



CHEMONICS INTERNATIONAL INC.



NICARAGUA BRIEFING PAPER # 1

PROPOSAL TO ESTABLISH
AGENCIA PARA LA PROMOCION Y DESARROLLO DE NEGOCIOS (APRODEN)
(AGENCY FOR BUSINESS PROMOTION AND DEVELOPMENT)
CONCEPTUAL FRAMEWORK

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APRODEN
AGENCY FOR BUSINESS PROMOTION AND DEVELOPMENT
AGENCIA PARA LA PROMOCION Y DESARROLLO DE NEGOCIOS

A. The PND: Competitiveness Component

In its National Development Plan (*Plan Nacional de Desarrollo*, or PND), the Nicaraguan government recognizes that the struggle to defeat poverty in Nicaragua must be waged on the basis of strong economic growth founded on the development of a modern and competitive export sector. This growth will make it possible to rapidly and massively expand the creation of jobs and improve business productivity. By virtue of Nicaragua's demographic pyramid, the country faces the daunting challenge of generating some 100,000 jobs per year in order to avoid an increase in unemployment and an overall drop in income, particularly among the country's poorest population segments. In this context, an economic development strategy is being proposed that seeks to regain and sustain the country's competitiveness based on a progressive increase in business productivity and exports, improvements to the business climate, and promotion of direct private investment, both national and foreign.

At the national level, efforts have been made to create the support mechanisms necessary to implement those elements of the PND that deal with competitiveness, growth and employment, including, for example, the Cabinet on Competitiveness and Production (*Gabinete de Competitividad y Producción*) and the Round Table for Supporters of Competitiveness (*Mesa de Cooperantes para la Competitividad*). In addition, based on the country's General Budget, a matrix of priority activities is being prepared, together with an indication of the various programs involved, the institutions responsible for their implementation, and accompanying budgets. The Presidential Commission on Competitiveness, made up of representatives of both the government and private sector, together with the National Investment Attraction Program (*Programa Nacional de Atracción de Inversiones*, or Pro-Nicaragua), complete the scheme for coordinating and reaching a consensus on strategies and lines of activity among the government, the business sector and the development assistance community.

One key result to be sought at this level of coordination and consensus is an Economic Reactivation and Employment Agreement, to be entered into by the government, the business sector and workers, that will establish, for a specific period of time, the rules of play and public policies required by both business and workers to achieve the growth objectives and employment goals identified in the PND. The objective of this agreement would be to establish a business climate that would foster for business development, as well as a series of public policies aimed at facilitating an increase in worker income based on the search for a means to bring about a reasonable decrease in the cost of the basic basket of commodities and a sustained increase in productivity.

The results of this agreement will be presented by the government in the sectoral round table on competitiveness with a view toward bringing about a coherent and coordinated effort by the international community in support of implementation of this area of the PND.

In addition, at the territorial level there is a need for local development agreements, or “competitiveness agreements,” that involve local businesspeople and business leaders (*fuerzas vivas*) in the various regions, based on the particular idiosyncrasies of both territories and businesses – for example, ways in which educational policy in a given territory can contribute to improving the abilities of workers to produce cheese, or of entrepreneurs to increase dairy cattle productivity, or of the government to guarantee roads, or of the judicial branch to guarantee that judges will ensure proper compliance with agreed-upon prices for milk, etc.

The objective of these local agreements is to gradually forge a series of consensuses to guide public and private investments and activities with the capacity to create the linkages that will lead to the formation of significant cluster economies, with their intrinsic advantages in terms of economies of scale, decreasing costs, economies of knowledge, etc., that will ensure the resurgence and consolidation of the competitive potential of the individual territories and the businesses operating in them.

B. Promoting Entrepreneurship and Competitive Businesses

Coordination of strategies and lines of activity will be effective only with the availability of effective implementation tools that successfully promote a new culture of entrepreneurship in Nicaragua and that above all support the successful introduction of Nicaraguan firms into regional and international markets.

In the absence of innovative businesses and entrepreneurs, productive employment will not exist in Nicaragua and it will not be possible to decrease poverty to any sustainable degree. In this regard, Nicaragua requires the implementation of a flexible, streamlined, and innovative program aimed at supporting the creation of successful and competitive businesses with the ability to participate in local, regional and international markets while successfully articulating the various proposals for improving the business and investment climate by promoting an environment that will facilitate accelerated growth and job creation based on the development of the business sector.

B1. The Major Challenges

The “unsustainabilities” in the economic, social, environmental and institutional arenas, as identified in the PND, caused by poor decisions made in recent years, places fully in perspective the future challenges to be addressed by the business sector in order to ensure the stability and peace required for successfully achieving economic growth, generating high levels of job creation, and bringing about ongoing improvements in living conditions.

From the strictly commercial standpoint, businesses face a series of “unsustainabilities” that will need to be overcome in the future and that may be summarized as follows:

- Predominance of businesses with little capacity to generate value added;
- Predominant focus on the internal market, sustained by a protectionist trade policy;
- The resulting insufficiency of information services and the weakness of linkages to external markets, combined with the lack of an appropriate platform for export services (insurance, correspondent relationships, food security and safety, etc.);

- Low levels of worker productivity, as explained by extremely low levels of equipment renewal, antiquated production and management processes, and a paucity of capacity for innovation;
- Increasing production costs stemming from a lack of economies of scale and clustering, as well as deficiencies in the provision of basic infrastructure;
- An inadequate business climate that impacts negatively on both investment decisions and transaction costs;
- Lack of medium- and long-term financing to accompany the process of growth of competitive and innovative businesses, particularly in sectors having the greatest potential for employment.

B2. The Mission of an Implementation Mechanism

An inappropriate mixture of macroeconomic policies pursued in the past, combined with the microeconomic “unsustainabilities” impacting on business, is reflected in weak economic growth, a high rate of unemployment and significant migrational processes. In this regard, what is required is an implementation mechanism focusing on vigorously contributing to the achievement of strong and sustained economic growth through the dynamic strengthening and promotion of business as an appropriate means for bringing about massive increases in employment.

This strengthening will include the organization of an institutional framework by means of which the government and representatives of business and labor organizations can discuss and reach a consensus on key economic and social decisions, thus ensuring a strong commitment that will lead to stability and support by the principal actors in society for the essential rules of play to govern business development over the ensuing three-year period. This institutional framework will make it possible to forcefully and legitimately air issues involving salaries, investments, employment and incentives as a starting point for the economic reactivation of both business and the country as a whole.

Based on this agreement, work will be carried out at the territorial level with a view toward implementing economic reactivation agreements between businesses, workers, local or regional groups, and the government.

The specific object of these agreements from the standpoint of business will be to increase the growth of private investments by promoting highly labor-intensive investments and, from the standpoint of government, to commit to implementing basic infrastructure projects, developing human capital, improving service, and encouraging local governments to take steps to facilitate and improve business performance.

B3. Program Priorities

Given the above-identified characteristics, a proposal is hereby submitted to create the *Agencia para la Promoción del Desarrollo Nacional* (Agency to Promote National Development, or APRODEN) to play a decisive role in the process of economic recovery and employment generation during the coming years in Nicaragua. APRODEN will implement a business support program that will establish as its priority thrusts the following: (i) assist businesses to

successfully penetrate regional and international markets; (ii) promote the attraction of international investments and linkages to local investors either, in the same areas of production or in related services; (iii) significantly improve the operating environment for businesses and their investments, and (iv) promote the competitive development of internal production or service markets that support export and/or value-added processes.

To ensure the success of this program, activities will focus on areas that are deemed essential for moving businesses to higher levels of efficiency and effectiveness, with a view toward creating the requisite conditions to enable them to compete with similar businesses in other countries. These areas include the following:

- business productivity
- market linkages
- business and investment climate
- quality assurance and production processes
- human capital development
- financing for growth
- support systems, services, and environmental competitiveness
- others to be determined

B4. Promotion of Strategic Alliances

APRODEN will promote the creation of strategic alliances to maximize the likelihood of success in achieving the objectives, goals and results necessary to spur economic reactivation and employment generation at both the national and territorial levels. These alliances will take place at two levels:

- *At the internal level of the GON.* APRODEN will form strategic alliances with the various ministries making up the Cabinet on Competitiveness and Production, as well as the various public entities whose activities are directly linked to the country's productive and competitiveness arena. In these cases, the alliances will seek to strengthen the capacity of these ministries and agencies to implement the activities and achieve the results mandated to them, which are essential for achieving the following: (1) an improved business and investment climate in Nicaragua, (2) strengthened systems for supporting productive and quality [assurance] processes, including environmental competitiveness, and (3) improved and more active involvement of small and medium-sized Nicaraguan businesses in regional and international markets. In cases involving entities with specific mandates as regards productivity and competitiveness, APRODEN will seek to identify every possible opportunity to ensure successful achievement of the results defined by previously existing mechanisms. Nevertheless, a results-oriented approach will be used to seek the achievement of clearly defined objectives, goals and results, as opposed to institutional strengthening *per se* as a purpose.
- *At the external level of the GON.* APRODEN will promote the creation of strategic alliances with local authorities and business and producer groups at the local level, and with communities interested in promoting competitiveness, economic reactivation and

employment generation in the various territories of the country. Toward this end, the existence, in all territories of the country, of technical assistance and support programs available through APRODEN will be given broad dissemination. The GON is interested in assuring that all groups of producers and small and medium-sized entrepreneurs are able to access the benefits to be made available by this Unit. This broad process of dissemination will promote transparency and serve to identify and support dynamic businesspeople interested in innovation, modernization and competitive market participation. Strategic alliances will also be established with other donor-financed programs providing support to production and competitiveness with a view toward unifying efforts and leveraging the impact of development assistance in Nicaragua.

C. Establishment of APRODEN

The creation of an Agency to Promote National Development (*Agencia para la Promoción del Desarrollo Nacional*, or APRODEN) is hereby proposed. Its primary mission would be to promote market and private enterprise development in Nicaragua.

Over the short term (the next three years), the primary mission of this agency will be to facilitate economic recovery and the expansion of employment. This program may be funded by one or more donors sharing a desire to achieve the objectives established by the program. APRODEN would serve as a conduit for programming, disbursing and managing resources made available under bilateral grant agreements signed with members of the donor community.

The results of the program to promote economic development and competitiveness to be supported by this Unit, together with appropriate indicators, annual implementation plans, and resources to be used to finance the various program activities and exercises, will be defined by mutual agreement between the GON and participating donors, through approval of the Annual Operating Plan. The resources made available under this program are to be used in accordance with the program agreement, with their ultimate use to be tracked and reported to the satisfaction of the government and participating donors. In addition, assurances will be provided that the activities conducted by the various organizations and entities receiving financing will be in compliance with the previously defined development goals and results and will be reviewed and monitored by the Unit.

C1. Purpose of APRODEN

The overall purpose of APRODEN will be to program and administer resources made available under bilateral grant agreements aimed at increasing the rate of economic growth and employment generation in Nicaragua. APRODEN will use this cooperative assistance to support the implementation of the PND as regards the promotion of a more competitive and market-oriented business sector and the creation of an improved business and investment climate in Nicaragua.

The primary objective of the Unit will be to provide a means for coordinating, managing and providing specialized technical assistance to promote entrepreneurship and the generation of productive employment. The Unit will promote coordination of the activities, plans and economic policy reforms of the various ministries and governmental agencies involved in

competitiveness, production for export, and related supporting activities. At the same time, activities will be coordinated with private sector organizations and the donor community in order to secure a coherent and coordinated effort aimed at ensuring attainment, within the shortest possible timeframe, of the goals and objectives of economic growth and employment generation set forth in the PND.

C2. Functions of APRODEN

APRODEN's functions can be classified in the following categories:

- a) Coordination functions aimed at spurring competitiveness. These coordination functions include the following:
 - Coordinate preparation of the Annual Operating Plan in close collaboration with SECEP, MIFIC, MAGFOR, MARENA and Pro-Nicaragua.
 - Coordinate the strategic alliances through which support and technical assistance is provided to the various GON implementing agencies in order to ensure achievement of the agreed-upon results (e.g., determination of technical requirements, selection of consultants, etc.).
 - Follow-up to ensure achievement of the agreed-upon results, including intermediate results, calendars of scheduled activities, and previously defined policy reforms.
 - Promote informed debate between the public and private sectors regarding the need to establish an appropriate business climate in Nicaragua.
 - Other activities to be defined.

- b) Promote, strengthen and develop more market-oriented, environmentally friendly and competitive businesses through a program to be called “**Pro-Negocio**”. In this regard, attention will be focused on the following areas: (1) promoting an entrepreneurial culture and capacity; (2) strengthening the capacity for business creation and management, and (3) strengthening the participation of small and medium-sized businesses in regional and international markets.

These functions will include the following:

(1) Promotion of an entrepreneurial culture and capacity

- Provide direct technical assistance (primarily by outsourcing to local external consultants and in some cases specialized assistance) to businesses, groups of businesses and groups of producers, in all national territories, in the various aspects of entrepreneurial competitiveness: (i) business plans, (ii) market linkages.
- Promote the implementation of business competitions, fairs and other types of business expositions;
- Organize seminars, workshops and conferences to address areas where businesses have demonstrated significant weaknesses.

Technical assistance would be provided by means of Memorandums of Understanding to be signed with the various groups.

(2) Strengthening of the capacity for business creation and management, by providing direct technical assistance in the following areas:

- Production processes and standards
- Development of management capacity by providing training in the use of information technology
- Provision of specific consultancies and temporary advisors to businesses to help identify the latter's principal bottle necks and challenges and determine the best way to address them
- Provision of technical assistance in the area of sustainable environmental competitiveness, by focusing on new challenges faced by Nicaraguan exporters: (i) Bioterrorism Law, (ii) EureGap, (iii) ISO14001, (iv) HACCP, and others
- Other activities as defined

(3) Strengthening participation by small and medium-sized businesses in regional and international markets, including:

- Creation of a “supply search” to provide up-to-date information on the export potential existing at the territorial level and encourage coinvestments with national and foreign investors;
- Provision of specialized technical assistance to identify markets for current and potential products from each territory;
- Promotion of “business roundtables” with the participation of external buyers wishing to learn “first hand” from local producers about business opportunities currently existing in Nicaragua;
- Provision of specialized technical assistance in aspects of exporting, international negotiations and market analysis for national producers in a broad range of productive areas;
- Promotion of innovative sources of financing by introducing negotiations with investors and other sources of financing such as investment angels, funds for seed capital, funds for innovation, and other sources to facilitate timely business growth and employment generation in Nicaragua;
- Other activities as defined.

c) Provide support—by serving as technical secretariat—for the three key agencies supporting competitiveness and production: (1) the Cabinet on Competitiveness and Production, (2) the Presidential Commission on Competitiveness, and (3) the Sectoral Round Table on Competitiveness.

C3. Structure of APRODEN

APRODEN will consist of an Advisory Council and two key departments: (1) the Procurement and Controllers Department, and (2) the Technical Assistance and Follow-up Department, with the latter to implement the Pro-Negocio program.

a) Procurement and Controllers

The Procurement and Controllers Department will be staffed by three individuals: one specialist in purchasing/contracting, who will observe the procedures established in the procedures manuals of participating donors; one accountant with extensive experience in managing development programs and, preferably, donor-funded programs; and one field auditor charged with verifying the proper operation of the program at the field level. This department will ensure the speedy implementation of activities, as well as transparency and the proper management of resources.

b) Technical Assistance and Follow-up

The Department of Technical Assistance, Coordination and Follow-up will be staffed by a small but highly qualified group of technicians responsible for achieving the results and objectives identified by the program. For this department, a staff consisting of the Executive Director of APRODEN and three senior technicians is proposed. These technicians will perform functions involving the following: (1) business promotion and development, (2) business climate improvement, and (3) promotion of environmental competitiveness and standards. The APRODEN Executive Director will in turn act as director of the Technical Department for the Pro-Negocio program. Qualifications for this position require being a senior professional with the ability to provide leadership at both the internal and external levels of APRODEN and with sufficient respect and support to ensure efficient coordination with members of the Cabinet on Competitiveness and Production, members of the donor community and representatives of Nicaragua's private sector.

D. Process for Establishing APRODEN – Next Steps

- Draft the Memorandum of Understanding to be signed between the GON and participating donors.
- Draft a description of the economic recovery and employment program, which will serve as the basis for the Memorandum of Understanding.
- Select APRODEN's technical and administrative team by means of transparent tender proceedings.
- Lease offices for APRODEN.
- Purchase equipment and vehicles (2 or 3).
- The Unit's initial activity will be to develop an Illustrative Operating Plan for the next three years, plus a Detailed Operating Plan for the first year, in coordination with SECEP and other implementing entities and within the framework of the Program to Promote Competitiveness and Employment. This First Year Operating Plan may be submitted to donors within a period of 90 days.

- Advisory assistance would be obtained from donor agencies to set up accounting and resource management programs in order to ensure proper compliance with all preconditions.

OPERATIONS ANNEX

APRODEN Agency for Business Promotion and Development

A. Advisory Council (*Consejo Asesor*, or CA)

APRODEN will have an Advisory Council charged with ensuring the proper operation and implementation of activities and interventions financed by the Unit. In addition, the CA will provide strategic advisory assistance to APRODEN and monitor activities aimed at promoting an improved business and investment climate in Nicaragua. The CA will consist of four high-ranking GON officials and three successful Nicaraguan businesspeople interested in promoting the country's economic development. Public sector officials who would participate in the CA include the Secretary of SECEP, who would chair the Council, the Minister of MIFIC, the Minister of MAGFOR and one other official, possibly the Executive Director of IDR or the Minister of MARENA. From the private sector, the CA would include successful businesspeople with a proven track record in placing the country's development ahead of personal interests. The CA would meet every three months. APRODEN's Executive Director would act as secretary of the CA and participate in meetings with voice but no vote.

The primary functions of the CA would be as follows:

1. **To approve the Annual Operating Plan (*Plan Operativo Annual*, or POA) for submission to donors.** The POA will include projected year-end results, as well as the component activities, programs and projects and the financial resources necessary to achieve those results. It will also include the Memorandums of Understanding (MOUs), including their respective objectives, goals, results and financial support, to be signed with the other GON implementing agencies, and identify action areas where it is expected that other MOUs will be implemented over the course of the year with groups of producers, local authorities in the various territories, and local nongovernmental institutions.
2. **To follow up on APRODEN-financed activities, programs and projects.** At each meeting of the CA, a progress report will be submitted detailing the achievements recorded versus projected results in APRODEN's various spheres of activity. Also to be submitted for the purpose of keeping the CA informed will be a description of any significant implementation problems encountered during the quarter. The CA will either authorize APRODEN to take whatever actions are deemed necessary to solve the problems or define a particular course of action to be followed by the Unit. In this regard, the CA will have the authority to suspend and/or terminate an MOU if it feels that it is not consistent with the objectives, goals and results set forth in the Economic Reactivation and Employment Program, or if for reasons beyond the Unit's control (for example, inefficient or inappropriate use of resources, failure to record concrete achievements) it is felt that it would be more appropriate to suspend or terminate the relationship.

3. **To ensure the proper use of resources.** The CA will also review reports of audits conducted at APRODEN and ensure the transparent use of resources managed by the program during the implementation process.
4. **To appoint key personnel.** In addition, the CA will be authorized to replace APRODEN's Director General for the reasons set forth in the APRODEN Personnel Manual, which will establish grounds for dismissal [of that officer] and procedures to follow with regard to the rest of the staff, with the Director General to be authorized for this purpose. Initially, APRODEN's Director General will be appointed by the GOD [sic], subject to the professional profile included in the APRODEN Personnel Manual, while all other staff members will be chosen by means of open public tender processes by a Personnel Selection Committee to be made up by representatives of SECEP and participating donors.

B. Functions of APRODEN

1. **Separate accounts.** APRODEN will establish and maintain a separate, interest-bearing, non-joint account in the Central Bank of Nicaragua (BCN) into which program resources will be deposited. The name on this separate account will be *Agencia para la Promoción y Desarrollo de Negocios*.
2. **Programming of resources.** APRODEN will be required to program, jointly with participating donors, the use of resources to be made available under bilateral grant agreements aimed at achieving "More Open, Competitive and Expanding Economies" and to be managed by this program, pursuant to the appropriate Program Agreement. This programming must be consistent with the general guidelines set forth in the appropriate grant agreements and the with National Development Plan (PND), in that activities will preferably focus on: (1) improving Nicaragua's business and investment climate, (2) promoting the development of key economic sectors in order to generate employment over the short and medium terms, (3) decreasing investment risk in Nicaragua, and (4) establishing systems to support production and the sustainable use of the environment, [all of which] will make it possible to accelerate Nicaragua's participation in regional markets and take advantage of new opportunities provided by CAFTA. Resource programming may take place by means of strategic alliances to be established with: (1) key government implementing agencies for achieving previously identified goals and results, (2) local agreements with groups of businesses and municipal authorities (through Memorandums of Understanding), (3) MOUs with universities to promote entrepreneurial training, and (4) technical assistance contracts with local and foreign consultants. Programming of the agreed-upon resources will be reflected in the ***Economic Reactivation and Employment Program*** and/or any subsequent amendments, implementation letters mutually agreed upon by the parties, or the Work Plan approved by both parties at the beginning of each year.
3. **Memorandums of Understanding.** APRODEN will organize its support to implementing government agencies and its various beneficiary groups by means of Memorandums of Understanding (MOUs), which may involve financial or in-kind support, or both, based on identified needs and the implementation capacity and financial

controls in place in the institutions involved. The organizations with which APRODEN might negotiate MOUs could include the following: (1) government ministries and agencies (e.g., MIFIC, MAGFOR, MARENA, IDR, Pro-Nicaragua, CEI, INPYME); (2) universities (e.g., UCA, Ave María, etc.); (3) local governments; and (4) associations and groups of businesspeople in sectors identified as priority for employment generation and economic growth. Sectors to be supported by virtue of their considerable potential for employment generation and economic growth will be identified in the ***Economic Reactivation and Employment Program***, which will serve as the basis for determining the outcomes to be obtained as a result of the activities conducted under the program, as well as for programming the appropriate resources, which must be approved by both the GON and participating donors.

Each Memorandum of Understanding will be required to include, among other things, the following:

- objectives and purposes of the agreement;
- results to be obtained and the intermediate results indicators that will support monitoring and follow-up;
- activities to be carried out;
- estimated resources, both in-kind as well as financial, necessary to carry out activities;
- duration of financing and schedule of activities;
- control mechanisms included to ensure transparency in the financial management of resources;
- escape clauses, specifying the conditions under which the agreement may be terminated, as well as nonallowed uses;
- other conditions deemed necessary.

4. **Accounting for the Programming, Generation and Disbursement of Funds.**

APRODEN will install an accounting and internal control system to account for the resources programmed, generated and disbursed under the program, and will maintain accounting records for deposits and disbursements made to and from the program account and other related accounts in the other implementing institutions. Accounting records for the program account will be reconciled monthly with bank statements provided by the bank managing the account. Internal controls will be established at two levels:

First level. APRODEN will ensure that accounting records for the resources programmed, generated and disbursed, as well as those used by recipient organizations and the Unit itself, will reflect at a minimum the following: (a) amount programmed, (b) amount transferred to the separate account of each organization, and (c) amount available for programming in the program account.

Second level. APRODEN will be required to ensure that the other implementing institutions maintain accounting records that at a minimum show the following: (a) amount received, including interest and maintenance of accrued value, (b) expenses incurred, by budget line item, and (c) funds available.

All organizations receiving financial support from APRODEN will be required to observe the following procedures:

- a. Resources received are to be deposited into a separate, interest-bearing, non-joint account. This account will be opened in a private commercial bank.
 - b. Resources will be used to finance only those budget line items, projects or activities authorized in the APRODEN-approved budget and included in the Memorandum of Understanding signed between APRODEN and the recipient institution.
 - c. Recipient implementing organizations will submit to APRODEN certified monthly expense reports evidencing the following:
 - Expenses incurred, by project and by budget line item,
 - Accumulated expenses from the beginning of the project through the reporting date,
 - Available balance in the budget as of the last day of the reporting period,
 - Funds available in the separate account at the conclusion of the reporting period, supported by a copy of the appropriate bank statement.
5. **Reporting.** APRODEN will be responsible for summarizing and consolidating reports received from the various recipient organizations and from its technical assistance departments. The Unit will also be required to submit to the Board of Directors and to donors the following:
- a. Semiannual report showing progress toward attainment of the results, goals and objectives set forth in the Economic Reactivation and Employment Program.
 - b. Quarterly financial reports showing:
 - Total amount allotted to the program;
 - Amount deposited into the program account;
 - Amount programmed and disbursed under APRODEN's technical assistance program, indicating the purpose of the activities financed by such disbursements;
 - Amounts programmed and disbursed to APRODEN's administrative operations account;
 - Amount programmed and disbursed to recipient organizations, indicating the purpose of the activities financed by such disbursements;
 - The actual amount [of expenses] incurred by APRODEN's technical assistance program and recipient organizations and that carry out [garbled: priority?] programs or activities under the program, including APRODEN's operating and administrative expenses;
 - Amount of funds available in APRODEN's accounts and the accounts of recipient organizations; and
 - The amount of interest generated by the resources deposited into the above-mentioned accounts.
6. **Follow-up and evaluation.** Responsibility for follow-up and evaluation will fall to APRODEN. The Unit will be responsible for evaluating and reporting on the technical progress recorded by the various recipient organizations as well as by its own technical

assistance program as regards the results, indicators, goals and objectives set forth in the Economic Reactivation and Employment Program financed by the program. APRODEN will submit follow-up and evaluation reports to the Advisory Council and participating donors. With a view toward ensuring a sound system of evaluation and follow-up, APRODEN will be responsible for the following:

- Establishing a system for tracking the achievements recorded by each participating organization vis-à-vis the technical achievements projected in the MOUs. Information presented in the monthly progress reports and MOUs, as well as information generated by direct periodic measurements conducted by APRODEN, will serve as system input.
- Implementing procedures to ensure the accuracy of the information provided in the quarterly progress reports, for example, by means of field trips, desk reviews, etc.; and
- Ensuring appropriate compliance with auditing requirements and the timely implementation and close-out of any recommendations resulting from such audits.

7. **Program agreement and representation.** APRODEN will be required to ensure compliance with the terms and conditions of the Agreement governing the Economic Reactivation and Employment Program. In addition, APRODEN will represent the GON in all matters involving implementation of the Program Agreement between the GON and participating donors.

C. Role of Donors in the Administration and Implementation of the Agreement

Participating donors will be responsible for the following:

- a. Approving the Economic Reactivation and Employment Program submitted by the GON, which will include the results, goals and objectives to be achieved under the program over the ensuing three-year period, including an illustrative budget for the principal program components.
- b. Approving, jointly with the GON, the Annual Operating Plan submitted by APRODEN identifying the activities, programs and projects to be financed under the program, which will be implemented either by APRODEN or the various participating recipient organizations. The Annual Plan should include the agreements scheduled to be signed with other recipient implementing organizations, as well as the estimated number of MOUs to be signed with producers, organizations and local authorities over the course of the year.
- c. Supervising, through its technical offices, the implementation and follow-up of activities programmed and approved by APRODEN.
- d. Approving the administrative-operating procedures designed to regulate administration of resources earmarked for the program, and approving the format for the Memorandum of Understanding and other institutional agreements to be implemented.
- e. Reviewing and approving APRODEN's annual budget for administrative operations.
- f. Approving terms of reference for all audits.

D. Role of APRODEN

APRODEN will be responsible for the following:

- a. Providing assistance to recipient implementing organizations and to groups of producers and local authorities in developing conceptual budgets for activities to be financed by the Program.
- b. Ensuring, in coordination with participating donors, that the activities and results included in the proposals of recipient organizations and groups are consistent with the objectives, goals and results set forth in the Program.
- c. Establishing a network of external consultants throughout the country who might be eligible to provide short-term technical assistance under the program.
- d. Evaluating the capacity of local nongovernmental organizations to be financed by the program for administering, recording, reporting and controlling assigned resources. In the event that not all of the requisite guarantees for receiving funds under direct financing arrangements are available, APRODEN will provide for only in-kind support—i.e., goods and services—in the corresponding MOU.
- e. Monitoring and evaluating the activities implemented by the recipient organizations and local nongovernmental organizations participating in the program.
- f. Establishing a follow-up system for tracking projected technical progress against actual achievements under each MOU. System records will be based on information contained in approved annual work plans and quarterly progress reports.
- g. Installing procedures to ensure the accuracy of the information provided in the quarterly progress reports (for example, field trips, desk reviews, etc.).
- h. Evaluating the degree of progress recorded under each project, identifying implementation problems and proposing possible solutions.
- i. Submitting to the CA and donor organizations quarterly summaries of the progress reports received from all participating recipient organizations and entities. These reports will contain at a minimum the following: executive summary, charts showing progress vis-à-vis goals, description of the principal problems encountered during the period with proposed solutions, and activities programmed for the following period.