

## Data Sheet

<b>USAID Mission:</b>	Nicaragua
<b>Program Title:</b>	Economic Freedom
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	524-022
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$14,721,000 DA
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$14,192,000 DA
<b>Year of Initial Obligation:</b>	2003
<b>Estimated Year of Final Obligation:</b>	2008

**Summary:** USAID's trade-led economic growth and rural diversification program will help increase the trade and sale of Nicaraguan products in local, regional, and international markets. The program will foster free trade and job creation by assisting the Government of Nicaragua (GON) in trade capacity building and economic policy reform activities related to the implementation of the U.S.-Central America Free Trade Agreement (CAFTA) and other free trade agreements. USAID will address policies and regulations that constrain investment, trade, competitiveness, and market access. These include the dual priorities of ensuring workers' rights and environmental conservation. The program will improve food security among the rural poor by diversifying their crops and linking them to markets.

### **Inputs, Outputs, Activities:**

**FY 2005 Program:** Increase Participation in Global Trade and Investment (\$2,200,000 DA). USAID will help improve the capacity of the GON to implement free trade agreements such as CAFTA, and to adjust or establish laws, policies, and regulations consistent with these agreements. USAID will facilitate dialogue between the private sector and the GON to identify and remove barriers that inhibit broad based growth in trade and investment, and fund technical assistance to the public and private sectors to help exporters meet new regulatory requirements, such as biosafety and sanitary and phytosanitary standards. Other technical assistance may include streamlining customs procedures, harmonizing customs regulations, or revising commercial codes to make it easier to establish new businesses or resolve commercial disputes, and establishing protections for workers' rights. USAID will also provide technical assistance to private sector firms, civil society groups, and government officials to develop natural resource management laws, policies, and programs that support economic growth while ensuring sustainable use of natural resources and mitigating potential negative impacts on the environment. Principal contractors, grantees, and agencies are Michigan State University, the U.S. Department of Agriculture (USDA), the U.S. Department of Treasury and others to be selected.

Increase Private Sector Growth (\$11,043,000 DA). USAID-funded technical assistance will help improve the competitiveness of and establish market linkages for Nicaraguan businesses, especially small- and medium-scale enterprises. Technical assistance will help agricultural and other producers identify potential markets and produce goods that meet the quantity and quality demanded by the market. Market information will be widely disseminated, and workshops, trade shows, site visits, and study tours will be conducted to help Nicaraguan firms take advantage of new market opportunities resulting from CAFTA and other free trade agreements. A loan guarantee program through the Development Credit Authority will help increase access to credit from commercial banks for export companies. Technical assistance and training for the private sector will help Nicaraguan enterprises become more competitive by increasing access to clean, reliable, and affordable energy and communication systems, cleaner production technologies, and other improved technologies. With P.L. 480 Title II resources, USAID will provide technical

assistance and training to improve food security and help rural families diversify and increase agricultural production and conserve soil and water resources. Principal contractors, grantees, and agencies are Michigan State University, USDA, Catholic Relief Services (CRS), Adventist Development Relief Agency (ADRA), Save the Children, Project Concern International (PCI), two commercial banks in Nicaragua (Banco de Produccion and FINARCA), and others to be selected.

Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$1,331,000 DA). To help protect biodiversity and mitigate global climate change, USAID will improve the competitiveness of Nicaraguan businesses in green markets, tourism, and other enterprises in order to conserve and sustainably use natural resources. USAID will fund technical assistance and training to help interested firms meet the criteria for a variety of environmental certification programs such as certified timber, ISO 14000, shade-grown coffee, and organic production, among others. USAID-funded technical assistance will also help managers of protected areas develop tourism strategies to attract more park visitors while promoting sustainable tourism activities. Principal contractors, grantees, and agencies are the Nature Conservancy, USDA, and others to be selected.

**FY 2006 Program:** Increase Participation in Global Trade and Investment (\$3,190,000 DA). USAID plans to continue activities that increase Nicaragua's competitiveness and improve its image as a good place to conduct business by continuing to strengthen customs and sanitary and phytosanitary systems through more transparent procedures and fee-based management systems. USAID expects to build on gains achieved in management and labor relations whereby companies become more competitive while complying with environmental and labor laws and regulations. USAID plans to fund technical assistance both for the GON and private firms to implement environmental protection requirements outlined in free trade agreements and other multilateral treaties. Implementers to be determined.

Increase Private Sector Growth (\$10,701,000 DA). USAID plans to continue activities similar to those planned for FY 2005. By FY 2006, several competitive clusters of industries should be emerging in Nicaragua, and USAID plans to work with business leaders in these clusters to improve their competitiveness in regional and global markets. USAID expects to focus resources on diversifying the agricultural sector and the economy as a whole. Planned activities will link light industry, tourism, sustainable forestry, and service enterprises to regional and international markets and provide technical assistance to help these businesses become more competitive. USAID plans to continue technical assistance to improve access to clean, reliable, and affordable energy and communication systems, and cleaner production technologies. In addition, USAID expects to train Nicaraguan businesses to provide this type of assistance through fee-based arrangements. USAID expects to continue support for market-led production and use of agricultural technologies through the P.L. 480 Title II program. Principal contractors, grantees, and agencies are USDA, CRS, ADRA, Save the Children, PCI, Banco de Produccion, FINARCA, and others to be selected.

Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$1,301,000 DA). USAID plans to continue to improve the competitiveness of Nicaraguan businesses in green markets, tourism, and other enterprises that conserve and sustainably use natural resources. By 2006, USAID expects some companies to receive environmental certifications and initiate trade under these certification systems. Implementers to be determined.

**Performance and Results:** Nicaragua signed the CAFTA agreement in December 2003. USAID assistance helped GON negotiators to understand the negotiation process and the commitments required under free trade agreements, and supported communication and outreach activities. As a result, public support for CAFTA in Nicaragua is high and will likely influence its passage in the National Assembly. USAID also initiated a series of technical assistance activities to help improve the business and investment climate. USAID assistance has helped Nicaraguan producers increase sales of fruits and vegetables in local, regional, and international markets by taking advantage of growing supermarket sales. Nicaraguan businesses also gained increased

market access in the textile, tourism, electronics, and furniture making industries as a result of USAID programs.

By program completion, USAID expects that Nicaragua's competitiveness ranking will have improved relative to other countries. USAID anticipates an increase in the percentage of higher value-added sectors and sub-sectors (e.g., light manufacturing, tourism, services, and nontraditional agricultural and green products), relative to the overall economy.

## US Financing in Thousands of Dollars

Nicaragua

524-022 Economic Freedom	DA	DCA
<b>Through September 30, 2003</b>		
Obligations	10,520	0
Expenditures	4,076	0
Unliquidated	6,444	0
<b>Fiscal Year 2004</b>		
Obligations	13,836	1,320
Expenditures	1,930	0
<b>Through September 30, 2004</b>		
Obligations	24,356	1,320
Expenditures	6,006	0
Unliquidated	18,350	1,320
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2005 NOA</b>		
Obligations	14,721	0
<b>Total Planned Fiscal Year 2005</b>		
Obligations	14,721	0
<b>Proposed Fiscal Year 2006 NOA</b>		
Obligations	14,192	0
Future Obligations	49,911	0
Est. Total Cost	103,180	1,320