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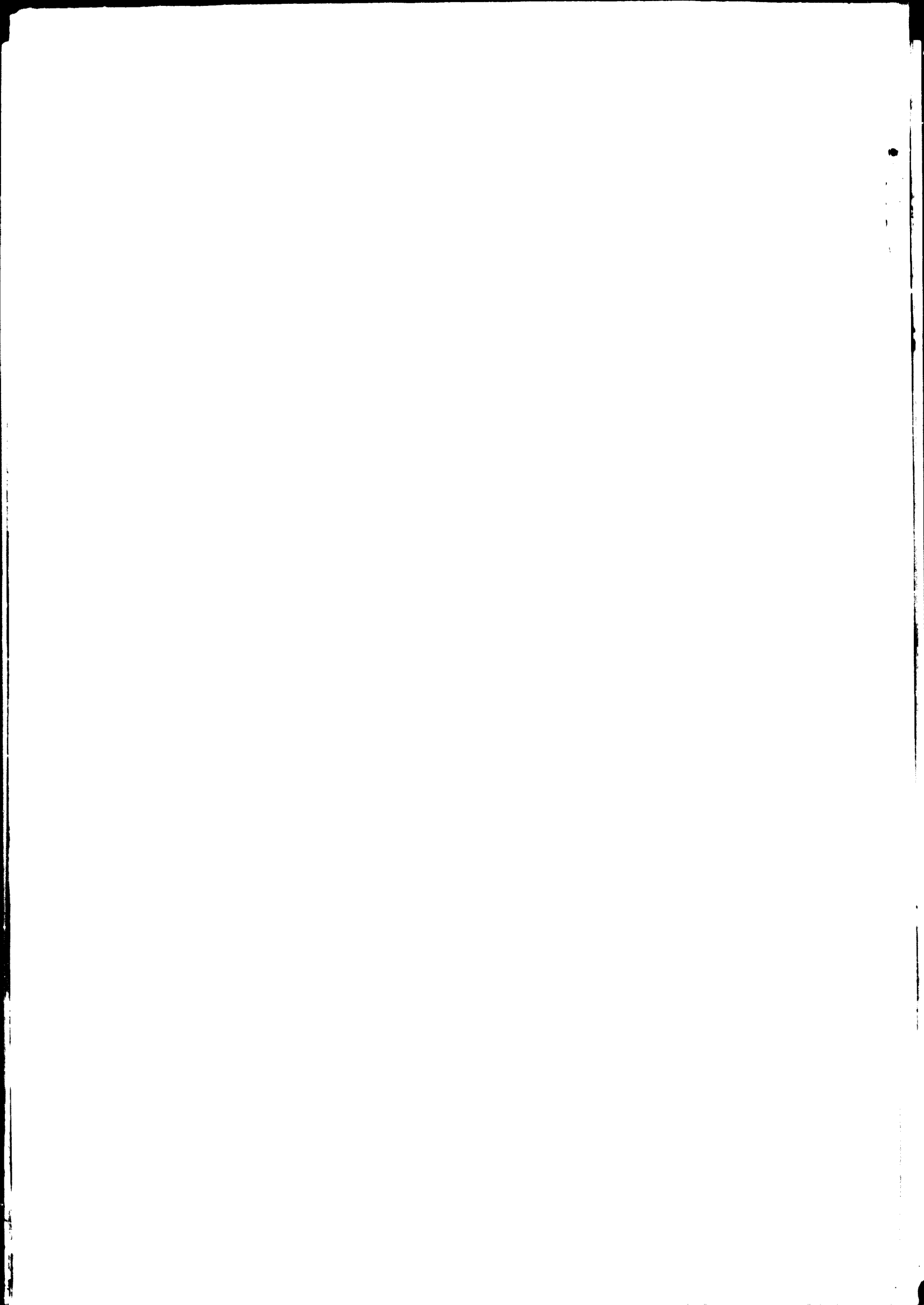
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How Nicaragua's INFONAC Stimulates Development

By Department for Economic Studies, National Development Institute, Managua, Nicaragua

The Nicaraguan Government established the National Development Institute - Instituto de Fomento Nacional (INFONAC) in 1953 to help private enterprise increase, diversify and improve agricultural and industrial production through technical and financial assistance. Today Nicaragua is moving gradually from an essentially agricultural and undeveloped economy to one in which it will be less dependent on imports and better able to take advantage of major opportunities for new sources of income and regular employment of its people.

When the Institute came into being, Nicaragua had no facilities to provide medium- and long-term financing. Almost all banking was oriented toward short-term operations, which were totally ineffective in stimulating new industrial projects. Moreover, the possibilities of obtaining expert technical assistance were extremely limited. Through careful selection of key personnel, employment of foreign technicians and consulting firms when necessary, far-sighted planning and strict adherence to exacting standards, INFONAC has filled these needs.

Consistently, INFONAC has oriented itself toward the local industrial, agricultural, banking and business community, encouraging it to take action in areas of national interest. At the same time, the Institute has carried out specific development programmes involving long-term investment and risk capital which private enterprise normally could not be expected to consider.

To avoid duplication and to use available resources more efficiently, INFONAC co-ordinates its programme for agriculture, livestock, manufacturing, technical assistance and credit with various government agencies and private national associations.

Over-all functions

The law creating INFONAC states that its objectives shall be to augment, diversify and prepare programmes that will increase domestic output of all kinds. A breakdown of its over-all functions follows.

Financing. INFONAC makes loans, generally on a medium- or long-term basis, for assistance to industry, agriculture and livestock production. Though it is not a banking institution in the strictest legal sense, in order to properly carry out its basic purposes, it is authorized and qualified to use those financial mechanisms necessary to achieve them. This includes the right to grant loans, negotiate and obtain loans from foreign sources, guarantee loans granted to domestic enterprises by national or foreign credit institutions, participate in the ownership of enterprises,

attract public savings deposits and buy and sell stocks, bonds and other obligations.

Attracting savings. As Nicaragua's first savings bank, the Institute carries on a vigorous campaign to encourage both individual savings through its savings bank activities and institutional savings through the issue and sale of bonds. It stimulates capital formation by channelling private savings toward productive use.

Technical assistance. INFONAC studies those industries that are economically feasible and evaluates the investment possibilities of specific projects. That is, it provides the producer with financial and technical help; in many cases its assistance covers all phases of a project—from planning to organization and supervision. The Institute provides technical assistance either directly or jointly with other state and private organizations.

Promotion. Generally speaking, the Institute promotes development in two ways: by supporting those enterprises and activities that will lead to the creation of a capital market and by conducting an active campaign to increase the participation of private domestic and foreign capital in the country's industries. It promotes agricultural and livestock production, stimulating diversification and creation of new export markets. It encourages the establishment, development and expansion of those activities and industries which permit the most efficient exploitation of natural resources and contribute to the nation's economic welfare.

Industrial investment promotion

In the promotion of industrial development the Institute took three steps of far-reaching significance. First, it organized a local Office of Industrial Promotion to attract participation of local and foreign private capital. Second, it established a branch of the Promotion Office in the United States of America. Historically, commerce, banking and industry in Nicaragua have been oriented toward the United States of America. It was logical, therefore, that INFONAC would look first in that direction both for strong, experienced partners for local entrepreneurs and for financial backing in its industrial diversification programme. Such a step was unprecedented in that never before had a Central American development bank opened an office in the United States of America.

The Institute also sponsored the organization of the Nicaraguan Investment Corporation. The Corporation's chief goal is to promote investment, under clearly circumscribed conditions, in projects having development significance.

Financial resources

INFONAC's financial resources consist of capital quotas supplied by the Government, funds available through its savings campaign and bond sales and credit obtained abroad for specific projects. In addition, INFONAC has access to the Central Bank's rediscount facilities and receives certain state revenues which the Government assigns to it, such as the tax revenues from commercial fisheries and banana exports. The Government assumes responsibility for any deficit the Institute incurs. (Deficits usually result from the provision of technical assistance.) On 30 July 1967, total resources amounted to the equivalent of \$US 27 197 000.

Projects

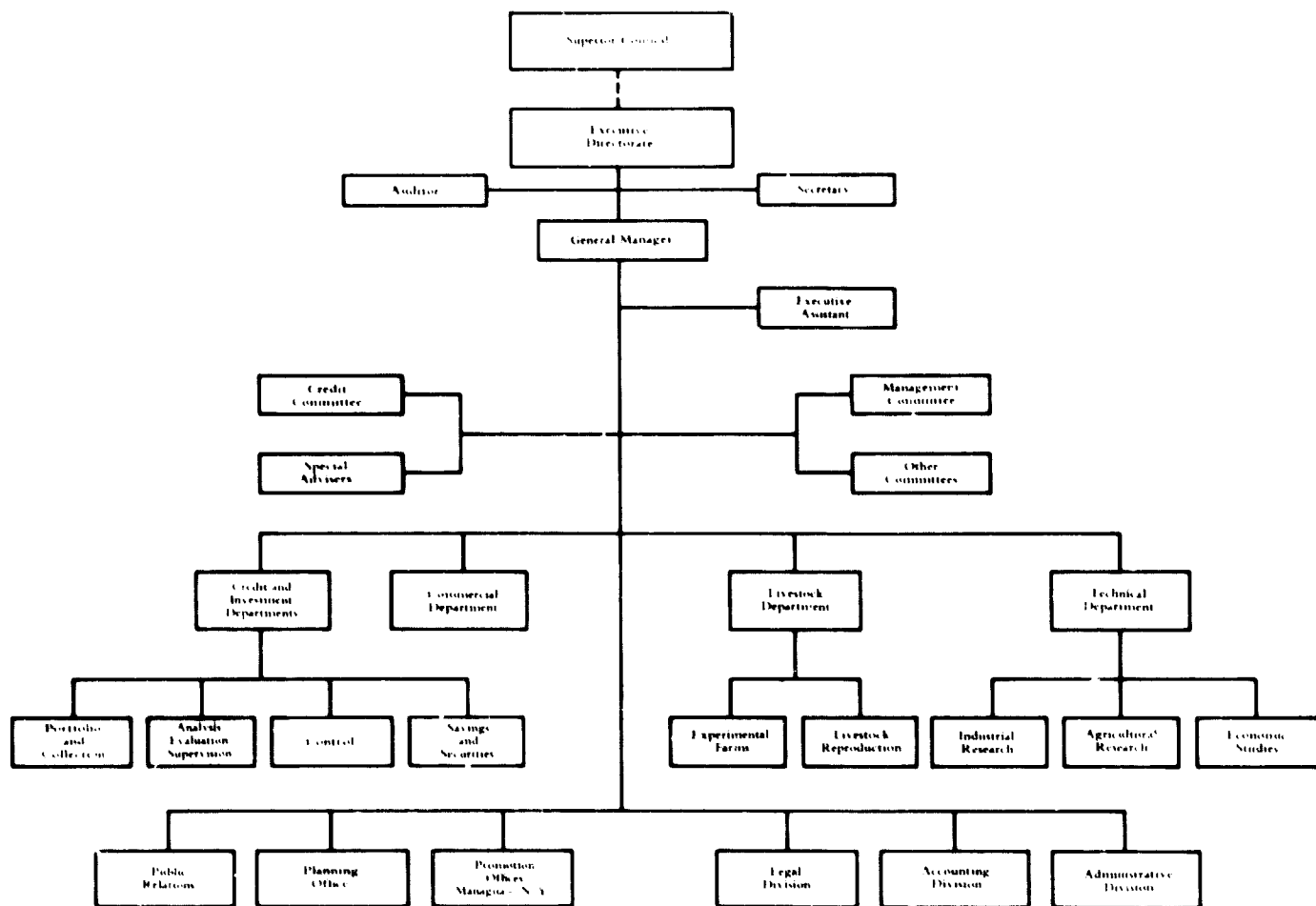
Although the Institute is concerned with both agricultural and livestock diversification, its industry support programme absorbs a higher percentage of its resources.

Support to industry includes the establishment of those industries that will have a wide impact on the economy and for which the private sector has not shown interest. For example, INFONAC has established a modern slaughterhouse and two milk-processing plants, fostered the establishment of and invested in a private development bank and invested in a Sosa-Clorox complex.

For the period 1967-1972, INFONAC plans to develop - with an estimated investment of \$US 63 300 000 - the following: salt, polyethylene, polyvinyl chloride, naphtha cracker, ammonia and urea, textiles, powdered milk, industrial woods, shipyard resins and turpentine.

The Institute's agricultural and diversification programmes are currently concentrated in banana and tobacco projects for the export market. In the near future it plans to develop individual irrigation for plantains, pineapple and vegetables. Livestock diversification includes a well-established cattle programme and new projects such as hog production and horse breeding.

National Development Institute of Nicaragua (INFONAC) Headquarters Organization





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