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United States Supporting Economic, Social Progress in Nicaragua

USAID providing \$5 million to help newly created nonprofit group

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Washington -- The U.S. Agency for International Development (USAID) has teamed up with a Washington-based public policy organization to promote economic and social progress in Nicaragua.

Under an agreement launched September 5, USAID is providing \$5 million and Caribbean-Central American Action (CCAA) is providing \$9.2 million over the next three years to help a newly created nonprofit group, the Nicaraguan Foundation for Economic and Social Development, known by the Spanish acronym FUNIDES, promote opportunities for commercial investment in Nicaragua. CCAA promotes economic development, led by the private sector, in the Caribbean Basin.

The U.S. aid agency said FUNIDES will work for reforms that "transform the Nicaraguan economy from one that is dependent on the production and export of traditional commodities to one that is diversified, information-based, and export-oriented." USAID said the Nicaraguan group will promote its reform program through public advocacy to elicit support for its recommendations from civil society and the general public.

A USAID official said in a September 5 interview that the prime activity for FUNIDES will be to help implement in Nicaragua a U.S. free-trade agreement with Central America and the Dominican Republic (CAFTA-DR). Nicaragua ratified CAFTA-DR in October 2005. President Bush signed CAFTA-DR in August 2005. (See [related article](#).)

The official said the U.S. aid will go through CCAA, which will help build the "capacity" of the new Nicaraguan group in implementing the free-trade pact in Nicaragua. In this context, "capacity building" refers to promoting enhanced economic prosperity and security by helping countries reap the benefits of free-trade pacts.

CCAA said in its own September 5 announcement that FUNIDES will "serve as a broker and catalyst for action in Nicaragua to accelerate the process of modernization currently underway throughout Central America." CCAA said the foundation will "pro-actively reach out to private and civic organizations to provide an open forum for the candid exchange of information and views that will improve Nicaragua's business climate."

In addition, FUNIDES will create "effective alliances by building an advocacy platform to rally broad-based support for the timely adoption of the public policy change needed to attract the investment required to create jobs, a critical precondition for a peaceful and stable democracy," said CCAA.

The agreement follows an announcement from the U.S. Trade and Development Agency that it has awarded grants totaling \$1.2 million to help Central America implement CAFTA-DR and "strengthen the environment for economic growth" in the region. The agency said in a September 1 statement that the grants include expanding capacity and increasing security at Nicaragua's Port of Corinto and at the international airport in Nicaragua's capital of Managua.

Adolfo Franco, USAID's assistant administrator for Latin America and the Caribbean, said in September 5 remarks at a ceremony in Managua, Nicaragua, to launch FUNIDES that free trade and the promotion of a free economic market constitute the most effective ways to reduce poverty.

Speaking in Spanish, Franco said CAFTA-DR represents a "unique framework" for the creation of new economic opportunities for trade in

Nicaragua. The trade pact, he said, directly will support the Nicaraguan government's "priority" to attract new investment, which will create new employment opportunities. Franco added that CAFTA-DR also will help Nicaragua advance in technology by attracting new investors with advanced technical knowledge.

In reference to FUNIDES, Franco said the private sector in Nicaragua should head the search for new market opportunities and the effort to increase competitiveness. FUNIDES, he said, will play an important leadership role in examining new market opportunities, talking to potential investors and working with Nicaragua's government to establish "necessary policies" to better the environment under which Nicaraguan businesses and investors operate.

Franco said he is convinced that FUNIDES will be a "welcome partner" in also bettering Nicaragua's social climate by addressing health care and education needs for the country's low-income families, in protecting Nicaragua's natural resources and in consolidating Nicaraguan democracy.

For additional information, see [Central America Free Trade Agreement-Dominican Republic](#) and [Central America](#).

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