

To: Alex Dickie, Mission Director USAID Nicaragua
From: Javier Argüello Lacayo, Executive Director FUNIDES
Re: FUNIDES
Date: May 4, 2007
cc: Federico Sacasa, Roberto Salvo, Adolfo Argüello, Frank Arana, Marco Mayorga

FUNIDES remains committed to becoming a respectable public policy think tank with an independent and objective voice capable of producing sound and timely analysis of value to Nicaragua's development. However, there are issues to be resolved in order to have a successful organization:

1. It is essential for FUNIDES to act and be perceived to act as a credible, independent institution, that provides high quality work and policy analysis in support of economic development, democracy and the rule of law in order to become an insightful fountain of challenging, intellectually solid ideas. The purpose and our commitment remain identical and unwavering.
2. Approved funds need to flow if the organization is to exist and produce results.
3. A common understanding on how the organization operates with an expanded and empowered Board of Directors and a core analytical team needs to be reached under the boundaries of the agreement -combination of permanent staff and consultants operating as members of the team.
4. Communication and coordination must improve between USAID and FUNIDES.

FUNIDES has developed a thoughtful strategic plan, relevant to the *current reality and challenges of the country* encompassing: products, initiatives and a holistic (multi-channel) communications strategy while identifying its key "customers". It is important to realize that success requires planning, but the organization is attempting to break new ground in a risky political climate resistant to change which will, therefore, require a dose of trial and error, ensuring flexibility in order to continuously adapt, evolve and improve effectiveness. The economic and political direction has changed in Nicaragua since the agreement was written and the organization must be capable of responding to its environment if it is to be of relevant and productive to its society. Within the context of this change, it is increasingly important to provide continuous, reliable information and analysis to the broad public. FUNIDES must be agile if it is to thrive, detailed centralized planning would be counter-productive.

Board of Directors

Stewardship

- An expanded board of respected and committed citizens is critical if the organization is going to be taken seriously by Nicaraguan society. The current Board carefully evaluated an extensive list of over 90 candidates, identifying 12. These candidates have accepted the invitation and are eager to join, granted they are permitted to provide stewardship to an independent organization.
- Members of the Board of Directors must have a track record of supporting the organization, committed to the ideals, willing to invest their time, with little public baggage and a good deal of proven ability to bring prestige, respect, and valued guidance to the organization.
- Incorporating capable and committed individuals requires their ability to influence the content of its products, as well as the activities and direction of the organization –so they can partake in important decisions.
- FUNIDES is committed to producing a minimum set of products; however its content and dissemination strategy must be capable of evolving if it is to be effective.
- The Board is ultimately responsible and accountable for the success of the organization; therefore selection of key personnel is their direct responsibility –doing so professionally is in their best interest, including open and transparent hiring practices consistent with donor requirements.

- Additional opportunities to engage individuals from a broad base of participants in the organization will become available through the formation of commissions (Economic, Social, Institutional) to support research and publications as well as through the executive advisory committee.

Staff

Core Analytics Team

- Sound analysis to support the private sector has always been scarce, while access to reliable information is dissipating quickly, increasing the need for reliable economic and policy analysis and proposals.
- A small core team is required to ensure the organization can produce constantly and of consistently high quality, respond rapidly and effectively to economic and policy developments and select appropriate consultants and monitor and evaluate their work.
- FUNIDES can not operate as a virtual think-tank, composed of project-based consultants, which is operationally inefficient, more expensive and yield inconsistent output, particularly with its ongoing analysis and publications (specifically, quarterly economic analysis and topic briefings). A core staff is needed to ensure a cohesive institutional voice, strategic direction and consistent analysis. An approach based solely on part time consultants would not achieve these objectives. FUNIDES is interested in achieving the goals it has presented and can't afford to over-commit and under-deliver -sacrificing productivity with full accountability. Short-term contracts lead to short-term commitments and little accountability, repeating a proven cycle afflicting the country of repetitive studies with little follow-through and fewer results.
- The original proposal foresaw a think-tank with one economist and a team managing encuentros. To remedy this imbalance, the organization will establish consulting contracts to complete its *core team* with economists (4), institutional / legal advisor (2), a public policy expert (1) and Interns (2). This is the bare minimum the organization can operate with.
- A team of qualified local candidates as well as international experts will be identified for shorter term assignments as project-specific consultants (i.e. to formulate specific proposals on issues such as: Energy, Competitiveness, Poverty, etc.).
- The use of consultants does not entail financial obligations beyond the term of the contract and included in the approved budget is a provision for hired staff, which ensures the organization does not accumulate financial obligations upon the completion of contracts or reduction of personnel.

Communication

Holistic

- Sound objective and independent analysis will always precede externalizing opinions –therefore FUNIDES should not vocalize more than it can analyze.
- A four-pronged strategy has been developed in order to ensure comprehensive communication to both, shape public opinion and influence public policies:
 - Inform decision makers directly (one-on-one with congress, government officials and international community)
 - React through alliances with private sector associations and civil society NGO's as a provider of reliable information to an ample network.
 - Shape public opinion and build consciousness through: Encuentros, traditional media, and the Internet (customizing message in accordance to target segments).
 - Build and sustain strong relationships with the media.
- Encuentros are an important channel, however they are costly and provide very limited scale and therefore can't be relied upon as the single channel for dissemination. We anticipate requiring less than 50% of this expense category, while maintaining its effectiveness.

Funding

Results

- To date, 30% of the cooperative agreement period has elapsed and a little over 3% of the budget has been allocated to FUNIDES (primarily to set-up the FUNIDES office). However, approved funds must become available for the organization in order to achieve results.
- FUNIDES understands that initiatives must have expected results, however not every activity is independent, many are inter-dependent to ensure a broader result (i.e. surveys are part of the inputs for the analysis and proposals, which are the final output). An activity is often an ingredient within a recipe.
- Upon formally establishing the organization, seeking additional sources of funding will become a priority, which will be facilitated through quality products, proven results and credibility. FUNIDES will seek other international donors as well as local private sector funding.
- After a careful evaluation of the budget and organizational objectives, FUNIDES feels that the approved cooperative agreement would provide ample financial support to achieve the proposed activities and results.

Donor Branding

Mutually Ineffective

- Despite the initial and future sources of funding, FUNIDES must demonstrate that its intellectual output is objective and independent.
- If the organization is to produce independent analysis and proposals, branding them with the USAID logo will undermine its effectiveness both for USAID and FUNIDES.
- Private recognition is clearly due and appropriate.

Role of CCAA

Facilitators

- An agreement between CCAA – FUNIDES needs to be established in order to clarify the roles. FUNIDES understands the relationship to encompass the following:
 - CCAA is to provide administrative support to help comply with USAID requirements and ensure a smooth operation –as well as to help FUNIDES build a track record for potential direct funding in the future, from a diversified portfolio of donors.
 - FUNIDES is a project for CCAA. Nicaraguans feel FUNIDES is a local initiative supported by USAID through CCAA. Their relationship and role needs to be clearly defined to ensure the “project” becomes a successful local organization that meets its objectives.
 - CCAA is meant to provide *administrative support to ensure processes are followed and facilitate the flow of funds* to implement the decisions made by the Board within the scope of the approved agreement.
 - CCAA support is complementary to the organizations decisions, which are undertaken by the FUNIDES Board of Directors.
 - FUNIDES should be included in the meetings with USAID to ensure fluid communications.

FUNIDES is committed to its mission, cognizant of the urgency to produce results and recognizes the importance of receiving support for this initiative. FUNIDES and its Board of Directors are very grateful for USAID’s assistance but as noted believes the issues discussed above need to be solved quickly if Funides is to achieve its objective of becoming a credible public-policy think tank. We take the responsible usage of these funds provided by the American People very seriously. As stated in previous meetings, FUNIDES does not wish to prevent the usage of the allocated funds for other purposes if the donor has different views.

FUNIDES