for said project. Nicaraguan Government representatives see it the same way, even making reference to the operation of PROPEMCE being directed from offices that were located far from any government office. See the use of the “independent” concept in the evaluation Terms of Reference in Annex IV.

conclusion that: the Government of Nicaragua, in 2008-2009, was never in real agreement with the PROPEMCE program as it was proposed by the donors; that the GRN tried to adjust it so that it would be more in line with the governmental policy for reducing poverty, and so that the GRN would have more influence or authority regarding how the program was conducted (from there, the long negotiation of the agreement⁴); that, in this sense, they did not get as far as they desired and that in such a situation they decided to accept it anyway, probably with the idea of gradually changing it once its execution was launched. In fact, whether this was planned or not, the execution of PROPEMCE has become more congruent with the governmental strategy of poverty reduction; this has been reflected in the incorporation of public entities⁵ as strategic partners, and in the concentration of the direct support interventions on the poor, as the primary link in the value chains. The other links have received a lesser degree of attention than what should have been the case, according to the M4P approach. Governmental authorities have not demonstrated any special interest in applying the M4P concept.

The declarations of the previous paragraph are based on what is expressed by many people interviewed, from different categories, but also in the Management Committee and Supervisory Board minutes, even though these are of low quality in the majority of cases, as has been previously mentioned; there are a great deal of confusing, and sometimes incomprehensible phrases found, and interventions are cited without making clear who among those present has made them.⁶

2.2.2 Execution: first stage, July 2009 – October 2010

The first consultants hired by the Finnish consulting firm Rambøll began work immediately, once the aforementioned Cooperation Agreement was signed (July 2009); in fact, they had been awaiting this step since the beginning of the year, when Rambøll was awarded the management and technical assistance contract for the program. The planned startup date for PROPEMCE was January 2009, which means that the program was launched with a 6-month delay, while the date of conclusion remained the same.

PROPEMCE's execution began with a 9-month startup phase, during which value chains to be managed and strategic partners had to be chosen, as well as developing an Overall Operational Plan. The value chains were selected in good agreement with both donor governments and the receiving partner government. On the contrary, the selection of the partners was conflictive. During this phase, negotiations began anew, and half a dozen alternative social institutions were introduced; mainly governmental institutions suggested by the government. In the end, the POG⁷ was concluded and approved by mid-July 2010, in other words a whole year after program startup.

At the beginning of the startup phase, the EAP prepared a "Provisional Operational plan, Startup Phase, July 15, 2009 – April 15, 2010". In light of the problems that followed with the rules for acquisitions, it is important to note that this plan set forth that: "As regards the system of acquisitions of the Program's goods and services, PROPEMCE shall apply the 'Practical guide of contractual procedures for the European Community's external actions', version 2008."⁸ The same indication appears in the document titled "Program Administration and Management Manual - (PAMM) (draft)", from November 2009. No document has been found, which would comment on or cancel the (proposal of) rules. Likewise, no document that explains why Finland would use the rules of the European Community (sic!), and who made the decision, has been seen.

⁴ Agreement between the Government of the Republic of Finland and the Government of the Republic of Nicaragua on the Co-Operation in PROPEMCE: Enhancing small enterprise growth of Nicaragua through the development of existing values chains; signed by the parties on 6 July, 2009.

⁵ IDR, INATEC, INFOCOOP, INPYME, INTA, INTUR, MEFCCA

⁶ It is worth pointing out that an improvement in the presentation of minutes from the four latest Management Committee meetings has been observed as of June 2012.

⁷ Overall Operational Plan – POG 2010-2012; June 1, 2010

⁸ Op. cit., page. 15

Once the POG was approved, the so-called Program Administration Team (EAP), with personnel hired by the consulting firm Rambøll, processed suggestions of specific interventions coming from the strategic partners, and half a dozen of these were approved relatively quickly. At this point, the Ministry for Foreign Affairs and/or the Finnish Embassy discovered that the selection and approval of the interventions had been done by a Technical Committee made up of the EAP's very own personnel, and that the Coordinator had signed the agreements, which is not allowed, according to the Finnish cooperation's rules of acquisition. In fact, the POG 1 stipulates that "This Operational Manual shall be valid as of its approval by PROPEMCE's Technical Committee (CTP), made up of the PROPEMCE coordinator, the expert in inclusive growth and the Program's administrator, and its application by the strategic partners is obligatory in nature."⁹ It then establishes that: "2.4. Approval process [for interventions]... Is performed by PROPEMCE's Technical Committee (CTP), based on the Program's technical team's recommendations...". This Technical Committee and this procedure have no basis in the Program Memorandum, despite the fact that the POG 1 indicates elsewhere, that it is said Memorandum which governs the execution of PROPEMCE.

It is worth noting that the Management Committee and the Supervisory Board did not act during the startup phase; the Supervisory Board's first meeting took place on June 15, 2010, with the purpose of approving POG 1. It led to a protocol that was signed only by the Coordinator/ATP. The Management Committee held its first meeting on February 3, 2011.¹⁰ This manner of conducting the program seems to reflect the "independent spirit" of PROPEMCE, and it is no surprise that it contributed to the subsequent lack of synergy between the donors and the EAP on the one hand, and between the Nicaraguan governmental stakeholders on the other. The participation of the supposedly "administrative" staff of a cooperation program is of course as important, if not more, during the planning stage, as it is during the execution stage. It is quite remarkable that neither the Finnish Embassy nor the PROPEMCE Coordinator encouraged these kinds of meetings to be held.

In September 2010, there was a strong conflict between the Finnish Embassy and the program Coordinator, which ended with the resignation of the latter. It would seem that this altercation occurred as a result of the aforementioned fact that the incorrect decision making procedures clearly described in the POG 1, prepared by the Coordinator and the EAP, had been approved by all concerned without their being aware of the mistakes. The fact that the POG was a 184 (!) page¹¹ document could have contributed to this omission. Whether this was or was not the true reason, Finland determined that the POG needed to be redone; the argument that was presented to justify the revision was that the first approved POG, and the work performed up until that point, did not correctly take the M4P approach into account, and that such methodology was the added value and the special interest of the DFID. Now, the Embassy revealed an "evaluation" that was commissioned to a local consultant, which issued a report¹² maintaining that, in fact, the Program had not correctly applied the M4P. It should be highlighted that this evaluation was performed only three months after the POG's approval and the program's startup. The first Coordinator maintains that he was never interviewed within the framework of this consultancy; this information is corroborated by the consultant, who in turn alleges that he received instructions to that effect from the contracting party.

October 2010 thus marks the first breaking point in the execution of PROPEMCE and the end of the first stage (which can be qualified as "the mistake stage"). Work up until that point had been carried out on bases that were now considered inaccurate, and several tasks had to be re-launched, which should have already been completed, particularly the POG.

⁹ POG 1; VI.1.5 (page. 137)

¹⁰ This information is based on the collection of minutes that PROPEMCE has provided the EE, assuring it is complete. The Finnish Embassy also confirms that no other minutes exist.

¹¹ Another reason that has been commented by a spokesperson for the Finnish party is that the approval of the first POG was given in the middle of the Finnish holiday season.

¹² Report on the Program's Methodological Revision "Strengthening of Small Business in Nicaragua through Development of Existing Value Chains (PROPEMCE); Raul Fajardo, October, 2010.

2.2.3 Execution: second stage, October 2010 – November 2011

Following the resignation of the first Coordinator/ATP in October of 2010, the program was left without a leader until the arrival of the second Coordinator in January of 2011 – the international expert in inclusive growth took on this position temporarily. The second POG¹³ was prepared during the first quarter of the year and was approved by the Supervisory Board on April 8, 2011. However, the Operational Plan (POA) 2011 was not approved until August, and its execution initiated in November of 2011, when the corresponding disbursement of funds from Finland was made. This POA contained interventions that had been identified and agreed on during the first Coordinator's tenure in 2010. We consider November of 2011, when interventions or concrete projects finally began to be executed, as the end point of the second stage ("the standstill stage").

The standstill was due, primarily, to the impossibility of executing interventions while the MAEF analyzed and decided how to solve the acquisitions problem, meaning, how to do so "legally". The period between September/October of 2010 and May of 2012 was also one of differences of opinion, and even conflicts, between the EAP and representatives from the Nicaraguan government in administrative committees and, apparently, also internal disagreements between different components (or representatives) of the MAEF. This was due to: i) the extended analysis and decision making process on the part of Finland, in relation to the implementation modalities of this type of project, and in regards to the specific rules for purchasing and contracting (a kind of vicious circle); ii) different ideas among Nicaraguan authorities and the EAP in regards to the objectives and strategy of the program and; iii) the GRN being unsatisfied with what they considered was the little influence they had on the carrying out of the program. On the other hand, there seem to have been excellent relationships between the GRN and those responsible for the PROPEMCE at the Finnish Embassy, to the point that representatives of the EAP believe that "the embassy" and the GRN made agreements between themselves outside of the Management Committee and Supervisory Board meetings and that "the Embassy" actively supported the GRN's efforts to set the Multi-donor Fund budget into motion, which should operate under the leadership of the Government and not as an independent element similar to PROPEMCE. As regards the position of those responsible for the program at the Embassy, the aforementioned observations suggest that it changed in September of 2010; prior to this, the Embassy allowed the EAP to play its independent role without intervening more than usual, while later on it played an active role in changing the project Coordinator and the manner in which the program was conducted.

In terms of the manner of implementation, the EE has attempted to form an accurate and objective idea of what really happened during this stage at the MAEF, and it has been understood that the discovery of the *sui generis* rules of the game that were introduced in POG 1, caused the legal department of the Ministry to become alarmed and realize that the rules, which actually existed since 2006, did not allow a consulting firm to approve and carry out donations to private recipients in partner nations. In other words, PROPEMCE's manner of contracting, up to that point, did not comply with Finnish law. The same observation was also made in with regard to other Finnish cooperation projects. As of September of 2010, the Ministry worked for almost one year to find a solution to this problem; it was finally decided that all the support activities provided by PROPEMCE, in amounts greater than EUR 30,000, had to follow the international bidding process.¹⁴ Thus, the interventions were divided into three components (services, supplies and subsidies) and were constructed in such a manner that none of the three components would cost more than the indicated limit amount; in this way, having to perform international requests for bids was avoided. POG 2 describes the new way in which to execute funds as follows, though not in a totally clear and complete manner:

"During the previous months, the modalities and structure of the implementation of cooperation resources in regards to the private sector have been analyzed by the Finnish Ministry for Foreign Affairs. This analysis is related to the modalities through which state subsidies could be implemented when the cooperation program works in the private

¹³ Overall Operational Plan – POG 2011-2012; March 25, 2011

¹⁴ Public Acquisitions Law (of Finland) 30.3.2007/348, particularly 15 § National threshold values

sector. The execution modalities that respond to the requirements of the Finnish Ministry for Foreign Affairs have been analyzed. To this end, the PROPEMCE programming funds are basically analyzed in three different categories, based on their implementation requirements.

In practice, the operational execution of the PROPEMCE funds shall be processed via different modalities:

- Contracts for services and inputs that do not exceed 30 000 EUR.
- Contracts for service and inputs that exceed 30 000 EUR
- Subsidies

The instructions in terms of all the different execution modalities are in the process of being prepared at the Finnish Ministry for Foreign Affairs. Likewise, and according to the Ministry's instructions, the contract models, conditions, instructions regarding the rendering of accounts, audit requirements, and technical and financial reports for the different contracting modalities, shall be prepared soon and will be incorporated into the PAMM and PROPEMCE's MANOP respectively.¹⁵

The definitive rules in regards to acquisitions, in the case of PROPEMCE, are found in its Operational Manual for Planning, Execution and Follow-up of Interventions (MOPES) 2012. See Table 1.

Table 1 Summary of contracting methods

	Amount and method	Amount and method	Subcontracting
SERVICES	<p>≤ €30,000</p> <p>A minimum of 3 quotes. Procedure negotiated within a competitive system. Final approval and signing of contract; ProPemce</p>	<p>> €30,000</p> <p>Open international request for bid. Ads in Finland (HILMA) and Nicaragua. Final approval and signing of contract; MAEF</p>	Accepted only through application and properly justified.
SUPPLIES	<p>A minimum of 3 quotes. Procedure negotiated within a competitive system. Final approval and signing of contract; ProPemce</p>	<p>> €30,000</p> <p>Open international request for bid. Ads in Finland (HILMA) and Nicaragua. Final approval and signing of contract; MAEF</p>	Accepted only through application and properly justified.
SUBSIDIES	<p>Any sum total</p> <p>Final approval and signing of contract; MAEF</p>		Accepted only through application and properly justified. A maximum €100,000 per proposal. Subcontractor max. €10,000 by third party, max. 20% of total budget

Source: Taken from the PROPEMCE, 2012 Operational Manual

In October of 2011, one month prior to the execution of the first interventions of the 2011 POA, PROPEMCE made an open call for intervention proposals for what would become the 2012 POA. Based on these proposals, the EAP prepared said POA and presented it to the Management Committee. After the Management Committee abstained from backing several new proposals in February, the 2012 POA was approved in April of the same year. It contained all the interventions, which were in the 2011 POA (some initiated, others not) and added 8 interventions in the wood and furniture chain, and 2 in tourism.

The second Coordinator was separated from the post in mid May of 2012 due to her divergence of opinions regarding the project's management.

¹⁵ POG 2011 – 2012 (POG 2); page. 157

2.2.4 Execution: third stage, November 2011 – March 2013

The third PROPEMCE Coordinator arrived in Nicaragua in late May of 2012. Soon after, the main responsibility for the program, on the part of the Government of Nicaragua, was transferred from the MIFIC to the new Ministry of Family, Community, Cooperative and Associative Economy (MEFCCA).

During the second half of 2012, and early 2013, a greater harmony between the program's interested parties seems to have been achieved, and a highly accelerated execution of the previously defined interventions has been observed. Thus, it seems appropriate to qualify PROPEMCE's last year (particularly the last semester) as "the turbo execution stage".

Three possible reasons for the acceleration of activities can be considered: i) firstly, the fact that upon the arrival of the third Coordinator all the interventions that could now be implemented had already been formulated and approved, and it "only" remained to execute them to the extent possible, within the limited time remaining – this has been quite a large undertaking but, on the other hand, there no longer existed as many potential topics for conflict; ii) staff turnover and; iii) the aforementioned change in the main stakeholder on the part of the Nicaraguan government, both in institutional and personal terms.

However, given all the prior delays, it is not expected that the entire budget can be executed; a 50% execution was projected in October 2012, up to the conclusion of the program in December. In November it was decided to extend the program until March 31 2013, as a closing phase. The actual and final budgetary execution up to December 2012 remained at 55%, including the last expenses invoiced in January 2013.

2.2.5 Analysis of program management process problems

Two main problems behind the difficulties found in the management of PROPEMCE are highlighted.

The first problem was that the Government of Nicaragua was not satisfied with this Program, either in terms of its organization (the "independence") nor in terms of technical aspects, mainly what was perceived as insufficient attention to the poor and too much involvement of large companies. It would seem that the representatives from GRN in the program management never properly understood the M4P approach or, alternatively, did not find it useful or important. In regards to the M4P, the attitude of donors was the opposite, that is – in the opinion of the EE – they demonstrated too much fixation on the M4P as a process or methodology, in detriment of the achieving of results.

The second problem had to do with the difficulties in defining and applying Finnish laws and regulations to PROPEMCE, which delayed the program's work by more than a year. It is not surprising that during that year, the irritation grew between Nicaraguan government actors, those responsible for the program at the Finnish Embassy in Managua, and even among the strategic partners and supposed beneficiaries, who had recorded certain agreements in regards to concrete interventions during different moments of 2010, but saw no action until late 2011. PROPEMCE was acquiring a bad reputation, and morale in the EAP was dropping.

Finally, it is worth noting that there were serious disagreements between those immediately responsible for PROPEMCE at the Finnish Embassy and the first two Coordinators. It is not the task of the EE to act as judge or arbiter in the intrapersonal problems; what we can confirm is that numerous verbal testimonials and documents demonstrate that the conflict existed, and that it contributed to the delays and other problems in the implementation of the program. We can also add that several observations suggest that the Embassy may have interfered more than "normal" in the execution of the PROPEMCE ("micro-management"), i.e. involving themselves beyond what

corresponded to its membership of the Management Committee and the Supervisory Board. Additionally, according to convergent testimonies, there have been different attitudes within the Finnish Embassy as regards the cooperation: one that considers that it is not possible, or not recommendable, to cooperate with the current Government of Nicaragua, and another that thought that it is. If the Embassy has given off contradictory signals on this matter, this would be another unfavorable factor for the execution of projects.

2.3 PROGRAM OBJECTIVES AND APPROACHES

The fundamental characteristics of the PROPEMCE were initially outlined in the Program Memorandum signed by the British Ministry for International Development (DFID) and the Finnish Ministry for Foreign Affairs (MAEF), which was prepared over a long period of time. The evaluation team has had two consecutive versions of it, in which it can be observed that the title of the program has changed between one and the other – and significantly. In the earlier version (December 11, 2008), it is called “PROPEMCE: Strengthening of Small Business and Opportunities for Women and Excluded Populations in Nicaragua; 2008 (!) – 2012. In the latter version (January 27, 2009) it is called: Strengthening of Small Business in Nicaragua through Development of existing Value Chains” (PROPEMCE) 2009-2012. The difference is noticeable: in the first version, the terminological emphasis is placed on the aspects of poverty and inclusion, while in the second version it is placed on the strengthening of small business. The technical content does not vary much between both versions of the Memorandum, but the change in the title reflects some uncertainty by those who prepared the documents.

In both versions of the Program Memorandum, the following formulation of the objectives is maintained: “The **goal** of the program is: Sustainable and inclusive growth in the Nicaraguan private sector. The **purpose** of the program is: Increase the growth of MSMEs and the demand for opportunities for women and excluded populations.”

In conclusion, between the two versions of the program memorandum there are three different attempts at clarifying what the ulterior motive of the program actually is, and how to achieve it. Without a doubt, this lack of precision does not help achieve a common understanding between different interested parties. The fluctuating design of the program found in the memorandum, of the two POGs and the POAs, is analyzed in more detail in 4.2 Design.

According to the Program Memorandum, the implementation strategy of PROPEMCE revolves around the following guidelines: (1) focusing on a limited number of value chains, strategic partners and geographical areas with a menu of pre-defined interventions; (2) a decentralized delivery of the interventions; (3) promotion of an inclusive development model; and, (4) harmonizing and alignment.

The program has 4 anticipated results, grouped in 3 components:

Component I: Strengthening of the MSMEs

Result 1: Improve the provision of services to MSMEs in five value chains.

Result 2: Improve the regulatory environment for MSMEs in five value chains.

Component II: Inclusion

Result 3: Business models that increase the participation of women and excluded populations (MIEX) in five value chains formulated by medium and large enterprises

Component III: Monitoring and dissemination

Result 4: Systemize and disseminate good business practices regarding how to facilitate inclusive growth that feeds the private sector’s and support systems’ policy

During the startup phase, 5 value chains were selected based on a series of indicators, such as growth potential, real and potential participation of the poor, participation of women and excluded populations, inclusion potential, environmental potential and the presence of local stakeholders and partners. Special attention would be given to the priorities of the Government of Nicaragua, particularly in relation to food safety and the strengthening of several different forms of association, integrating small producers into value chains. Geographical areas with greater potential were to be identified for each value chain.

Once the value chains have been identified, as with the first startup phase, a limited number of local strategic partners shall be pre-selected for the role they could play within the selected value chains, due to their geographical presence and their accumulated experience in strengthening of MSMEs. This anticipated pre-selection of the strategic partners shall guarantee that the final beneficiaries shall be involved in the definition of the intervention models and concrete activities to be developed within PROPEMCE's intervention framework. This participative system would translate into a transparent election of actions and activities to be offered by PROPEMCE, making it clear what the Program can and cannot do for the potential partners and beneficiaries. By means of the demand originating from the strategic partners, the services that would effectively reach the final beneficiaries would be defined.

With these established and satisfactorily applied intervention models, PROPEMCE could, during the course of the Program, proceed to establish a Multi-donor Fund, inviting other donors to participate in the funding of the Program's interventions. This could allow for deepening the developed activities, extending the geographical area, or even increasing the number of the value chains managed by the Program.

2.4 PROGRAM ORGANIZATION AND MANAGEMENT

The Program Memorandum establishes that "PROPEMCE shall be funded and managed jointly by the DFID and the MAEF, in accordance with a signed Memorandum of Understanding. A Supervisory Board (SB), which shall include two donors, two representatives from the Government of Nicaragua (MFIC with a vote and MAGFOR, with a say but no vote) and the private sector (1 representative, chosen by an Advisory Committee, annual rotation), shall meet at least once per year and shall be the program's governing body. The SB shall be a political body. A Management Committee (MC), which shall meet every quarter, shall be responsible for the effective operation of the program. The members of the MC shall come from the same organizations as those of the SB, but they shall have a higher technical level."

The fact that the Nicaraguan governmental authorities are a minority in the program's administrative entities reflects an interest from DFID in not leaving control of the program in the hands of the government. In the program's formulation stage, the Finnish stakeholders – the Ministry for Foreign Affairs and the Finnish Embassy in Managua – accepted or encouraged the same approach.

The Memorandum also indicates that, "the daily management of PROPEMCE shall be carried out by the Program's Administrative Team (EAP). An Administrative Agency (AA) shall hire the EAP; it shall also act as a secretariat for the SB and MC. The funds shall be disbursed through the AA. The EAP shall be responsible for ensuring the carrying out of the program as described in this document."¹⁶

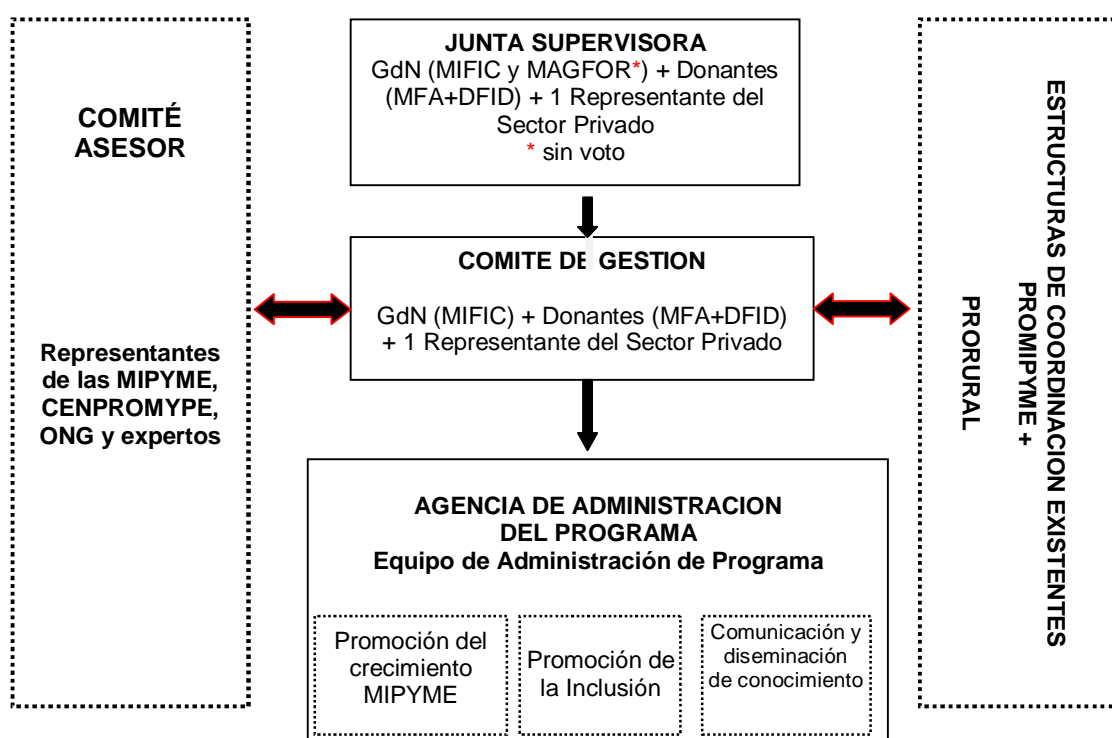
The existence of an Advisory Committee (AC) is also expected, and shall be made up of representatives of the MSMEs, CENPROMYPE, NGOs and "experts", and shall meet regularly depending on what has been agreed upon, with the purpose of strengthening synergies and the

¹⁶ Op.cit., page. 18

coordination in regards to topics relating to the development of MSMEs. So far as can be observed, this entity was never created or never left any paper trail

In Fig. 1 the PROPEMCE organizational chart is presented.

Fig. 1 PROPEMCE Organizational Chart¹⁷



In an annex to the Memorandum, a description of the powers and responsibilities of the aforementioned entities is provided, according to which the Supervisory Board (SB) is the administrative body of the program and the Management Committee (MC) is a technical entity in charge of the “follow up”. Both entities are made up of representatives from the same institutions, supposedly of a political nature in the case of the SB, and of a technical nature in the case of the MC. This configuration is not necessarily ideal, as it entails a certain duplication of tasks and the

¹⁷ Extract from the Program Memorandum

participation of certain people during the meetings of both entities; however, it could work, as long as all share a certain unity of criterion, in order to define the objectives and strategy of the program.

3. FINDINGS

3.1 PROGRAM ACTIVITIES AND RESULTS

As has been previously described, PROPEMCE suffered severe delays in the planning of activities: the second half of 2009, all of 2010, and part of 2011 was devoted to planning and designing interventions and producing POG 1 (2010-2012) and POG 2 (2011-2012), despite the majority of interventions being visualized and defined as part of the development of POG 1.

In 2010 the execution of a few interventions began, at a total cost of €124,000. One of them was performed in the vegetable value chain by the Santa Lucia Association of Producers¹⁸ (ASOPROL) as a strategic partner, and CLUSA¹⁹ as a subcontractor. This intervention had a financial burden (USD 153,560), which was not permitted without an international request for tender, and in 2011 it led to conflicts between the second Coordinator and the Embassy, regarding the final payment to CLUSA. This intervention was not continued²⁰ and no observable trace is seen now.

In late 2011, the Finnish Embassy was considering two alternatives: a pragmatic closing of the Program, or a “super execution”. The latter was chosen. From November-December of 2011, 6 of the interventions (those that were supported by subsidies) were initiated. Another 36 interventions began in January and February of 2012. PROPEMCE made a considerable effort to request tenders and contract consultants during these months, and managed to hire over 50 consultants for the different interventions.

Finally, in June 2012, the interventions of the wood and furniture chain began to be executed, as well as the support of the cheese chain through the Departmental Delegation of MEFCCA in Chontales. This meant a period of effective implementation of only 4 months for these interventions, except for one intervention lasting 6 months, to implement activities. The interventions for the wood and furniture chain had already been profiled in the first POG 2010 – 2012, but a key stakeholder (JAGWOOD) was excluded, according to an informant, for being a large company, and according to the Finnish Embassy, for already having funding from Holland. The company Simplemente Madera withdrew due to the program delays. Additionally, another approach was taken, involving more women. The final interventions were developed through a call for proposals in October and November of 2011. A comprehensive support for the sector was designed, from a value chain development perspective, with some elements of the M4P²¹; interventions were presented to strengthen the production of wood and furniture by the poor and excluded population, improve their market contacts, as well as improve the regulatory framework from the point of view of the necessity of the poor. However, in the end, the Management Committee only approved interventions for Component 2 – Inclusion, which meant that market contact and the regulatory part were lost, along with an important part of the M4P approach.

In 2012, PROPEMCE managed to implement 52 interventions with 39 key stakeholders. This can be considered as an excellent achievement; and was due to the preparatory work performed in 2010 and 2011, but also due to a great effort by the PROPEMCE team in 2012. Table 2 shows

¹⁸ Boaco Department Municipality

¹⁹ Cooperative League of the USA

²⁰ The PROPEMCE Quarterly Report for April – June of 2011 comments on it in the following manner: “There was an ASOPROL/CLUSA intervention proposal in this chain, awaiting continuation after it had rendered the accounts of the satisfactory use of previous funds, and after the audit of the delivered funds for execution in 2010. However, questionable costs remained, a continuation of the activities with CLUSA (service provider) could not be negotiated, and the contract signed in September of 2010 expired on 20.6.2011.”

²¹ “Elements of the M4P” means that parts of the M4P approach were used, but not the overall concept. See the M4P section.

basic data on the interventions and the distribution of resources between chains and anticipated results.

Table 2: Interventions and investments in 2012 (EUR)

By Chain	Roots & tubers	Wood and furniture	Tourism	Cheese	Vegetables	Total/Average
No. of interventions	12	9	17	11	3	52
Sum total of intervention (EUR)	433 572	135 400	443 078	438 268	157 515	1 607 833
Percentage of sum total	27%	8%	28%	27%	10%	100%
Cost per intervention (EUR)	36 131	15 044	26 063	39 843	52 505	30 920
By Result	R1: Improvement of services to MSMEs	R2: Regulatory environment	R3: Inclusion	Total		
No. of interventions	38	3	11	52		
Sum total of intervention (EUR)	1 347 230	51 177	209 426	1 607 833		
Percentage of sum total	84%	3%	13%			

Source: Prepared based on the Systemization Report and on interviews with members of the PROPEMCE Administration Team

The table shows that the sum total invested by PROPEMCE in the 52 interventions increased to a total of €1,607,833. Of this sum, €1,509,037, (94%) was executed in the final year of the program's execution. The tourism, roots & tubers, and cheese chains each received close to 27% of the total funds, while the vegetable chain was assigned 10%, and the wood and furniture chain 8%. It is important to note the differences in the average cost per intervention. The interventions in vegetables were the most expensive, costing on average €52,505. The average cost of interventions in the cheese chain reached €39,843, and in the roots & tubers chain it reached €36,131, while interventions in the wood and furniture chain only cost €15,000 on average.

The following sections include brief summaries on the activities performed, and the immediate results achieved for each value chain in 2012, in the same order as they appear in POG 2011 – 2012. These summaries form part of the basis for the analysis performed in chapters 3.2 – 3.10; almost exclusively dealing with results 1 and 2 of the program.

3.1.1 Wood and furniture value chain

Support was provided to 8 cooperatives of producers/communities, the majority related to the management of forests and the sale of wood. PROPEMCE's support however, was not for the exploitation of the forest and the extraction of wood, but rather for production of furniture, crafts or the gathering and sale of tree seeds. PROPEMCE focused mainly on women, but since they normally do not play a part in the management of the forest, and do not feel comfortable with that topic, activities they could perform were sought.²² In all interventions except for one (COOSBARL), this meant developing activities that were new to the participants.

²² For example, hats and purses made of "tuno". The tuno (brown and white) is a tree (*Castilla tuno* sp), of the *moraceae* family, which grows in the humid tropics. Its bark has been used since ancestral times by the Mayagna Indians in creating clothing, shoes and sheets.

The interventions included the delivery of carpentry equipment and industrial sewing machines, or the improvement of equipment, training for production, and training in business management, market and gender. This training was conducted by local consultants, which were hired by PROPEMCE in the Pacific zone. This is where the core of national furniture production, and the greatest degree of professional experience in the subject, is located. The interventions did not include contacts with markets. They had a 4-month duration only, except for the COOSBA, which lasted 6 months.

The results from the interventions are varied. In general, both women and men learned new ways to produce traditional products or to develop new products, but due to the limited duration of the execution, they could only learn the most essential or the minimum. They received training in some basic business administration and gender equality topics. According to information received by the EAP and the cooperatives visited, women are happy they can produce something and have integrated themselves to a greater degree in the cooperatives. Obviously, the success of these activities depends on whether the cooperatives manage to organize themselves well enough for production (by themselves), and if they find markets for their products. There may be a seed market with the National Forestry Institute (INAFOR), and the furniture cooperatives have received some local orders. However, the EE estimates that the risk for several of these activities to not be sustainable is high.

The 8 interventions with cooperatives directly benefited 210 people in total (84 men and 126 women). A ninth intervention was the organization of a regional wood and furniture fair, where 65 micro enterprises and 130 people participated, including representatives of the cooperatives supported by PROPEMCE. The fair was the first wood and furniture fair in the RAAN, and according to MEFCCA, the results were positive. Some initial contacts between companies and buyers were established. The women supported by PROPEMCE brought their products for sale and managed to sell quite a bit, according to them. For many of them, it was their first experience of this kind. To date, there have been no further sales other than those made during this fair.

3.1.2 Roots & tubers value chain

The 11 interventions in the roots & tubers chain²³ were performed in New Guinea (RAAS) and with the Producers and Exporters Association of Nicaragua (APEN) in Managua. They were:

- 5 interventions to improve the production of roots & tubers of small producers (499 men and 451 women);
- 1 intervention to strengthen the knowledge of cooperative movement between three cooperatives and their partners by INFOCOOP (the beneficiaries formed part of the 980 producers mentioned in the previous point);
- 1 intervention to train 30 professionals in the areas of roots & tubers, and markets;
- 1 intervention for the development of knowledge and combat practices against the "mal seco" (*Phoma tracheiphila*)²⁴ by INTA, which directly benefited 65 families (there may be more indirect beneficiaries);
- 3 interventions performed by the Producers and Exporters Association of Nicaragua (APEN). One was meant to increase the participation of R&T producers in APEN and to define certification norms for Nicaragua's regulatory framework. Another intervention was performed to carry out BPM processes at 5 exporting companies, and a third sought to support roots & tuber companies for their participation in export fairs. The beneficiaries of these three interventions are direct and may become many in time.

The interventions to improve production lasted between 8 and 10 months, and were organized by several cooperatives and a purchasing company. The interventions included training packages with several modules (between 5 and 9), depending on the circumstances and needs for each

²³ The category "roots & tubers" in this case covers: i) malanga and quequisque (both of the *Xanthosoma* genus); ii) yucca (maybe more widely known as cassava or manioc) and; to a more limited degree, ginger.

²⁴ Disease caused by Fungus

case. Topics, such as good agricultural practices, development of bio-fertilizers, improvements in the planting of roots & tubers, international market, contracts with buyers, gender equality and environment, were addressed. Additionally, healthy seeds for different crops and some basic equipment were delivered. There were contacts with an export company, but the process was not completed. In all cases except one, national consultants that had work experience in the topic and area conducted the training.

The intervention results include: producers have better knowledge of production techniques, market, environment and gender equality. Providing healthy seeds and introducing new practices suggest (without certainty), the possibility that the output per plot increases. The organized cooperatives report that they have had an increase in the number of partners. Another result was that of the participation of women: 451 female producers were included in the interventions. A stronger bond was created between producers and cooperatives with the exporting company (Empacadora Vargas), which acted as a strategic partner. Furthermore, due to the limited amount of time of the interventions, a complete certification process could not be completed, nor any concrete links be developed between small producers and buyers.

According to information from PROPEMCE and APEN, the three interventions performed by APEN achieved some interesting results such as:

- A proposal for certification norms for roots & tubers, which shall be presented as an input to the nation's regulatory framework; it is the first certification norm for roots & tubers, which is why it is quite important in Nicaragua, and as an experience in Central America.
- Export contracts for roots & tubers of some companies;
- A local commission of roots & tubers was created in New Guinea;
- The incorporation of small producers in APEN, and a gathering of the producers and the companies in the chain; there is a high degree of representativeness of the sector in the annual APEN export fair, which is the main promotional event for exports in the country.
- A company has been certified in BPM and another two have performed some of the necessary investments to become certified; the certified company received national recognition in the form of the Exporter award of 2012.

PROPEMCE's interventions were inserted into an existing production process – and for a product of great importance and potential for the zone and the country. An intervention package that included different stakeholders in the chain (producers, buyers, support organizations, e.g. APEN, and sector specific technical professionals) was designed. The interventions package also attempted to improve several other aspects: production capacity, gender, environment, use of the sector's and the region's technical capacity, rules and regulations topic, new contacts within the chain, the improvement of small farmer's positioning in the referred aspects, and an increase in packaging and exporting capacity. There was significant participation, particularly by small producers. Almost 1,000 people, including many women, participated.

The interventions must have achieved a strengthening of production and processing of R&T between small producers and companies that act as buyers. Additionally, it seems that contacts between the different stakeholders of the chain, as well as the participation and benefit of the small producers belonging to it, has increased. Exporting companies were also strengthened; specifically, those that increased contacts and possible export contracts. APEN's exporters fair in 2012 focused 60% of its business activities around producers from the roots & tubers sector.

However, due to the intervention's short duration, results are not very settled or significant, in terms of the amount per participant. For example, commercialization consisted of two events: i) participation in an export fair; ii) an attempt at training 5 exporting companies in BPM, of which only one completed the training – and without obtaining the HACCP certification²⁵ which is required internationally, but rather obtaining the certification from the Ministry of Health of Nicaragua (MINSa). Producers had a series of 5-7 intensive training modules of different types, and a

²⁵ Hazard Analysis and Critical Control Points; required by the Drug and Food Administration (DFA) of the United States

demonstration of improvements in planting at a sample plot, and a follow-up period. That is where the process ended; however, limiting the results that could have been obtained. Important processes, such as BPA certification (producers) and BPM (packing and exporting companies), were not concluded – these are processes that last at least a year and a half, given the need for support and improvement in infrastructure. An increase in contracts and sales for small producers was not achieved either, nor the conclusion of training processes for production improvement.

Although PROPEMCE attempted to reduce negative environmental effects implicated in the planting of certain roots, it is not certain that this was achieved during this endeavor. In fact, by delivering seed, the expansion of the planting area could have been supported, including new virgin areas (that is, an additional advance of the already quite advanced agricultural frontier). Additionally, though the crop projections for 2013 (a result of the PROPEMCE) appear encouraging in terms of an increase in production, it is not certain that the positive tendency will hold. This depends on, among other things, producers' capacity to purchase healthy seeds, when they no longer receive them as donations. Processes to improve production with small farmers in a sustainable manner require more time for practical training, follow up in the field and process support.

3.1.3 Cheese value chain

In the cheese chain, PROPEMCE implemented an additional 11 interventions:

- 2 interventions with UNAG Chontales: one to strengthen milk production capacity in terms of quality and quantity for partner producers (99 men and 64 women), and the other to improve the production of traditional cheese for 20 micro-businesswomen.
- 3 interventions with the COOPROLECHE cooperative in the El Triunfo region, RAAS. 500 indirect beneficiaries were reached through the development of a brand, labels and a health registry for cheese and yogurt produced by the cooperative. Environmental measures were taken during the production of cheese, washing of tanker trucks, and conditioning of anaerobic pools for waste (not completed). The third intervention had the objective of strengthening milk production capacity in terms of quality and quantity for 194 men and 48 women.
- 2 interventions to strengthen the milk production capacity in terms of quality and quantity of the COAGRO RL cooperative (42 men and 9 women) and CORPROLAC of La Unión (31 men and 5 women). Support was provided for processing of Morolique cheese, for delivery to COOPROLECHE. COAGRO and CORPROLAC are newly created cooperatives; and, technical assistance was provided by COOPROLECHE.
- 1 intervention with MEFCCA (initially INPYME) in Chontales, for 70 micro-businesswomen to improve production of traditional cheese in terms of quality and quantity, and have better points of sale at the Santo Tomás municipal capital.
- 1 intervention with the URACCAN University, to train 32 youths (24 men and 8 women) as rural promoters for milk and cheese production in 4 different municipalities.
- 2 interventions with the Dairy Sector Chamber of Nicaragua (CANISLAC): i) a national advertising campaign and an educational campaign in 18 schools (6320 children) to promote the consumption of milk; ii) funding from the First National Conference of MSME cheese processors of Nicaragua.

The interventions lasted between 5 and 10 months. Some positive and interesting results were achieved, including: an increase in knowledge and basic equipping for producers, in order to improve the quality, and increase the quantity of milk. According to information provided to the EE by the purchasing cooperatives, it has in fact been possible to observe an improvement in the quality of the delivered milk. Training and support has been given for the implementation of the technical norms for cheese and the BPM's Central American regulation. The processors bond with the market was strengthened in several of the interventions through contact with purchasing cooperatives (COOPROLECHE).

In total, 714 small cheese and milk producers (390 men and 324 women) were trained and equipped. Rural technician training was provided to 32 youths, several of them linked to the cooperatives. The National Conference organized by CANISLAC helped to develop connections between chain stakeholders and small producers, emphasizing the aspects of quality. The national campaign may have promoted the consumption of milk, but that cannot be measured, nor is it probable that a single campaign can deeply influence national consumption.

The cheese chain interventions focused on strengthening the production capacity of small milk producers that are linked to the market. It is concluded that the PROPEMCE interventions have meant a source of support for the participants, and it is likely that there shall be some kind of positive impact in terms of quality and quantity. At the same time, it is important to note, once again, that the interventions were limited in duration and that the result could have been better, given more time. In the majority of cases, there is no possibility for a technical follow up, due to the lack of strategic partner capabilities. Only in some cases can the partners offer some type of follow up to small producers. The COOPROLAC intervention is particularly interesting in this sense, given that the 36 small producers achieved a link with a larger cooperative, which exports cheese to El Salvador. According to information from the EAP, the larger cooperative shall provide the small producers with follow up.

The activities with CANISLAC were interesting but they are not concluded processes, and can only be considered as elements of emerging development.

3.1.4 Vegetable value chain

PROPEMCE supported 4 interventions in the vegetable value chain:

- The aforementioned ASOPROL / CLUSA initiative, concluded in 2011.
- 2 interventions with the Farming Federation of Cooperatives of Female Field Producers of Nicaragua (FEMUPROCAN). One of them was aimed at improving the production of vegetables of 57 partners and 7 cooperatives. The other, which was not fulfilled, had the goal of creating a purchase-sale of agricultural consumables and the sale of vegetables.
- 1 intervention with UNAG Boaco to improve the production of vegetables for 30 beneficiaries²⁶ (24 men and 6 women).

The interventions lasted between 9 and 10 months and were basically directed at increasing small producer vegetable production through training modules (in the case of Boaco, around 6 modules), technical assistance in the field, donation of “micro-tunnels” (small greenhouses) to produce seedlings, and improvements in the irrigation system. Training in Good Agricultural practices began, but the processes were not concluded and did not result in a BPA certification as intended. The participating producers in Boaco were the same ones that dealt with in the FOMEVIDAS Program, and the work by PROPEMCE was almost identical to that of the aforementioned program. This is a noteworthy fact since it means that one program based on the Sustainable Means of Life Approach (EMS) has worked in the field, likewise as a program based on the Market for the Poor Approach (M4P). If such a situation reflects a deficient application of one or the other of these approaches, or if it reflects a flexible or realistic application of them, it is a question that could warrant further analysis.²⁷

New or improved links with the market were not achieved in any of the interventions. Initially, PROPEMCE (POG 2010-2012) had designed much more comprehensive interventions with producer strengthening and market links, but due to the aforementioned reasons (the GRN’s desire to reduce the participation of private enterprise, and the delay in approving interventions), it was not possible to carry out these processes.

²⁶ Information on number of beneficiaries received in interviews at both communities deal with.

²⁷ See: *Lars Eriksson, Eduardo Baumeister, Kristina Boman, Luis Fiallos*: FOMEVIDAS – Strengthening of Rural Development and Poverty Reduction in Boaco and Chontales Program– NICARAGUA, Final Evaluation Report; Ministry for Foreign Affairs of Finland; 2011.

The result that can be observed in the vegetable chain is an improvement in knowledge of producers. According to information from UNAG, the output in production seems to be improving; this will be confirmed after analyzing the results of the first harvest. In one of the communities visited in Boaco, some producers declared that they had reduced the planting surface for 2013, given that “we have not received seeds or inputs for planting”.

It is probable that the intervention launched in 2010 (ASOPROL/CLUSA), if it had a more comprehensive and solid design, may have been more successful than those previously mentioned, if not aborted in 2011, as a result of the acquisition procedure problems.

3.1.5 Tourism value chain

In the tourism value chain, PROPEMCE supported 17 related interventions within the Department of Río de San Juan. The interventions included:

- 1 intervention with INTUR to develop and distribute educational and advertising material on the prevention of sexual and commercial exploitation of children and adolescents.
- 1 intervention with the Nicaraguan Chamber of Tourism of the Micro, Small and Medium Enterprises (CANTUR) for the development and printing of promotional material for Río San Juan.
- 4 interventions with CANTUR Río San Juan. The interventions included:
 - Development of the promotional strategy and the production of promotional material for Río San Juan,
 - Participation in a tourism fair in Costa Rica, and in two promotional events in Managua,
 - Training of close to 40-50 tourism MSMEs in 4 municipalities, on several topics, such as marketing, communication, calculation, customer service, good service practices, cleaning and hygiene, social responsibility, gender equality, business administration, and tourism law,
 - Development of business plans for 36 MSMEs,
 - Equipping of CANTUR affiliates in two municipalities,
 - Development of a public policy impact manual for touristic MSMEs of CANTUR RSJ.
- 1 intervention with CANTUR Solentiname²⁸ to launch a new daily transport service (TRANSOL) between San Carlos and the archipelago. Support included: basic equipping, gasoline expense support for one year, training on topics such as gender equality, business administration and customer service, plan and promotional material development.
- 3 interventions with the FUNDAR NGO (2 of the them with the Recicla San Juan cooperative as beneficiary). A plastic bottle recycling business was launched with the participation of 41 people. Literacy and training was provided to 10 people from the cooperative, and an environmental training campaign was carried out, directed at 99 teachers, 500 students, 41 forest rangers and 7 employees from the MARENA Territorial Delegation.
- Support to the Solentiname Painters and Artisans Union, including:
 - i) training of 20 painters and artisans in topics such as gender equality, business management, export and sales; ii) opening of two art sales points in Costa Rica and in Granada, and the payment of per diems and travel-fare to maintain them.
- 1 intervention with the Martín Lutero University in San Carlos to develop three technical careers related to tourism. Capacity = 60 students. Specialized in populations of scant resources.
- 1 intervention to teach basic English to people working with tourists in San Carlos (75 women and 25 men).
- 3 interventions with cooperatives or base associations to support the development of new touristic products” Agua Trails with Kayaks, “Base Camp” in the Bartola community, Chocolate Tour in the Buena Vista community, directly benefitting between 15 and 20 people in each community. It included equipping and training.

²⁸ Small archipelago in the southeast part of the Nicaragua Lake.

The different interventions lasted between 4 and 11 months. Some interesting results were achieved, including an increase in touristic MSME management knowledge, development of new tourism products (4), promotion of Río San Juan as a tourism area, and contacts with tour operators. According to PROPEMCE, 12 new market links were established (12 “tour operators”). A plan for political impact, identifying concrete actions to be carried out, was also developed. The three new technical careers at the University were also a positive result.

However, even though the training given to MSMEs was of various modules during one period, the depth of the results by company could have been greater with a proper follow up process. Additionally, for the investigations that meant new business, like Recicla San Juan, the Chocolate Tour and the Kayaks, the execution time was – in this case as well! – too short, which means that the results are limited and do not ensure true impact. In fact, the Recicla cooperative with its plastic bottle recycling business did not achieve the expected results. The EE was able to confirm the presence of an uninstalled plastic mill in its establishment, and three or four tri-cycles for the gathering of used and damaged bottles.

A favorable factor for PROPEMCE’s work in this chain was what was performed within a more ample promotion and development process of Río San Juan, as a tourist area; including the conclusion of the new paved highway to San Carlos, the international bridge with Costa Rica that is under construction, and governmental development activities. Additionally, the market is present there, brought through connections with operators and general promotion. This helps results to have an impact.

3.1.6 Result 2: Improving the regulatory environment

Due to the lack of synergy and even mutual understanding between the program and the pertinent governmental authorities of Nicaragua, what could be done in relation to Result 2, which obviously depended on actions by the government, was very little.

During 2012, the reformatory act to the Tax Law, in coordination with CONIMSME, was promoted. It sought to reduce the barriers for the formalization of the MSMEs, and at the same time, expand the sector’s tax collection. A Roots & Tubers Technical Norm was developed with APEN. The norm seeks to standardize the offer of these products in order to improve negotiating conditions in the export processes chain.

The perception of the regulatory environment by the MSMEs, and groups of producers with which PROPEMCE worked, has not been modified.

3.1.7 Component II: Promotion of inclusion

The promotion of inclusion has been an element that has been integrated into all the interventions PROPEMCE managed to execute. If at any moment there had been any sense in handling it as a separate component in the Program Memorandum and in the POGs, this sense has been lost in practice. During the final evaluation stage it is impossible to clearly and usefully separate the activities and results of inclusion from the other activities and results. As has been widely commented in other parts of this report, in the execution of the program, all expected efforts to include the poor and women in the interventions have been made. In some measure, the same has been done with indigenous people, wherever this population category has been found (in the RAAN – wood and furniture, and in the RAAS – cheese and R&T). However, the results and impacts are relatively few and minor compared to the non-indigenous population. The main reasons include: interventions focused solely on increasing production capacity and, in many cases, for new products for new participants (such as tourism).

At this stage it is worth analyzing a lack of clarity in the design of the program, regarding who should be included. According to the Program memorandum, based on lessons learned from the Program previously financed by the DFID (i.e. PEMCE), PROPEMCE was going to pay explicit attention to inclusion themes. The first attempt at defining “excluded populations” that has been found in the PROPEMCE documentation, is that which appears in the POG 1 footnote 33, which says:

“The excluded populations are people that are discriminated against in terms of access to resources, services and rights, along with others. Certain groups are discriminated against based on social identity, including gender, age, origin, ethnicity, handicaps and HIV status. The Autonomous Regions of the Atlantic are of particular concern for the Government of Nicaragua.”

In POG 2 the term MIEEX is introduced for the first time: “... ProPemce focuses its efforts particularly in favor of women (and gender relations), indigenous peoples and other excluded populations (MIEEX).”²⁹ No explanation of which the “other excluded populations”, aside from the poor, are found.

The EE has allowed itself to suppose that PROPEMCE did not propose to pay special attention to neither age nor origin (immigrants?), disability or HIV status while selecting beneficiaries; as such, we understand “excluded populations” or “marginalized groups” as synonyms to indigenous peoples and/or afro-descendants, which inhabit the two Autonomous Regions. If there are effectively other defined excluded populations, nothing has been done with them, nor would it be reasonable to expect for one single program to focus simultaneously on any number of special groups.

3.1.8 Component III: Communication and dissemination of knowledge (Monitoring and Evaluation, Communication, Knowledge Management)

The Annual 201 PROPEMCE Report mentions three clear achievements in terms of monitoring and evaluation, all obviously untimely:

- Revision of logical frameworks on a Program, chain and intervention level (POA1 and POA2), which has resulted in changes to some concepts and indicators;
- Development of the Monitoring and Evaluation Manual of PROPEMCE;
- Identification and operationalization of the key variables for development of the baseline, and the preparation of the methodological guide for the development of the baseline, which was planned for development during the first quarter of 2012.

In terms of communication and management of knowledge, the same report highlights that “market mapping” studies have been performed in three chains (wood/furniture, roots & tubers, and tourism). The development of a Communication Plan, including a Knowledge Management Plan and other documents, is also mentioned.

The EE has had the opportunity to familiarize itself with the monitoring and evaluation system, whose design was effectively concluded, and which was installed for operation in early 2012. The first impression is that it is a well-built system and useful in practice. The weakness is, of course, the delay in its preparation. The system exclusively contains data from 2012, and no further data will be required, given that the program has ended. Regarding the design of the system, a baseline was obviously required, and this was also done too late, with current information and not from 2009, when the execution of the program actually began.

²⁹ Op. cit., page. 6

3.1.9 Multi-donor Fund

The Program Memorandum, signed in January 2009, proposes that PROPEMCE could, during the course of execution, establish a Multi-donor Fund, inviting other donors to participate in the funding of the Program's interventions. Considering the lack of efficiency and effectiveness demonstrated by PROPEMCE in its first two and a half years of execution, it is not surprising that no other donor has expressed interest in such a fund. The representatives from the GRN in the management of PROPEMCE brought up the subject of the Fund in several meetings, but without there being any decision made in terms of what to do in order to concretize this idea. In early 2013, a feasibility study of the Multi-donor Fund was concluded, which, according to PROPEMCE and the Finnish Embassy, resulted in being of little use, and which has not affected decision-making regarding this topic.

A sum of EUR 500,000 had been budgeted for the Multi-donor Fund. In late 2012, all Finnish funds had been executed, which is why the mentioned sum for the Fund belonged to the DFID's contribution. According to the latest information, handled in the Management Committee meeting held on February 28, 2013, it was decided to withdraw this resource, as well as the surplus funds of the program itself, which are also DFID funds. During the execution of PROPEMCE, the Finnish funds were consumed first, given that they were earmarked for the financing of the EAP and other permanent costs that did not belong to the interventions, which were launched very late.

In a communication dated March 1, 2013, the DFID informed the Finnish Embassy that it would not contribute to the Multi-donor Fund. That decision is justified with: "no administrative/governmental agreement to manage a fund of this nature exists; other donors are withdrawing from Nicaragua and; there has been no DFID presence in the country since 2008..."

3.2 RELEVANCE

Considering that the core purpose of PROPEMCE has been to reduce poverty – through the strengthening of MSMEs, and the inclusion of marginalized groups (women and indigenous peoples) – then the program is clearly pertinent in relation to the development policy of Finland and the National Human Development Plan (PNDH) of Nicaragua, insofar as the objectives are concerned. If one focuses attention on the selection of beneficiaries and in the work methodology, the degree of relevance in respect of the PNDH is lower; during the execution of the program, Nicaraguan authorities have repeatedly and insistently expressed their lack of satisfaction with what they have perceived as an insufficient focus of the program on the poorest. In some instances, they have said that some strategic partners were representatives of "big capital", for example the La Colonia supermarket chain, with which an attempt at working in the vegetable chain was made, considering it an "anchor company" in the "inclusive business" approach terminology. It is not until 2012 that an acceptable consensus or tolerance at this level appears to have been created between the parties (the Government of Nicaragua, the Government of Finland, and the Program Administration Team). This consensus and communication coincided with the actual startup of activities in the value chains. In the MC, technical topics and concrete challenges, as well as less difficult discussions regarding selection and activity planning aspects were finally addressed.

The interventions performed by PROPEMCE were in their majority pertinent regarding the actual necessities and possibilities of the target group (the poor). They were designed based on an in-depth analysis of the different value chains and the bottlenecks of the poor, who participate in the chains (or who could participate). Likewise, it can be noted that several interventions took women, and how to improve and increase their participation, into account. We consider that the intervention packages (all the interventions performed in the chain) were more relevant in the roots & tubers, cheese, and tourism chains, than in those of vegetables and wood and furniture. The reason for the lower degree of relevance in the latter two chains is that the projects focused on increasing the production capacity of poor producers/business men, but without taking into account the need to improve product sales possibilities.

3.3 DESIGN AND FEASIBILITY

The design of PROPEMCE is unique, in that it is contained in a Program Memorandum (PM) and in two, consecutive General Operational Plans (POG). In the PM, which was a product of several rounds of consultation, apparently without clear leadership between DFID, MAEF and GRN, a 9-month startup phase is established, during which the selection of the value chains and strategic partners would be carried out, along with the development of a logical framework. The initial PM was abundant in its analysis of problems and development theories, but frugal in operational and practical aspects of the supposed program. According to officials at the Finnish Embassy, during the first quarter of 2009, there was a need to devote a great deal of time to clarifying the content of the PM – this evidently contributed to the agreement between Finland and Nicaragua, in relation to PROPEMCE, not being signed until July, despite the PM having been signed in January. Even so, the PM continues to contain unclear points: on the one hand it is said that the decisions of the MC would be made by consensus, and on the other hand, several members with say and vote (= donors and MIFIC) and other members with say but no vote (= MAGFOR), are identified. As a result, different interpretations regarding the composition and manner of work of the Management Committee persist. The EE reads from the PM that the two donors (DFID and MAEF) would each have one vote, while spokespeople for the Finnish Embassy and for the PROPEMCE EAP believe that both donors have a joint vote. Actually, in reality – according to what can be discerned from the minutes of these meetings – there never was any voting, and sometimes, particularly in 2011, it is unclear what the decisions were or how they were made.

Both POGs are extremely voluminous. They contain a great deal of important information, but at the same time, they are also inadequate in their presentation of certain topics, for example, that of the procedures to be applied to the selection and approval of specific interventions under the program.

When PROPEMCE was designed, the M4P approach had only been in existence for 6 years. It was less known then than it is now, and no M4P experiences existed in Latin America; in fact, there are still only a few. The concept was introduced by DFID, and according to the DFID official in charge, “it is one of several approaches of PROPEMCE.”

The PROPEMCE design mentions M4P as the Program’s *approach*, and that it should be based on experiences, as they evolve (point 54, Program Memorandum). M4P however is not mentioned as a strategy; in this part of the document, another four types of elements are discussed.

- Focusing on a limited number of value chains, strategic partners and geographical areas;
- Decentralizing delivery of services;
- Promoting of inclusive development with mention made of “inclusive business” concepts;
- Harmonizing and alignment.

The fact that M4P is mentioned as an approach, and small businesses as one of four PROPEMCE strategies, is probably a reflection of the modest level of knowledge that existed in regards to the M4P in 2009. The concept of inclusive business, promoted and used by SNV of the Netherlands, has similarities to that of M4P, but it is different in that it focuses to a greater degree on “anchor companies”, with which there should be cooperation in order to achieve benefits for the poor. The M4P is more comprehensive in its analysis, and has as its point of departure the poor. It could be that both concepts sometimes propose the same interventions, but this depends on the specific market situation.

The PROPEMCE design also considered important M4P aspects, such as:

- A long startup phase, in order to perform in depth analyses and define value chains, strategic partners, budget details and goal indicators;

- An independent position with a certain participation by the Government, donors and representatives from the MSME sector as a governing entity;
- Emphasis on monitoring and follow up.

A fundamental aspect that was not taken into account in the design was that M4P type programs must, according to experience, have a 5 to 7-year duration, to be able to mature. PROPEMCE was given a duration of 4 years, which in actuality ended up being 3.5 years.

Although the independent organization of PROPEMCE agrees with the M4P idea, it should also be indicated that it represents a contradiction with the guidelines of the Paris Agenda, and concomitantly with the positions of the Nicaraguan Government. This aspect was analyzed in greater detail in chapter 2.4.

Those familiar with M4P argue that this approach cannot be implemented through approval by the public sector. Regardless of how true that assessment may be, it is no less true that a project cannot be successfully executed in *opposition* to the receiving partner government's strategies. PROPEMCE has demonstrated this quite convincingly. A project must not only be pertinent, but also technically and politically feasible. In the opinion of the EE, the DFID and Finland failed in this sense by designing the program in the way it was; it is difficult to understand why they did so, despite already being familiar with, and having two years of experience of the manner in which the Ortega government worked (2007 – 2008). This phenomenon greatly compromised the program's feasibility.

Within the current socioeconomic context, the program's focus (promoting national commerce, developing MSMEs, and including excluded groups) coincides to a large extent with national policies, at least regarding large-scale objectives. The creation of the Ministry of Family, Community, Cooperative and Associative Economy (MEFCCA) reflects the policies referenced. However, it is necessary to bear in mind that: a) this Ministry has not yet existed for even one year; and, b) as indicated in its title, there is a clear bias towards small family and community businesses, and it places less emphasis on the strengthening of small and medium "capitalist" enterprises and to the value chains with all their links.

3.4 MARKET FOR THE POOR – "M4P"

3.4.1 What is M4P?

The term M4P (Make markets work for the poor) has emerged during the last 10 years. Its origin is diverse, but the experiences of development agencies have been an important contribution to the formulation of M4P. Basically, the concept attempts to respond to lessons learned regarding why so many projects have not been able to produce sustainable results that incorporate the poor into the economy and markets.

The DFID of the UK, with the support of The Springfield Centre for Business In Development Ltd, along with COSUDE from Switzerland, are the agencies that have most promoted the concept. Currently, there are projects in Africa and Asia that use M4P. However, it is important to underline the fact that the concrete experiences of implementing M4P, in *their totality*, are still relatively few and are the same projects that are presented as examples in different M4P presentations (Katalyst, FinMark, MAP Kenya, etc.).

M4P is characterized by five factors³⁰:

1. It is an approach, which supports the analysis of the situation of the poor within a specific market, and how to bring about effective change.

³⁰ In literature and presentations on M4P characteristics vary somewhat; sometimes talking about 5, and in other cases 4. The DFID/SDC concept has been used here: "The Operational Guide for Making Markets Work for the Poor", 2008.

2. It focuses on the market system and attempts to resolve the causes of problems, not the problems themselves.
3. The purpose is to achieve change within the market (systemic changes) and scale (large impact on the number of beneficiaries) systems.
4. It focuses on sustainability, so that the changes within the system continue throughout the alignment of stakeholders and the main market functions.
5. It is an intervention through facilitation, and not, as in traditional projects, a direct one. Replacing market actions is avoided.

It is important to point out that implementing the M4P concept, *in its entirety*, is something quite different from conventional projects and programs. It is not a question of only analyzing the market and its bottlenecks from the perspective of the poor; M4P project interventions seek to change the manner in which the market works for the poor in a sustainable way. The interventions are based on in-depth analyses of the market system and how it affects the poor (the formal and informal rules that govern the market, as well as of the services that exist for the value chain stakeholders). This analysis may take a great deal of time, and is an essential part of M4P projects. As such, typical M4P projects do not have very detailed or defined logical frameworks from the get go.

When the market analysis has been performed, strategic actions for modifying how the market works, and the benefits this brings to the poor, are defined. How work will be carried out, and with what resources, is defined. These actions may be aimed directly at the poor, but can also be aimed at large companies in their capacity as buyers and sellers to the poor, or to the government and other stakeholders. It all depends on the analysis of the market system in each case, and what is discovered in terms of flaws, which prevent benefits for the poor. An example of strategic action may be attempting to have large supermarkets begin to buy from small producers, and that they include training activities and the necessary technical assistance for producers as a natural part of the business of the company. Another example can be attempting to change procedures and regulations which prevent poor communities from taking advantage of the forest.

Normally, several small interventions are performed in a market. Each intervention uses relatively few resources, intending for other market stakeholders to copy the performed actions, and in this way achieve a multiplication of the results without much more project intervention. This means that the interventions of an M4P program are normally less expensive (not many material donations are made), and that they take longer in achieving results comparable to those of a conventional program. They normally require 5 to 7 years.

For the proper application of the M4P, an extensive monitoring and follow up system is required, whose feedback results serve to define what interventions were successful, and attempt to replicate them and obtain effects to scale. An M4P project must have relative independence – and at the same time credibility – in order to act along with different market stakeholders and the government. The independence requirement however cannot void the actual feasibility requirement, in terms of political circumstances (See 3.3.)

Another way to explain M4P is found in a COSUDE document regarding facilitation:

"Conventional private sector or value chain development programs have the tendency of providing direct support to companies or to market stakeholders, and therefore, they rarely achieve scalability or sustainability. They frequently assume a market function, introducing market distortions. The M4P approach ('Make the markets work for the poor') introduces a change in the paradigm, from direct intervention to facilitation, catalyzing changes in the whole market system. Facilitation is thus one of the key values of the M4P (the others being a systemic market approach, sustainability and scale) as well as a transversal characteristic throughout the entire program cycle. But what does facilitation mean in practice, and what do facilitators do?"

Facilitators are entities (for example, NGOs, programs, governmental departments, business development services) that intervene in the markets in order to achieve social or public objectives.

Their role is limited in time, an agent (or “catalyst”) of positive change in the market, but without being part of the market system. A facilitator must clarify their role and responsibility, and constantly update their understanding of the system, catalyze and attract all stakeholders and functions, but always remain neutral.”³¹

3.4.2 PROPEMCE and M4P

Was M4P used?

It can be concluded that PROPEMCE has managed to implement *parts* of the M4P approach. This can be observed in the manner of analyzing markets (value chains) and bottlenecks for the participation of the poor in them. In other words, market analysis concepts and their influence on the poor have been used, inspired by M4P.

At certain times, it seems the concept was misinterpreted, thinking it only meant working with the poor through direct interventions, and thus strengthening their production capabilities. This is not M4P! M4P means working with all necessary stakeholders in the chain, and the service providers, to be able to improve the service and the benefits the market provides to the poor.

It also seems that among those responsible for M4P at the Embassy, the idea that the EAP, with supervision from the Embassy, should micro-manage interventions instead of delegating them to strategic partners, as was the initial idea, existed. In fact, during the “turbo execution” stage in 2012, the strategic partners have had little participation, and the program has worked to a great extent directly with cooperatives and other beneficiaries in the chains’ primary link. As a result, the capacity of strategic partners to provide services – in good measure - to MSMEs, has not been strengthened much. Services have been provided to final beneficiaries directly by the EAP through the purchase and delivery of equipment and the hiring of consultants.

The intervention packages implemented for some chains, such as roots & tubers, also contained actions to resolve different bottlenecks for the participation and benefit of the poor in the market. This fell short, due to the limited implementation time. Additionally, the support to the furniture and wood and vegetable chains only focused on increasing production carried out by the poor, and did not deal with other bottlenecks and restrictions in these markets.

The Program never intended to achieve scalability in terms of the number of beneficiaries through systemic changes in the functioning of the markets (value chains). The interventions have actually been of the traditional program style, with direct actions and many resources for each of them, which reduces the possibility of replicating them. Additionally, many of the strategic stakeholders are not direct market stakeholders and cannot continue to support market stakeholders without receiving external funds.

The conclusion is that PROPEMCE has not implemented M4P in its entirety, but rather only certain aspects of the concept. In other words, PROPEMCE cannot be considered as an example of M4P. The EE has found several reasons for which there was a limited and partial application of the M4P in PROPEMCE.

Firstly, and most importantly, M4P was a rather new concept with few concrete experiences, with none of them in Central America. To this day, it continues to be new and there is only one other program in Nicaragua that uses the concept; however, according to information received, it has not implemented M4P entirely, either³². Finnish cooperation did not have experience in M4P, and DFID, which did, did not seem to have contributed towards strengthening this approach in PROPEMCE once the responsibility for the program was delegated to Finland. As if that were not enough, it was not possible to hire consultants with M4P experience; according to information from

³¹ Work document; Facilitating change in M4P programs; Daniel Roduner y Carsten Schulz, AGRIDEA / Isabelle Fragnière, HELVETAS Swiss Intercooperation.

³² PYMERURAL, supported by Swisscontact.

the Finnish Embassy in Managua, none of the bids had consultants with actual and practical experience in M4P. Finally, all the other involved stakeholders had the same shortcoming; this includes the Management Committee, the strategic partners and PROPEMCE's own personnel.

PROPEMCE's design did not favor a proper application of M4P, either. On the one hand, the program had aspects of M4P programs, such as: the long startup phase ("inception phase") to make the design more detailed; an independent position; an intention to create a proper monitoring system. Additionally, M4P was mentioned as a program approach. At the same time however, the anticipated duration of PROPEMCE was too short for an M4P type project. Also, the Program Memorandum mentions Inclusive Businesses as a strategic pillar. This concept, which is promoted and used by SNV from Holland, shares similarities with M4P, but is different given that the focus are anchor companies with which the project cooperates in order to achieve benefits for the poor. The M4P is broader in its analysis and has as its starting point the poor. In certain situations it may be that with both concepts, the same interventions are proposed, but this depends on the conditions of each specific market.

Was M4P positive for PROPEMCE?

The M4P concept is interesting and is made up of important factors for resolving limitations in traditional development approaches. In the case of PROPEMCE, it can be noted that the concept has been useful for analyzing the markets (value chains) and defining bottlenecks to be addressed, in order to improve the participation of, and the benefit to, the poor. At the same time, by being new and not well tested, it caused problems for PROPEMCE, resulting in arguments on focus and the practical approach of something that none of the stakeholders was actually well acquainted with; all this contributed to the massive delay in implementation.

Lessons learned are:

- It is important to use new approaches in a pragmatic manner and allow experiences to evolve with time.
- It is absolutely necessary to find consultants with practical experience in new concepts, and if the concept is so new that no such consultants can be found, then flexibility in its application must be allowed, and the necessary time given for tests and experiments.
- All the key stakeholders must receive training on the approach during the beginning of the program.
- An exchange with projects with real experience can be very important in order to be able to implement new concepts.

It is pertinent to mention here that the unsatisfactory M4P experience is to a large degree the result of the same adverse factors, which delayed the application of the Sustainable Livelihoods Approach (EMVS) in the FOMEVIDAS program, financed by Finland, and evaluated in 2011 by (among others) the same main authors of this report. One of those factors is that it took too much time to have the concerned stakeholders properly understand what EMVS is and how to make it operational.

3.5 EFFECTIVENESS

3.5.1 Weaknesses

A significant problem in measuring PROPEMCE's effectiveness is that several versions of the logical framework exist. The approved and official version is the one that is found in the Program Memorandum that forms part of the cooperation agreement between Nicaragua and Finland³³. It is important to note that according to the Memorandum, one of the tasks to be carried out during the

³³ According to information from the Finnish Embassy in Nicaragua.

startup phase was to update the logical framework and define objective indicators³⁴. Although this was developed while preparing both POGs, the management problems, which PROPEMCE suffered, also meant that a logical framework with indicator adjustment was never approved. The logical framework of the 2009 memorandum, completed with an analysis of fulfillment of anticipated goals and results, is found in Annex I of the report.³⁵

The PROPEMCE team carried out a re-adaptation of the logical framework on a general level and on the 2011 final chains. Indicators and goals were changed to adapt them to what was considered could be achieved, taking into account the remaining execution time of only 1 year. This re-adaptation was used to design a baseline. However, the program management (MC and SB) has not approved the baseline. For the purpose of an evaluation, the initial, official version must be used, as this was the basis used for the Program results measured during its entire execution period.

PROPEMCE's effectiveness, meaning, the degree of achievement of objectives and anticipated results, is quite low:

Result 1 "Improvement of providing services to MSMEs in five value chains". It is true that during execution, PROPEMCE achieved an improvement in technical assistance services and training for small producers/ micro entrepreneurs, something related to integration in the chains and something incipient on the coordination of the chain. PROPEMCE, however, has not achieved a systemic change regarding services to MSMEs to the extent that this service is likely to continue after the program has ended. There are individual cases where services will continue but at a much more limited level than what was offered by PROPEMCE. The fact that external consultancies were used to execute training and processes did not support the strengthening of services for MSMEs either. Additionally, the Program did not include other bottlenecks identified in the analyses performed by PEMCE, such as: limited access to financing; insufficient public services and; poor access to information.

The achievement in relation to Result 2 "Improving the regulatory environment for MSMEs in five value chains" is almost zero. There are two examples of laws/norms for whose revision PROPEMCE has provided support, and yet no changes have been produced.

Result 3 "An increase in the participation of women and excluded groups, such as entrepreneurs and MSME employees" has not been achieved in a satisfactory manner either. As mentioned at the beginning, there was a good proportion of women and indigenous people participating in the interventions, but the numbers nonetheless are low, and some have a high risk of not being able to continue without additional external support.

Regarding Result 4 "Systemized and disseminated good practices on how to facilitate the inclusive growth that feeds the private sector's policy and the support systems" it can be pointed out that base documents have been produced, a web page has been created, and training workshops have been carried out. Systemization and dissemination has not been achieved to a large degree, due quite simply to there being few results ready for dissemination and a very limited amount of time at the end of the program to disseminate what results there were.

The limited achievement of goals, purposes and anticipated results is primarily due to the massive delays in PROPEMCE and the different interpretations and disagreements that surrounded the M4P approach. Indeed, the program was implemented in practice during 4 to 10 months, depending on the type of intervention. Major results cannot be achieved in such short time periods. Another contributing factor is the design of certain classes of interventions. In certain chains, such as wood/furniture and vegetables, the focus was primarily on strengthening the production capacity of small producers, without linking them with the market and without analyzing regulation topics,

³⁴ See Project Memorandum; 40.

³⁵ The logical framework used is the official version, that is the one included in the bilateral cooperation agreement.

etc. that could have benefitted the poor. It was in these chains where the M4P concepts were least used.

Even though POG 2 mentions the importance and intent of coordinating actions with other projects and stakeholders (donors, NGOs, etc.), the quarterly and annual progress reports do not mention any concrete measures taken in this sense. Nicaraguan governmental authorities comment that there was no synergy between PROPEMCE and other related projects, for example the “Insertion of Small Producers in Value Chains and Access to Markets Support Project – PROCAVAL”. In this project, co-funded by the International Fund for Agricultural Development (FIDA) and the Central American Economic Integration Bank (BCIE), began in late 2008 and must have coincided with PROPEMCE in the Matagalpa and Boaco Departments, in the vegetables and dairy product chains. Since it was necessary to give priority to other activities within the limited time available, the EE did not discuss this matter directly with other donors.

Finally, it must be confirmed that the aspirations expressed in the Logical Framework are quite high, particularly concerning the purpose. The EE has doubts that even a very effective PROPEMCE, with “greater M4P approach” could have reached the indicators determined for the purpose. Additionally, it is strange that the logical framework does not have indicators that speak of the reduction of poverty or the increase income of the program’s target population.

3.5.2 Strengths

The low level of efficiency does not mean that PROPEMCE did not achieve anything. As was presented in section 3.1 of the report, there are some achievements and results in each value chain. In view of the delay and other difficulties, that were not the responsibility of the PROPEMCE team, the EE believes that PROPEMCE made a significant effort and produced interesting elements that have, at the very least, supported some initial processes for strengthening poor producers’ capacity, some links with markets for some poor producers and – for the roots & tubers chain – better access to exportation for the chain itself. There are also achievements in terms of an increase in the level of female participation; approximately 47% of the PROPEMCE beneficiaries are women.

Due to the multitude of interventions and their differences, it is complicated to accurately establish the number of PROPEMCE beneficiaries. The evaluation team has performed a calculation based on the information on each intervention in the 2012 Annual Report. The PROPEMCE beneficiaries were:

Wood and furniture chain: 315 families (154 women and 161 men) of close to 8 cooperatives and 60 MSMEs, which participated in the RAAN regional fair.

Root & tubers chain: 950 small producer families and 30 sector professionals, more participation of sector MSMEs in the APEN interventions (organization of a general export fair, two workshops to carry out meetings with the roots & tubers chain, and a BPM process for 5 companies (unfinished).

Cheese chain: The EE has calculated the existence of 614 beneficiaries (that receive direct support from PROPEMCE as milk producers or cheese micro-entrepreneurs, or students) of which 390 are men and 224 are women), plus another 298 families indirectly, which could benefit if the COOPROLECHE cooperative manages to increase their productions and sales. Additionally, there was a national and school campaign by CANISLAC on the consumption of milk, in which 6,620 children from 13 school centers participated.

Vegetable chain: 150 beneficiaries (24 men and 126 women); this figure has been calculated by the EE, based on field information and twice avoiding to report beneficiaries that were present in two interventions.

Tourism chain: 1,465 direct beneficiaries, of which 1,115 participated in an environmental campaign. The other interventions, which were more intensive, benefitted 90 men, 210 women and 50 undefined micro-entrepreneurs.

3.6 EFFICIENCY

Table 3, uses figures to show the massive delay in the execution of the program, as well as the relationship between what was spent in the Program Administration Team and in Others, on the one hand, and the investment in program components on the other. It is evident from the table that in the first aspect (the delay), the program managed to execute half of its total budget up to its conclusion date (2012.12.31); the figure includes accounts to be paid to date. Of the executed total, 46.6% corresponds to investment in interventions and the 53.4% in the operation of the EAP and the administration. Of the investments in interventions or program components (services, supplies and subsidies), no less than 85% was executed in the project's final year, which is outstanding. It means, on the one hand that, in some way the program's efficiency increased greatly in 2012, but also leads to *a priori* doubts regarding the effectiveness of the implemented interventions; the excessively short duration of the interventions, and the relative superficiality of the produced results has been mentioned several times.

Table 3 Budgetary execution 2009 -2012 (EUR)

Budget line	Adjusted POG	2009	2010	2011	2012	Total performed	Unused balance to 31.12.13
Salaries and Technical Assistance	1386,000	137,510	390,318	397,712	395,984	1321,524	64,476
General Expenses	705,500	94,316	169,122	136,773	158,924	559,135	146,366
Program Components	4815,664	5,555	124,797	132,999	1509,037	1772,388	3043,276
Others	363,776	14,727	48,284	80,048	92,692	235,751	128,026
GRAND TOTAL	7270,940	252,108	732,521	747,532	2156,637	3888,798	3382,143
%	100%	3.5%	10.1%	10.3%	29.6%	53.5%*)	46.5%

Source: 2012 PROPEMCE Annual Report

*) The final figure in January 2013-55%

In the 2012 PROPEMCE annual report, there is also information on the cost per beneficiary per chain, taking direct intervention costs into account (investment in program components). Based on these and other data, the EE has performed a calculation of total cost per beneficiary. The calculation must be considered as an estimate. The basis for dividing the indirect costs is on the total received sum per chain. (Indirect costs are all those other program costs that do not directly refer to one or another intervention (€2,116,410 in total). See Table 4.

Table 4 Cost per beneficiary (EUR)

	Direct Cost	Indirect Cost	Total Cost	Beneficiaries PP Inf 2012	Direct Cost /Benef.	Total Cost /Benefic.
Wood and furniture	135 400	140 290	275 690	315	430	875
Roots & tubers	433 572	449 232	882 804	950	456	929
Cheese	446 478	462 604	909 082	7 765	57	117
Intervention FC1 Note 1	29 988	31 071	61 059	6 620	5	9
Total without FC1	416 490	431 533	848 023	1 145	364	741
Vegetables	157 515	163 204	320 719	247	638	1 298
Tourism	423 190	438 475	861 665	712	594	1 210
Total	2 042 633	2 116 410	4 159 043	9 989	204	416
Total without FC1 (cheese)	2 012 645	2 085 339	4 097 984	3 369	597	1 216

Note: FC1 = national dairy product consumption school campaign
Source: Prepared based on 2012 Annual Report

The total number of beneficiaries of all the interventions is 9,989 according to the 2012 PROPEMCE Annual Report. However, if we exclude the CANISLAC National and School Campaign, the number of beneficiaries decreases by at least 6,000. The second alternative is more representative of the program's reality, given that it would not be appropriate to consider school children as beneficiaries in the same sense as producers – their “benefit” consists of seeing some promotional materials and listening to talks. The total cost per beneficiary (including indirect costs) is €1,216 without the campaign, and €416 including the campaign. The costs per beneficiary vary by chain, the highest being the cost in the vegetables chain, with a direct cost of €638/beneficiary and a total cost of €1,298/beneficiary. The lowest is the cheese chain cost, at €364 (direct cost) and €714 (total cost), always excluding the campaign.

Bearing the project results in mind, the EE considers that the costs are high or, in other words, that PROPEMCE was a program with a high cost/benefit rate. One reason for that is that the delays caused a great deal of money to be spent on indirect costs (personal, office and others), compared to the investments. Another explanation is the performance arising from rounds of consultation. In fact, 60% of the total cost of the interventions (€942,832) was used to pay contracted services (consultancies).

It should be added that, if the project had been designed and executed in full conformity with the M4P approach, it would not have needed a budget of over 7 million Euros. The purpose of the M4P is to facilitate rather than to do.

3.7 IMPACT

It would be imprudent to issue firm estimates on the impact of the program, in view of the fact that the great majority of the interventions, which are found in the primary link of the chains, have been performed in the program's final year, and that many of them simply could not leave any evidence in this sense in such a short time period. For example, several interventions in the roots & tubers chain ended in late 2012, while the first harvests will not be ready until March 2013. Thus, we are talking about a potential impact rather than an observed impact.

A potential impact that can be mentioned is that approximately 2,300 cheese and tourism entrepreneurs and small producers of milk, roots & tubers, vegetables, and wood and furniture, have managed to improve their knowledge to a certain extent in order to better carry out their

particular activity. A part of them (not the majority), in the cheese, roots & tubers, and tourism chains have a better link to the market.

There are youths that have had or will have a possibility to a better education, and some of them, an opportunity for employment. Among them are close to 50 students/year that should be educated in the tourism technical careers at the Hotel School of the Universidad Martin Lutero in San Carlos, and the 32 youths educated as rural technicians with a specialty in stockbreeding from the University of the autonomous regions of the Caribbean Coast. It is probable that PROPEMCE may have contributed something to the increase in the number of tourists that visit Río San Juan. There are however, many other factors that could have influenced this: other support projects, the development effort by the Government of Nicaragua, and the new highway.

In roots & tubers, the total intervention package should, in the future, influence something in an improvement of production and commercialization, which should mean an increase in the incomes of small producers. The delivery of uncontaminated seed could be important given that mal secco (*Phoma tracheiphila*) disease affects the zone's production. It could also aid in achieving a greater participation of small producers in chain stakeholder discussions and meetings. The extended participation of women (43%) and the gender-training module could increase the visibility of women and the level of acceptance of their participation. A single and short intervention, however, will not improve gender equality in its broadest sense.

In cheese, the PROPEMCE interventions can improve milk production and that of traditional cheese, somewhat. It is about improving quality and quantity, perhaps by 10-15%, according to some of the beneficiaries' spokespeople. There are another 300 persons that could benefit indirectly through improvements in the COOPROLECHE Cooperative's production and sales, but this depends, in a great deal, on whether the cooperative manages to directly sell (a new sales channel) its registered products, something that is not ensured.

PROPEMCE's work has very little impact on improving the service to MSMEs. However, there is an intervention that has the potential for impact, and that is the development of technical careers in tourism at the Universidad de Martin Lutero in San Carlos, which are about to be launched. In the meantime, and as its own contribution, the University has already launched calculation and English courses, which are highly valued by young people, and which were originally promoted by the program. The University tends to a population with scant resources, located in rural areas, and the technical careers in tourism are the first and only in the Department. It is likely that the work with CANISLAC and APEN has increased the interest of both organizations in including micro-entrepreneurs and small producers more.

The PROPEMCE report of 2012 contains a rather objective analysis of possible impacts of the Program, of which the EE would like to underline the following:

- In the generating of new jobs, it is considered that there has been no impact; only 34 new jobs have been accounted as a result of the actions of PROPEMCE
- The participation of women in different organizations has been promoted, and the EE could confirm that several of the interventions managed to strengthen the participation of women in cooperatives and as producers/micro-entrepreneurs.
- In terms of the regulatory framework, the impact of PROPEMCE is almost zero. The three supported initiatives still have not resulted in any changes.

The report also analyzes achievements on an income level for companies and producers, which were directly benefited by the interventions. It is concluded that:

- in wood and furniture an increase of 10% compared to previous years was achieved;
- in roots & tubers, an increase of 15% (according to harvest projections)
- in tourism in general, 10%;
- for cheese, 5%;
- for vegetables, 5%.

It is very difficult to accurately determine increases in income and, additionally, these increases may be sustainable or not. On a general level however, it seems that some of the PROPEMCE interventions have managed to increase income levels for at least part of the direct participants. The levels of increases concluded by PROPEMCE may be an indication of the increase for the producers and micro-entrepreneurs that effectively managed to increase, which are not all. In terms of the wood and furniture, and vegetables chains, the EE's observations in the field do not grant much credibility to the increase figures mentioned previously, and if there actually has been an increase from one year to another, sustainability is highly questionable.

PROPEMCE, overall, has had a very high cost/impact rate or, in other words, has made a considerable investment with a low return.

3.8 SUSTAINABILITY

In the case of PROPEMCE, different types or levels of sustainability can be addressed: i) the sustainability of the entire PROPEMCE and M4P idea; ii) that of the different services and activities delivered by the strategic partners and; iii) the sustainability of what has been achieved by various specific interventions.

As an idea, PROPEMCE/M4P does not demonstrate any sustainability perspective. No public or private entity exists in Nicaragua that finds itself under the conditions and that has the will to substitute the independent entity that the donors created to execute the program. In that regard, it is worth to also refer to the evaluation of agriculture in the Finnish cooperative for development, carried out in 2009. The corresponding report says about PROPEMCE:

“Even though the project has a Management Committee (Board of Directors) with representation of the donors and the government, there is a concern that the current operational design is perhaps too independent and not sufficiently encrusted in the national institutional structure related to the development of the private sector, in order to guarantee institutional sustainability. Given that the project is still in the startup phase, there would be time to carefully analyze the advantages and disadvantages of possible design alternatives, in order to eliminate [these concerns].”³⁶

Some of the strategic partners (for example CANISLAC, APEN, MEFCCA) could probably conserve and build on some of the experiences obtained from PROPEMCE, and in that sense, achieve fragments of sustainability. However, sustainability in providing services to MSMEs, in general, is threatened by the questionable capacity of various strategic partners to continue providing such services without support. The PROPEMCE interventions meant “ a boost” of training services, technical assistance and access to production inputs, but in the majority of cases, these processes will not continue if alternative funding is not found. A probable exception is found in the tourism careers of the Universidad de Martin Lutero. Additionally, the manner of execution, through external consultants, meant that the technical capacity of strategic partners did not increase. It is worth insisting that the idea of the program was not that the program itself should provide services to MSMEs, but rather to strengthen strategic partners so that they could do it themselves and in the long term. There seems to be some confusion in the analysis performed by PROPEMCE itself.

In terms of the sustainability of results obtained through specific interventions, PROPEMCE has launched processes, but in the majority of cases they have not been completed or taken to an secured point of advance. The cheese and tourism chains have the advantage that the market is nearby and the activities strengthened by PROPEMCE concern already existing markets. In these cases it is more likely that the results obtained from PROPEMCE may have sustainability.

³⁶ Evaluation of Agriculture in Finnish Development Cooperation – Country Report Nicaragua, Sep 2009 (own translation)

However, there are results in the tourism chain that run risks in terms of sustainability. These have to do with the development of new products like the Recicla San Juan, the Chocolate Tour, the Kayaks and the Base Camp, which depend on cooperatives managing to continue by their own efforts, and have a market for their specific products.

The results achieved in terms of an increase in production and sales in the vegetable and wood and furniture chains appear to have a high risk of not being sustainable. In all cases except one, the interventions in wood and furniture entailed work with new products without assured access to the market, and with only basic initial traineeship in production. In vegetables, the risk of sustainability is found in the fact that seeds and inputs for production were donated by the program and that this kind of help will not continue without new external support.

For roots & tubers, it seems there is demand for products and that some of the exporting companies are opening more markets. As such, there is hope that the results achieved will be maintained in terms of an increase in harvests and output per plot.

3.9 CROSS-CUTTING OBJECTIVES

As tends to happen, the Terms of Reference of this evaluation list a series of cross-cutting objectives that must be evaluated even if they are at the same time core objectives of the evaluated program. Additionally, in this case there is a certain degree of overlap between one cross-cutting objective and another, for example, between “gender and social equality” and “easily marginalized groups”. In any event, all the aforementioned objectives included in the ToR are analyzed below, and in the order they appear there.

3.9.1 Gender and social equality

PROPEMCE has used a combined strategy of affirmative actions, which intend to give a group (women) preferential treatment and mainstreaming in the program’s work. It has promoted gender equality in the selection of interventions in value chains, identifying possibilities to support micro-businesses and agricultural production led by women. Additionally, within the interventions, the criterion that a minimum percentage of the participants or beneficiaries be women has been applied. The result is numerically positive and it is estimated that 47% of the micro-businesses and producers tended to by PROPEMCE were women³⁷. It is difficult to define the exact number, but the figure given by PROPEMCE seems to be quite real.

The program introduced indicators³⁸ in the logical framework, with goals to improve the participation of women and also on the advance of gender focus on an MSME level. Participation by gender was measured in the monitoring system. An 80% of the interventions have had training in overlapping topics such as gender equality and environment. It has been one of the modules, which has been taught in the majority of interventions aimed at women and men. The conclusion is that PROPEMCE has had important achievements in terms of the inclusion of women and the promotion of gender equality. In fact, the Program has made a larger effort than what is common in this type of project.

The M4P approach itself has the inclusion of “the poor” as an essential element, and in the execution of the program a great deal, if not excessive attention, has been given to small agricultural producers and to other poor populations, resulting in an insufficient amount of attention being paid to other links in the value chains. The EE has observed that sometimes, PROPEMCE has worked with poverty and the poor in a manner similar to the FOMEVIDAS program, which applied the Means of Sustainable Lives approach.

³⁷ Annual PROPEMCE Report 2012

³⁸ As part of the development of new indicators in 2011

The first POG 2010 – 2012 defines the final target group as “micro and small enterprises and producers that demonstrate potential for inclusion in the chains addressed by the program, with special emphasis on enterprises with women and/or indigenous peoples as “owners and employees of MSMEs and their families, women and excluded population.” It is worth noting that the MSME concept means micro, small and medium enterprise. The poorest are found in the informal micro-enterprise segment and as small producers – not as owners of medium and small enterprises. All things considered, PROPEMCE, both in its formulation phase and in the execution phase, has attempted to combine M4P with inclusion, though it is not possible to determine where one approach ends and the other begins.

We insist that if the objective is to have the chains (markets) benefit the poor more, this does not mean working with the poor only, as PROPEMCE did in the wood and furniture, and vegetables chains, which had less results than the others. It means working with all the necessary stakeholders, which can include large companies such as La Colonia or JAGWOOD, so that they improve the benefits the market provides to the poor.

3.9.2 Human rights

This objective is quite distant from PROPEMCE’s work topic, and is not mentioned in its base documents, that is the Program Memorandum and the two POGs. However, the program was related to the human rights focus insofar as non-discrimination (inclusion) of indigenous minorities in value chains and the access these groups have to activities with economic benefits and to markets, is concerned.

3.9.3 Easily marginalized groups

Since the inclusion of excluded populations is one of the core components of PROPEMCE and one of the M4P’s reasons for being, and supposing as well, that “excluded” is synonymous to “marginalized”, this topic had been addressed in 3.1.6 – Component II: Promotion of Inclusion, instead of analyzing it as a transversal objective.

3.9.4 Governance

The ToR establish that the “evaluation must analyze matters related to the context of the program’s governance, insofar as it refers to its management procedures and the manner in which the program has promoted governance of the value chains.”³⁹

With respect to the first point (the governance of the program), a good part of this report deals precisely with the problems found in the management of the program, and the lack of common understanding between the parties. There is nothing to add here.

The governance of the value chains is not an aspect to which the program has been able to pay much attention either, due to the focus of the interventions on the primary link of the chains. Many weaknesses persist in this sense, for example the persistent influence of the traditional intermediaries in the vegetables chain and the lack of mechanisms to aid in ensuring fair play by the dairy industry in the determining of prices for different qualities of milk.

3.9.5 Environmental vulnerability, climate change and risks from natural disasters

³⁹ ToR, 4.1, page 6 (own translation)

A great deal of the PROPEMCE interventions has included training on environmental topics, though they have been relatively superficial for lack of time. The attempts to move towards BPA certification also aim towards, among other things, environmental conservation. Anyhow, the effects or impact of the program do not appear to have been big enough to cause major changes, positive or negative, in terms of environmental vulnerability and climate change. It is possible however, that the activities in the roots & tubers chain could, in the long term, lead to major deforestation in the RAAS, in order to create more cultivable space.

A major exploitation of the tropical forest in the RAAN could also lead to major ecological damages in the BOSAWAS Biosphere Reserve and its buffer zone. In the initial stage of the PROPEMCE, dialogues with INAFOR had begun, in an attempt to improve the laws and regulations for the exploitation of forests, which are highly complex and encourage the illegal commerce of wood, rather than reduce it. The POG 2 “likewise recognizes the importance and necessity of coordinating with government proceedings that influence the definition of the forestry sector’s regulatory framework, and of the wood and furniture chain, such as INAFOR, MARENA, MIFIC, INTA, IDR, INATEC, INFOCOOP, and the authorities of Regional governments and Councils from the RAAN.”⁴⁰ It has not been possible to see any results from this idea, which isn’t uncommon, given the recent startup of the interventions in the wood and furniture chain.

3.10 ADDED VALUE OF THE FINNISH COOPERATION

As can be already concluded from several other chapters of this report, no added value has been observed from the Finnish cooperation to PROPEMCE, if something only Finland can do or something that Finland can do better than others is taken as a definition of this concept. The M4P approach comes from the DFID and the technical assistance and material inputs to the specific interventions are mainly of Nicaraguan origin. The joint work by consulting companies Ramboll and NIRAS is what has come from Finland, along with the second and third program coordinators and a junior expert. No presence has been identified of any type of technology or particular experience transferred from Finland to Nicaragua.

4. CONCLUSIONS, RECOMMENDATIONS AND LESSONS LEARNED

4.1 CONCLUSIONS

- An ample consensus between the interested parties in PROPEMCE is observed, from donors, public Nicaraguan institutions and even partly from the final beneficiaries, in respect of the lack of efficiency, effectiveness, impact and sustainability of this program. There are various important reasons for this, and this has become the most important topic to analyze in the framework of this evaluation.
- The first reason for the lack of success of PROPEMCE is that it was approved by two parties that were not in agreement about the essential aspects of the program design. DFID assumed from the beginning the position of not wanting to have the GRN as a leading element in the program and Finland, for its part, also defended, at least initially, the idea of making a “traditional” and “independent” type program. From there, an administrative structure was built with the GRN as a minority element.
- In its technical and strategic aspects, the program design does not clearly reflect its core problem and its primary objectives. It represents a mixture of a strengthening project for micro, small and medium enterprises, with a project for the reduction of poverty, or inclusion of the

⁴⁰ Op. cit., page. 89

poor and excluded groups, without sufficiently analyzing how one can be combined with the other. This is particularly serious in a case such as this, when it was known (and should have been taken into account) that while the DFID and Finland in those years (2007 – 2009) had an interest in private sector development topics and Aid for Trade, the GRN was focused on directly combating poverty. These two goals have different beneficiaries.

- Although the Program memorandum and the Overall Operational Plans deal mainly with the M4P approach, they also deal with different contexts and moments of other approaches in a manner that is seriously confusing: gender focus, environmental focus, sectorial focus, pro-poor focus, DFID Due Environmental Diligence focus, the three program foci (Inclusive Development, Gender and Environmental Sustainability), inclusion focus and value chains focus. Having several foci simultaneously can lead to a total loss of focus and some of this has happened in PROPEMCE.
- Even if a project or program is perfectly pertinent and technically well formulated, it cannot be executed with effectiveness, *in opposition of* some of the positions of the receiving partner government. We can assume – though we cannot demonstrate it – that if the GRN decided, after drawn out negotiations, to approve PROPEMCE as it is described in the Program Memorandum signed by the DFID and Finland, this was done in order to not hastily reject a donation of several million Euros, but rather to give itself time and see, on the go, to what extent the program could be adjusted so that it would be more in accordance with the Government's policy.
- The selection and subsequent doctrinarian insistence on M4P, by the donors⁴¹ as a main approach (among several others) has been another of the reasons for the delays and difficulties. The M4P continues to be a very “new” way of doing things and was, of course, even newer in 2008 and 2009. It was difficult to find “experts” in M4P for any of the functions of (and related with) M4P. The first Coordinator and his team applied an “inclusive businesses” approach, rather than M4P. In the end, M4P was never applied more than partially.
- The legal environment was added to previous obstacles, related to the rules for purchasing and contracting, and to manners in which to manage state donations. The solution to this problem practically absorbed a year of work in the Ministry for Foreign Affairs in Helsinki (August/September of 2010 to July/August of 2011). At PROPEMCE in Nicaragua, this time was devoted to: reviewing the POG so that it would reflect the new legal procedures for implementation, and to “strengthen” the M4P aspect; continue to identify and attempt to agree on new interventions or projects in the Management Committee and Supervisory Board. The divergence of opinions among the involved parties did not favor good work morale in the EAP, and the lack of action observed by the “strategic partners” and the presumed beneficiaries created a negative reputation for PROPEMCE.
- Faced with the divergence of opinions between the GRN and the PROPEMCE EAP, and certain weaknesses in the management of the EAP and the delay of the MAEF in solving the legal issues – all this conducive to the lack of execution – it is evident that those responsible for PROPEMCE at the Embassy succumbed to the temptation of intervening excessively in the day to day management of the program (“micro-management”), with the intent to carry it forward. This – though it reflected a serious interest in helping the project to finally achieve something – rather than improve the situation, may have complicated it even further.
- When it was finally possible to begin to execute interventions in November of 2011, there remained only one year of program execution time. However, the disagreements between the “administrative” bodies and between the Coordinator, on the one hand, and the GRN and the

⁴¹ It is impossible for the EE to determine if the insistence on applying M4P “to the letter” came mainly from the Ministry in Helsinki, from the Finnish Embassy in Managua, or from the DFID.

representatives of the Finnish Embassy, on the other, continued – the POA 2012 was approved in April 2012. This resulted in the execution duration of the majority of the interventions being reduced to a maximum of 8 months – many were performed in 4 months. According to spokespersons of the Ministry, it had already been communicated to Nicaragua that if implementation was not accelerated, Finland would withdraw the resources. This seems to have had an effect, unfortunately, it was already too late.

- During the second half of 2012, the EAP did a great job in terms of executing interventions. However, due to the lack of time, the effects have been limited and incipient, and (in the interest of achieving a higher rate of budgetary execution?) the program has hired relatively expensive consultancies in some cases, and has donated some equipment and other elements of questionable sustainability (for example gasoline to transport tourists from San Carlos to Solentinamente). It is important to point out here that in the opinion of the EAP of the “turbo stage”, there was an attempt to fulfill the commitments acquired in the previous stage, which is a valid argument in and of itself. At the same time however, the Coordinator/EAP of the final phase acknowledges that there was not enough time remaining for many of the interventions previously designed. The question then arises, is it better or useful to fulfill an out of date commitment simply to fulfill it, or is it worth more to take the bitter decision of not fulfilling it, knowing that there is quite a large possibility that the corresponding activity will not lead to any result or benefit for anyone.
- By December 31, 2012 (closing date of the operations after three and a half years of execution) 55% of the global budget (for four years) for PROPEMCE had been executed. Of the executed sum, less than half was for the interventions in the three program components, and the rest went to the operation of the EAP (salaries and technical assistance, general expenses and others).⁴² It can be said then that it has been an expensive program – with a high cost/effect ratio.
- In view of the difficulties experienced and the very scarce results obtained by the project up to early 2012, it could have been recommendable to terminate it at that moment. By making the opposite decision, meaning, attempt to execute interventions in the remaining six months, the possibility of extending the program to substitute some of the lost time should have been considered. Without a doubt, a two-year extension – until late 2014 – would have allowed the fulfillment of at least some of the objectives and ensured a certain sustainability.
- As an example of “delegated cooperation”, PROPEMCE has not been inspirational. In fact, it is difficult to understand why Finland was interested in assuming the leadership of this program and substituting another donor which was ending its cooperation with Nicaragua, considering also that it was a program in topics and with methodologies in which the Finnish cooperation did not have much experience.

4.2 RECOMMENDATIONS

Given that PROPEMCE concluded on March 31, 2013, and that there would be no further bilateral cooperation between Finland and Nicaragua, there is no point in making many specific recommendations (what’s done is done).

However, some of the products and experiences of PROPEMCE justify a couple of recommendations for follow up by the other stakeholders.

1. PROPEMCE has initiated interesting processes in different value chains, which it has not been possible to conclude. It would be important that other projects and initiatives could follow up on unfinished processes, which have the potential to achieve impact in value chains. Of special importance in this sense are the activities in the roots & tubers and cheese chains.

⁴² Data provided by PROPEMCE in February 2013

2. PROPEMCE has funded the development of several training materials for business development and technical production in the five chains that were supported. This material can be of use to other stakeholders and as such, it is recommended that they be placed on a web page where others may access and make use of them.

It is also pertinent to make some recommendations of a more general nature, which could be taken into account for other eventual, similar projects in the future, in other places:

3. Projects must always be identified and designed based on concrete analyses of the real and current problems and circumstances of the receiving partner country, and not based on the supposed advantages of certain approaches or novel methodologies.

4. If with good fundamentals, a relatively new or practically experimental approach is chosen – as M4P – then it is certainly essential to ensure that all the involved parties be informed or trained to work with it, according to each party's role.

5. It is suggested that the MAEF prepare clear operational guidelines in regards to how private sector and value chain stakeholders can be supported in bilateral programs, in order to avoid repeating negative experiences, as those of PROPEMCE in this aspect.

5. When a project is conducted by administrative committees, management committees, supervisory boards, etc., minutes must be managed in “hard copy”, and they must be signed by the participants of each meeting. The signed documents must be kept. A practical procedure for this would be that the meeting minutes be signed simultaneously by all members when the following meeting is held. In this manner, someone changing the content of the minutes by electronic means, or secretly, is avoided.

4.3 LESSONS LEARNED

- Despite all the difficulties and limitations that affected the execution of PROPEMCE, the project has done enough to demonstrate that M4P is a promising approach. That said, in order for its potential to be realized, it is necessary to bear in mind that it is an approach with a certain complexity, and that is not quickly understood by all the stakeholders who must have something to do with it, from direct beneficiaries to administrative bodies of a project using it. It has been noted that it is particularly necessary to be able to comprehend some aspects which make it quite different to other ways of working with strengthening of MSMEs, with value chains, poverty reduction and the inclusion of marginalized groups, all at the same time.
- The newest and apparently most difficult aspects to understand and assimilate are that:
 - an M4P project facilitates the actions of other stakeholders rather than performing them;
 - as such, it does not need large budgets to invest in its own interventions;
 - it does however require time.
- For any project to be successful, not only its relevance and internal logic must be analyzed during the formulation phase, but also its technical and political *feasibility*. This is particularly important when attempting to introduce new work methodologies.
- In principle, the making of decisions in terms of the management of a program or project must not reach the highest levels possible, rather the opposite should occur. It should be assumed that those that are closest to the “project scene” have more information, expertise and subject matter experience to make accurate decisions. In the case of PROPEMCE, at different times, there were examples of EAP issues that were unnecessarily assumed by the Embassy and Embassy issues that unnecessarily reached the Ministry in Helsinki.

- Projects with an M4P approach must be executed with certain *flexibility*. As has already been pointed out, the purpose is to *facilitate* the actions of the many involved parties, and carry forward *processes* that are not necessarily able to be usefully expressed in the rigid molds of the logical framework and of the traditional POAs. The management and monitoring methods must be adapted to the requirements of the approach.

ANNEXES

ANNEX I

LOGICAL FRAMEWORK AND EFFECTIVENESS ANALYSIS

Narrative summary	Objectively verifiable indicators ⁴³	Verification methods	Fulfillment analysis
<p>Goal</p> <p>Sustainable, inclusive and equal growth in the Nicaraguan private sector,</p>	<p>1) Annual increase in the GDP per capita. (Baseline: USD 930)</p> <p>2) Annual increase in the Economic Activity General Monthly Index (Baseline: 3.8)</p> <p>3) Decrease of the GINI index (Baseline: 52.3% in 2005)</p> <p>4) Annual increase in % of companies with female participation at the property (Baseline 2006: 41.4%)</p>	<p>1) World Bank Data Group⁴⁴</p> <p>2) Nicaraguan Central Bank</p> <p>3) Survey of Homes 2010</p> <p>4) World Bank Enterprise Survey site⁴⁵</p>	<p>No indicator was achieved (1) to (4).</p> <p>They are not feasibly achieved.</p>
<p>Purpose</p> <p>Major MSME growth and of opportunities for women and excluded population⁴⁶</p>	<p>1) Annual decrease of 5% of the cost of formalities for creating a new company, as a percentage of GDP/capita of Nicaragua (LB 2008, 119.1%)</p> <p>2) Annual decrease of 5% in the cost for obtaining licenses in Nicaragua as a percentage of GDP/capita of Nicaragua. (LB 2007, 89.8%)</p> <p>3) 25% increase in the number of satisfied clients of CAMIPYME⁴⁷ to late 2012. (LB in 2009)</p> <p>4) Up to 2012, the Government has implemented 2 laws and reviewed regulations that previously limited the MSME growth and the opportunities</p>	<p>1) World Bank Doing Business site.⁴⁸</p> <p>2) World Bank Doing Business site⁴⁹</p> <p>3) Annual CAMIPYME survey on client satisfaction⁵⁰</p> <p>4) PROPEMCE reports</p>	<p>No indicator was achieved (1) al (5).</p> <p>Indicators 1 and 2 are not feasible.</p>

⁴³ Indicators shall be refined in the startup phase

⁴⁴ <http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0..contentMDK:20535285~menuPK:1192694~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html>

⁴⁵ <http://www.enterprisesurveys.org/ExploreEconomies/?economyid=141&year=2006>

⁴⁶ Excluded populations are people that are discriminated against in the obtaining of resources, services and rights, equally to others. Certain groups are discriminated against because of their identity or social characteristics, including gender, age, origin, ethnicity, handicap or HIV status. The Autonomous Regions of the Atlantic Coast are of particular concern to the Government of Nicaragua.

⁴⁷ MSME support centers

⁴⁸ <http://www.doingbusiness.org/ExploreEconomies/?economyid=141>

⁴⁹ <http://www.doingbusiness.org/ExploreEconomies/?economyid=141>

⁵⁰ The World Bank's MSME development project in Nicaragua shall produce this data annually, according to the Understanding Memorandum with the Nicaraguan Government

	for women and excluded groups (LB in 2009) 5) For 2012 it is necessary to have the Multi-donor Fund in operation "Promotion of MSME Growth"		
Results			
1. Improvement in the provision of services to MSMEs in five value chains	<p>1) 20% increase in the number of CAMIPYME clients to late 2012. (LB 2009)</p> <p>2) 20% of MSMEs supported by PROPEMCE have successfully lobbied for greater investments in infrastructure to late 2012. (BL 2009)</p> <p>3) 5 entrepreneurial organizations play a stronger part in the interconnection of entrepreneurs to late 2012 (BL 2009).</p> <p>4) 5 medium and large companies have improved the quality of the information provided by MSMEs, to late 2012 (BL 2009).</p>	<p>1) Annual CAMIPYME and PROPEMCE reports</p> <p>2) PROPEMCE reports</p> <p>3) PROPEMCE reports</p> <p>4) PROPEMCE reports</p>	<p>Indicators 2 and 4 have not been achieved.</p> <p>Indicator 1 has not been completely achieved but there are achievements in increase of partners in several of the strategic organizations, for example CANTUR Río San Juan, in cooperatives of roots & tubers producers in New Guinea.</p> <p>In indicator 3 there is an incipient achievement in APEN. The indicator has not been completely achieved.</p>
2. Improved regulatory environment for MSMEs in five value chains	<p>1) To late 2009 5 important laws and regulations which limit growth have been identified</p> <p>2) To late 2009 5 important contractual requirements by medium and large companies that restrict the participation of MSMEs have been identified</p> <p>3) To late 2010 a strategy that allows interested parties to lobby the government to review laws and regulations, and negotiate with medium and large companies on limiting contractual requirements, has been settled on</p>	<p>1) PROPEMCE reports</p> <p>2) PROPEMCE reports</p> <p>3) PROPEMCE project reports</p>	<p>None of the indicators have been achieved (1) to (5).</p> <p>There is progress on issues of certification norms for roots & tubers. There was also support for the reform to the Tax Law in cooperation with CONAMSME.</p>

	<p>4) To late 2010, 2 strategies that identify how the government can increase its capacity to implement new regulations</p> <p>5) To late 2012, 2 laws and regulations that limit growth have been reformed</p>	<p>4) PROPEMCE reports</p> <p>5) Government Gazette</p>	
<p>3. Business proposals made to medium and large companies for greater participation of women and excluded groups in five value chains</p>	<p>1) To late 2012, 15% increase in the access to information on business opportunities for women and members of excluded populations</p> <p>2) To late 2012, 30% of medium and large companies have a greater awareness of business opportunities that encourage the participation of women and excluded populations</p>	<p>1) PROPEMCE reports</p> <p>2) PROPEMCE reports</p>	<p>None of the indicators have been achieved</p> <p>There is however an incipient achievement in the participation of women in the vegetables, roots & tubers and wood and furniture chains. Some of the achievements have a risk of not being sustainable</p>
<p>4. Systemization and dissemination of good practices which facilitate inclusive growth and that feed the support policies and systems of the private sector</p>	<p>1) To late 2012, 4 governmental policies for the development of the private sector use good practices from PROPEMCE</p> <p>2) To late 2012, 4 projects in Central America incorporate and implement good practices originated in PROPEMCE</p>	<p>1) PROPEMCE reports</p> <p>2) PROPEMCE reports</p>	<p>The defined indicators have not been achieved but there is documentation on value chains with the inclusion of the poor, and they are available on the web page.</p>

ANNEX II

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ANNEX III INTERVIEWS

Government of Finland

Ministry for Foreign Affairs

Hannu Ripatti, Team leader, Central America
Kristina Andersson, 'Desk officer' Central America
Gunilla Kullberg, Cooperation Consultant
Sanna-Liisa Taivalmaa, Rural Development Consultant
Inger Hirvelä, former Ambassador in Nicaragua

Finnish Embassy in Managua

Eeva-Liisa Myllymäki, Business attaché a.i.
Pekka Muuttomaa, Rural Development Advisor
Salvador Tapia, Rural Development Consultant
Tiina Huvio, former Rural Development Advisor
Damaris Díaz, Short term consultant in PROPEMCE formulation
Raúl Fajardo, Short term M4P consultant

Government of the United Kingdom

Department for International Development (DFID)

Richard Carter, Representative for Nicaragua

Government and public institutions of Nicaragua

Agricultural and Forestry Ministry (MAGFOR)

Amanda Lorio, Vice-minister
Silvio Palacios, General Secretary
Claudia Tijerino, External Cooperation Director

Ministry of Development, Industry and Commerce (MIFIC)

Verónica Rojas, Vice-minister
Orlando Duarte, Planning Director, Programs and Projects

Ministry of Family, Community, Cooperative and Associative Economy (MEFCCA)

María Antonieta Machado, Vice-minister
Germán Flores, Rural MSME Director
Leyra Bucardo, Research and Market Connection Director
Alí Miranda, Departmental Delegate, Chontales
Luis Raúl Ortiz, Follow up and Monitoring Specialist, Delegate Chontales
Yamileth Sacasa, RAAN Delegation
Luis Picado, RAAN Delegation

Private sector, Nicaragua: strategic partners and/or final beneficiaries

Producers and Exporters Association of Nicaragua (APEN)

Azucena Castillo, General Manager
Sonia Somarriba
Sigrid Morales

Micro, Small and Medium Tourism Business Chamber of Nicaragua, Río San Juan Chapter (CANTUR RSJ) (tourism chain)

Henry Sandino, President

Nicaraguan Dairy Sector Chamber (CANISLAC) (cheese chain)

Wilmer Fernández, Vice president

Osmundo Solis, Executive Director

Micro, small and medium enterprises Council of Nicaragua (CONIMSME)

Gilberto Alcócer, President and representative of the private sector in PROPEMCE's Management Committee

COOPANG R.L Cooperative, New Guinea, RAAS (roots & tubers chain)

Efrain Duarte, President

Blanca Tinoco, Administrator

COOPEMSIS R.L Cooperative, La Española, RAAN (wood and furniture chain)

Arnulfo Taylor, President

Emiliano Dixon, Secretary

Micaela López Dixon, Artisan women's group

COOPROLECHE R.L. Cooperative, El Triunfo, RAAS (cheese chain)

Carlos Carranza, President

Argentina Rios, Administrator

CCOOSBA R.L Cooperative, Bonanza, RAAN (wood and furniture chain)

Omar Sujo, President

El Nogal R.L Cooperative, Rosita, RAAN (wood and furniture chain)

Isolde Peralta, Artisan women's group coordinator

Gente Trabajando con la Gente R.L Cooperative, New Guinea, RAAS (roots & tubers chain)

Bismark Matus, President

La Esperanza R.L Cooperative, Puerto Cabezas, RAAN (wood and furniture chain)

Nazaria Dixon, President

Recicla San Juan R.L Cooperative, San Carlos, Río San Juan Department (tourism chain)

Teresa Bravo, President

Empacadora Vargas, Nueva Guinea, RAAS (roots & tubers chain)

Daniel Sentor, Manager

Agricultural Federation of Cooperatives of Women Field Producers in Nicaragua (FEMUPROCAN)

Mathilde Rocha, President

UCA Cooperatives Federation Ahmed Campos R.L, New Guinea, RAAS (roots & tubers chain)

Alvaro Ruiz, President

FUNDAR (ONG), San Carlos, Río San Juan Department (tourism chain)

Maribel Chamorro, Representative

TRANSOL (boat transporter's association), San Carlos – Solentiname, Río San Juan Department (tourism chain)

Silvio Espinoza

Daniel Lanzus

Eduardo Mairena

Solentinames Painters and Artisans Union (UPAS), Solentiname, Río San Juan Department (tourism chain)

Socorro Chavarria
María de los Angeles Obando
María Magdalena Pineda
Rosa Maria Sequeira

National Farmer and Rancher Union of Nicaragua (UNAG) (vegetables chain)

Daniel Sandoval, Departmental President in Boaco
Douglas Alemán, Departmental President in Chontales
Gerardo Huerta, PROPEMCE activities supervisor

Universidad Martin Lutero incl. Tourism Hotel School, San Carlos, Río San Juan Department (tourism chain)

Sanders Martínez Chamorro, Director (Dean)
Alba Ugalde, Academic Director

Vegetable producers in the communities of Barranco Alto and Santo Domingo, Boaco Department

Traditional cheese producers (“quesilleras”) of Santo Tomás, Chontales Department

PROPEMCE

Tania de la Rosa, Coordinator (May 2012 – March 2013)
Nadia Villavicencio, Inclusive Development Expert
Johanna Jeréz, Monitoring and Follow up Consultant
Yeris Huete, Administrative Assistant
Tarja-Liisa Laaksonen, former Coordinator (January 2011 – April 2012) (*interviewed in writing*)
Joop Amse, former Coordinator (July 2009 – October 2010)
Sigrid Meijer, former Inclusive Development Expert
Enrique Urbina, former Value Chains Expert
Mirka Sarajärvi, former Junior Expert in Commercialization (*interviewed by Skype*)

NIRAS, Finland

Hanna Mykkänen
Marjo Paavola

ANNEX IV TERMS OF REFERENCE

1. Background to the final evaluation

Rural development has traditionally been a priority sector of Finnish development cooperation with Nicaragua. Over the years there have been a number of important projects implemented mainly in Region V (Boaco and Chontales) such as PRODETEC (1990-1994) in agricultural technology, PRODEGA (1989-2003) in milk and dairy production, FADES (2000-2003) in local economies, PROCAFOR (1990-2002) in regional forestry, NICAMUEBLE (2001-2004) in carpentry, PANIF (1996- 2000) and PROAMBIENTE (2000-2004) on environmental issues and more recently FOMEVIDAS (2006-2011) in rural poverty reduction, support to sectorial program PRORURAL (2006-12), NIFAPRO (2006-12) in agro-biotechnology and PROPEMCE (2009-12) in rural value chains.

Finland is in a process of transition in terms of its cooperation in Nicaragua, and is completing its traditional bi-lateral cooperation. As a part of this process there is a need to carry out evaluations of some of the key rural sector programs. Due to the same timing and context, as well as similarities in thematic fields and program / project stakeholders, the three evaluations which are due this year (final evaluation of PROPEMCE, final evaluation of NIFAPRO and ex-post evaluation of PRODEGA), have been brought together under a single contract. This is expected to result in greater efficiency and benefits when analyzing the findings, as the three evaluations can be carried out during common fieldwork and the evaluation teams can contribute to each other's learning processes. However, each of the evaluations has its respective Terms of Reference and separate reports must be delivered. This text consists of the specific Terms of Reference for the final evaluation of the PROPEMCE program.

In 2008, the Department for International Development (DFID) of the United Kingdom made the decision to close its regional development cooperation office in Managua and to continue through delegated cooperation with those agencies that still will have a presence in Nicaragua or civil society. As a part of this process, the program titled Strengthening Small Enterprise Growth in Nicaragua through the Development of Existing Value Chains (PROPEMCE), was drawn up jointly in 2008 by the Ministry for Foreign Affairs of Finland (MFA) and the DFID. The program is intended to promote inclusive private sector growth in alignment with the priorities of the Government of Nicaragua (GoN) as defined in the National Human Development Plan (NHDP) and its existing sector-wide approaches known as PROMIPYME and PRORURAL.

PROPEMCE is jointly funded by DFID and the MFA, according to a signed Memorandum of Understanding (MOU). DFID has delegated the administration of its funds to MFA. The total PROPEMCE budget is of approximately €7.27 million (DFID €4.27 million, MFA €3.0 million). The program is designed to be delivered by a Program Management Team (PMT), which is responsible for day-to-day implementation and is in turn supervised by normal program management procedures involving donors, Nicaraguan Government officials and the local private sector. The program was launched in July 2009 and is scheduled to conclude in December 2012.

1.1. Program context

Nicaragua's poverty reduction strategy, known as the National Human Development Plan, had only just been made public when the program was designed. The productive sector was declared to be one of six priorities in the NHDP for the 2008-2012 period. According to the Plan, Micro, Small and Medium Enterprises (MSMEs) would be strengthened through access to public goods and services as well as improvements in infrastructure. The agricultural and rural public sector policy and sectorial program (PRORURAL) covers all agricultural produce, but also specifically mentions assistance to fisheries, tourism, and dairy farming. PRORURAL was also planned to improve

access to a range of financial services. In 2010 a new National Rural Agro-Industrial Program (PNAIR) was launched as part of PRORURAL.

The guiding principles for MSME development, as outlined in the MSME's sectorial development plan (PROMIPYME) implementation strategy and referred to in the NHDP, include improved public sector coordination; encourage the public and private sectors to work together; and ensure that both gender and environmental protection are mainstreamed throughout policies and practices. The Ministry of Industry, Development and Commerce (MIFIC) is in charge of implementing PROMIPYME as well as working in tandem with other government bodies such as the National Institute for Support to Small and Medium Enterprises (INPYME), the Nicaraguan Women's Institute and the national network of departmental MSME Support Centers (CAMIPYMEs). The recently established Ministry of Family, Community and Associative Economy will spearhead the national strategies to strengthen the MSMEs and thereby fight poverty.

From 2004 to 2007, DFID's Latin America Regional Assistance Plan worked to enhance the impact of the World Bank and Inter-American Development Bank poverty reduction efforts in two priority areas: i) access to markets and international trade; and ii) accountable and responsive public sector management, and political systems. DFID's bilateral program in Nicaragua has shared these objectives. As inclusive economic growth is one of DFID's four priorities, MSME development, in the form of PROPEMCE, has remained an integral part of the Nicaragua bilateral program. The goals of Finnish development co-operation are linked to MDGs, and poverty reduction is the main challenge faced by Finnish cooperation. In its 2007 Development Policy Program, the Government of Finland has defined a framework for Trade and Development, which forms one of its key priorities in long-term partner countries such as Nicaragua.

1.2. Description of the program to be evaluated

PROPEMCE builds on DFID's experience since 2005 of establishing an innovative approach to micro, small and medium enterprise (MSME) development in Nicaragua. Learning from the experiences of the project named PEMCE, PROPEMCE pays explicit attention to addressing issues of inclusion by identifying what inclusion means for each value chain and developing inclusion strategies aimed at dealing with institutional and structural constraints to greater inclusiveness. Within Nicaragua, PROPEMCE is focused on the poorest regions, with attention to the South Atlantic Autonomous Region (RAAS) and to a lesser extent the North Atlantic Autonomous Region (RAAN), both of which have some of the lowest human development indicators (HDIs) in Latin America.

Along the same lines, and aiming to address earlier weaknesses of PEMCE-program, PROPEMCE was intended to have a strong communication and knowledge component for learning on inclusive growth promotion. The idea was that it would learn from others, capture its own learning, produce successful intervention models and feed this into government agencies and organizations that share the goal of poverty reduction through private sector development. PROPEMCE is therefore intended to promote knowledge transfer to key actors throughout all its activities.

Nicaraguan MSMEs acknowledge the public and donor support they have received, but find that it has been insufficient, randomly applied and lacked coordination. As a consequence, the assistance had little impact. PROPEMCE was designed to directly address these scale, impact and sustainability issues. PROPEMCE is underpinned by the Making Markets Work for the Poor (M4P) approach, which aims to ensure that value chains benefit poor people. In the program document the target group is defined in more detail, and includes national and local cooperatives, small enterprises and family businesses, with special attention to women, indigenous people and excluded groups (MIEX).

The program goal is: Sustainable inclusive growth in the private sector in Nicaragua.

The program purpose is: Enhanced MSME growth and provision of opportunities for women and excluded populations.

The four PROPEMCE outputs are as follows:

- Improved service provision to MSMEs in five value chains.
- Improved regulatory environment for MSMEs in five value chains.
- Business case for increased participation by women and excluded populations made to medium and large enterprises in five value chains.
- Systematized and disseminated good practices on facilitating inclusive growth that feeds into private sector policy and support systems.

Since its inception phase, the program has experienced a number of implementation challenges, most notably a high turnover of both foreign and national personnel, including three different Program Directors; a merger at the implementing Finnish consulting firm Ramboll Finland Oy to NIRAS Finland Oy in June 2011; and delays in the approval of the Global and Annual Operational Plans for the program implementation phase. The overall consequence of these challenges has been a significant reduction in the time frame for program implementation at the intervention level. By the end of 2012 when the program completes its operations, two calls for proposals will have been organized for the five value chains, and approximately 50 % of its overall budget (7,279 million euros) used.

1.3. Results of previous evaluations

Due to the many delays in implementation, a mid-term review was not carried out. In late 2009, when there were concerns regarding the quality of the proposed field programs, the Embassy contracted an ad-hoc evaluation concerning application of the M4P methodology in the program. The purpose of the evaluation was to provide feedback to the Embassy and to guide PROPEMCE concerning proper implementation of the methodology. The evaluators found that the methodology was not being applied correctly, and in early 2010 PROPEMCE began to make the necessary changes. These were included in its new Overall Operational Plan approved in 2010. In June 2012 DFID carried out an annual review of PROPEMCE which consisted mainly of monitoring rather than evaluation activities.

2. Rationale, purpose and objectives of the evaluation

Rationale and purpose: The agreements between MFA, DFID and the Nicaraguan Government will be completed at the end of the year 2012 and according to the agreements and development cooperation administrative procedures a final evaluation should be carried out. The evaluation helps to assess the results at the completion stage of the program and provides inputs for considering the relevance of this type of assistance under similar conditions. It is especially valuable to have an external opinion on program effectiveness, impact and sustainability, as well as conditions required by this kind of aid modality.

Thematically, commercial development and aid for trade is one of the traditional priorities and strengths of British cooperation, but are rather new priority areas of Finnish cooperation. The thematic evaluation made in 2011 on Finnish development programs in aid for trade concluded that Finnish AFT lacked a clear poverty focus. Therefore, any new program applying a new approach and methodology (such as M4P in this case), should also be used as a kind of laboratory in which to learn lessons which are applicable to improving the quality of this type of development programs.

The Nicaraguan Government is also interested in prioritizing support to value chains, agro industry and MSME development as new tools in the struggle to reduce poverty. A national agroindustry program was established in 2010 as an essential part of PRORURAL, because merging exports in the agricultural sector has shown significant results in economic growth. Therefore the Government is reconsidering its approaches in economic development and poverty reduction. In

this situation, any information or lessons learned on new approaches or methodologies are of high value to the Nicaraguan Government as it works to develop activities or design policies in this strategic field.

According to the Paris Declaration, most cooperation is implemented through programmatic approaches that are aligned with government programs and institutions. Therefore, in 2004-5 Finland ended its traditional programs in Nicaragua. However, for political reasons, PROPEMCE was designed to be implemented as a kind of “traditional and independent” program in an environment where the principles of the Paris Declaration had been widely applied with varying degrees of success. There has been much confusion due to differing interpretations of this modality, and thus there is certainly a need to assess the added value of having taken this decision. This is also related to the role that Governmental institutions and authorities should play in private sector development and regulation.

Use of the results: The results of this evaluation are to be used by the Ministry for Foreign Affairs of Finland. They will serve to assess recent development cooperation in Nicaragua, provide inputs and ideas for considering possible future cooperation in Nicaragua as commercial and partnership-based cooperation. The MFA also expects that the results highlight some lessons learned in delegated cooperation, and other development cooperation management issues. For instance, commercial and partnership-based cooperation aid-for-trade has been identified as one of the potential fields to continue cooperation between the two countries. Equally, the evaluation will lay the foundation for the formal Program Completion Review required by the UK Government for all development interventions, which in turn will feed into an overall assessment of DFID’s program in Nicaragua.

The Nicaraguan Government has recently established a specific Ministry of Family, Community and Associative Economy to address the needs of MSME development. The evaluation will be very valuable as the Ministry begins to draw up its strategies and activities. Likewise, the evaluation could prove useful to MIFIC and MAGFOR, both of whom play an important role in the sector’s policymaking. The evaluation is equally important to private sector (partner) organizations, as it provides valuable external opinions and recommendations related to MSMEs development and support, competitiveness, service provision, transparency and formulation of strategies. Finally, the evaluation will benefit other donors supporting Nicaraguan private sector development.

The **priority objectives** of the final evaluation are to provide evidence, analysis and recommendations, as follows:

- (i) to analyze likely impacts and sustainability of achievements; although the implementation period remains short;
- (ii) to assess if the chosen implementation strategy and activities were suitable for achieving the project’s goals and purpose in existing conditions of Nicaragua
- (iii) to document generalized lessons learned and make recommendations based on the experiences of PROPEMCE for further application in future partnership-based Finnish and British cooperation programs elsewhere. Special attention should be paid to whether the M4P has been of added value to the Program.

3. Scope of the final evaluation

Time span: the five-year period from 2008 to 2012. It is considered important to evaluate also the PROPEMCE preparation process, (prior to the signing of the bi-lateral agreement).

Stakeholder groups (indicative list; consultants are expected to present their own views)

- Target group / beneficiaries: persons living in rural areas, farmers and farmer organizations, and especially women and excluded groups.
- Strategic partners and beneficiaries: UNAG, FEMUPROCAN, CooProLeche, CANISLAC, INTUR, CANTUR, CLUSA, APEN and INTA.
- Staff at the PROPEMCE office, including former staff.
- Local governments: municipalities, RAAS and RAAN regional authorities (only very limited cooperation with RAAN since March 2012).
- Governmental institutions: involved in the management of PP (MIFIC, MAGFOR, IDR) and others (CANIPYME, INPYME)
- Private sector representative CONIMYPYME.
- Donor agencies involved in PP management: Embassy of Finland (and MFA) and DFID and potential partners (Switzerland, EU, FAO, the Netherlands and USAID).

Geographical area by value chains:

- Boaco and Sébaco (vegetables)
- Chontales and Nueva Guinea (cheese)
- Nueva Guinea/RAAS (roots & tubers)
- Rio San Juan and San Carlos (tourism)
- RAAN (wood furniture)

4. Issues to be addressed and evaluation questions

4.1. Cross. objectives

Particular emphasis in this evaluation should be placed on gender and social equality, human rights, easily marginalized groups and governance issues. In case of this particular program, these are not only cross-cutting issues, but also the promotion of growth and the rights of excluded groups are among the main development objectives. Environmental vulnerability, climate change and disaster risk issues should be taken into account as Central America is potentially one of the most affected regions world-wide.

The evaluation must analyze issues related to the governance context of the program as concerns its management procedures and how the program has promoted governance of the value chains. Governance at all levels is considered an important factor for the success of business development. Therefore it is important to assess the accountability and transparency of the Government and private sector regarding their activities in business development.

The evaluation does not need to focus on HIV/AIDS, as it is not a major development challenge in Nicaragua.

Evaluation questions:

- Was adequate and appropriately disaggregated baseline data available on the cross-cutting objectives for planning, implementation, monitoring and evaluation?
- Were adequate resources and expertise allocated that promoted the implementation of the cross-cutting objectives?
- Were cross-cutting objectives systematically and explicitly integrated into program design, implementation, monitoring and reporting?

4.2. Evaluation criteria and evaluation questions

The evaluation will analyze the **relevance** of the strategic plans and functioning, and role of each organization from point of view of both national context and Finland's / DFID's development cooperation policy; to provide an evidence-based **impact** analysis of the program despite its relatively short implementation period i.e. how the program and its partner organizations

succeeded in their goals to improve “MSME development” in Nicaragua. One of the main objectives of the evaluation is to analyze whether such aid has resulted in better outputs and impact compared to currently applied program modalities. Of special interest is that of **sustainability** of the activities and functioning of each organization or beneficiary group, as well as the results they have achieved, or the sustainability of PROPEMCE results at the national level. Furthermore, the evaluation should provide evidence and analysis on the **efficiency and effectiveness** of the program implementation. In addition to this, the role of the Government of Finland and the Finnish Embassy in Managua as donor and partner will also be analyzed.

Relevance

Relevance refers to the extent to which the program’s goals and objectives are consistent with the beneficiaries’ requirements, country needs/policies, global priorities and partners’ and Finland’s/DFID’s policies.

Problems, needs:

- Are the objectives and achievements of the program consistent with the needs and priorities of the stakeholders, including final beneficiaries?
- Who defines the objectives and strategies of the different stakeholders involved in the selected value chains?

Policy priorities:

- The degree of complementarity between national development plans and political agenda and those of the private sectors organizations?
- Are the program’s objectives consistent with Finland’s and DFID’s development policy?
- Has the situation changed since the approval of the program?

Efficiency

The efficiency of a Program is defined by how well the various activities transformed the available resources into the intended results in terms of quantity, quality and timeliness. Comparison should be made against what was planned.

Value for money

- How well did the activities transform the available resources into the intended outputs/results, in terms of quantity, quality and time?
- How efficiently PROPEMCE was applying its methodology M4P and is it of added value to MSME development in Nicaragua?
- Can the costs of the program be justified by the results?
- Were the donor contributions provided as planned?
- What were the factors that in the case of PROPEMCE most affected to operational problems and delays?

Development effectiveness

Effectiveness describes if the results have furthered the achievement of the objectives of the program. The evaluation is made against the related indicators.

Achievement of immediate benefits

- To what extent did the program achieve its purpose?
- Are the results/outputs and the program purpose making a contribution towards improved conditions and services?
- Quality of capacity building?

- Existence of alliances between the private sector itself (MSME vs. big ones) and between the private sector and public institutions?

Development impact

Impact describes how the program has succeeded in the attainment of its goal and purpose, i.e. targeted impact for its beneficiaries. The evaluation is made against the related indicators.

Achievement of wider benefits

- Was progress made towards achieving the goal and purpose of the program?
- What is the overall impact of the program on MSME development, intended and unintended, long term and short term, positive and negative?
- Do the indicators for the overall objective show that the intended changes have started to take place?
- Did PROPEMCE somehow contribute to accountability relationships and collaboration between state and non-state stakeholders (private sector, NGOs, municipalities)?

Sustainability

Sustainability can be described as the degree to which the benefits produced by the program continue after the external support has come to an end.

Continuation of the achieved benefits

- What are the possible factors that enhance or inhibit the different aspects of sustainability (ownership/commitment, economic/financial, institutional, technical, socio-cultural and environmental)?
- Are the benefits produced by the program likely to be maintained after the termination of external support?
- Who is to take over responsibility for financing the activities, or have they become self-sustaining?
- Does the Government have a program in place, which may continue supporting the target groups of different value chains?

Program management and administrative arrangements

Sound management

- Was the inception phase of nine months of some added value? Was there some added value by previous experience of Pemce?
- The overall operation of the supervisory / management model applied?
- How the delegated cooperation worked in this specific case? Is it of added value to DFID?
- Was there sufficient cooperation or coordination with other Finnish programs in the same areas or with programs implemented by other donors?

Finnish value added

- What was the added value provided by the Finnish / DFID's support?

Methodology and reporting

The consultant is expected to combine different methodologies to gather representative, correct and justified information and well-grounded recommendations. The methodology shall be presented in the proposal.

Kick-off meeting: The assignment will begin with a kick-off meeting at the Ministry for Foreign Affairs (MFA) in Helsinki, and the Embassy of Finland in Managua (or jointly via videoconference).

Desk review: The consultant is expected to carry out a desk review based on the documentation provided by the MFA and the Embassy of Finland in Managua.

Inception report: Before field work and on the basis of the desk review, the consultant shall present a detailed and updated work plan, a list of major meetings and interviews planned for the field visits as well as detailed evaluation questions linked to the evaluation criteria.

Interviews and fieldwork: The meeting arrangements and logistics shall be done in close cooperation between the team and the Embassy.

Debriefing: At the end of the mission, the team shall prepare and organize a meeting to present the key findings and recommendations to the Embassy and other stakeholders in Managua, or jointly with the MFA via videoconference. A follow-up debriefing shall be organized at the MFA in Helsinki.

Draft report: The draft report in Spanish shall be submitted to the MFA one week after the follow-up debriefing.

Final report: The final report shall be submitted to the MFA two weeks after receiving the comments on the draft report. The final report should be both in English and Spanish. In addition to the final report, the consultant is also expected to prepare the project completion review template in the DFID format, which is to be found as Annex W of the Instructions to Tenderers.

6. Mandate

The evaluation team is entitled and expected to discuss matters relevant to this evaluation with pertinent persons and organizations. However, it is not authorized to make any commitments on the behalf of the Government of Finland.