

SOCIAL ENTREPRENEURSHIP PROGRAM

PROJECT SYNTHESIS

1. **Country:** Nicaragua
2. **Project Number:** NI-S1017
3. **Project Name:** Support for Small Producers for Crop Diversification in Jinotega, Nicaragua
4. **Executing Agency:** Unión de Cooperativas Agropecuarias Soppexcca R.L. (U.C.A. Soppexcca)
5. **IDB Unit:** Multilateral Investment Fund (MIF)

6. **Financing Amount and Source:**

	<u>IDB</u>	<u>Local</u>	<u>Total</u>
Reimbursable financing:	US\$392,000	US\$168,000	US\$560,000
Technical Cooperation:	US\$98,000	US\$32,400	US\$130,400
Total:	US\$490,000	US\$200,400	US\$690,400

7. **Goal and Purpose:**

The project's impact will be to help raise the annual income of small-scale cacao producers in the department of Jinotega. The project outcome will be enhanced access to long-term credit for the production of higher-value, higher-quality cacao and the strengthening of U.C.A. Soppexcca.

8. **Description:**

Two components will be financed to accomplish the project's objectives: a US\$560,000 reimbursable financing component (IDB: US\$392,000; U.C.A. Soppexcca: US\$168,000); and a US\$130,400 nonreimbursable technicalcooperation component (IDB: US\$98,000; U.C.A. Soppexcca US\$32,400).

- ***Reimbursable financing component***

(IDB: US\$392,000; U.C.A.; Soppexcca: US\$168,000). Of this component's total proceeds, US\$392,000 will be used as working capital for cacao production on 200 *manzanas* of land, benefiting approximately 300 families. This will serve to deepen access to credit and improve socioeconomic conditions for low-income cacao producers in the department of Jinotega, Nicaragua. Specifically, U.C.A. Soppexcca will expand microcredit operations to its members using individual and group financing methodologies for low-income persons who need working capital and inputs in order to produce higher-value, higher-quality cacao. The estimated average amounts per producer will be US\$2,800, with a term of eight years and a grace period of up to three years for principal. U.C.A.

U.C.A. Soppexcca's contribution of US\$168,000 in working capital will enable it to shorten the wait times in the commercialization process between the time it collects the cacao and the time it receives payment from the international buyer. Moreover, greater local production will enable it to increase its production of artisanal chocolate and enter new local and international markets. U.C.A. Soppexcca will be able to pay small producers in cash for their cacao, thus increasing their liquidity and making it easier for them to finance their productive activities.

- ***Non-reimbursable Technical Cooperation component***

(IDB: US\$98,000; U.C.A. Soppexcca US\$32,400). The resources under this component will be used to strengthen U.C.A. Soppexcca so that it can deliver its rural credit services more effectively, particularly long-term credits. The counterpart resources in this case are 50% in kind and 50% in cash. Specifically, funds will go to three institutionstrengthening subcomponents: (i) **Credit:** training and consultant support for the development of a credit policy and manual appropriate to this new product for the institution, along with training sessions to strengthen the credit policies of the cooperatives that belong to U.C.A. Soppexcca. (ii) **Information systems:** to achieve greater automation of transaction record-keeping, have more comprehensive records of borrowers by type and level, and develop updates modular portfolio reporting. (iii) **Financial administration:** consulting and technical advisory services specializing in the improvement of internal controls for dry processing, costing systems for the different business units (coffee and chocolate shops, stores, compost factory, and clonal garden), adaptation of accounts to align with the new tax system or tax harmonization law, and a technical coordinator to manage the new U.C.A. Soppexcca cacao credit unit.

9. Beneficiaries:

The project will benefit at least 200 small cacao producers, which is equivalent to 800 end beneficiaries, the average nuclear family having four members. These producers typically have limited schooling and limited processing infrastructure. Each member has an average of approximately 1.5 to 2 hectares of cultivated land. One of the advantages of the beneficiaries is that they are organized in primary cooperatives, which play an important role in civil engagement, credit monitoring, production and sales coordination, and relations with U.C.A. Soppexcca. Not all communities have roads as access routes, and where they do exist, they are usually in poor condition. Of the 200 beneficiary producers, 20% are women, who will have the added benefit of becoming linked up with niche organic cacao and chocolate markets, adding diversity to their brand of *café femenino* [women-produced coffee], "*Café de las Hermanas*," through improved technical capabilities and professionalization of the processed cocoa products that U.C.A. Soppexcca currently manufactures.

10. Expected results and benefits:

Outcomes expected by the end of the project include: (i) access to investment and working capital credit for cacao production for at least 200 small, low-income producers; (ii) institutional strengthening of U.C.A. Soppexcca through financial resources enabling it to grow its cacao operations, secure its sustainability, and implement initiatives to enhance its rural financing coverage and operations; and (iii) creation of a new marketing channel in Nicaragua, spearheaded by U.C.A. Soppexcca.