

**Capacity Building and
Best Use of Trade Agreements
Plan of Action**

Nicaragua 2007

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Abbreviations and Acronyms

ACOMIN	:	Asociación de Consultores de Mipyme de Nicaragua Nicaraguan Association of MSMSEs Consultants
APENN	:	Asociación de Productores y Exportadores de Productos No Tradicionales Non-traditional Products Manufacturers and Exporters Association
ASOMIF	:	Asociación de Microfinancieras Micro-Banks Association
BCN	:	Banco Central de Nicaragua Nicaragua National Bank
BDS	:	Business Development Services
BPA	:	Buenas Prácticas Agrícolas Good Agriculture Practices
BPM	:	Buenas Practicas de Manufactura Good Manufacturing Practices
CACONIC	:	Cámara de Comercio de Nicaragua Nicaraguan Chamber of Commerce
CADIN	:	Cámara de Industrias de Nicaragua Nicaraguan Industrial Chamber
DR-CAFTA	:	US-Central America and Dominican Republic Free Trade Agreement
CAMANIC	:	Cámara Nacional del Sector Madera Muebles de Nicaragua Nicaraguan Wood Furniture Sector National Chamber
CANIMET	:	Cámara Nicaragüense de Micros, Medianos y Pequeños Empresarios Turísticos Nicaraguan Micro, Small and Medium-size Tourism Business Chamber
CANISLAC	:	Cámara Nicaragüense del Sector Lácteo Nicaraguan Dairy Sector Chamber
CANTUR	:	Cámara Nicaragüense de la Pequeña y Mediana Empresa Turística Nicaraguan Small and Medium-Size Enterprise Chamber
CECOEX	:	Comité de Expertos en Comercio Exterior Foreign Trade Experts Committee
CECOPEMENIC	:	Central de Cooperativas de la Metal Mecánica Metal Works Cooperative Central Union
CEGE	:	Centro de Gestión Empresarial (UCA) Business Management Center (UCA)
CEGESTE	:	Centro de Gestión Empresarial (UNI) Business Management Center (UNI)
CETREX	:	Centro de Trámites de Exportaciones Export Procedures Center
CICC	:	Centro de Información y Consulta Comercial Commercial Information and Consultation Center
CICE	:	Comisión Interinstitucional de Comercio Exterior Foreign Trade Inter-Institutional Commission
CIOTC	:	Centro de Información de Obstáculos Técnicos al Comercio Technical Barriers on Trade Information Center
CNICC	:	Cámara Nicaragüense de Cuero y Calzado Nicaraguan Leather and Footwear Chamber
CNPE	:	Comisión Nacional de Promoción de Exportaciones

		Exports Promotion National Commission
CNZF	:	Comisión Nacional de Zonas Francas Free Trade Zones National Commission
CONAFRUYE	:	Consortio Nacional de Frutas y Plantas National Fruit and Vegetables Consortium
CONAGRO	:	Consejo Nacional Agropecuario National Farming Council
CONAPI	:	Consejo Nacional de la Pequeña Industria National Small Industry Council
CONICYT	:	Consejo Nicaragüense de Ciencia y Tecnología Nicaraguan Science and Technology Council
CONIMIPYME	:	Consejo Nicaragüense de la Micro, Pequeña y Mediana Empresa Nicaraguan Micro, Small and Medium-Size Enterprise Council
COOPAN	:	Cooperativa de Artesanos de Nylon Nylon Craft Cooperative
COSUDE	:	Agencia Suiza para el Desarrollo y la Cooperación Swiss Development and Cooperation Agency
CP+L	:	Centro de Producción más Limpia Cleaner Production Center
DAI	:	Derecho Arancelario a la Importación Import Tariff Right
DAT	:	Dirección de Administración de Tratados Agreement Management Agency
DFID	:	Department for International Development (United Kingdom)
DGA	:	Dirección General de Servicios Aduaneros Customs Services General Directorate
DGPSA	:	Dirección General de Protección y Sanidad Agropecuaria Agricultural Protection and Health General Directorate
FONADEFO	:	Fondo Nacional de Desarrollo Forestal National Forest Development Fund
FTA	:	Free Trade Agreement
GSP	:	Generalized System of Preferences
GTZ	:	German Technical Cooperation
HACCP	:	Hazard Analysis Critical Control Point (HACCP)
IADE	:	Instituto Americano de Desarrollo Empresarial (UAM) American Institute for Business Development (UAM)
IDR	:	Instituto de Desarrollo Rural Rural Development Institute
INAFOR	:	Instituto Nacional Forestal National Forestry Institute
INATEC	:	Instituto Nacional Tecnológico National Technology Institute
INCAE	:	Instituto Centroamericano de Administración de Empresas Business Administration Central American Institute
INDE	:	Instituto Nicaragüense de Desarrollo Nicaraguan Development Institute
INPYME	:	Instituto Nicaragüense de Apoyo a la Pequeña y Mediana Empresa Nicaraguan Institute for the Support of Small and Medium-size Enterprise
INTA	:	Instituto Nicaragüense de Tecnología Agropecuaria Farming Technology Nicaraguan Institute

INTUR	:	Instituto Nicaragüense de Turismo Nicaraguan Institute of Tourism
ISO	:	International Standardization Organization
ITU	:	International Telecommunications Union
MAGFOR	:	Ministerio Agropecuario y Forestal Ministry of Agriculture and Forestry
MARENA	:	Ministerio del Ambiente y Recursos Naturales Ministry of Environment and Natural Resources
MEM	:	Ministerio de Energía y Minas Ministry of Energy and Mining
MHCP	:	Ministerio de Hacienda y Crédito Público Ministry of Treasury and Public Credit
MIFIC	:	Ministerio de Fomento, Industria y Comercio Ministry of Development, Industry and Trade
MINREX	:	Ministerio de Relaciones Exteriores Ministry of Foreign Relations
MINSA	:	Ministerio de Salud Ministry of Health
MIP	:	Manejo Integrado de Plagas Integrated Pest Management
MSME	:	Micro, Small and Medium-Size Enterprise
MITRAB	:	Ministerio del Trabajo Ministry of Labor
MTI	:	Ministerio de Transporte e Infraestructura Ministry of Transportation and Infrastructure
NICAEXPORT	:	Centro de Promoción de Exportaciones de Nicaragua Nicaraguan Export Promotion Center
ILO	:	International Labor Organization
NGO	:	Non-government Organization
ONA	:	Oficina Nacional de Acreditación National Accreditation Office
PAIT	:	Programa de Apoyo a la Innovación Tecnológica Technology Innovation Support Program
POES	:	Procedimientos Operativos Estándares de Saneamiento Cleaning Up Standard Operational Procedures
PROCAFTA	:	Proyecto de Apoyo a la Implementación del CAFTA-DR DR-CAFTA Implementation Support Program
PRODELFI	:	Programa para el Desarrollo Local y Transparencia Fiscal Local Development and Fiscal Transparency Program
PROEMPRESA	:	Programa de Apoyo a la Pequeña y Mediana Empresa Small and Medium-Size Enterprise Support Program
PROMIPYME	:	Programa de Desarrollo de la Micro, Pequeña y Mediana Empresa Micro, Small and Medium-Size Enterprise Development Program
PRONICARAGUA	:	Agencia de Promoción de Inversiones Investment Promotion Agency
PRORURAL	:	Plan Nacional de Desarrollo Rural Productivo Productive Rural Development National Plan
PROSEDE	:	Programa de Servicio de Desarrollo Empresarial Business Development Service Program
SAS	:	Special Agricultural Safeguard
SECE	:	Sistema Electrónico de Contrataciones Electronic Procurement System
SI	:	Sistema Internacional de Unidades

		International System of Units
SIAC	:	Sistema Informático de Administración de Contingentes Quota Administration Computer System
SIBOIF	:	Superintendencia de Bancos y otras Instituciones Financieras Superintendency of Banks and other Financial Institutions
SIDUNEA	:	Sistema Aduanero Automatizado Automated Customs System
SIECA	:	Sistema de Integración Económica Centroamericana Central American Economic Integration System
SME	:	Small and Medium-Size Enterprise
SPAR	:	Sector Público Agropecuario y Rural Agropecuary and Rural Public Sector
TCB	:	Trade Capacity Building Committee
TELCOR	:	Instituto de Telecomunicaciones y Correos Telecommunications and Postal Institute
UAM	:	Universidad Americana
UCA	:	Universidad Centroamericana Central American University
UNAN	:	Universidad Nacional Autónoma de Nicaragua National Autonomous University of Nicaragua
UNI	:	Universidad Nacional de Ingeniería National Engineering University
UNIMIPYME	:	Unión Nicaragüense de la Micro, Pequeña y Mediana Empresa Micro, Small and Medium-Size Enterprise Nicaraguan Union
UNYD	:	Unión de Empresarios y Ejecutivos para el Desarrollo Nacional National Development Businesspersons and Executives Union
UPOLI	:	Universidad Politécnica de Nicaragua Polytechnic University of Nicaragua
UPOV	:	Unión Internacional para la Protección de las Obtenciones Plantes International Union for the Protection of New Varieties of Plants
USD	:	Dollars of the United States of America
WIPO	:	World Intellectual Property Organization
WTO	:	World Trade Organization

1. Introduction

The Action Plan for Capacity Building and Best Use of Trade Agreements is an initiative that stems from the process of negotiation of the Free Trade Agreement among Central America, the United States of America and Dominican Republic, also known as DR-CAFTA. The Plan of Action is included in the Cooperation chapter of the Agreement, which defines the United States support to help member countries to address the challenges of trade liberalization.

The Trade Capacity Building (TCB) Committee, formed by representatives from the countries party to the agreement, is in charge of providing the follow up to the Plans of Action and promoting the negotiations and exchange of experiences with different international agencies in order to address both regional and national requirements of the countries.

In the context of opening of new markets, Nicaragua has been undertaking actions aimed at establishing a trade policy that promotes national production, both in efficiency and quality, supporting modernization of public institutions as well as strengthening productive capacities in the private sector in order to address new challenges and opportunities offered by the international markets. The efforts made are not sufficient and require to be enhanced in order to develop additional capacity and higher levels of efficiency within the public and private context.

This Plan of Action comprises the period from 2007 to 2011. It builds on the plans developed during the years 2002 and 2005, recent data on the performance of the Agreements and the national economy, and surveys among different government and private sector entities. This update of the Plan provided an insight on the progresses and requirements of institutions for compliance with commitments under the DR-CAFTA Agreement, as well as on the needs with regard to challenges and best use of the opportunities offered by the international trade agreements to the productive sectors.

The document addresses four major issues: i) a description of the national commercial environment, that includes the 2007-2011 trade policy, mapping of the supportive institutions for its implementation, as well as key challenges for trade negotiations; ii) administration and implementation of trade agreements with an emphasis on DR-CAFTA, identifying other trade agreements that have been signed, according to type of negotiation theme, progress, and requirements; iii) the transition and best use of trade agreements, focusing on addressing vulnerable groups such as agricultural producers, and micro, small and medium-size enterprises within the PRORURAL and PROMIPYME sector programs; progress on, and requirements related to the improvement of competitiveness and the business environment; and iv) identification of strategies and specific guidelines for the Plan of Action.

Attached is an annex containing the profiles of formulated projects with regard to institutional priorities determined on the basis of established guidelines.

2.- Nicaragua's Trade Policy

Nicaragua's trade policy for the 2007-2012 period continues the process of modernization and adaptation of the legal and institutional basis of foreign trade, with a view to achieving the levels of proficiency required by international standards and commitments resulting from the implementation of the Free Trade Agreements with Mexico, Dominican Republic and DR-CAFTA, Central American economic integration, the World Trade Organization (WTO) and other international agreements.

As member of the WTO, Nicaragua has supported the development of a multilateral trading system that promotes fair and equitable trade in support of the growth of production and trade of goods and services, leading to the reduction of poverty. Within this context, and in response to its commitments, Nicaragua has strengthened its economic institutional framework by promoting a new regime of foreign trade in many areas such as customs, tariffs, intellectual property, elimination of non-tariff barriers, improvement of the business environment, decrease of anti-export biases, and incorporation of international legal standards into the local legislation, among others.

The degree of liberalization achieved has opened new markets for Nicaraguan producers and exporters and has also been a crucial factor in attracting foreign direct investment, leading to an increase in production and allowing to participate in foreign markets through improved access conditions under the trade agreements, thus increasing exports, and generating a larger offer of services and productive jobs.

In spite of the access for Nicaraguan goods achieved through negotiation of the FTAs, the country still does not take full advantage of the opportunities offered by the agreements, due to the fragile productive foundation, insufficient export offer, lack of knowledge about trade opportunities provided by the SMEs, insufficient support policies for national production, and weak linkages between trade policies and other sectoral policies. For this reason, the contribution of the trade policy to the growth of the national economy, the creation of job opportunities and the reduction of poverty, has been limited.

The investment promotion and export efforts during the last 16 years resulted in increased exports, from US\$225.0 million in 1992 to US\$ 1,017.4 million in 2006, without taking into account the free trade zones, a sector that foresees over US\$1 billion exports by the end of 2007. Some 75% of exports are directed to countries with which Nicaragua already has free trade agreements, and where almost the totality of goods are free of tariffs; however, exports to those same countries are concentrated in a few commodities that still have high tariffs. Around 20% are directed to countries that give unilateral tariff exemption to Nicaragua through the Generalized System of Preferences (GSP), but again, exports are concentrated in a few products.

With regard to imports, in 2006 they reached US\$2,997.9 million as a result of the import liberalization policy adopted a few years ago, thereby generating the largest trade imbalance in Nicaraguan history, equivalent to US\$1,980.5 million.

The new trade policy of the country focuses on the promotion of national production with efficiency and quality to export, as well as on taking advantage of the opportunities offered in the local markets; both markets supplement each other and are important for the dynamics of the economy, as well as to reinforce links with key trading partners. Support to small and medium size enterprises is vital and the goal is that most of them have the possibility to produce competitively, taking advantage of the international market in the short and medium term. This support will be supplemented by the implementation of a policy of industrial promotion or of industrialization that encourages the export of products with higher value added.

Given the new global challenges of Nicaragua, the resurgence of industrial policy, the emphasis on promotion of SMEs within the government plan, and the plan for the reduction of poverty, the overall objective of the new trade policy is to *achieve trade relations that encourage development under fairer and more equitable conditions in order to provide better opportunities to all sectors of society, allowing the gradual reduction of poverty and of the trade deficit.*

To achieve this objective, trade policy identifies eight areas of strategic intervention:

Promote diversification of exports

Diversification of exports requires a system of promotion of exports based on sector policies, since export diversification is not possible without productive diversification. This system will set into gear an export promotion policy with a view of endogenous development, aimed mainly at stimulating the micro, small and medium-size agricultural and industrial enterprises, and articulated macroeconomic policies that invigorate national production, leading to a continuous increase of competitiveness. A revision of relevant national legislation is necessary and appropriate so as to achieve these objectives.

Find new markets for Nicaraguan goods

Nicaragua concentrates its exports to a few countries or regions and its export offer is concentrated in a few products. Access to new markets is necessary and strategic. In that direction, the European Union, South America, Asia and the Caribbean represent new trading opportunities, especially for new products or goods with higher added value.

Reduce the trade deficit

To achieve this objective, efforts should be made to increase and diversify exports and substitute imports. To increase and diversify exports, the generation of a larger offer is required, as well as entry into new markets and market niches, raise the value added content of export goods and involve the SMEs in the exporting process. The import substitution model with productive quality and business efficiency brings not only development of the supply in the internal market and food security, but it should also strategically support the diversification of exports and target markets. This should also happen within a context of strong support to micro, small, and medium-size enterprises.

It is critical to implement an industrial policy having as its key objective the development of the sector in both quality and quantity, linking productive sectors, such as the agricultural sector, to generate not only a higher intra-sectoral demand but also higher national value added products, which will lead to higher levels of employment and revenue.

Promote and facilitate taking advantage of trade agreements in force

Trade agreements are a tool that contributes to growth and generation of employment and investment in strategic sectors; they represent an opportunity for business associated with foreign trade; promote enterprise productivity and higher satisfaction for consumers. An adequate promotion and dissemination of these instruments is required through the support from various government institutions, including local governments.

Defend Nicaragua's trade interests

Trade policy has among its objectives the defense of national producers, especially SMEs against unfair trade practices, tariff barriers at destination markets and massive imports, inasmuch as they represent damage to the national economy, through the utilization of instruments set forth in multilateral, regional and bilateral agreements currently in force in Nicaragua. Strengthening of institutional capacities is vital to address the solution of trade problems that will result from trade with the parties.

Attract foreign and national investment

Investments are necessary for the economic recovery of Nicaragua and for developing new productive capacities that contribute to the diversification of the export offer, accelerate the movement of goods and services, take efficient advantage of natural resources, improve competitiveness advantages, facilitate linkages of SMEs to new productive processes, develop economies of scale and improve the quality of products and services. This should be similar to the state policy of export promotion in order to create an adequate environment for the arrival of capital.

Obtain more just and fairer conditions in future negotiations

Future negotiation of trade agreements should emphasize the existing asymmetries, cooperation and solidarity. Nicaragua will have to exercise the principle of special and differential treatment, through the negotiation of:

- Differentiated terms for tariff reduction, where Nicaragua has longer periods to eliminate tariffs;
- Immediate access to markets for Nicaraguan exports;
- Exclusion of a larger quantity of products that are sensible for the country;
- Higher levels of cooperation to strengthen production capacities, as well as trade infrastructure, both technical and institutional.

Improve competitiveness

Public policies aimed at the reactivation of national production to compete internally and externally should be complemented with public and private investments which would lead to an improvement of the country's competitiveness. Investment should be made in energy generation, airports, ports, roads, warehouses, silos, highway improvement, research and development, technology innovation and strengthening of human resources, as well as of the sanitary and phyto-sanitary protection system and the safety of food.

3. Trade policy institutional framework

Nicaragua is in the process of organizing and strengthening public and private institutions in support to trade; however, the institutional framework is still weak to achieve a better insertion in the international markets, since the country has limited resources with regard to the administration of, and for benefiting from current trade agreements.

In the private sector, organizations are weak, addressing mainly internal problems and reacting to situational issues; few have impact on public policy. Even when public-private dialogue is promoted by the Government, due to the fragile structure of the organizations and its representation, these are unable to take advantage of such dialogue. In the case of MSMEs, which constitute almost 90% of the business population, this situation is even more pronounced. The institutional framework is described below.

Regulatory institutions

Ministry of Development, Industry and Trade (MIFIC): In charge of trade policy, with responsibility to promote access to foreign markets and a deeper and better insertion in the international economy. One of its tasks is to promote free competition and advocate the rights of the consumer in the internal market, as well as organize, lead and supervise the National Integrated Quality System.

Other duties of the MIFIC are: promote productivity, efficiency and competitiveness of inter-sectoral chains and clusters, industry and other non agropecuary sectors, taking advantage of development initiatives, technology transfer, and management capacity building, with emphasis on small and medium-size enterprise. Also, administrate the Industrial Property Registry, promote substitution of imported goods, facilitate both national and foreign investment in the local economy, and support the private sector to take advantage of opportunities offered by international markets.

Ministry of Agriculture and Forestry (MAGFOR): Formulates agricultural and forestry policy, plans, and strategies; policy on the use of state rural land; coordinates with MARENA the programs for the protection of the ecological system, with focus on soil and water conservation; and delimitation of agricultural, forestry, agro-forestry, aquatic and fishing development zones. Policy should be formulated for commerce of agricultural and forestry goods in order to accomplish the following functions: develop and manage animal and plant sanitary plans and administration of quarantine services; national register of pesticides, toxic, harmful and similar substances¹; issue phyto-sanitary permits necessary to comply with commitments under the relevant international agreements, or according to the law.

Ministry of Health (NINSA): Coordinates and directs the execution of health policy with regard to promotion, protection, recuperation, and rehabilitation of health. Formulates standards, supervises and controls execution of sanitary guidelines regarding food, hygiene and environmental health. Along with other institutions, formulates and proposes rules and

¹ According to Law No. 274, “Basic Law for Regulation and Control of Pesticides, Toxic, Harmful and Other Substances”

standards to control the quality of production and supervision of imported pharmaceutical products, cosmetics, instruments, medical instruments and health products for use with humans. Safety control in the production of food and its distribution to the public, including sanitary control of gaseous drinks and water for human consumption; administration and control of the regime of sanitary permits, licenses, certifications and registers in the local market in Nicaragua, within the scope of its responsibilities and in accordance to current legislation, and the administration of these records.

Ministry of Treasure and Public Credit (MHCP): Programs and executes the general budget of the Republic, and supervises adequate collection of fiscal and non-fiscal revenues. Participates in commercial issues through taxes and import tariffs, as well as through administration of the customs system and the formalities related to these two activities. Fiscal policy regulates and promotes foreign trade, and determines factors that impact on the levels of effective and nominal protection of productive activities, thus affecting, positively or negatively the business competitiveness of the private sector.

Central Bank of Nicaragua (BCN): Is the monetary system regulatory entity. It is an autonomous institution, responsible for the design and implementation of monetary and exchange policies, the normal development of internal and external payments, and for acting as economic adviser and financial agent for the Government. Among its functions, it designs and leads policies that provide monetary and financial stability in a sustainable way, contributing to the development of the country.

National Commission for the Promotion of Exports (CNPE): Its objective is the formulation of proposals to improve the development, promotion, and facilitation of exports; it is also the superior authority for the policy and administration of the temporary admission regime for active improvement and facilitation of exports.

National Free Trade Zones Commission (CNZF): Is the governing agency for industrial free trade zones of export. Its main competence is to act as promoter and regulator of the free trade zone regime in Nicaragua through the establishment of investment and the generation of exports and employment, encouraging competitiveness and incorporation of new high added-value technologies. Some of its main functions are the establishment of new free trade zones, award operation permits to firms and users of the zone, and to participate in the negotiation of international agreements with regard to free trade zones.

Ministry of Environment and Natural Resources (MARENA): Is the standard-getting and executive agency for environmental management in the country. In charge of enforcing environmental law to improve the quality of the environment, reduce vulnerability, and promote sustainable use of natural resources. Some of its key functions are: formulate and conduct national environmental policy in coordination with the respective sectoral ministries, promote sustainable use of natural resources, formulate environmental quality standards and enforce compliance, manage the Evaluation System of Environmental Impacts, and manage the system of protected areas in the country. Furthermore, it coordinates with MAGFOR sectoral planning and policies for sustainable use of

agriculture, livestock, and forestry soils. Supervises compliance with international agreements and commitments of the country in the environmental sector.

Ministry of Energy and Mining: Formulates, coordinates, and executes the Strategic Plan, public policy, and guidelines that govern the energy sector and geological resources. Sets forth price and subsidy policies to the electricity service, service coverage policy in the country, including rural electrification and funding policy, and investment in the energy sector. Awards concession permits for use and distribution of energy, energy geological resources and licenses for the import, export, refining, transport, storage and marketing of hydrocarbon products.

Ministry of Labor (MITRAB): Is the institution in charge of coordination and execution of policy in labor matters, cooperatives, employment, salaries, occupational hygiene, and safety and labor force training. Some of its functions are the following: enforce implementation of labor law, implementation of current international agreements signed by Nicaragua regarding labor and labor union matters, particularly international guidelines and agreements set forth by the ILO; formulate standards regarding safety, hygiene and occupational health conditions, and supervise their implementation in the work site. Takes part in the solution of labor conflicts through negotiation, conciliation, arbitration, or any other means established by law, as well as formulates policy for technical training and continuous education of the labor force.

Executive Institutions

Center for Export Formalities (CETREX): Is the agency that centralizes in one single place the export procedures and paperwork. Edits and publishes the exports directory, and monitors and generates preliminary statistical information on exports.

Nicaraguan Institute for the Support of Small and Medium-Size Enterprise (INPYME): This is a MIFIC decentralized agency whose mission is to promote the development of the SMEs sector through execution and implementation of policy, programs and projects. Some of its functions are: sector development of SMEs through harmonization with businessmen, encouragement of associability and enterprise development services; innovation and marketing, and the territorial work for local economic development.

Other trade support institutions

There are other important institutions that provide support to trade policy, working together with SMEs. These are:

Financial institutions. Some of the most important include the *Superintendency of Banks and other Financial Institutions* (SIBOIF), private banks, and other non-banking financial institutions that provide financial services to sector enterprises. The twenty most important of them form the ASOMIF micro-financing business network.

Private and public-private sector institutions, academic and non-profit, as well as programs and projects aimed at development, mainly of the SMEs sector, that provide non-

financial services. Among them are: the Center for Promotion of Nicaraguan Exports (NICAEXPORT), that provides services to businessmen in marketing intelligence issues, identification and development of products and markets, promotion of activities in foreign countries, specialized support services, and business development.

In the academia there are: UCA's CEGE , UAM's IADE, CEGESTE and the UNI's Cleaner Production Center (CP+L), UPOLI, UNAN-León and INCAE. These centers provide business development services (BDS) and technology management.

Private BDS providers offer training courses, diagnosis services, and advisory services; most of them are NGOs, education institutions, individual consultants, or consulting firms, chambers, associations, and others. Some micro-financing institutions have created technical branches to provide services to the sector.

Another group is composed by a large diversity of labor unions that represent diverse general, specific or derived interests of their associates.

4. Trade Negotiations

The search for new markets for Nicaraguan goods is one of the objectives of trade policy. In this regard, the European Union, countries in South America, Asia and the Caribbean, represent opportunities to open new markets and therefore new challenges for trade negotiations. These negotiations should protect national interests, seek higher levels of equity and justice through asymmetric treatment, incorporating broader cooperation commitments and solidarity.

On the other hand, the necessary institutional mechanisms should be established in order that negotiations continue in a transparent, participatory way and the spaces for dialogue at certain levels are guaranteed. To date, participation of the private sector has been conducted through forums with a selected audience. In order to make the consultation process more open and transparent, MIFIC has a consultation and participation mechanism proposal for negotiation and use of international trade agreements, which is presently under internal review.

MIFIC has support programs to strengthen negotiation and administrative capacities for international trade agreements, mainly through the Project for Strengthening Foreign Trade Management in Nicaragua, conducted by MIFIC and whose execution was finalized in 2007. Agreements with universities for the education of professionals in foreign trade matters were developed, as well as paid internships for a group of young professional people. However, they could not be retained within the MIFIC team due to scarce resources available in the national budget.

As a result, the MIFIC negotiation team is presently partially formed by new professionals that need to be trained in both negotiation techniques and on World Trade Organization issues. Therefore, future cooperation programs should be aimed at the following objectives:

- Training of the negotiation team in diverse issues addressed in free trade agreements through seminars, courses, workshops and internships.
- Training of the team on the organization and the different agreements of the WTO, and the ongoing negotiations (Doha Round) through seminars, courses, workshops and internships.
- Development of market/country studies in order to understand the strengths and weaknesses of countries with which potential negotiations could be conducted in the future (Brazil, Venezuela, Ecuador, Peru, etc.).
- Development of market/country studies on the so-called emerging markets (China, India, etc.).
- Support to carry out the implementation and follow-up process of new consultation and participation mechanisms through the funding of public hearings and retention of a professional team dedicated to dissemination, reception, classification and management of the contributions received, as well as the logistical aspects of the consultations.

5. Administration of trade agreements

5.1 Legal and institutional issues

MIFIC, as head of the trade policy in the country - as established by Law 290 - is the institution in charge of coordination, administration, and implementation of international trade agreements.

As of 2004, MIFIC's General Office for Foreign Trade was re-structured to respond to growing demands derived from the implementation of DR-CAFTA and other trade agreements; thus, the Office for Agreements Application (DAT) was created and operates similarly to those in other Central American countries. Likewise, the Office for Foreign Trade Policy was created, oriented to formulate, assess, and follow up on foreign trade policy. The new reform is being conducted along three axes:

- Prepare the country to benefit from new trade opportunities
- Protect the productive sectors from unfair trade practices and unfair use of non-tariff barriers or restrictions to Nicaraguan exports.
- Honor the commitments stemming from international trade agreements and facilitate commercial activity of economic agents.

An efficient management of agreement implementation and administration requires, however, a close coordination with other public and private institutions that play an important role in the implementation of trade agreements, and that have to be taken into account in the integral process of institutional strengthening in order to provide better services at both central and local levels with a view to supporting the productive sectors throughout the country.

It is necessary to continue supporting MIFIC, particularly DAT as well as entities in other areas such as the Office of Standards and Metrology and the Nicaraguan Institute for the

Support of Small and Medium-size Enterprise (INPYME). It is important to strengthen the technical capacities of foreign trade personnel with the aid of courses on specific issues such as the management of the US Tariff Harmonized System, tariff rate quota management, dispute settlement mechanism, intellectual property, unfair trade, rules of origin and custom procedures, among others.

Support is also necessary for the Ministry of Agriculture and Forestry and its various agencies in order to enhance the level of efficiency, agility, and facilitate efforts of the private sector in its integration in international trade. Special emphasis is placed in the agricultural and forestry public sector, in view of the responsibility to deal with one of the most important sectors in the country and its heavy economic and social weight.

5.2 Administration of DR-CAFTA

Starting with the issues that are part of the negotiated trade agreements, major advances and needs are identified in order to comply with the established agreements, as well as to ensure more efficient public services that facilitate trade management.

i. Environmental law and natural resources management

The Ministry of Environment and Natural Resources – MARENA, is the leading agency in the country on environmental management matters; it is intended to maintain, reclaim and improve the quality of the environment, decrease vulnerability and ensure sustainable use of natural resources.

The environmental component within the framework of DR-CAFTA establishes national and regional commitments such as:

- Effective use of national environmental legislation.
- Establishment of an Environmental Issues Council at ministry level.
- Establishment of provisions for reception and addressing of public communications on matters related to the Environmental Chapter.
- Creation of an advisory council or committee.
- Creation of the Secretary of Environmental Matters within SIECA.
- Propose the list of environmental arbiters.

Such commitments have already been fulfilled by MARENA through the General Department of Trade and Environment, that is in charge of the compliance with the agreements Nicaragua is party to. Progress has been made with the creation of the Environmental Issues Council, integrated by the Ministers of Environment of Central America, the Dominican Republic and the United States; the creation of the advisory committee for implementation of the DR-CAFTA environmental chapter², and the approval of the mechanism for reception, study, and response to public communications regarding

² Bill No. 105-2005, published in La Gaceta Diario Oficial No. 4, of January 5, 2006

the implementation of environmental commitments set forth in the environmental chapter of DR-CAFTA ³.

In legal matters, MARENA has worked in the reform to the General Law of Environment, the bio-security law, the bio-diversity law, water law, and the law on crimes against the environment. The last two have been already approved by the National Assembly.

Regarding the attainment of sustainable development objectives, an Environmental Cooperative Agreement parallel to DR-CAFTA has been signed with the United States in February 2005, together with the rest of the Central American countries.

In spite of all these institutional accomplishments, the cooperation agenda to strengthen MARENA for the control, supervision, and enforcement of environmental legislation should aim at the following issues:

- Institutional strengthening through provision of resources (human, equipment, materials, financial) to ensure effective enforcement of legislation at the central and territorial level.
- Strengthening of the environmental legal framework. To conduct a thorough review of environmental legislation, develop and generate new regulations that promote voluntary use of legal mechanisms.
- Develop policies, strategies, regulations, procedures and criteria to ensure sustainable development.
- Establish regulations for sustainable use and improvement of environmental quality in view of the activities for use of natural resources.
- Establish regulations to improve the environmental quality due to the impact of industrial activity.
- Design and implement a strategy to promote and adequately manage the environment through the design and strategic use of innovative instruments within the context of trade liberalization. Also, a strategy for sustainable use of wildlife that is the object of national and international trade.

ii. Sanitary and Phyto-sanitary System

Animal and plant health, agro-food safety, and food traceability constitute core tools for the development of trade and export promotion. An improvement in the zoo-phytosanitary infrastructure may create competitive advantage for the development of new markets and to keep the markets already captured.

The Ministry of Agriculture and Forestry (MAGFOR) through the Department of Agricultural Protection and Health (DGPSA), and the Ministry of Health (MINSa), are the institutions in charge of implementation and enforcement of sanitary and phyto-sanitary measures; its key commitment is to watch for adequate operation of animal and plant health and food safety within the DR-CAFTA framework.

³ Bill No. 22-2007, published in La Gaceta Diario Oficial No. 43 of March 1st, 2007

Progress has been achieved with the design of a system for agro-food safety, permitting the involvement of MIFIC, MAGFOR and MINSA in the control of the components of the production chain and food marketing, in conjunction with the private sector.

Difficulties still exist in the administration and operation of sanitary and phyto-sanitary services, since the financing resources that are available⁴ are insufficient for a proper operation of the system, both in terms of territories and in terms of coverage. An adequate strategy for the sanitary and agro-industry safety program should establish public-private agreements to be reinforced in the following fields:

- Enforcement of epidemic supervision systems for animal health and phyto-sanitation through capacity building to preserve and improve the sanitary and phyto-sanitary infrastructure, and add other thematic areas such as traceability, origin of goods, agro-food safety, and others such as disease and insect eradication with endemic importance, such as hog fever, cattle diseases, fruit fly, etc. that are part of the trade negotiation agenda, as well as the declaration of areas free of diseases due to control and eradication of pests and diseases.
- Adjust the sanitary and phyto-sanitary legal framework in accordance to market and international agreement requirements that includes laws, standards, regulations, procedures, among others, to define the adequate use and trade of genetically modified products. In this regard, a modification to the Regulation of Law No. 291, Animal and Plant Health Law, was made.
- Adherence to, and the establishment and implementation of international sanitary and safety standards, encouraging the use of reliable certification systems for countries and markets with which agricultural goods are traded.
 - Establish a promotion and certification system of Good Agricultural Practices, Good Agricultural Practices and/or Good Manufacturing Practices (GMT) in food processing industry, Hazard Analysis and Critical Control Points (HACCP) System, Standard Sanitary Operating Procedures (SSOP), and identification and traceability of each food component, observing international standards and origin certification systems for rural production.
 - Design a quality incentives system for each product that is introduced to new markets.
 - Establish a reliable labeling and certification system for organic agriculture, and generate standards that provide a common reference to all stakeholders.
 - Promote an Integrated Pest and Disease Management System to reduce contamination risks and offer innocuous products to consumers.
- Design a sanitary and phyto-sanitary measures information system to be used by the parties with which Nicaragua maintains trade.
- Design and implement an information system for the sanitary register and sanitary monitoring of food that contributes to the provision of rapid answers to users.

⁴ MAGFOR/DGPSA is funded by the IDB.

- Create and strengthen mechanisms to disseminate information on sanitary and phytosanitary regulations.

iii. Integrated Quality System

The National Quality System has been designed to promote and maintain continuous improvement of production and quality processes for goods and services offered to consumers. It is composed of three main areas aimed at providing support and development of the system: Standardization, Metrology and Accreditation.

MIFIC is the institution in charge of establishing guidelines and policies to establish the National Quality System. It has been provided with a legal framework⁵ and is supported by the National Technical Standardization and Quality Commission and the National Metrology Commission, which are the highest authorities that define policy regarding standardization-accreditation matters and metrology, respectively.

Doing business in a competitive way requires fulfillment of international quality standards. It is necessary to support producers and help them adopt market requirements, and provide them with all the necessary means and timely assistance in view of the implementation of DR-CAFTA and other free trade agreements. Commitments have been made under the DR-CAFTA framework, and compliance with them will contribute to a better development of the system. Some of these commitments are:

- Modify national legislation to include provisions that allow participation of citizens in the procedures for developing standards, technical regulations and conformity assessments.
- Promote certified quality, technology and standardization, as well as the establishment of national conformance evaluation organizations that provide reliable results, verifications and certifications in accordance to the standards.

Within the compliance framework of these agreements, support for PROCAFTA has been obtained through funds from USAID to develop an addendum project to Law No. 219 – Technical Quality Standardization Law and its Regulation. Regarding certification, there are seven laboratories accredited by the National Accreditation Office (ONA): three for coffee, and the rest for dairy products, peanuts, seafood, and calibration.

In order to facilitate an adequate operation of the System and be able to compete in the international market, as well as to meet international commitments, public efforts are directed towards technical and financial strengthening of the institution, as well as human resources capacity building in five broad areas:

- Encourage adequacy of the legal framework for standardization, accreditation and metrology, in order to establish a system in accordance to international guidelines for development, adaptation, and approval of mandatory and voluntary technical standards for marketing of goods, adopting international standards for the standardized sector.

⁵ Law No. 219 -Technical Quality Standardization Law and its Regulation, and Law No. 225 On Metrology and its Regulation.

- Strengthen the Center for Information and Technical Obstacles to Trade (CIOTC).
- Encourage and promote the National Prize to Quality.
- Implement the International Units System (SI); through a facilitating a plan for its implementation; enlarge the National Metrology Laboratory and its capabilities through new equipment acquisition and staff training in order to establish a nationwide system of metrological traceability in accordance with international guidelines.
- Strengthen the accreditation system, including encouraging accreditation of quality certification agencies, testing and calibration laboratories, inspection and verification units, and contribute to improvement of Good Agriculture Practices (BPA), Good Management Practices (BPM), sanitary standards, and Hazard Analysis Critical Control Point (HACPP), among others, to ensure the quality of national products.

iv. Customs Administration / Rules of Origin Regime

The DR-CAFTA chapter on customs administration and trade facilitation represents a general framework of principles applicable to customs management for the countries that are part of the agreement. Here, countries make a commitment to speed up and to facilitate the dispatch of goods, encourage transparency in customs operations and strengthen customs cooperation and mutual assistance, and data exchange among the diverse customs in order to prevent illegal trade and fraud.

In this chapter a section on rules of origin is included, with conditions and requisites that local and imported goods have to meet in order to obtain the benefits of tariff preferences agreed in DR-CAFTA, and sets forth the mechanisms and procedures to certify, clarify, accredit, and verify the origin of goods that are to be traded.

The key agreements established under this chapter are:

- Implement an automatic system for the application of the Tariff Phase-out Program, and the Special Agricultural Safeguard (SAS).
- Strengthen the General Office of Customs Services for the application of rules of origin and customs procedures.
- Transparency in the application of customs procedures.

Key accomplishments in the compliance with these commitments are: the automated system for the application of the Special Agricultural Safeguard and the Tariff Phase-out Program, known as SIDUNEA. A draft version of the new customs law is available, which has been sent to the President of the Republic (available at the DGA web page where customs regulations can be consulted, being a broad space for on-line consultation).

The cooperative program to strengthen administration of the regime of rules of origin should aim at institutionally strengthening customs organization and administration in the following areas:

- Formulation and implementation of the electronic system for origin certification, payment, and dispatch of goods.
- Formulation and implementation of a system, procedures and manuals for origin verification.
- Improvement of risk assessment system
- Formulation and implementation of a procedural and organizational scheme for issuance of anticipated resolutions.
- Formulation and implementation of a system, procedures, and manuals, that facilitate monitoring and supervision of compliance with rules of origin of goods.
- Software and equipment procurement.

v. Market access to markets (tariff-rate quotas)

Nicaragua signed the commitment to establish tariff-rate quotas through preferential Regular Import Duties (DAI) of 0% for rough rice, milled rice, pork meat, powdered milk, butter, white corn, yellow corn, chicken leg quarters, ice cream, and other dairy products.

In compliance with this engagement, starting in 2006 five regulations were developed for the administration of these quotas (except chicken leg quarters), where assignment, administration procedures, and control mechanisms, are included. These regulations are presently undergoing changes in order to improve quota administration and publication is expected by October 2007. The Computer Quota Administration System (SIAC) was designed and implemented, allowing automated management of data; and assignment, use, and control of tariff-rate quotas.

A regulation for the administration of quota tariff for chicken leg quarters has been developed and will be in place at the end of 2007.

On the other hand, the U.S. awarded export tariff-rate quotas on Nicaraguan exports of cheese, peanuts, butter, meat and other dairy products and ice cream, which are managed by that country under the first arrived-first served principle. However, such quotas are not fully exploited, except for sugar and cheese. In this regard, it is necessary to identify strategic actions in the private sector to take advantage of the rest of the quotas available.

Optimum utilization of tariff-rate quotas should be considered as one of the objectives of the strategy of export diversification in this plan.

vi. Legislation and promotion of competition

Nicaragua is making efforts to establish a business environment that facilitates investment and fair participation of the private sector. In this sector, efforts are made to strengthen the legal and institutional framework and to promote healthy market competition in the country, by promoting productivity, creativeness and efficiency of enterprises, quality of the products and services and stable and suitable prices.

Work objectives that were established since 2005 aim at such strengthening, with important accomplishments that have contributed to compliance with commitments under DR-CAFTA, such as the guarantee to free and equal access to competition.

The Law for Competition Promotion⁶ recently approved is now in place. To manage this law, the National Institute for Promotion will be created under Law No. 601. An organizational manual and job descriptions, as well as administration regulations for its operability have been prepared.

These accomplishments, however, require a series of actions that should be undertaken in order to ensure adequate operation and implementation of the Law. Some relevant actions are:

- Harmonize legislation regarding competition with the countries in the Central American region.
- Bring into operation the National Institute for Competition, strengthening the areas of: regulation development, adoption of ISO 9000 system, and identification of anti-competition practices.
- Implement an effective market information system that includes system design, equipment, and capacity building for consumer associations and business sectors.
- Design and implementation of a dissemination and communication program that contributes to promotion of competition culture.
- Inclusion of the consumption and competition theme in primary and high school study programs as a means to create awareness on these topics.

vii. Intellectual property rights

With regard to intellectual property, Nicaragua is governed mainly by provisions established under DR-CAFTA, WTO, WIPO, and the bilateral agreement between the Government of the United States and the Government of Nicaragua, in force since 1999. As for the national legal framework, adequately regulated laws are in place and in force in matters such as: trademarks, patents, plant varieties, copyright, and related rights.

MIFIC, the highest authority in intellectual property rights, has the institutional mandate to adequately enforce these rights, which are even more relevant within the framework of DR-CAFTA. Among them, are:

- Revision of national legislation.
- Ratification of international agreements on intellectual property.
- Design of an electronic system to request, process, record, and give maintenance to brands and dominion names.

Important progress has been achieved in legislation matters that allow application of DR-CAFTA, namely: reform to the Law on Trademarks and Patents, and the Law on Author Rights and Related Rights, Test Data and Program-carrying Satellite Signals. At the same time, two reform bills have been proposed, and are undergoing the process of approval: a)

⁶ Law 601, and its regulation, passed by the National Assembly and published as Presidential Decree No. 79 – 2006 in La Gaceta Diario Oficial No. 10, of January 15, 2007.

Modification to the Law on invention patents, useful models and industrial designs, to pay compensation to patent owners for overdue terms caused by unjustified public administration delays during registration stage, which has already been submitted to the National Assembly for approval; and b) Executive Bill for the acquisition and administration of computer programs for use by the Executive branch, which is presently in line to be signed by the President of the Republic.

With regard to ratification of international agreements, progress has been achieved by the approval of the Budapest Treaty through the bill passed by the National Assembly and published in La Gaceta No. 60 of March 24, 2006. Other agreements requiring ratification are: The Treaty on Trademark Rights, before January, 2008; the International Convention for the Protection of New Varieties of Plants (UPOV), the Hague Agreement concerning the International Deposit of Industrial Designs, and the Madrid Agreement concerning the International Registration of Marks.

Little progress has been accomplished with regard to compliance with the commitment to establish an on-line electronic system to simplify and automate procedures for inscription of intellectual property, given the lack of financial resources. This system is of crucial importance, as it will provide users (businessmen, investors, authors) a faster service and easier procedure to comply with the requirements and concessions, lower paperwork costs and improved administration controls.

Improvement of services and compliance with legislation in intellectual property matters requires institutional strengthening brought by specialized capacity building programs and professional training in intellectual property, procurement of software and computer equipment to support the following work areas:

- Update, adjust and disseminate legislation.
- Develop educational and dissemination projects on the use of intellectual property as a research and innovation tool, as well as educate on law enforcement regarding intellectual property issues.
- Develop and implement automated systems for the administration of the overall intellectual property system.
- Capacity building on intellectual property issues for key authorities (police, customs, attorneys, judicial authorities, among others).
- Promote technological innovation, transference and dissemination.
- Promote the use of trademarks, signs, logotypes, and industrial designs that identify Nicaragua in the international market.

viii. Government procurement

The Ministry of Treasure and Public Credit (MHCP) through the Procurement Office, a technical and consulting agency, regulates the overall public sector procurement system. Among its functions, it dictates instructions for development or improvement of administrative procurement systems with regard to operative, technical and economic matters, provides assessment and activity coordination to guide procurement processes, maintain and updates the Government Suppliers Register, provides technical assistance to various agencies and organizations for the development of Procurement Units, including capacity building of the personnel.

Within the DR-CAFTA framework, the following commitments are established:

- Publish laws, regulations and amendments regarding procurement processes, and inform the public about any procedure, judicial pronouncement, and administrative decision regarding such processes;
- Publish in advance an announcement inviting suppliers to submit bids, in accordance to the requirements of Article 9.4;
- Meet the established deadlines (submission of bids and impeachments, among others).
- Adopt or maintain procedures to declare suppliers ineligible to participate in public bidding processes.

The present State Procurement Law that governs all procurement processes shows some gaps and inconsistencies that make difficult its application. To overcome this problem, a legislative bill is under development for a new State Procurement Law that incorporates the necessary amendments, including relevant free trade agreements requirements.

Also, an Electronic Procurement System (SECE) is in place and operative in its first stage, an important step towards transparency, by publishing on line all regulations and allowing some on-line activity.

Effective implementation and best use of free trade agreements implies facilitation of the necessary instruments to all the agencies responsible for the administration, implementation and best use of the agreements. Some of these necessary instruments are:

- Incorporate in the State Procurement Law the requirements of the DR-CAFTA Chapter on Government Procurement, submit it to the appropriate authorities and have it approved before March 2008. Of special importance are the following issues:
 - Maintain or designate a neutral and independent authority (impeachments)
 - Establish agreed deadlines for submittal of bids and impeachments.
 - Establish or maintain procedures to declare suppliers ineligible to participate in contracts and if necessary, exchange relevant information upon request.
 - Provide information.
- Develop policies, strategies, regulations, procedures, and criteria to ensure compliance with provisions under the Chapter.
- Conclude and put into operation in an integral way the Electronic Procurement System (SECE), and train the officers from all the institutions that are involved.
- Create a historical database of procurements made by the Government (to date no statistical information is available and SECE does not anticipate collection of data previous to the date of its implementation).
- Consultancy on contracting processes in the United States and mechanisms, steps, or procedures inherent to the effective access to purchases in that country.

ix. Labor legislation

According to ILO evaluations conducted in 2003 and 2007 regarding conformance with labor legislation in Central America and the Dominican Republic, legal conformance has been reported for national legislation regarding parameters related to: a) freedom of association and union, and acknowledgement of the effective right to collective negotiation; b) ban every form of forced or obligatory labor; c) effective ban on child labor; and d) ban discrimination in employment and occupational matters.

However, the fragile structure of institutions in charge of enforcing these laws is evident and requires to be strengthened for compliance with this framework and the requirements posed by trade opening. MITRAB is part of such reality. In that regard, provisions negotiated under the DR-CAFTA Labor Chapter and commitments to build capacity in labor institutions represent serious challenges, among them are:

- Effective implementation of national labor legislation,
- Ensure that the public understands labor legislation, the procedures to enforce labor legislation, and the promotion of public education on labor law.

In conformance with its institutional chores and commitments under the White Book, MITRAB has conducted actions aimed at the effective compliance of labor legislation, its dissemination and establishment of information mechanisms, among them: passing of the law that creates the National Labor Council⁷; amendments to the regulation of union associations; a labor justice strengthening project with regard to procedural reform and support to justice administration; a project for strengthening compliance culture with regard to child labor banning and alternate methods for dispute settlement matters; and a project for a computer platform.

Adequate labor legislation control and monitoring requires:

- Strengthening MITRAB in order to put into operation the Office for Labor Cooperation and Capacity Building, as well as more presence of MITRAB in the territories, with qualified inspectors and properly equipped departmental delegations.
- Put into operation the National Labor Council composed by delegates from union confederations, Government, and employees, as a consultation or counseling body in labor matters, and for which financial resources are not available.
- Have in place an agile integrated information system that addresses both labor administration and labor legislation, and the union associations register.
- Design a labor legislation dissemination plan aimed at public and private institutions and to the general public. Also, disseminate the declaration of labor principles and fundamental rights.
- Development of technical capacity for adequate management and implementation of the law.

⁷ Law No. 547, that enacts the National Labor Council, Published in La Gaceta No. 152 of August 8, 2005

x. Financial Services

The Banks and Other Financial Institutions Supervisory Agency (SIBOIF) is the country's financial activity regulatory agency that watches over the interests of national financial system users, providing integral and effective supervision, encouraging stability, and strengthening the system.

Given the economic implications of financial intermediation in Nicaragua, the updating of banking legislation has required several changes in the General Banking, Non-Banking Financial Institutions and Financial Groups Law, and also amendments to the Bank and Other Financial Institutions Supervisory Agency Law, and to the Guarantee Deposits System Law.

With Law No. 561 - General Banking, Non-Banking Financial Institutions and Financial Groups Law⁸ - the banking sector has an instrument in place that ensures legal security to national and foreign depositors and investors, important for increases in their savings and investments within the national territory. This law incorporates several innovative elements related to banking industry access requirements, and establishes new focus on supervisory matters for the institutions that conform the National Financial System.

An important change contained in the amendment to Law 561 is the precise definition of a Financial Group and the requirements for its organizational scheme. Another equally important change is the clear commitment of the Banks and Other Financial Institutions Supervisory Agency for a consolidated supervision of all Financial Groups established within the country, as well as other entities that form part of that Agency. All these changes were introduced to strengthen confidence of depositors and the general public in financial institutions in the country.

To continue with this improvement process, and according to the framework of modernization of supervisory processes based on establishing the best international practices to address commitments under DR-CAFTA, the Banks and Other Financial Institutions Supervisory Agency is conducting improvement of legal and regulatory frameworks for the non-banking financial sector, establishing the following goals:

- Modify the existing legal framework for insurance business, which goes back to 1970 and has not been adjusted for increased demand and the international market.
- Expand operating range of Agricultural Insurance Policies (Agriculture and Livestock), covering different types of risks for different types of insurable interests, in accordance with best international practices, updating the necessary tools for such insurance products by establishing obligations and responsibilities for each party involved, thus facilitating and allowing the Supervisory agency to provide wider supervisory, monitoring, and control actions.

⁸ Published in La Gaceta, No.232 of November 30, 2005

- Development, approval and implementation of an on-site and off-site Inspection Manual, design of new registers and statistical analysis models, as well as their automation, in view of free trade agreements that require modernization of present supervisory and control schemes.
- The goals mentioned above would be insufficient without adequate knowledge from the personnel that will have the mission to supervise compliance with these regulations; therefore training the personnel not only in technical and financial issues but also in supervision and control matters is crucial.

xi. Communications

The Institute of Telecommunications and Postal Services (TELCOR) is the institution that regulates communications in the country.

The telecommunications chapter includes agreements that open the possibility to firms from other Parties to establish and provide communication services in the country under regulations set forth in the agreement:

- Ensure that important providers secure *interconnection* with facilities and equipment of public providers: i.e. their services are technically feasible under no discriminating terms, conditions, and rates.
- Ensure that important providers in the territory provide firms from other parties with *leased circuiting services* (public telecommunication services) under no discriminating terms, conditions, and rates.
- Ensure *provision of interconnected services based on costs* (which will be in force two years after the Agreement comes into effect; or on January 1st, 2007, whichever comes first).

In order to provide and ensure interconnection based on costs of firms from the other Parties, TELCOR is conducting a study on economic aspects of interconnection and regulation, and designing a model to set rates based on costs, with support from a Central American project funded by the United Nations International Telecommunication Union.

Formulation of a new interconnection regulation project is also in an advanced stage.

A study on public telecommunications service tariffs, one of TELCOR requirements, is still pending, as well as personnel capacity building on accounting and rates.

6.- Transition to free trade and best use of the new agreements

A challenge to the Government of Nicaragua is the preparation of productive sectors to take advantage of trade opening. International trade negotiations and implementation of negotiated agreements require internal preparation of productive sectors, especially those

sectors that are vulnerable, such as small and medium-size enterprises and producers in the country.

The objective of trade policy is to promote higher levels of competitiveness across the economy and particularly in dynamic sectors by fostering capacity to develop and diversify the internal market and exports, and on the other hand, develop policies and strategies for reconverting less favored sectors and help their insertion into new and emergent markets.

To accomplish higher efficiency in these productive sectors, the Government - through the Technical Secretariat for Production and Competitiveness - has supported the formulation and management of two relevant sector programs: the Program for Productive Rural Development (PRORURAL) and the Micro, Small, and Medium-Size Enterprise Support Program (PROMIPYME).

These programs have been set in place through participation of private sector representatives organized in Sector Councils, which are dialogue and agreement spaces established between public and private sectors, and coordination round tables with cooperation agencies that ensure an effective harmonization and alignment process with national interests.

It should be mentioned that the experience in designing Sector Programs is new in the country. Under this new view, it is intended to work with a new strategic vision, and to overcome weaknesses with regard to inter-institutional coordination, disorder in international cooperation management, project dispersion, with many resources being assigned to pre-investment and few to implementation phases, and a low impact on target groups.

The Government is interested in establishing strong links between these two sectoral programs and in actions that contribute to enhanced support to SMEs and producers, in order to improve quality, diversify production to satisfy market demands, and support higher value added in productive processes.

6.1. Productive Rural Development Program (PRORURAL)

PRORURAL is a Sector Program that integrates actions of agricultural and livestock sector institutions: the Ministry of Agriculture and Forestry (MAGFOR), the Nicaraguan Institute of Agricultural Technology (INTA), the National Forestry Institute (INAFOR), and the Institute of Rural Development (IDR). PRORURAL responds to a series of policies, in order to contribute to improving the competitive position and address trade opening and globalization, and to support poverty reduction and food insecurity. It is linked to the following operative axes:

- A change of vision, towards a business vision aimed at the market and product innovation.
- Improved business environment in rural areas.
- Focus on clusters and production chains in the territories.

Components

Public institutions dedicated to sustainable rural productive development traditionally focused almost exclusively on agriculture and livestock. New challenges in the rural environment to achieve competitive positioning to face trade opening and globalization, to reduce poverty and lack of food in the countryside, urge public institutions to organize and provide integral answers to the problems of producers and productive enterprises.

Seven key areas have been identified to encourage sustainable productive rural development. Each of these areas forms a separate component in which institutions with similar functions will participate.

- **Technological Innovation:** basic, strategic research to create quality technologies that contribute to innovation in the farming fields. The target is to increase coverage of diversified technical and dissemination services to serve the demand of 100,000 producers.
- **Agropecuary Health and Food Safety:** improve services to users and accomplish goals in: tuberculosis and brucellosis-free farms; certification of processing plants; strengthening the genetic program; phyto and zoo-sanitary supervision program; supervision of agricultural supplies distributing enterprises.
- **Sustainable Forestry Development:** encourage adequate management of natural forests, plantations, and agro-forestry systems through implementation of the National Forestry Development Fund (FONADEFO), forestry incentives, and support producers in sustainable development issues.
- **Support Services to Production:** a rural financial system will be promoted for non-banking financial institutions that look after the small and medium-size producers, promote an incentive system (Rural Development Fund) to transfer resources to small producers, and support organizational processes of rural producers for raising competitiveness.
- **Infrastructure Investment:** public investment will be promoted to fulfill short and long term needs in territories with production growing potential, increase productive infrastructure (warehouses, irrigation structures, etc.), and create local funds for maintenance of roads, wells and irrigation networks.
- **Institutional Strengthening and Modernization:** a new model of organization for all public agricultural and rural sector (SPAR) institutions will be designed to link central and local level sectoral institutions.
- **Agricultural and Forestry Policy and Strategy:** the goal for 2009 is to have all agropecuary and forestry policies and strategies developed and acknowledged by CONAGRO, the Production Council, international cooperation, private sector organizations, and civil society.

6.2 Support Program for the Micro, Small, and Medium-size Enterprise (PROMIPYME)

PROMIPYME is the sector support program for the Micro, Small, and Medium-size Enterprise under the Ministry of Industry and Trade (MIFIC) and with the participation of like institutions under MIFIC, such as the Micro, Small, and Medium-size Enterprise Institute (INPYME), the National Commission for the Promotion of Exports (CNPE), the Nicaraguan Institute of Tourism (INTUR), the Nicaraguan Council for Science and Technology (CONICYT), and with support from the Technical Secretariat for Production and Competitiveness.

PROMIPYME is an integral, harmonic and multi-annual program structured under the philosophy of strengthening and turning MSMEs into dynamic productive agents that generate development and growth, through the promotion of a gradual process of preparation and fostering according to their needs. It systematically integrates actions that need implementation to create competitive conditions for the benefit of the Nicaraguan business community.

This program identifies a strategic vision for the 2007-2012 period, actions that public sector institutions should promote in coordination with the private sector so that MSMEs may grow within a competitive environment, and considering the cross-cutting issues of gender and environment.

During this period of time, the Program envisages improvement of the business environment as well as improved supply of services, instruments or products that allow institutions to enhance competitiveness of MSMEs. In this regard, it identifies the carrying out of diagnoses and profile studies of the national, regional and local environment that will allow the creation and improvement of the regulatory framework, policies and strategies to establish a better and more favorable business climate for MSME development and its insertion into the national and international trade, as well as actions that lead to the formalization of businesses.

Likewise, the offer of services that institutions, organizations, and public and private sector agencies provide to MSMEs will be strengthened in order to improve competitiveness, and support development of institutional capacities for public, private, and civil society stakeholders. Furthermore, direct actions will be promoted to improve the productive, technological, marketing and export capacity of MSMEs, by supporting quality improvement and positioning of products and services in national and international markets. The program will also promote actions in support of strengthening decentralization processes and local development, as well as the implementation of actions aimed at the promotion of corporate social responsibility.

PROMIPYME will be implemented through the following 7 sub-programs:

- Sub-Program 1: Improvement of business environment and promotion of business formalization;

- Sub-Program 2: Development of institutional capacity to support sector development;
- Sub-program 3: Promotion of inter-company cooperation and associativity.
- Sub-program 4: Improved formation of human resources and promotion of entrepreneurship.
- Sub-program 5: Improvement of productivity, quality and marketing;
- Sub-program 6: Technological development and innovation; and
- Sub-program 7: Export promotion.

These seven sub-programs will be developed in a coordinated manner so as to provide integral support to enterprises.

6.3 Increase of Competitiveness and Business Environment

The competitiveness issue is creating increasing interest in the country, in view of the necessity to capture new markets and maintain position within them. Linkage between competitiveness and prices brings the necessity to additionally consider issues related to costs and profitability.

During the past years improvements to competitiveness and the business environment have been put into place, obtaining results at different levels of system competitiveness. As to diverse factors that impact competitiveness, five relevant areas in which progress has been achieved, have been selected; however, these are areas that still require improvement in order to have the capacity to address exterior trade challenges, while also being crucial for attracting foreign direct investment.

i. Infrastructure

Nicaragua is undertaking efforts to develop infrastructure with a view to supporting the economic activity in the country, and in aim of facilitating access to new domestic, regional and international markets, as well as to contribute to a reduction of production and distribution costs. The country has also tried to develop a system for identifying infrastructure needs in the territories where production of certain commodities and services constitute the driver of local economies, taking into account the costs and benefits of public investment. The process is still incipient, but is obtaining results by utilizing the clusters concept.

In this regard, it is necessary to highlight the energy issue, as, in spite of the important progress that has been achieved, the price of electric power is high when compared with other Central American countries. The increase of energy distribution and generation prices continues being the underlying problem for businesses. Important steps have been taken in the liberalization of this sector, and incentives for production and/or generation exist, but it is the large generation firms that have most benefited from these incentives.

Development of national infrastructure is aimed at the construction of ports, roads for tourism and production, as well as the expansion of basic services networks such as rural and urban sewerage and electricity systems destined to the improvement of the living

standards of the population, so that they can turn into active stakeholders in the development of the Nicaraguan economy.

The key challenge is to continue generating public investment as a means to support major economic activities, with a view to contributing to commercial and industrial development in the country. The areas of interest are:

- Highways to develop tourism and facilitate commerce in the following territories: Jinotepe - San Marcos, Las Esquinas – San Marcos and Catarina, Jinotepe – Nandaime, Granada – Malacatoya – Tecolostote and Granada – Empalme Guanacaste, coastal highways such as Leon and Chinandega.
- Improvement of rural and urban potable water systems for the general population and tourism infrastructure services in San Juan del Sur, Granada, Rivas, Ometepe, San Carlos, San Jorge.
- Electrification of the Dairy Basin and the Mining Triangle, that consist in rural electrification of 164 communities linked to meat, dairy products, mining, forestry, and wood products, and coffee clusters in the Department of Matagalpa, the R.A.A.N and the R.A.A.S that will benefit approximately 108,900 inhabitants through the construction of electricity distribution networks with an approximate length of 1,095 kilometers, with voltage levels at 14.4/24.9 KV that include secondary networks at 120/240 V.
- Studies for construction of a port on the Caribbean coast of the country.

ii. Financial issues

Access to financing can either help or impede the growth and operation of firms. In this regard relative access, the cost of capital, and guarantees are some of the principal factors. In foreign trade insurance issues are also present.

There has been a certain improvement during the last few years with regard to access to finance, and steps are being taken regarding guarantees; these are being increased through the improvement of the legal framework and authorization to provide secured transactions with personal properties; interest rates have been substantially reduced and the financial offer in the country has been enlarged with the regularization and organization of micro-financing businesses. Financing institutions are developing specific financial programs aimed at the most vulnerable sectors, such as small and medium-size enterprises.

Ongoing improvement is noticeable; nevertheless, the financial system sovereign entity, the Superintendency of Banks and other Financial Institutions, faces the challenge of continued strengthening the existing financial framework, through developing regulations for the following areas:

- Liquid assets, minimum capital and special reserves.
- Risk management of insurance businesses, financial intermediaries and limited insurance activities (comprises regulation on investment, subscription and reinsurance).

- Technical notes (technical or actuarial guidelines to support formulation of rates or premiums).
 - Information requirements for insurance intermediaries and auxiliaries.
 - Insurance companies' internal control systems.
 - Sanctions, lists of infractions and penalties.
 - Real and personal guarantees of stockholders to back stock of capital.
 - Requirements for licensing professionals that work in the insurance industry (actuarial examination).
- Strengthening of SIBOIF's human resources through a continuous training program that contains elements in the following areas: financial, accounting, legal and technical, such as: courses on reinsurance, accidents, subscription, supervision, and actuarial, among others, that also include internships for insurance employees.
 - Follow up and monitoring of activities by appointing analysts-inspectors to supervise and enforce laws and regulations that are implemented.

Improvement of the aforementioned regulations, and improving technical knowledge and skills of the personnel in charge of supervision in the financial institutions and insurance companies, will also lead those institutions to adopt appropriate ethical and transparent behavior with regard to customers, thus consolidating the process of credit access for all sectors.

iii. Quality Control and Regulations

Free trade agreements, and particularly DR-CAFTA, demand certified products under international quality standards, as discussed under the theme of the Integrated Quality System. In spite of advancements in certification and accreditation matters, there is still much to do. While there is an awareness in productive and business sectors of the need to improve quality, there is lack of knowledge about international standards and what they demand.

Very few firms are ISO 9000 certified and even fewer are certified under other ISO standards (14000, 24000, etc.). Only one or two firms that provide business development services and technical assistance have personnel trained to implement certification processes, although such firms themselves are not certified.

At the institutional level, activities related to certification and awarding of prizes from MIFIC, MINSA, MARENA and INTUR are being promoted. INTUR is developing a certification process for tourism businesses; and in the agricultural sector coffee and cheese producers can be highlighted, as they have begun to develop promotional events around the quality of their products.

All the plans and projects regarding this issue favor very little MSMEs, since they have to make important investments in order to obtain a certification. There are international institutions that issue environmental certifications regarding organic production, as in the case of meat, where they certify farms and slaughterhouses as well as coffee, but they do not certify processing facilities. They also certify forests but not the rest of the chain.

Among these issues, it is important to highlight the following:

- Establish a Single Quality System that should begin with emerging products in international trade markets, such as dairy products, meat, coffee, and tourism, among others.
- Establish accreditation laboratories and/or offices.
- Support existing initiatives regarding quality prizes, and encourage their dissemination under a scheme of incentives that stimulates continuous improvement of quality of Nicaraguan products.

iv. Innovation

Innovation is directly related to technology; MSME face limitations given their low financial capacity to acquire new equipment and machinery. On the other hand, adopting new technologies implies a learning process for adequate assimilation.

Even when some firms adopt new technologies, they do not always develop new or innovative products; the tendency has been rather to “imitate” in order to reach international markets. The innovation and creativity culture is still incipient, turning around themes regarding the presentation of products (packaging). On the other hand, there is almost no research activity to improve products, although shrimp farming and peanut plantations can be highlighted in this regard.

Just recently, businessmen and SMEs have begun to inquire for technical assistance in this field in order to compete in the market, mostly having to face DR-CAFTA requirements. In this regard, technology innovation projects have been developed supported by cooperation agencies, among them PAIT, managed by the MIFIC; however, the benefits have reached just a few business, generally medium-sized. MSME also demand attention in these issues. It can be said that a strategic plan is inexistent; projects have been designed basically considering current demand; nevertheless, through PRORURAL and PROMIPYME, programs related with this issue are being established.

With the objective of speeding up the above-mentioned, it is necessary to:

- Replicate technology innovation programs that have proven to be successful in the country, exercising special care in their implementation in order that access is available to various sectors of the population, in line with the country’s development needs.
- Develop specific programs that can foster the exporting sector of the country.
- Develop special incentives for the productive sector of the country, for the use, purchase, and import of inputs that generate innovation or the use of cleaner technologies and that can contribute to an improved acceptance of the products in international markets.

v. Education and training

All the previously discussed issues lead to the area of development of skills and formal education. Nicaragua suffers from low labor qualifications, low education levels, and low capacity building. In view of this, enterprises provide training for their own employees, which represents additional costs; the absence of a critical mass of workers with secondary education poses serious implications to development, and this situation is even worse in the rural areas. Such is not the case in larger population centers. According to INEC data, 72% of the adult population in Nicaragua did not complete their formal secondary education.

Nicaragua has been developing a strategy to attract foreign direct investment through PRONICARAGUA, but such strategy brings along the necessity to have an educated labor force in order to offer a competitive advantage to businesses. The real demand for skilled labor in the country by sector and territory is unknown, which is a weakness when it comes to adjusting programs and policies aimed at reversing this situation.

Given this lack of information, the public institution in charge of this issue – INATEC, is requesting technical assistance, infrastructure, and resources in order to enlarge its offer of services. To cover all the needs in this area, initiatives have emerged from institutions such as PRONICARAGUA and the Competitiveness Commission, obtaining joint actions such as is the case of the establishment of the Tourist Training Institute, presently under construction. A database with student information is required, as well as identification of groups that have proficiency in other languages, and that are undergoing university education.

The existing demand has produced the establishment of business development service centers that usually offer courses and seminars aimed at business strengthening; however, they react to the present environment and do not follow any type of specific planning. Programs and projects related to competitiveness development in Nicaragua have helped to meet this requirement by offering training services and technical assistance.

Considering the above, it becomes necessary that:

- INATEC broadens its institutional services, as the leading compiling and data generation agency, in order to develop training plans and projects, and capacity building in line with territorial and sectoral needs, and aimed at foreign trade.
- Regulate business service providers so that they can be oriented towards offering services in accordance to business needs.

7. Strategic actions for strengthening capacity building and best use of trade agreements

Strategic actions are framed under the guidelines of trade policy set forth for the 2007-2011 period. Even if part of these strategic actions stems from commitments under DR-CAFTA, they obey to public and private institutional requirements and therefore represent the needs of the country, applicable to other trade agreements that the country may adhere to, and to improvements related to competitiveness and productive development of the country.

Even when the country has taken steps towards the development of a more favorable national environment in order to address trade opening, underlying needs continue in different strategic areas: with regard to the improvement of competitiveness and of the business environment, administration of trade agreements, and trade negotiations.

To carry out these planned actions requires a joint effort of public and private stakeholders, as well as determination, and support from cooperation agencies.

i.- Promote better use of trade agreements in force

Trade agreements contribute to growth and generation of employment in strategic sectors, create new business opportunities, and contribute to improving firms' competitiveness and higher satisfaction of consumers. They provide protection to investments, thus stimulating attraction of foreign capital to Nicaragua.

In spite of these positive aspects, there is still little use of the advantages offered by trade agreements, mainly due to the limited existing sectoral policies and programs that support production of goods and services. Actions to promote such connection and make better use of trade agreements are aimed at:

- Develop jointly with other sectoral institutions a strategy to diversify the national productive platform and the export offer, on the basis of harmonization of the objectives of trade policy with industrial, agricultural and MSME policies, and implement actions to improve the use of operational plans of the respective sector programs PRORURAL and PROMIPYME, as well as infrastructure programs.
- Create incentive policies to production, aimed at the diversification of the production and export offer, which must be linked to the promotion of economic development of the territories, promoting public-private dialogue and agreements in order to obtain results in the short and mid-term.
- Strengthen existing dialogue and agreements, both at the central level and in the territories, between business sectors and producers are with the government, for an improved cooperation and development that contributes to the identification of priority activities, problems of vulnerable sectors, incentives, and capacity building for SMEs and small producers.
- Support institutional strengthening of labor unions, MSMEs and agricultural producers through initiatives that promote association, integration of value chains and linkages as suppliers of large enterprises.
- In the short term, design and implement a dissemination program on free trade agreements aimed mainly at small and medium-size enterprises and producers, at the sectoral and territorial levels.

- Design and conduct a program of support and preparation of SMEs and agricultural producers that have export potential.
- Support new business entrepreneurship projects, particularly those that provide value-added to primary production.

ii.- Improvement of competitiveness and the business environment

Improvement of firms' competitiveness and of the business climate should be supported by adequate public policies that can contribute to raising the productivity of businesses and of the economy as a whole. With a view to supporting the production of goods and services, and the establishment of a conducive business environment, public and private investment should relate, in first place, to improvements in the transport infrastructure, electrification, water provision, technological modernization, human capital formation, access to financing, and insuring quality standards in production. Actions are aimed at:

- Strengthening the creation of a common space that guides productive infrastructure planning that is necessary for development. In this regard, it is necessary to:
 - Introduce discussion on productive infrastructure into the National and Territorial Commissions.
 - Reactivate a coordination authority for Production and Competitiveness issues at the Presidential Technical Secretariat (SETEC) in order to coordinate and gather the information on plans and projects generated by the Central Government and Municipal and Regional Governments.
 - Establish representative groups at SETEC regarding production and competitiveness issues in the country, so as to generate information for this agency.
- Improving access of businesses and producers to the national financial system through generation of specific information and consultancies for MSME, thus overcoming access barriers in this sector.
- Improving insurance coverage in productive areas related to exports to specific markets in the context of international trade agreements.
 - Modify the insurance legal framework, adjusting it to the demand of the sector and the international market, developing necessary manuals for registers and inspections of firms that provide this type of services.
 - Develop insurance coverage for the agropecuary sector so that security can be guaranteed in view of potential natural catastrophes that may affect the sector.

- Strengthen SIBOIF to adequately manage new products, systems, and legal framework by its own operative personnel and the insurance companies in the country.
- Encourage national production under international quality standards, promoting reliable Accreditation and Certification Systems that support trade in goods and services with the destination market. Special care should be taken in:
 - Good agriculture practices (GAP) and/or good manufacturing practices (GMP), and Hazard Analysis and Critical Control Points (HACCP) certification system; Traceability System for food ingredients, and certification of origin of products from rural areas.
 - Simultaneously, strengthen the accreditation system, including product certification agencies, testing laboratories, and verification agencies.
 - Design of technical standards for certification of organic agricultural products.
- Encourage technological changes in productive systems in order to achieve a higher degree of efficiency and substantial improvement of cost structures, in order to become more competitive in the international arena. It is important to have in place incentive programs focused on this action.
- Contribute to INATEC training programs in order to have well trained and skilled human resources in relevant productive aspects, from a territorial point of view, and having in mind existing trade agreements; commissions that can be established at the territorial level, and the structure achieved within the Bureau of Production and Competitiveness may be used to this end.

iii.- Strengthening public services for effective management of trade agreements

Nicaragua faces serious challenges for achieving an agile and efficient administration of the existing trade agreements, especially DR-CAFTA, since modern institutions are required to have qualified human resources in the diverse specialized areas, clear standards and procedures, as well as updated commercial information in order to provide fast and timely services. Such services should be a part of an integral process of institutional strengthening that identifies the following specific actions:

- Strengthening the various organizations involved in the administration of international trade agreements, starting with the commitments under the free trade agreements, especially DR-CAFTA, and targeting institutional adjustment to achieve improved and more efficient management at the national level, but directed in first place at strengthening it at the territorial level, to allow for more accessible and efficient services through:

- Strengthening MIFIC technical capacities in all of its different departments as well as related institutions, so as to achieve more efficiency in coordination, administration and implementation of international trade agreements: the Office for the Administration of Trade Agreements, the Metrology and Normalization Agency, the Office for Market Competitiveness, and the Nicaraguan Institute for Support to Small and Medium-Size Enterprise (INPYME).
 - Strengthening technical capacities of the General Office of Customs Services (DGA), aimed at achieving adequate application of rules of origin of goods, and facilitate customs procedures.
 - Strengthening technical and financial capacities of the Ministry of Agriculture and Forestry (MAGFOR) so as to support improvement of the surveillance and control system of animal and plant health, amplifying service coverage in the territories.
 - Strengthening technical capacities of the Ministry of Environment and Natural Resources (MARENA) for the control, surveillance and enforcement of environmental legislation in the territories.
 - Strengthening the Ministry of Labor (MITRAB) for proper compliance of labor legislation, with a larger number of trained inspectors, and well-equipped delegations in the territories. At the central level, put into gear the Labor Cooperation and Capacity Building Office.
 - Strengthening the Ministry of Health (MINSa) by providing it with health monitoring and surveillance equipment in the territories.
- Training of human resources in public and private institutions engaged in the administration of international trade agreements through courses, seminars and internships in the following areas of interest:
 - Regulations and procedures for the administration of agreements with regard to: verification of rules of origin, including common guidelines; unfair trade practices; safeguard measures; dispute settlement; intellectual property; administration of tariff rate quotas and textile quotas; investment; trade in services; standards and regulations for the application of sanitary and phytosanitary measures; and others.
 - Legal issues related to: management and implementation of labor laws, environmental law, competition law, and intellectual property for institutions and agencies related with its enforcement.
- Adjustment and harmonization of laws related to new requirements stemming from trade opening.
 - Conduct an exhaustive review of environmental legislation, and develop new regulations for the promotion of voluntary mechanisms for the implementation of legislation.
 - Support the adjustment of legal framework for standardization and the operation of the quality system.
 - Adapt the sanitary legal framework according to market requirements and international agreements, including development of laws to define the appropriate use of genetically modified products.

- Harmonize competition legislation with other countries in the Central American region.
 - Update special legislation on intellectual property.
 - Review the Legislation Bill on Government Procurement, and incorporate requirements of DR-CAFTA chapter on Public Procurement.
- Design information systems to facilitate the administration of international trade agreements. Training and equipment should be taken into account for its implementation:
 - Response system for consultations, claims and requests with regard to the application of trade agreements in force, that help speeds up the service that the Treaty Implementation Agency provides to the productive sectors.
 - Information systems to facilitate customs requirements in the areas of: rules of origin, payment, and shipping of goods.
 - Automated system for requests, procedures, registration and maintenance of trademarks and dominion names, to support the administration of the intellectual property system.
 - Systems to facilitate the exchange of information about measures applied by other parties, especially sanitary and phyto-sanitary measures, technical regulations, public procurement mechanisms and procedures, regulations in target markets, and guidelines on export procedures.
 - Information system for certification and sanitary supervision of food products.
- Design of processes, regulations, and guidelines to speed up services in the areas of:
 - Origin verification and customs procedures.
 - Anticipated resolutions.
 - Monitoring of origin of goods.

iv.- More transparency and equality in trade negotiations

This topic constitutes a strategic line of work in the trade policy, closely related to the need to support the opening of new markets for Nicaraguan goods. In the future, trade negotiations should be carried out following fair, equal, and transparent conditions, taking into account existing asymmetries, cooperation and solidarity requirements, as well as special and differentiated treatment. Successful trade negotiations will require:

- Capacity building and training for the negotiation team in different topics related to free trade agreements, as well as other types of agreements within the framework of the WTO, and ongoing negotiations such as the Doha Round, through seminars, courses, workshops and internships.
- Approval and implementation of new consultation and participation mechanisms through funding of public hearings, and with the recruitment of professionals dedicated to dissemination, reception, classification and administration of contributions, as well as the logistics issues of consultations.

- Market/country studies in order to identify strengths and weaknesses of the countries with which potential negotiations could be carried out in the future (Brazil, Venezuela, Ecuador, Peru, etc.), and “emerging markets” (China, India, etc.)

8. Legal framework of the plan

Considering the four strategic and specific actions presented in the previous chapter, we show below a matrix of results and activities, developed with the logical framework methodology. This matrix presents the necessary activities that contribute to the completion of each of the expected outcomes from the specific actions; the activities and derived from the specific projects contained in the Plan of Action, in line with the identified needs.

The selection of these projects is based on the interview rounds conducted at different institutions and organizations, as discussed in the previous chapters and on the round of discussions with MIFIC personnel.

MATRIX OF ACTIONS AND ACTIVITIES

Strategic Action i.- Promote the better use of current Trade Agreements

Objective

Develop relations between trade policy and other existing sector policies and programs that support production of goods and services.

Specific Actions	Expected Outcomes	Activities to conduct
1.1. Develop jointly with sector institutions a strategy to diversify the national productive base and the export offer, on the basis of harmonization of objectives of trade policy with industrial, agricultural and SME sector policies, and to establish actions for the best commercial use of operational plans in the respective sector programs, PRORURAL, PROMIPYME and the infrastructure programs.	1.1.1 Trade policy, industrial policy, agricultural policy and sector MSME policy, properly harmonized with the infrastructure development plans of the country.	A study of industrial, agricultural, and trade policies, identifying similarities within and impact of trade agreements over the sector programs.
		Take action at institutions and their respective sector program development teams
		Encourage reformulation, as necessary, of sector programs.
1.2. Create production incentive policies aimed at diversifying the production and export offer, which should be linked to the economic development promotion of the regions, creating common spaces to promote public-private communication in order to reach the short and medium term goals.	1.2.1 Improved production and export incentives, adequately used.	Review production incentive programs and formulate proposals that may be annexed to the relevant legislative process.
	1.2.2 Support agricultural and non-agricultural MSME programs, focused on working under a common trade scheme.	Design and implement a fostering and awareness program for MSME and agricultural producers with export potential, working together with institutions that are currently working on these issues.

Specific Actions	Expected Outcomes	Activities to conduct
1.3. Strengthen existing common spaces at central level and in the territories between the government, and producers and business sector; improved cooperation and development that contribute to: identify priority productive activities, vulnerable sector problems, encouragement and training of MSME and small producers.	1.3.1 Groups of businessmen and productive MSME participating in territorial commissions focused on production and business development.	Develop a dissemination program for territorial productive commissions that generates a vision of adequate integral development for each territory.
	1.3.2 MIFIC, through DGFE and DGCE, has first-hand information for effective planning and policymaking.	Strengthen MIFIC in order to collect plans, projects and/or specific territorial needs, which can be submitted through the corresponding entities.
1.4. Support institutional strengthening of MSME union organizations, and agricultural producers through initiatives that promote the association and integration of value chains, as well as their inclusion as suppliers of large businesses.	1.4.1 Increased number of export association groups in the territories.	Conduct diagnosis that includes analysis of potential associative groups that are interested and have the possibility to export through the free trade agreement.
		Promote associability based on a program of fostering associative groups previously identified.
		Strengthen the Market Intelligence Service to contribute to the improvement of producer competitiveness.
1.5. Dissemination of current free trade agreements, oriented to small and medium-size businessmen and producers.	1.5.1 Businessmen pursuing and obtaining direct information on the application context of the agreement to their export efforts.	Develop dissemination programs that inform the productive sectors about free trade agreements that can be used according to their needs.
	1.5.2 Businessmen conducting export “paperwork” on line.	
	1.5.3 Improved access to information on exports.	
1.6. Support new business entrepreneur projects, particularly projects that add value to the primary production.	1.6.1 Producers and businessmen adding value to their products within the context of the free trade agreements.	Support existing entrepreneurship programs in the country, such as AGORA and Technoserve.

Strategic action ii.- Improvement of competitiveness and business environment in the context of foreign trade.	
Objective	Improve the production and productivity in sectors that are crucial for the commercial development of the country, in aspects related to competitiveness.

Specific Actions	Expected Outcomes	Activities to conduct
2.1. Strengthen a common space to guide the planning of the necessary infrastructure for its development.	2.1.1 Groups of businessmen and producers generating information for the development of productive infrastructure.	Incorporate discussion issues on productive infrastructure into National and Territorial Commissions
		Create representative groups at SETEC that will act as information providers for that agency.
		Encourage the reactivation or creation of an entity to adequately coordinate and reach consensus on the information provided by the plans and projects of the Central Government and the Municipal and Regional Governments.
2.2. Improve access of businessmen and producers to the national financial system through the generation of specific information and advice for MSME so that they can overcome the access barriers of that sector.	2.2.1 Businessmen and producers properly advised on issues related to the access to financial resources.	Design and implement an advising and fostering program to obtain financial resources for exports, directed to MSME and agricultural producers with export potential, working together with institutions that are currently working on these issues.
2.3. Improve insurance coverage in productive areas related to the export of products to specific markets under international trade agreements.	2.3.1 The insurance sector is strengthened and its monitoring capacity is improved	Modify and adjust the insurance legal framework according to the demand of the sector and the international markets.
		Develop insurance coverage for the agropecuary sector in order to have security in the case of catastrophes in the sector.
		Development and updating inspection handbooks, design of new records and statistical models based on automated systems, taking into account the commitments under free trade agreements.
		Establish training programs on new products, systems, and legal framework for operational personnel of SIBOIF and other insurance companies of the country.
2.4 Encourage national	2.4.1 A national system of	Design and implementation of the Nicaraguan Single System of Quality based on certification processes for products made in the country.

Specific Actions	Expected Outcomes	Activities to conduct
production under international standards of quality, promoting reliable accreditation and certification systems that support the trade of goods and services with target markets.	quality is established based on rules of origin certifications; international standards for export products are defined with markets with which free trade agreements are in effect.	Certification and modernization of Sanitary and Phyto-sanitary laboratories for agricultural and food products.
		Revision and improvement of technical standards required by the FTAs signed by Nicaragua, and certification of organic agriculture.
		Decentralization in the application of standards and metrology in the country.
		Promotion of technical assistance programs for issues related to quality and use of technology through specific institutions (MAG-FOR, INTA, FUNICA, IDR, NICAEXPORT, INAFOR), aimed at small and medium-size producers.
		Registration, certification, and quality control of agricultural inputs used in the agricultural production of the country.
2.5 Promote technology changes in production systems in order to achieve a higher degree of efficiency and substantial improvement in costs structure and, therefore become more competitive in international markets.	2.5.1 Producers conducting clean technology changes to increase production and productivity.	Promote Incentives Programs and tariff phase out for the improvement of production and productivity utilizing innovative and cleaner technologies that are also friendlier with the environment and the natural resources.
2.6 Participate in planning the training programs of INATEC in order to have staff properly trained in relevant productive aspects, from a territorial point of view and considering the existing trade agreements.	2.6.1 INATEC providing training focused on the productive needs of the territories.	Territorial and technical commissions and the structure organized to participate in plans and projects of productive infrastructure may be used to achieve these outcomes.
2.7 Establish a training program at a higher level aimed at increasing advanced knowledge on negotiation and management of issues contained in trade agreements.	2.7.1 A larger number of professionals in the country specialized in FTA issues and foreign trade.	Establish a graduate academic program with local universities to prepare more professionals in this field.

Strategic Action iii.- Strengthening of public services for a proper administration of trade agreements.

Objective	Establish an agile and efficient administration of current free trade agreements, especially DR-CAFTA, through the participation of efficient institutions, with more presence in the territories, human resources training in different fields, regulations and processes, and establishment of updated information.
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Specific Actions	Expected Outcomes	Activities to conduct
3.1. Strengthening of various entities involved in the administration of international trade agreements, based on the commitments acquired with the FTAs, especially DR-CAFTA, to achieve a proper institutional adjustment in order to promote an efficient management of the sector at a central level, but aimed mainly at strengthening it at a territorial level, which will allow the access to more efficient services.	3.1.1 Public institutions involved in the administration of trade agreements are strengthened by having more efficient methods for paperwork control and processing.	<p>Review of customs processes with regard to exports in order to reduce and/or simplify the existing processes, through the use of adequate information systems and technology.</p> <p>Review and improvement of supervision systems, and control of animal and plant health used by MAGFOR, developing specific regulations for export, providing techniques, laboratories, and the necessary means.</p> <p>Establish a Phyto-sanitary and Epidemic supervision and control system for the industrial sector.</p> <p>Revision and improvement of a supervision and control system to enforce the environmental legislation in productive areas.</p>
3.2. Training of personnel from public and private institutions engaged in administration of international trade agreements through courses, seminars and internships.	3.2.1 Administrative procedures for management of paperwork and trade agreements that are in a process of improvement.	Review management processes for the administration of agreements, and propose improvements in specific issues.
	3.2.2 Personnel properly trained on issues related to the administration of international free trade agreements, mainly with regard to: management of agreement, rules of origin, unfair trade practices, safeguard measures, dispute settlement, textile quotas, investment, trade of services, labor and environmental law, and phyto-sanitary procedures, among others.	Design and development of training programs focused on institutions specialized in specific issues related to the application of current international free trade agreements.
	3.2.3 Institutions related to foreign trade make proper use of the FTAs in the dissemination and use of operational plans.	Design and development of dissemination programs focused on key institutions specialized in specific issues related to the application of international free trade agreements.

Specific Actions	Expected Outcomes	Activities to conduct
<p>3.3. Adaptation and harmonization of laws within the framework of new requirements under the trade liberalization.</p>	<p>3.3.1 Critical key points have been identified in various regulations and/or laws that require some level of modernization for proper implementation of the FTA.</p>	<p>Conduct a study on the legal framework that affects existing FTAs; establish a general and inter-institutional legal framework that should be analyzed prior to any type of negotiation.</p>
	<p>3.3.2 FTA general legal framework in process of improvement.</p>	<p>Review and/or conduct proposals and reach an agreement on the adequacy of standards, regulations, and specific laws related to standardization, quality systems, sanitary rules, use of genetically modified products, competitiveness, intellectual property, and Government procurement laws.</p>
		<p>Establish a legislative agenda for the identified changes and other related laws that are in a modification process in the National Assembly.</p>
	<p>Develop national consensus based on the defined agenda and the National Assembly and/or relevant authorities that are sensitive to the content of the agenda.</p>	
<p>3.4. Modernization and/or design and application of information systems to facilitate the administration of international free trade agreements.</p>	<p>3.4.1 Develop an on-line information system that allows exporters make direct consultation and complete all necessary documents.</p>	<p>Design and development a system to respond consultations and requests related to the application of existing trade agreements through the Treaty Application Agency, based on a software that will allow the agency to improve its attention to the productive sectors in order to facilitate the exchange of information regarding measures applied by other institutions, such as sanitary and phyto-sanitary measures, technical rules, mechanisms and procedures for public procurement, requirements at all destination markets, and guidelines about export and management procedures requested by the US Harmonized System of Tariffs.</p>
		<p>Information systems that facilitates customs management in the areas of: certification of origin, merchandise payment and dispatch.</p>
	<p>3.4.2 A single system of mechanisms is in place for dispute resolution, dumping, rules of origin, and customs procedures to facilitate customs management with regard to origin certification, payment, and dispatch of goods, as well as application of procedures and regulations for origin verification.</p>	<p>Establish the procedure for dispute and conflict resolution on international trade issues, and include relevant data in the developed software for information purposes.</p>

Specific Actions	Expected Outcomes	Activities to conduct
	3.4.3 Registration and maintenance of trade marks is automated for the administration of the intellectual property system.	Development and installation of software to accomplish specific results.
	3.4.4 The General Customs Office has procedures in place for certification of origin.	Develop procedures for rules of origin that are consistent with the procedures implemented in the rest of the region.
	3.4.5 The General Customs Office complies with the established requirements with regard to the scanning of containers bound to the United States.	Scanner system for maritime ports in Nicaragua

Strategic Action iv.- More transparency and fairness in trade negotiation

Objective	Support the opening of new markets for Nicaraguan goods, under fair, equitable and transparent conditions, considering existing asymmetries, cooperation requirements and solidarity, as well as a special and differential treatment.
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Specific Actions	Expected Outcomes	Activities to conduct
4.1. Capacity building and training for the negotiation team on issues to be negotiated in the free trade agreements, as well as other agreements within the framework of the WTO, and other ongoing negotiations, such as the Doha Round, through the implementation of seminars, courses, workshops and internships.	4.1.1 MIFIC staff with specialized on international free trade agreement negotiations.	Develop a capacity building program for the MIFIC on specific issues.
4.2. Approval and implementation of new consultation and participation mechanism through funding for public hearings; hiring a professional team dedicated only to dissemination work, reception and classification of the inputs received.	4.2.1 Citizens and businessmen actively participating in activities related to FTA negotiations. 4.2.2 Public institutions receiving first-hand information on commercial and industrial development needs.	Develop internship programs to achieve these outcomes. Make official and implement the consultation mechanisms. Provide the MIFIC with the necessary resources for reception, analysis, and distribution of information from the consultation mechanisms.
4.3. Market/country studies in order to know strengths and weaknesses of potential trade partners, and “emerging markets”.	4.3.1 First-hand information on commercial and industrial activities and projections for countries negotiating FTAs is available.	Develop market studies for Brazil, Venezuela, Ecuador, Peru, China and India.

9. Project Profiles

The definition of project profiles is derived from the matrix shown in the previous chapter. The content is as follows:

9.1 Title of Project, is directly associated to the activity that contributes to achieve the expected results of each action.

9.2 Summary chart of the project, contains a code for rapid identification and association with the expected result, within the framework of the plan, the type of cooperation required, and for which the following types were defined:

- Financial Assistance, Non refundable
- Financial Assistance,
- Technical Assistance,
- Financial Assistance, Non refundable and
- Technical Assistance.

The estimated amount of the project may be seen in the chart as well, the execution period; the annual amount in US dollars; priority, ranked from 1 to 3, being 3 the indicator for lower priority; the beneficiary and/or the executor of the project, and the key contact at MIFIC. It should be mentioned that in this regard, the General Commerce Office in the person of Lic. Sonia Somarriba, and the Agreements Administration Office in the person of its Director, Lic. Jesús Bermúdez were designated.

Each profile has a main area of action, some of them common to different but linked areas of action, such as production and quality, production and marketing, in which case project profiles were clustered around an area where there are more contributions to help achieving the results derived from specific actions within the logical framework of the Plan. At the end the following areas of actions were identified:

- Capacity building
- Institutional strengthening
- Promotion and dissemination
- Legal and institutional issues
- Production
- Quality

A summary of the projects by area of action is presented at the end of this chapter.

9.3 Justification: In this section the need of support as described in the profile is presented, discussing the difficulties experienced presently.

9.4 Objective: The key objective of the project is described on the basis of its area of action.

9.5 Description: General activities that each project should develop are summarized, which may be expressed in phases such as diagnosis, implementation, and execution in the case of requiring continuity, or if it is a simple point study that contributes to the development of further, more general activities within the plan developed in this document.

9.6 Expected results: Obviously, the results of each project are associated to their own nature and to the results expected for each action of the plan.

At the end of this chapter the profiles developed are presented as an Annex and rated as priority 1 or 2, according to the determination made by the counterpart at MIFIC. The profiles are presented in the following charts:

The estimated total is presented in the following table:

PROJECT TOTAL ESTIMATE

BENEFICIARY/EXECUTOR	AMOUNT	%
MIFIC	17,411,000.00	58.12%
CUSTOMS	6,790,000.00	22.35%
MAGFOR	3,240,000.00	10.66%
MARENA	1,200,000.00	3.95%
PRESIDENCY	800,000.00	2.63%
INATEC	120,000.00	0.39%
SIBOIF	575,000.00	1.89%
TOTAL	30,136,000.00	100.00%

PROJECTS

Strategic Action i.- Promote the better use of current Trade Agreements								
EXPECTED RESULTS	PROJECTS	AREA OF ACTION	PRIORITY (1-3)	TYPE OF COOPERATION	EXECUTOR/BENEFICIARY	Years	ANNUAL AMOUNT US\$	TOTAL
1.1.1 Trade policy, industrial policy, agricultural policy and sector MSME policy, properly harmonized with the infrastructure development plans of the country	A study of industrial, agricultural, and trade policies, identifying similarities within and impact of trade agreements over the sector programs.	Legal and Institutional issues	3	Non-refundable Financial Assistance and Technical Assistance	MIFIC / MAG-FOR	1	30,000	30,000
1.2.1 Improved production and export incentives, adequately used.	Diagnosis and proposal of incentives for improvement of production incentives.	Production	3	Financial Assistance	MIFIC/ INPYME, MIFIC/MAG-FOR	1	30,000	30,000
1.2.2 Support agricultural and non-agricultural MSME programs, focused on working under a common trade scheme	Support to PROMIPYMES and agricultural export producers.	Production - Marketing	1	Non-refundable Financial Assistance	MIFIC / INPYME	3	60,000	180,000
1.3.1 Groups of businessmen and productive MSME	Based on results of project 1.2.1	Institutional Strengthening	3		MIFIC / INPYME	3		-

Strategic Action i.- Promote the better use of current Trade Agreements								
EXPECTED RESULTS	PROJECTS	AREA OF ACTION	PRIORITY (1-3)	TYPE OF COOPERATION	EXECUTOR/BENEFICIARY	Years	ANNUAL AMOUNT US\$	TOTAL
participating in territorial commissions focused on production and business development.								
1.3.2 MIFIC, through DGFE and DGCE, has first-hand information for effective planning and policymaking.	Support to MIFIC Sector Round Tables	Institutional Strengthening	3	Financial Assistance	MIFIC	3	100,000	300,000
1.4.1 Increased number of export association groups in the territories.	Improvement of productive associations of MSME in Nicaragua.	Production	1	Non-refundable Financial Assistance and Technical Assistance	MIFIC	3	40,000	120,000
	Proposal for democratization and improvement of market intelligence services in the country.	Marketing	2			3	72,000	216,000

Strategic Action i.- Promote the better use of current Trade Agreements								
EXPECTED RESULTS	PROJECTS	AREA OF ACTION	PRIORITY (1-3)	TYPE OF COOPERATION	EXECUTOR/BENEFICIARY	Years	ANNUAL AMOUNT US\$	TOTAL
1.5.1 Businessmen pursuing and obtaining direct information on the application context of the agreement to their export efforts.	Dissemination and promotion for a better use of opportunities arising from international free trade agreements.	Promotion and Dissemination	2	Non-refundable Financial Assistance	MIFIC	3	150,000	450,000
1.5.2 Businessmen conducting export “paperwork” on line.								
1.5.3 Improved access to information on exports.								
1.6.1 Producers and businessmen adding value to their products under the free trade agreements.	Support for the improvement of export products	Production - Quality	1	Non-refundable Financial Assistance and Technical Assistance	MIFIC	5	1,000,000	5,000,000
SUB TOTAL							1,482,000	6,326,000

Strategic action ii.- Improvement of competitiveness and business environment in the context of foreign trade.								
RESULTS EXPECTED	PROJECTS	AREA OF ACTION	PRIORITY (1-3)	TYPE OF COOPERATION	EXECUTOR/BENEFICIARY	Years	ANNUAL AMOUNT US\$	TOTAL
2.1.1 Groups of businessmen and producers generating information for the development of productive infrastructure.	Implementation of citizen participation in various government entities.	Capacity building	2	Financial Assistance	MIFIC	3	50,000	150,000
	Institutional support for the technical secretariat of the presidency of the republic	Institutional Strengthening	3	Non-refundable Financial Assistance and Technical Assistance	PRESIDENCY OF THE COUNTRY	2	400,000	800,000
2.2.1 Businessmen and producers properly advised on issues related to the access to financial resources.	Advice to producers to facilitate access to existing financial resources in the country	Capacity building	1	Financial Assistance	MIFIC / INPYME	3	120,000	360,000
2.3.1 The insurance sector is strengthened and its monitoring capacity is improved	Modernization of non-banking financial monitoring (INSURANCE)	Legal and institutional issues	2	Financial and Technical Assistance	SIBOF	2	287,500	575,000

Strategic action ii.- Improvement of competitiveness and business environment in the context of foreign trade.								
RESULTS EXPECTED	PROJECTS	AREA OF ACTION	PRIORITY (1-3)	TYPE OF COOPERATION	EXECUTOR/BENEFICIARY	Years	ANNUAL AMOUNT US\$	TOTAL
2.4.1 A national system of quality is established based on rules of origin certifications; international standards for export products are defined with markets with which free trade agreements are in effect.	Design and implementation of Single Quality System in Nicaragua, based on national and international certification processes.	Quality	2	Non-refundable Financial Assistance	MIFIC	4	300,000	1,200,000
	Modern infrastructure and equipment for Sanitary and Phyto-Sanitary laboratories DGPSA-MAGFOR and MIFIC's LABAL	Quality	2	Financial Assistance	MAG-FOR/MIFIC/LABAL	1	240,000	240,000
	Revision and improvement of technical standards required by the FTAs signed by Nicaragua, and certification of organic agriculture.	Quality	2	Non-refundable Financial Assistance and Technical Assistance	MIFIC	2	80,000	160,000
	Decentralization in the application of standards and metrology in the country.	Quality	3	Non-refundable Financial Assistance	MIFIC	2	340,000	680,000

Strategic action ii.- Improvement of competitiveness and business environment in the context of foreign trade.								
RESULTS EXPECTED	PROJECTS	AREA OF ACTION	PRIORITY (1-3)	TYPE OF COOPERATION	EXECUTOR/BENEFICIARY	Years	ANNUAL AMOUNT US\$	TOTAL
	Technical assistance for quality and technology improvement of small and medium-size producers.	Quality	1	Non-refundable Financial Assistance and Technical Assistance	MIFIC/ INPYME, MIFIC/MAG-FOR	5	1,000,000	5,000,000
2.5.1 Producers conducting clean technology changes to increase production and productivity.	Based on the outcomes of project 4.4.1							
2.6.1 INATEC providing training focused on the productive needs of the territories.	Study on territorial needs for capacity building for the productive sector of the country.	Capacity building	2	Financial Assistance	INATEC	1	120,000	120,000
2.7.1 A larger number of professionals in the country specialized in FTA issues and foreign trade.	Design and implementation of graduate academic programs with local universities.	Capacity building	3	Financial Assistance	MIFIC/ CNU	1	50,000	50,000
SUB TOTAL							2,987,500	9,335,000

Strategic Action iii.- Strengthening public services for an adequate administration of trade agreements.								
RESULTS EXPECTED	PROJECTS	AREA OF ACTION	PRIORITY (1-3)	TYPE OF COOPERATION	EXECUTOR/BENEFICIARY	Years	ANNUAL AMOUNT US\$	TOTAL
3.1.1 Public institutions involved in the administration of trade agreements are strengthened by having more efficient methods for paperwork control and processing.	Support the implementation of custom reforms cited in chapter 5 of DR-CAFTA	Legal and Institutional issues	2	Non-refundable Financial Assistance and Technical Assistance	DGSA (CUSTOMS)	2	800,000	1,600,000
	Follow up the phyto-sanitary and epidemiological monitoring process in the Nicaraguan agricultural sector.	Quality	1	Financial Assistance	MAG-FOR	5	600,000	3,000,000
	Follow up the sanitary monitoring process in the Nicaraguan industrial sector.	Quality	1	Financial Assistance	MIFIC/MINSA	3	400,000	1,200,000

Strategic Action iii.- Strengthening public services for an adequate administration of trade agreements.								
RESULTS EXPECTED	PROJECTS	AREA OF ACTION	PRIORITY (1-3)	TYPE OF COOPERATION	EXECUTOR/BENEFICIARY	Years	ANNUAL AMOUNT US\$	TOTAL
	Support the implementation and development of territorial monitoring systems for the application of the environmental legislation.	Quality	2	Financial Assistance	MARENA	3	400,000	1,200,000
3.2.1 Administrative procedures for management of paperwork and trade agreements that are in a process of improvement.	Improvement of the trade agreement administrative procedures.	Institutional Strengthening	2	Non-refundable Financial Assistance and Technical Assistance	MIFIC	2	300,000	600,000
3.2.2 Personnel properly trained on issues related to the administration of international free trade agreements, mainly with regard to: management of agreement, rules of origin, unfair trade practices,	Based on the outcomes of project 4.1.1.	Capacity building						-

Strategic Action iii.- Strengthening public services for an adequate administration of trade agreements.								
RESULTS EXPECTED	PROJECTS	AREA OF ACTION	PRIORITY (1-3)	TYPE OF COOPERATION	EXECUTOR/BENEFICIARY	Years	ANNUAL AMOUNT US\$	TOTAL
safeguard measures, dispute settlement, textile quotas, investment, trade of services, labor and environmental law, and phyto-sanitary procedures, among others.								
3.2.3 Institutions related to foreign trade make proper use of the FTAs in the dissemination	FTA dissemination and communication program.	Promotion and dissemination	3	Financial Assistance	MIFIC	2	60,000	120,000

Strategic Action iii.- Strengthening public services for an adequate administration of trade agreements.								
RESULTS EXPECTED	PROJECTS	AREA OF ACTION	PRIORITY (1-3)	TYPE OF COOPERATION	EXECUTOR/BENEFICIARY	Years	ANNUAL AMOUNT US\$	TOTAL
and use of operational plans.	Update of technical standards inventories, regulations, and revision of conformance assessment procedures, taking into consideration those applied by the counterparts of current free trade agreements in Nicaragua.	Legal and Institutional issues	2	Non-refundable Financial Assistance and Technical Assistance	MIFIC	1	45,000	45,000
3.3.1 Critical key points have been identified in various regulations and/or laws that require some level of modernization for proper implementation of the FTA.	Support the compliance and implementation of DR-CAFTA complementary agenda	Legal and Institutional issues	2	Financial Assistance	MIFIC	1	200,000	200,000
3.3.2 FTA general legal framework in process of improvement.								

Strategic Action iii.- Strengthening public services for an adequate administration of trade agreements.								
RESULTS EXPECTED	PROJECTS	AREA OF ACTION	PRIORITY (1-3)	TYPE OF COOPERATION	EXECUTOR/BENEFICIARY	Years	ANNUAL AMOUNT US\$	TOTAL
3.4.1 Develop an on-line information system that allows exporters make direct consultation and complete all necessary documents.	Single desk for presentation of export documents	Marketing	2	Non-refundable Financial Assistance and Technical Assistance	MIFIC	3	300,000	900,000
	Support the implementation of DR-CAFTA Chapter 4 (Rules of origin and Origin Procedures)	Marketing	1	Technical Assistance	DGSA (CUSTOMS)	1	150,000	150,000
3.4.2 A single system of mechanisms is in place for dispute resolution, dumping, rules of origin, and customs procedures to facilitate customs management with regard to origin certification, payment, and dispatch of goods, as well as application of procedures and	Based on outcomes of project 2.4.1	Marketing	3					-

Strategic Action iii.- Strengthening public services for an adequate administration of trade agreements.								
RESULTS EXPECTED	PROJECTS	AREA OF ACTION	PRIORITY (1-3)	TYPE OF COOPERATION	EXECUTOR/BENEFICIARY	Years	ANNUAL AMOUNT US\$	TOTAL
regulations for origin verification.								
3.4.3 Registration and maintenance of trade marks is automated for the administration of the intellectual property system.	Development and installation of software for trade mark register management	Institutional Strengthening	3	Non-refundable Financial Assistance and Technical Assistance	MIFIC	1	120,000	120,000
3.4.4 The General Customs Office has procedures in place for certification of origin.	Based on the results of project 3.4.1	Quality						
3.4.5 The General Customs Office complies with the established requirements with regard to the scanning of containers bound to the United States.	Scanner system for maritime ports in Nicaragua	Institutional Strengthening	3	Financial and Technical Assistance	DGSA (CUSTOMS)	4	1,260,000	5,040,000
SUB TOTAL							4,635,000	14,175,000

Strategic Action iv.- More transparency and fairness in trade negotiation								
RESULTS EXPECTED	PROJECTS	AREA OF ACTION	PRIORITY (1-3)	TYPE OF COOPERATION	EXECUTOR/BENEFICIARY	Years	ANNUAL AMOUNT US\$	TOTAL
4.1.1 MIFIC staff with specialized on international free trade agreement negotiations.	Design and implementation of Capacity Building and Assistance Programs for MIFIC and other institutions related to International trade.	Capacity Development	2	Non-refundable Financial Assistance and Technical Assistance	MIFIC	1	60,000	60,000
4.2.1 Citizens and businessmen actively participating in activities related to FTA negotiations.	Design and implementation of consultation mechanisms on FTA.	Institutional Strengthening	3	Financial Assistance	MIFIC	1	40,000	40,000
4.2.2 Public institutions receiving first-hand information on commercial and industrial development needs.	Information and dissemination system on FTA	Promotion and dissemination	3	Financial Assistance	MIFIC	1	60,000	60,000
4.3.1 First-hand information on commercial and industrial activities and projections for countries	Development of Market Studies for each country (7 countries)	Marketing	3	Non-refundable Financial Assistance and Technical	MIFIC	1	140,000	140,000

Strategic Action iv.- More transparency and fairness in trade negotiation									
RESULTS EXPECTED	PROJECTS	AREA OF ACTION	PRIORITY (1-3)	TYPE OF COOPERATION	EXECUTOR/BENEFICIARY	Years	ANNUAL AMOUNT US\$	TOTAL	
negotiating FTAs is available.				Assistance					
SUB TOTAL							300,000	300,000	
GRAND TOTAL							\$30,136,000.00		

PROJECTS BY ACTION AREA

ACTION AREA	PROJECT	TYPE OF COOPERATION	EXECUTOR/ BENEFICIARY	Years	ANNUAL AMOUNT (Average -) US\$	TOTAL (Estimated)
Capacity building	Design and implementation of Capacity Building and Assistance Programs for MIFIC and other institutions related to international trade.	Non-refundable Financial Assistance and Technical Assistance	MIFIC	1	60,000	60,000
	Implementation of productive citizen participation in different government entities	Financial Assistance	MIFIC	3	50,000	150,000
	Study on territorial needs for capacity building for the productive sector of the country.	Financial Assistance	INATEC	1	120,000	120,000
	Consultancy for producers about access to existing financial resources in the country	Financial Assistance	MIFIC / INPYME	3	120,000	360,000
	Design and implementation of graduate academic programs at local universities.	Financial Assistance	MIFIC/ CNU	1	50,000	50,000
SUB TOTAL						740,000
Institutional strengthening	Design and implementation of consultation mechanisms on FTA.	Financial Assistance	MIFIC	1	40,000	40,000
	Improvement of administrative procedures for the administration of the agreement	Non-refundable Financial Assistance and Technical Assistance	MIFIC	2	300,000	600,000
	Development and installation of software for trade marks register management	Non-refundable Financial Assistance and Technical Assistance	MIFIC	1	120,000	120,000

ACTION AREA	PROJECT	TYPE OF COOPERATION	EXECUTOR/ BENEFICIARY	Years	ANNUAL AMOUNT (Average -) US\$	TOTAL (Estimated)
	Institutional support for the presidential technical secretariat	Non-refundable Financial Assistance and Technical Assistance	PRESIDENCY OF THE REPUBLIC	2	400,000	800,000
	Support to MIFIC sector round tables	Financial Assistance	MIFIC	3	100,000	300,000
	Scanning System for maritime ports in Nicaragua	Financial and Technical Assistance	DGSA (CUSTOMS)	4	1,260,000	5,040,000
SUB TOTAL						6,900,000
Legal and institutional issues	Support for the implementation of Customs Provisions in Chapter 5 of DR-CAFTA	Non-refundable Financial Assistance and Technical Assistance	DGSA (CUSTOMS)	2	800,000	1,600,000
	Update of inventories of technical standards and regulations, and review of conformance evaluation procedures, taking into consideration those applied by the counterparts of agreements in force in Nicaragua	Non-refundable Financial Assistance and Technical Assistance	MIFIC	1	45,000	45,000
	A study of industrial, agricultural, and trade policies, identifying similarities within and impact of trade agreements over the sector programs.	Non-refundable Financial Assistance and Technical Assistance	MIFIC / MAG-FOR	1	30,000	30,000
	Support the compliance and implementation of DR-CAFTA complementary agenda	Financial Assistance	MIFIC	1	200,000	200,000

ACTION AREA	PROJECT	TYPE OF COOPERATION	EXECUTOR/ BENEFICIARY	Years	ANNUAL AMOUNT (Average -) US\$	TOTAL (Estimated)
	Modernization of non-banking financial monitoring (INSURANCE)	Financial and Technical Assistance	SIBOF	2	287,500	575,000
SUB TOTAL						2,450,000
Promotion and dissemination	Information and dissemination systems on FTA	Financial Assistance	MIFIC	2	60,000	120,000
	Dissemination and promotion for a better use of opportunities arising from international free trade agreements.	Non-refundable Financial Assistance	MIFIC	3	150,000	450,000
	Information and dissemination systems on FTA	Financial Assistance	MIFIC	1	60,000	60,000
SUB TOTAL						630,000
Production	Support to agriculture and non-agriculture MSMEs export programs.	Non-refundable Financial Assistance	MIFIC / INPYME	3	60,000	180,000
	Improvement of Productive Association of MSMEs in Nicaragua.	Non-refundable Financial Assistance and Technical Assistance	MIFIC	3	40,000	120,000
	Diagnosis and proposal of incentives for improvement of production incentives	Financial Assistance	MIFIC/ INPYME, MIFIC/MAG-FOR	1	30,000	30,000
	Financial support for SMEs export products improvement	Non-refundable Financial Assistance and Technical Assistance	MIFIC	5	1,000,000	5,000,000
SUB TOTAL						5,330,000
Quality	Zoo/Phyto-sanitary and Epidemiological Surveillance Follow Up in the Agricultural Sector	Financial Assistance	MAG-FOR	5	600,000	3,000,000

ACTION AREA	PROJECT	TYPE OF COOPERATION	EXECUTOR/ BENEFICIARY	Years	ANNUAL AMOUNT (Average -) US\$	TOTAL (Estimated)
	Follow up of Sanitary Surveillance in the Nicaraguan Industrial Sector.	Financial Assistance	MIFIC/MINSA	3	400,000	1,200,000
	Support to the development and implementation of the Territorial Supervision System for the application of environmental legislation.	Financial Assistance	MARENA	3	400,000	1,200,000
	Design and implementation of the Nicaraguan Single Quality System based on a national and international certification process	Financial and Technical Assistance	MIFIC	4	300,000	1,200,000
	Revision and improvement of commercial technical standards and implementation of certification systems for organic agriculture	Non-refundable Financial Assistance and Technical Assistance	MIFIC	2	80,000	160,000
	Decentralization of implementation of metrological standards	Non-refundable Financial Assistance	MIFIC	2	340,000	680,000
	Modern infrastructure and equipment for sanitary and phyto-sanitary laboratories DGPSA-MAGFOR and MIFIC's LABAL	Financial Assistance	MAG-FOR/ MIFIC/LABAL	1	240,000	240,000
	Technical assistance for quality improvement of small and medium-size producers.	Non-refundable Financial Assistance and Technical Assistance	MIFIC/ INPYME, MIFIC/MAG-FOR	5	1,000,000	5,000,000

ACTION AREA	PROJECT	TYPE OF COOPERATION	EXECUTOR/ BENEFICIARY	Years	ANNUAL AMOUNT (Average -) US\$	TOTAL (Estimated)
SUB TOTAL						12,780,000
Marketing	Development of Market Studies for each country (7 countries)	Non-refundable Financial Assistance and Technical Assistance	MIFIC	1	140,000	140,000
	Single desk for export formalities.	Non-refundable Financial Assistance and Technical Assistance	MIFIC	3	300,000	900,000
	Support the implementation of DR-CAFTA Chapter 4 (Rules of origin and Origin Procedures)	Financial Assistance	DGSA (CUSTOMS)	1	150,000	150,000
	Proposal for democratization and improvement of market intelligence services	Non-refundable Financial Assistance and Technical Assistance	MIFIC	3	72,000	216,000
SUB TOTAL						1,306,000
GRAND TOTAL						30,136,000

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