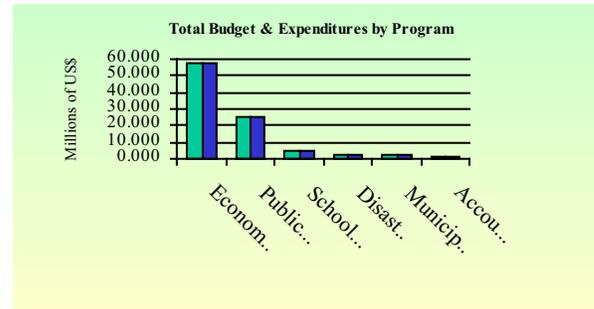
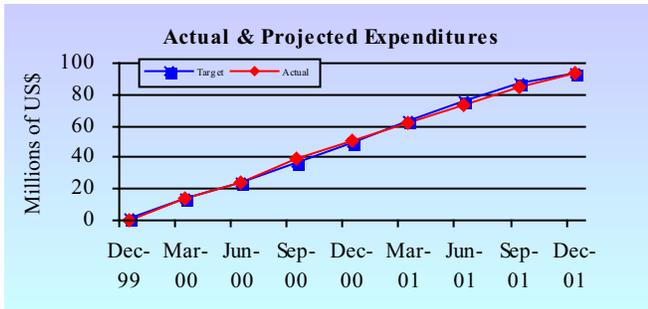


USAID Nicaragua Supplemental Reconstruction Programs Response to Hurricane Mitch, October 1998 Status as of December 31, 2001

MAY 1999 SUPPLEMENTAL RECONSTRUCTION FUNDS (CACEDRF)	TOTAL BUDGET \$94,108,000	OBLIGATIONS \$94,108,000	COMMITMENTS \$94,045,895	EXPENDITURES \$93,412,247
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Impact of Hurricane Mitch

Hurricane Mitch was the worst natural disaster in Nicaragua's history. Over 3,000 people lost their lives, with the most tragic loss occurring at Posoltega where some 2,000 died in one huge landslide. Eighteen percent of the total population, 870,000 people, were affected by the storm.

The productive sector was hit particularly hard. An estimated 11,550 hectares of agricultural land were destroyed. Another 308,000 hectares (25% of the country's total cropland) were seriously damaged. Potable water and wastewater systems serving 804,000 people suffered over \$560 million worth of damage. Ninety health centers and more than 400 health posts were damaged. Over 500 primary schools were damaged structurally. Total damages are estimated at U.S. \$1.5 billion – 70 percent of Nicaragua's 1998 Gross Domestic Product.

Initial USAID Response

Immediately after the hurricane struck, the United States provided nearly \$22 million in emergency humanitarian and food assistance. USAID reallocated an additional

\$8 million to jump-start reconstruction activities in the public health, agriculture and micro-finance areas prior to the passage of the Supplemental Reconstruction funds in May 1999.

Program summary

A completed program

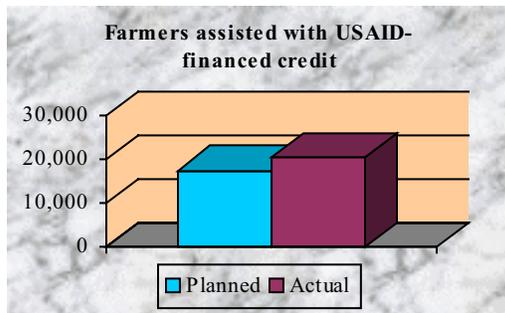
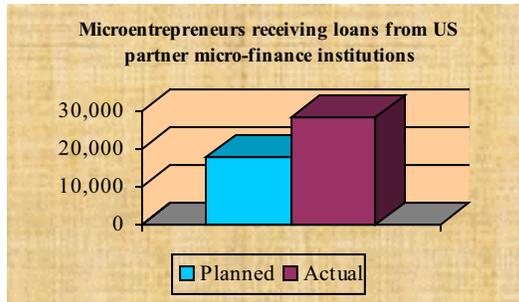
USAID has implemented the Reconstruction Program as planned and on schedule. Despite the many challenges of doing rural reconstruction in Nicaragua, the program has surpassed most of its targets with an efficient use of budgeted funds. The key accomplishments for the Reconstruction Program are:

- With 99.2% of budgeted funds expended, all programmed projects and activities were implemented on time with high quality standards.
- A transparent and accountable use of all the reconstruction funds confirmed by careful and continuous monitoring including more than 75 audits. IG and GAO evaluations, resulted in no outstanding recommendations at the end of the program.

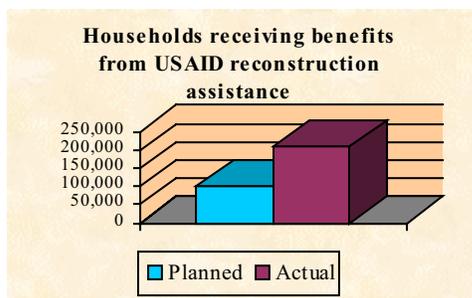
- A broad-based implementation of the program in rural areas, which benefited most of the municipalities in the departments affected by Hurricane Mitch.

The Programs included:

Economic Reactivation



- Almost 210,000 households benefited from Mitch assistance -- more than twice the target. Of these, over 49,000 households participated in food-for-work or cash-for-work programs, primarily for road rehabilitation, and 70,500 households incorporated environmentally sustainable agricultural practices on their farms.

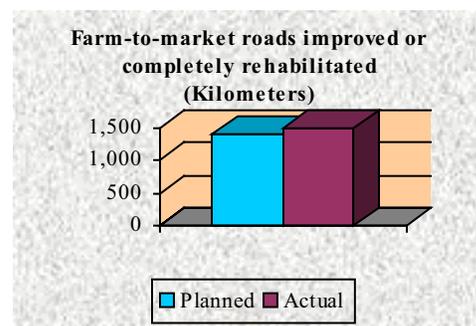


- Nearly 14,000 hectares of watersheds have been protected with stabilization efforts, exceeding the target of 8,000 hectares. In addition, 1,500 hectares of Mitch-damaged cropland were reclaimed.

- The six NGOs involved in micro-lending under the Mitch Program lent over \$9.6 million of reconstruction funds and loan reflows to 28,409 micro-entrepreneurs. Almost 75 percent of the recipients were women. In addition, over \$9.1 million has been lent through private voluntary organizations to 20,552 agricultural producers.

- More than 1,500 kilometers of roads have been improved or rehabilitated by CARE, the Adventist Development Relief Agency, Save the Children, Project Concern International, and World Relief. The road rehabilitation program benefited over 51,000 families living in 980 communities and opened up access to another 2,200 kilometers of roads cut off from the nation's network of roads.

- Residents of remote mountainous communities have been trained to repair tertiary roads themselves, increasing their self-reliance and resilience in the face of natural disasters.



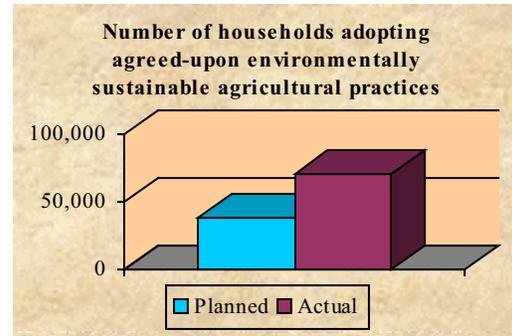
- During this quarter, World Relief support enabled local farmers to plant 400 manzanas of a well-adapted hybrid corn in humid areas of northern Nicaragua. The hybrid produced more

than three times the yield of local varieties, generating a fivefold increase in net incomes.

- 360 farmers in Nueva Segovia tripled bean yields with the use of improved varieties, soil inoculation, and small amounts of fertilizer.



- The design and construction of five portable mini-dams has demonstrated an innovative approach to irrigating vegetables and fruit trees. These temporary dams are set up during the dry season, and removed prior to the rainy season. These cheap and easy-to-install dams enable dry-land farmers to use water from streams previously too unreliable for agricultural purposes.
- The Mitch-funded agricultural policy project (PROVIA), working together with sixty-two producers from all major agricultural sectors in Nicaragua outlined a agricultural strategy for the GON covering agricultural technology, rural finance, trade policy, land markets, and the forestry sector. PROVIA also prepared studies of the tax structure and its implications for agricultural development. These are being used as basic working documents by the new Economic Cabinet.



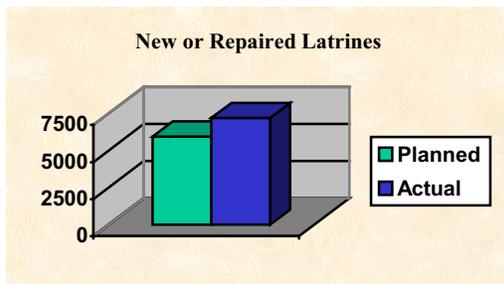
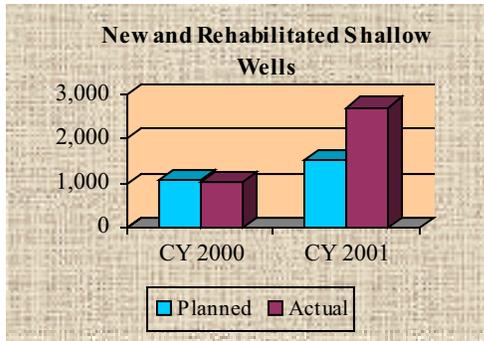
Public Health

This component improved the health of families in Mitch-affected communities by increasing access to health services and rehabilitating or installing rural water and sanitation systems. Working in collaboration with the Nicaraguan Ministry of Health and the national water authority, ENACAL, USAID far exceeded even the new second year targets -- raised after our successes in the first year -- for the construction and rehabilitation of wells and latrines.

In addition, the USAID Environmental Health Project provided 40 remote health posts in rural Matagalpa and Jinotega with new or improved access to water and sanitation facilities. The project included the formation and training of community based water committees to ensure adequate maintenance and administration of the infrastructure, and provided health and hygiene education to improve family health habits related to water and sanitation. In total, the project attended the need for water and sanitation in 250 rural communities and benefited approximately 200,000 persons affected by Hurricane Mitch. The following charts reflect the targets and results for water and sanitation infrastructure at the completion of the project.

Environmental Health:

- Built or rehabilitated a total of 2,700 hand-dug and 300 deep drilled wells.
- Built a total of 7,200 latrines.
- Completed 830 wastewater collection pits and small environmental projects.



Health Center and Post Rehabilitation:
Key activities included:

- 50 Health units constructed or rehabilitated.
- Medical and laboratory equipment and furnishings provided to 60 rural health facilities;
- 220 radios and six repeater stations installed at 150 health posts;
- Communities trained in the use of 40,000 domestic water filters; and
- Communities trained in the use of 12,000 pesticide impregnated bed nets.

The NicaSalud Network of 20 PVOs and NGOs, in coordination with the Ministry of Health, distributed medical supplies and equipment for health posts, surgical tools and other supplies and materials for improving maternal and childcare. They provided community and household level health education for more than 420,000 women, three-quarters of whom are of reproductive age.

NicaSalud established a uniform monitoring and evaluation system that showed the following changes:

- Mothers who received at least one pre-natal checkup increased from 46% to 61%.
- Mothers who received iron daily during pregnancy increased from 71% to 86%
- Births attended by trained personnel increased from 57 to 75%
- Exclusive breastfeeding during the first six months increased from 63% to 77%
- Complete vaccination coverage for infants under six months increased from 71% to 82%

In December 2001, the National Assembly of Nicaragua formally recognized NicaSalud as a legally registered Nicaraguan non-governmental federation. This legal recognition will permit it to function as an independent entity receiving funding from other donors. NicaSalud is now a sustainable development organization that will live beyond the USAID Hurricane Mitch program.

The Franchised Clinic Network Project improved the health status of Mitch-affected families and increased access to health services in Mitch-affected areas. The model has increased private sector participation in delivering essential health services.

The project achieved these goals through the creation of a franchised, and largely self-financing network of six private sector clinics. These state-of-the-art clinics provide high quality, low cost preventive and curative care to approximately 250,000 lower to middle income Nicaraguans. PROFAMILIA now manages the network of clinics, and has instituted quality control systems to ensure high quality of care in the clinics.

A staff of 75 has provided services to 17,000 clients in six municipalities. Services include curative and preventive care, ranging from free services: prenatal visits, preventive dental care, immunizations, oral rehydration therapy, malaria treatment, and TB treatment, to paid services: specialized

medical visits, laboratory services, deliveries, family planning, and emergency services.

This “one stop shop” approach to health care has proven to be marketable in Nicaragua. The network is 72% sustainable after less than one year. PROFAMILIA has already converted one of its clinics to the franchise system, and it plans on converting the remaining 11 clinics as well.

School Rehabilitation

USAID provided basic school supplies, instructional materials, classroom equipment, and sports equipment to 220 schools. The assistance also included: 5,500 pieces of classroom furniture, constructed with community participation; 20 school repairs, also in collaboration with communities; new/repared wells and latrines at 150 schools; and psychological recovery assistance for teachers and children in two communities severely affected by Mitch.

- The last delivery included erasable writing boards for students. The specially-designed boards can be written on with a No. 2 pencil, erased with a plastic foam eraser, and re-used indefinitely. The boards provide schools with sturdy, ecologically friendly and sustainable equipment to use in place of conventional notebooks.
- A Nicaraguan NGO provided psychological recovery training for 390 teachers, principals, and local education officials. Of these, USAID awarded certificates to 290 participants who completed all aspects of the training in helping students recover from stress- and trauma-related personal and emotional problems. The services, scheduled to end in September, were extended two months at the request of teachers, students, and community members. Vocational training and after-school alternatives were also extended

through November for 220 at-risk students in the Nueva Vida school.

- Because field monitoring data indicated that a large percentage of teachers did not know how to make the best use of the USAID donation, 925 teachers from ERC beneficiary schools were trained in the use/management of the donated learning materials, equipment and supplies. Teachers were trained in how to create materials to enrich learning activities and how to make maximum use of classroom materials (e.g. maps, globes, human anatomy and science posters, reference books, dictionaries, mathematics learning games). As a result of this training, teachers and their 25,000 students will now receive the maximum learning benefits from USAID’s Mitch donation.
- Community members worked with local sub-contractors to build classroom furniture to replace furniture destroyed by flooding. 5,500 units (desks and chairs) have been completed and delivered to 69 of 70 beneficiary schools. 2,785 teachers and students in the Rio Coco region will benefit.
- Construction work on water and sanitation installations continued through much of December. 12,000 students and 350 teachers will benefit from these facilities. Structures include 40 drilled wells completed. In addition, 18 existing wells were repaired, 8 wells were excavated in the Rio Coco region, and 75 rope-operated hand pumps were installed.



- 270 dry-pit latrines were constructed and 50 existing latrines repaired. This component suffered delays caused by heavy rains, difficult terrain and security problems at Rio Coco schools; slow turn-around times by local laboratories conducting water purity tests; and 75 rope-operated hand pumps were installed. bankruptcy by one of the local sub-contractors, leaving construction incomplete at several schools.

Disaster Mitigation

The Mitch-funded disaster mitigation program encompassed both disaster prevention and mitigation, including construction of drainage and flood control structures, clearing waterways, and soil conservation activities in areas that are prone to flooding, landslides, or other natural disasters. US agencies involved included USAID, the National Oceanic and Atmospheric Administration (NOAA), the United States Geological Survey (USGS), the Federal Emergency Management Agency (FEMA), the United States Army Corps of Engineers (USACE), and the United States Department of Agriculture (USDA). The USAID program reduced vulnerability to flooding and other natural disasters at 130 sites -- and provided training in disaster preparedness to 265 communities, benefiting more than 20,000 households.

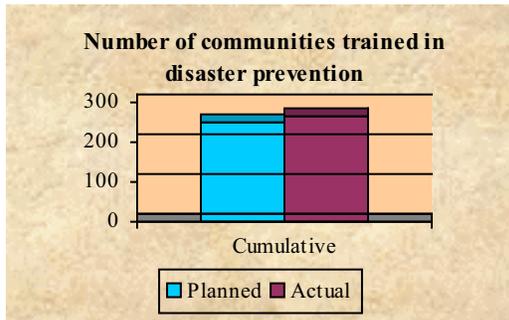
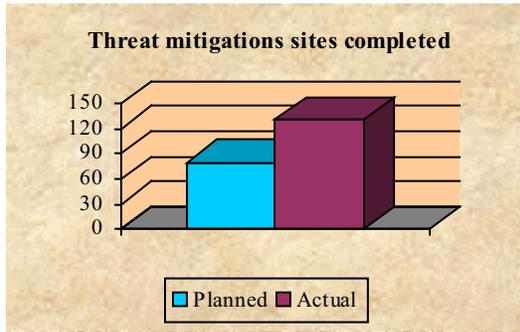


The USDA provided \$750,000 to the Union of Agricultural Producers of Nicaragua (UPANIC) to finance small-scale rehabilitation activities at 130 locations.. The activities, which were carried out by 24 subgrantees, included clearing and stabilizing of stream channels, reforestation, and recovery of agricultural land -- and benefited 12,500 households. For example:

- An NGO on the Atlantic Coast used a \$47,000 USDA/UPANIC grant to rehabilitate agricultural land along the banks of the Rio Coco, constructing nearly 6,000 meters of terraces, reforesting 170 acres with nearly 100,000 forest and fruit trees, and establishing 25 acres of grass to stabilize slopes and gullies. This project benefited 720 families in ten communities along the river.
- An NGO in Chinandega used a \$48,000 USDA/UPANIC grant to construct three small "box" bridges and rehabilitate six stream channels in the Estero Real watershed, benefiting 1,920 families.
- The Club of Young Environmentalists in Matagalpa used a \$43,700 USDA/UPANIC grant to repair drainage channels and install footbridges in Matagalpa, benefiting 1,000 families.
- POLDES, an NGO based in Nueva Segovia, used a \$54,000 USDA/UPANIC grant to construct three large "shoal" bridges in the Rio Coco watershed, repairing damage caused by Hurricane Mitch and improving the drainage of the channels. This project benefited 1,500 families.
- The USDA Program also provided \$1 million to finance larger activities at six sites, carried out by the Fondo de Inversion Social de Emergencia (FISE), a Nicaraguan municipal development

organization. These projects included construction of dikes to prevent the flooding of a regional hospital at La Trinidad, construction of a bridge at El Hatillo, and stream bank stabilization to prevent flooding.

- storm drainage systems in the municipalities of Quezalguaque and Estelí,
- street paving in the municipalities of Palacaguina , El Tuma-La Dalia, and Tipitapa, and
- reconstruction of a river deck and platform in the municipality of Wiwilí.



Transparency and Accountability

USAID has obligated and disbursed \$1 million to support the Inter-American Development Bank (IDB) project to establish systems to increase efficiency and transparency in the Government of Nicaragua's public procurement system. USAID's contribution supports the establishment of an Inspectorate to monitor all procurement and contracting actions by the GON regardless of the source of funding.

Municipal Restoration

The role of local governments in reconstruction will be strengthened by USAID's preference to channel funds through local governments. Eleven projects have been completed. (The target of 20 was not met because local construction firms were unable to meet USAID quality standards in a timely fashion.)

Program Monitoring and Management

Private audit firms and the Defense Contract Audit Agency have completed sixty-seven audits, with only one material finding with a total value of \$2,658 of questionable costs.

The completed projects include:

- repair of the Posoltega dike,
- construction of a containment wall in Matagalpa to control flooding by the Rio Grande River,
- construction of storm drains for a 20-block area in the city of Leon,
- construction of rural roads in the municipalities of Yalagüina and San Lucas.

Certified, Improved Seeds Increase Yields for Farmers

Guadalupe Abajo, Nicaragua—While many of his neighbors lost their bean crops from drought at the beginning of the 2001 planting season, Mario Lopez stood proudly, nearly knee high in bean plants, surveying his flourishing crop. Lopez is one of 30 farmers in this rural community who participated in a USAID-financed program to produce certified seed.

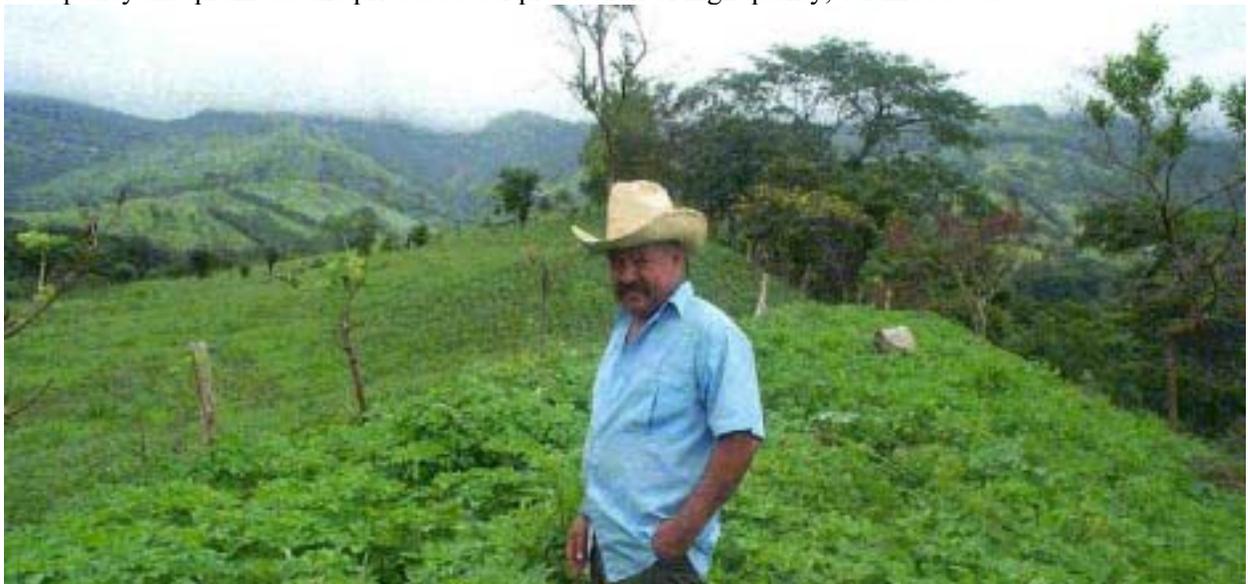
The \$625,000 Seed Improvement Project, known by its Spanish acronym, PROMESA, promoted the planting of improved, certified seeds to increase yields. Under the program, hundreds of seed producers in Nicaragua's northern departments produced certified seed of improved varieties on more than 1,700 acres of farmland in the year 2000. Producers using the more drought and disease resistant seeds have been able, in many cases to triple yields.

On her small one and a half acre plot, Thelma Bendaña harvested 17 hundred-weights of beans under drought conditions after planting certified seeds. Before, even under the most favorable conditions, the most she could expect from a harvest was five hundred-weights of beans

“We had a great harvest. These beans are a thousand times better than what we were planting before,” said Bendaña.

Mario Lopez's farm is one of the best examples in Guadalupe Abajo of the benefits of planting certified seeds. Lopez has been able to recover his losses from Hurricane Mitch and the profits from sales allowed him to fix his house and help put four children (at the same time) through college.

Although some aspects of the PROMESA project under USAID's Hurricane Mitch Reconstruction Program ended December 31, 2001, the program left behind the beginnings of a national seed policy that promotes the private sector production of high quality, certified seeds.



Wiwili Profile

The mountain town of Wiwili, located on the Coco River 270 km north of Managua, was severely damaged by Hurricane Mitch in October 1998. More than 600 homes were destroyed when the Coco River rose nearly 100 feet above its banks. The water covered the town's hospital, destroyed schools and washed away crops. Several days later, 500 bodies, carried downstream by the river's currents, floated in front of the devastated community.

Now, a little over three years after the disaster, the town shows signs of recovery. Boats from upriver communities land at a new dock to unload sacks of coffee and other products on their way to market while passengers wait to board the small outboard motor crafts that serve as the main form of transportation along the river. A new hospital will soon open its doors to the public; and crops once again cover the land.

Many of these activities received assistance from USAID. The new dock, financed by USAID, provides indigenous communities located along the Coco River a way to bring products to market and to receive provisions. The concrete mooring area and paved access road facilitates loading and unloading, which has increased commerce in the community.

Immediately after the destruction by Hurricane Mitch, U.S. Army troops built a temporary medical facility with a 30-bed capacity. The Nicaraguan government has since built a permanent new medical center. USAID funded the water and sanitation system for the new facilities and built housing for medical staff. In addition, USAID repaired three other health posts in the municipality of Wiwili and constructed medical staff housing in four outlying communities. All the facilities received medical equipment to provide basic maternal and child health care services. Furthermore, in cooperation with the U.S. Army, USAID's PROSALUD project facilitated the donation of hospital equipment that will permit the new hospital in Wiwili to open. USAID also provided radio communication systems for all the health facilities and solar energy systems in all the staff housing and health posts to guarantee a source of energy 24 hours a day.

Approximately 3,300 households in the Wiwili area are receiving assistance through a USAID-funded World Relief agricultural project. The agricultural resource center set up by the program in the community of Cruz Laguna in Wiwili promotes higher-value alternative crops. The 57-acre testing farm grows more than 38,000 plants of a wide variety including cinnamon, macadamia nuts, pepper, avocado, passion fruit and other exotic fruits. The site also tests new varieties of plantains and bananas that will give producers higher yields and promotes the use of improved, certified seeds.

Ivania Morán, one of the participants in the World Relief project, more than doubled her corn yield by using improved seed. Morán, a mother of two, has diversified her crops by planting cinnamon and rambutan fruit, plants that she obtained through the USAID-financed agricultural resource center.

