

HURRICANE MITCH RECONSTRUCTION: USAID/NICARAGUA SPECIAL OBJECTIVE

I. SUMMARY

The Special Objective and Results Package

USAID/Nicaragua's post-hurricane reconstruction plan is captured in its Special Objective (SpO) *Rapid Reconstruction and Sustainable Recovery in Mitch-Affected Areas*. Reconstruction activities will focus on five principal sectors: public health; economic reactivation; disaster mitigation and environmental planning; schools; and local governments. The geographic focus is Nicaragua's north and northwestern departments, and along the Rio Coco in the Atlantic region. The specific intermediate results (IRs) proposed for the SpO are:

- Health status of Mitch-affected families maintained or improved
- Economic livelihood of farmers, micro-entrepreneurs, and laborers in Mitch-affected areas restored
- Vulnerability to flooding and other natural disasters mitigated
- Conditions restored for primary school students to learn
- Basic infrastructure in selected Mitch-affected municipalities repaired

In addition to these IRs, the Mission seeks to achieve one crosscutting intermediate result:

- Donor funds channeled through the Government of Nicaragua (GON) managed honestly and effectively

Continuous oversight is basic to assuring transparency and accountability in reconstruction activities. To that end, funds are earmarked under the SpO to strengthen mechanisms to monitor incoming resources and their proper use within the reconstruction context. Further, to foster greater community participation across sectors during reconstruction, the design of the SpO activities encourages decentralization and favors delivery mechanisms at the community level.

Implementation of the proposed two-year reconstruction program will require approximately \$94 million. The funding needed to achieve the SpO is dependent on the provision of supplemental funds from the U.S. Congress, which have not yet been appropriated. Other donors are expected to provide approximately \$910 million in loan and grant funds.

Section II of this document briefly summarizes more detailed reports available to USAID/W on the extent of Hurricane Mitch damages and the impact on various sectors. Section III presents the analytical basis for the SpO, a summary of the expected results of USAID programs, and performance indicators. Section IV details the Mission's proposed activities, implementation mechanisms, expected achievements, critical assumptions necessary to the success of each IR, and linkages with other USG agencies, donor and GON efforts. Section V discusses customers

and partners, environmental considerations, procurement issues, obligation mechanisms, and performance monitoring.

II. HURRICANE DAMAGES AND SECTORIAL IMPACT

The Context

Detailed damage assessments compiled by CEPAL, the U.S. Army Engineers, UNDP, and the GON are available in the Latin America and Caribbean Bureau. The purpose here is to set the context for the reconstruction program by presenting a brief summary and update on those reports.

Hurricane Mitch was the worst natural disaster in two centuries to hit the region. The fury of the storm poured out record levels of rain on Central America causing widespread flooding and landslides. Nicaragua had been making considerable economic progress and important democratic measures were being implemented prior to the storm. GDP was increasing, and inflation holding steady. Nicaragua was in strict compliance with its Economic Structural Adjustment Facility and moving toward qualifying for the Highly Indebted Poor Countries (HIPC) program which would bring needed debt relief. Then, in the space of a few days, Mitch wrought havoc on the country.

The areas affected most by Mitch, located in the north and northwest part of the country, coincide with the poorest regions of Nicaragua. The Atlantic region, with its large indigenous population, suffered flood damage along the Rio Coco and its tributaries.

Over 3,000 people lost their lives with the most tragic loss occurring at Posoltega where some 2,000 died in one huge landslide. The transportation sector was knocked out of operation with extensive damage to roads and bridges. A large part of the population had no potable water and storm sewers were not able to handle the volume of runoff. Hundreds of schools were damaged and many that survived became temporary shelters for Mitch-affected families who had lost their homes and livelihoods. More than 20,000 family homes were damaged or totally destroyed.

The small farmer, the future of Nicaragua, suffered greatly. More than 25% of the country's cropland was damaged and eroded by the flooding. Despite the serious 1997-98 El Niño drought, Nicaragua's agriculture sector had been performing well. A growth rate of 9% had been predicted for the sector for 1998, exceeding the 8.5% rate of 1997. However, as a result of Mitch, the agricultural growth rate only reached slightly over 4% for the year.

Impact on Social Sector

Public Health

A total of 102 hospitals, health centers, and health posts--representing 12 percent of the primary service network--were affected by Mitch. The cost of these and other health-related damages are estimated at \$35.4 million. Mitch also destroyed or damaged water and wastewater systems, including pumping stations and pipes, that served an estimated 804,000 people. The estimated loss in this area alone was \$564 million.

Hurricane Mitch ruptured a fragile epidemiological structure, putting at greater risk those already most susceptible to disease: the poor and malnourished; those without access to basic health services; families that lack safe water supplies, sanitation and garbage collection; and those living in deforested areas. Others with marginal services joined the high-risk groups when their wells and water supplies were contaminated and latrines destroyed.

Nicaraguans' health suffered markedly during the emergency. The Ministry of Health recorded 73,846 cases of acute respiratory infection, 23,812 cases of acute diarrhea, 1,009 cases of malaria, 938 cases of dengue, 554 cases of leptospirosis and 428 cases of cholera in the months following Mitch. Although serious food shortages and outbreaks of disease were avoided, risks of further deterioration in health remain high, particularly as we enter the rainy season in May.

Conditions are present for dangerous increases in diarrhea and other gastroenteric diseases, hepatitis A, parasitic diseases, acute respiratory infections, skin infections, conjunctivitis, vector-transmitted diseases and meningitis. International and Ministry epidemiologists predict an increase over the short term in four diseases -- dengue, cholera, malaria and leptospirosis -- that could become epidemic, unless dramatic steps are taken to control their transmission.

Education

The impact of Hurricane Mitch on the primary education sector has been considerable, spanning 64 rural municipalities in northern and northwestern Nicaragua. The Ministry of Education, Culture and Sports (MECD) reports that 1140 classrooms (approximately 380 schools) were damaged and 682 classrooms (227 schools) were destroyed by Mitch. Nearly 300,000 textbooks and 80,000 chairs were lost, and many rural teachers are trying to survive without housing.

Given the damage to infrastructure, there are currently 600 temporary classrooms meeting under trees, plastic sheeting, tents, etc. with almost no school supplies or teaching materials. Overall, nearly 400,000 primary school students--comprising almost half of the total primary school population--have been affected.

Impact on Economic Sector

Rural Infrastructure

Mitch destroyed 71 major bridges and damaged 70 percent of the nation's primary and secondary roads. In addition, some 7,300 kilometers of tertiary access roads and upwards of 300 minor bridges (less than 10 meters in length) need repair. These repairs will include road resurfacing, the repair of small earth/stone bridges and fords, the clearing, repair or construction of culverts and drainage channels, and the construction of retention walls and embankments. Even where roads and bridges have been repaired, there remains a risk that they will be damaged again. Nicaragua has not been sufficient time and resources to complete the daunting task of stabilizing soils, cleaning the silt and debris out of waterways, or reconstructing river channels required to reduce the risks of extensive flooding and erosion.

Agriculture

Hurricane Mitch hit at the worst time for Nicaragua's agriculture -- just as the country was about to harvest the second and largest planting (the *Postrera*), and just before the third planting season

for basic grains (the *Apante*) which begins in November and runs through February. Mitch caused extensive crop losses in the north and northwest regions of the country. *Postrera* red bean production -- which accounts for almost half of annual production -- fell by 76%, maize by 62%, sesame by 83% and vegetables by 95%. The rains and flooding not only reduced the harvests; they also destroyed much of the seed stock needed for both the *Apante* and the 1999 *Primera* growing seasons.

Mitch also caused widespread soil erosion and deforestation, and destroyed agricultural infrastructure, including soil and water conservation works, storage facilities, wells, irrigation and water control structures, and feeder roads. An estimated 11,550 hectares were permanently destroyed. Another 308,000 hectares (25% of the total cropland) were seriously damaged. Unfortunately, some of the most serious damage was done to the best land, the fertile lowland areas bordering streams and rivers, as raging rivers carved away banks and deposited the debris on bottomlands downstream.

Municipal Infrastructure and Services

Some 70 municipalities of a total of 147 suffered major damage to physical infrastructure. Mitch affected core municipal infrastructure including roads and bridges, storm sewers and drainage systems, potable water supply and distribution, waste water collection and treatment systems. At the same time the economic damage pushed municipal revenues down, municipal budgets were seriously strained by increased demands for a response to the emergency. Reconstruction needs in the municipal sector include rehabilitation of roads, streets and sidewalks, cleaning of streambeds within urban areas, reinforcement of culverts and embankments and reconstruction of water and sewer systems.

Impact on Natural Resources

For the agriculture sector, the most serious impact of Hurricane Mitch was not the crop losses that occurred, though these were serious; it was what Mitch did to the land. The hurricane created conditions which, if not mitigated quickly, could lead to an environmental and agricultural catastrophe for the country.

Of primary concern is the need to clear debris and dredge silt and rock deposits from streambeds. It is not floodwater that destroys bridges, it is the impact of the debris that the floodwater carries -- tree trunks, boulders, and building rubble. A major effort will be needed to clean out the waterways, stabilize embankments, and new channels. Otherwise, newly repaired bridges may once again be damaged and streams will overflow their embankments and cause extensive flooding.

Mitch brought catastrophic levels of rainfall, and did so quickly. As a result, the velocity of runoff was unprecedented. This was, of course, exacerbated by decades of deforestation. Upstream, the torrent of water carved away the banks of streams, including much of the country's best agricultural land. Downstream, because of the speed of the flow, it deposited only rocks and sand. The nutrient rich topsoil often remained suspended in the water until it got to either Lake Managua or to the sea. Water runoff patterns have been changed throughout the country. Streambeds are now three to four times wider than they were before Mitch. Meandering streams

have been turned into broad rubble strewn causeways. Lake Managua rose over 40 feet and remains at 15 feet above normal levels.

When the rains return, there will be nothing to slow the velocity of the water flowing through these streams. Where the soil structure has been disturbed and the land denuded, there will be increased erosion and more mudslides. The bottom line is that, because of Mitch, the runoff in coming rainy seasons will be much faster than before, exacerbating upstream erosion and downstream flooding and further destroying the fragile soil base upon which Nicaraguan agriculture depends. The formation of soil is a slow process, one measured on a geological time scale. Unfortunately, as Mitch has clearly demonstrated, soil destruction can take place in a geological heartbeat.

III. SPECIAL OBJECTIVE AND RESULTS PACKAGE

Analytical Basis for the Special Objective

The Mission has made use of numerous assessments, studies and surveys, as well as wide field observations and staff experience in order to design this reconstruction program. The following partially illustrates the body of information and analyses available to the Mission.

- Initial disaster assessments carried out by OFDA, Civil Defense, Red Cross and GON
- An assessment of Volcan Casita and an overall evaluation of critical watershed carried out by 3 USDA teams.
- Survey of affected communities in the Rio Coco area conducted by Fundación Alistar.
- Assessment on shelter and municipal infrastructure carried out by the US Government Interagency Task Force.
- An assessment by AMUNIC/PADCO on municipal reconstruction priorities after Mitch.
- An assessment of the education sector in Rio Coco carried out by a USAID funded consultant.
- School damage inventory prepared by the Ministry of Education.
- Assessments of liquidity needs, client profiles and affected loan portfolios reports prepared by microfinance institutions.
- Findings by emergency watershed protection team, in San Cristobal Volcano complex
- An assessment on rehabilitation of farms affected by Hurricane Mitch by the GON
- Assessment of damage of Hurricane Mitch in the agriculture sector prepared by the Ministry of Agriculture
- Full health sector assessment by the Pan American Health Organization and Ministry of Health
- US Army Engineers assessment of physical infrastructure damage

- Sector reports from GON Reconstruction and Transformation Commissions

USAID staff and partners deployed to the field to visit the people and communities affected by the disaster. With this first hand information, the expertise of USAID/W and other USG agencies, and exchanges with partner organizations, other donors, and GON entities, we determined the most feasible areas of action for the Mission. The Embassy's Country Team was involved in reconstruction strategies from the first days of the disaster. USAID relied on its Nicaraguan employees to contribute with their intimate knowledge of the development situation and options for Nicaragua.

The Results Package

The following table provides a summary of the results USAID expects from its reconstruction assistance, the indicators that will be tracked in order to monitor performance, and the sources of data that will be relied upon to supply the necessary information. Where targets are shown here, they are preliminary. Section V below discusses performance monitoring more fully.

Results	Performance Indicators and Targets	Data Sources
Intermediate Result 1: Health Status of Mitch-Affected Families Maintained or Improved	<ul style="list-style-type: none"> • No. of cases of infectious diseases in target areas compared to pre-Mitch levels. 	Demographic and Health Survey (DHS), MINSA reports
IR1.1: Increased access to health services in Mitch-affected areas	<ul style="list-style-type: none"> • % of people using oral rehydration salts • Baseline: 56% (1998) • Target: 61% (2000) • Immunization Coverage • Baseline: 86% (1998) • Target: 90% (2000) • No. of health facilities rehabilitated Target: 46 centers/66 posts 	DHS Grantee and contractor reports
IR 1.2: Rural water and sanitation systems installed or rehabilitated in Mitch-affected areas	<ul style="list-style-type: none"> • No. of new and rehabilitated water systems • No. of repaired and new latrines • No. of community solid waste and sanitation projects 	Grantee and contractor reports
Intermediate Result 2: Economic Livelihood of Farmers, Micro-entrepreneurs, and	<ul style="list-style-type: none"> • No. of farmers, micro-entrepreneurs and laborers in Mitch-affected areas reached by 	Partner organizations reports

Laborers in Mitch-Affected Areas Restored	<p>USAID reconstruction assistance</p> <ul style="list-style-type: none"> • Target: 124,000 	
IR2.1: Farmers adopt environmentally sustainable agricultural practices	<ul style="list-style-type: none"> • No. of farmers in Mitch-affected areas using environmentally sustainable practices 	MAG-FOR, contractors and grantees reports
IR2.2: Agricultural land reclaimed and rehabilitated	<ul style="list-style-type: none"> • Surface area of agricultural land reclaimed or rehabilitated 	Cooperating Sponsors, Grantees reports
IR 2.3: Critical Watersheds Stabilized	<ul style="list-style-type: none"> • Surface area of watersheds that are protected by watershed stabilization investments • Target: • Length of watercourses that are cleared and stabilized • Target: 	USDA, partner organizations and MAG-FOR reports
IR2.4: Farm-to-market roads rehabilitated	<ul style="list-style-type: none"> • Kilometers of farm-to-market roads rehabilitated • Target: 1,500 kms. 	PVO/NGO and Contractor reports
IR2.5: Credit provided to Mitch-affected micro-entrepreneurs	<ul style="list-style-type: none"> • No. of micro-entrepreneurs receiving loans from US partner micro-finance institutions • Target: 11,000 micro-entrepreneurs 	Records of lending institutions
Intermediate Result 3: Vulnerability to flooding and other natural disasters mitigated	<ul style="list-style-type: none"> • No. of exigency and non-exigency threat conditions corrected • Target: 	USDA records
IR 3.1 Threat conditions identified	<ul style="list-style-type: none"> • No. of exigency and non-exigency threat conditions corrected • Target: 	USDA records
IR3.2: Increased local capability to prepare for, and cope with, disasters	<ul style="list-style-type: none"> • No of municipalities in which local groups receive training in disaster preparedness 	PVO, local NGO reports

	<ul style="list-style-type: none"> • Target: 70 Mitch-affected municipalities 	
<u>Intermediate Result 4:</u> Conditions Restored for Primary School Students to Learn	<ul style="list-style-type: none"> • No. of classrooms in Mitch-affected areas re-supplied, re-equipped and/or re-furnished • Target: 570 • No. of resource centers operating • Target: 25 	MECD surveys, contractor reports
<u>Intermediate Result 5:</u> Basic Infrastructure in Selected Mitch-Affected Municipalities Repaired	<ul style="list-style-type: none"> • No. of municipal infrastructure sub-projects completed • Target: 20 	Municipalities, PADCO reports
<u>Intermediate Result 6:</u> Donor Funds Managed Honestly and Effectively	<ul style="list-style-type: none"> • No. of concurrent audits completed • Target: 	Quarterly audit reports

IV. RECONSTRUCTION IMPLEMENTATION

Intermediate Result 1: Health Status of Families in Mitch-Affected Areas Maintained or Improved

Reconstruction Needs in Health Sector

The Nicaraguan Government, international donors, NGOs, churches, and the U.S. Military joined forces to distribute medical equipment, medicine and supplies during the emergency. Without question, the effort saved lives but left the Ministry of Health provisions depleted. While USAID donated \$850,000 worth of essential drugs in the emergency response, systematic assessments now reveal critical long-term needs for medical equipment, supplies and medicine. Always acute, these needs have been magnified as essential materials have been diverted to hospitals and larger centers tasked with immediately treating hurricane victims.

Resources required for control of outbreaks of malaria, dengue and other infectious diseases were strained even prior to Mitch. Vehicles, vector control equipment and environmental sanitation training are among the Ministry of Health's highest priorities for donor assistance.

New health facilities are also needed in resettlement areas and traditionally underserved areas that face added health care burdens from increased risks of disease outbreaks after Mitch, as well as from greater malnutrition, contaminated water, mushrooming vector populations, and inadequate sanitation.

Proposed Activities

In the aftermath of Mitch, USAID has intensified its efforts to improve quality and availability of services at health centers and posts, introduce rapid-impact child survival practices, expand its program of immunizations, launch community health education through private voluntary organizations, and improve monitoring and prevention of infectious diseases. USAID will use \$25.1 million of the supplemental appropriation for primary health care and infrastructure repair, building on its comparative advantage in primary health care in rural areas with partners and programs already at work in Mitch-affected areas.

IR 1.1: Increased access to health services in Mitch-affected areas

USAID plans to restore primary health care services (immunization, child survival, reproductive health) in small communities and rural areas affected by Mitch. Emphasis will be placed on health education, monitoring, prevention, and treatment of malaria, dengue, cholera, leptospirosis and other infectious diseases.

Damaged facilities will be repaired, new clinics built in re-settlement areas, and health services revitalized. USAID will provide more technical assistance and support to Ministry of Health rural health centers and posts and will increase support to PVOs. Increased training and technical assistance will be provided to both private and public sectors by rapid response field support projects available from USAID/W.

Repair of many hospitals and larger health centers damaged by Mitch is already underway as other international donors respond to this critical need. Many damaged or destroyed small rural health posts, however, are unlikely to be restored without USAID assistance. Both public and private sector rural health facilities will be renovated, re-equipped and re-supplied.

Emergency relief has focused on obtaining and distributing critical medicines. In the reconstruction phase, USAID will provide medical equipment and supplies, and will rebuild and relocate health facilities in accord with careful needs assessments in Mitch-affected areas. USAID will provide assistance to both private and public sector health service organizations, as well as primary health care to semi-urban, rural, and new-settlement hurricane victims.

IR 1.2: Rural water and sanitation systems installed or rehabilitated in Mitch-affected areas

Communities and households must have clean water and basic sanitation systems to prevent outbreaks of infectious diseases, increases in infant mortality from diarrhea, and the spread of parasites. USAID will rebuild water and sanitation systems for small communities affected by Mitch that are unlikely to be served by larger systems planned by other donors. The task includes organizing communities to provide education and to ensure upkeep of systems; repairing and sanitizing existing but damaged systems; drilling wells for resettled communities, new schools and health centers, and for cholera-prone communities; installing pumps, gravity-fed water systems, community delivery systems and household and community taps; and supporting major community mobilization to build latrines and establish solid waste management systems.

The Mission will work through USAID/Washington's Environmental Health Project and partnerships with PVOs with experience in water supply and sanitation. The project will

encourage partnerships with indigenous community organizations and create local management committees to ensure the sustainability of new and repaired systems.

In addition to \$7 million proposed for water supply and sanitation (WS&S), \$5 million has been requested in FY 1999 emergency child survival funds for these activities. Although water supply and sanitation has not been part of USAID's portfolio prior to Mitch, USAID partners have made WS&S a part of their community mobilization in Mitch-affected areas. With expertise from USAID/Washington and the Environmental Health Project, USAID's WS&S activities will focus on rural areas not served by other donors.

Expected Program Accomplishments

Mitch-affected populations--particularly women and children--will maintain and improve their health by receiving high-quality health care from fully operational health centers and health posts delivering integrated health services. Clinic visits will include health education, immunizations, preventive health measures and curative treatment. They will also include restored family planning services. The Mission is mindful that reconstruction supplementary funds cannot be used to start up new family planning services where there were none before the disaster.

Clinic staff will help patients fully utilize health care facilities, improve nutrition and improve health practices to protect against the greater risk of infectious diseases and illness associated with lack of sanitation. Better-trained health care providers will attract more people to the clinics at earlier stages of disease, when preventive and curative measures are more effective.

Reproductive health of these populations will be conserved. At-risk populations will suffer less violence, unwanted pregnancy, and sexually transmitted disease than predicted by projections based on global trends for disaster victims. As a result, maternal mortality and child survival indicators will be maintained or improve.

The health of peri-urban and rural families will be dramatically and permanently improved by bringing environmental health and sanitation in Mitch-affected areas up to standards nearly equivalent to those of urban areas. The spread of infectious diseases will be reduced, and production and quality control of WS&S facilities will be high.

Critical Assumptions

- Over 100 primary health care facilities can be staffed, equipped, and put into operation in resettlements and other Mitch-affected areas within two years.
- The health of Mitch-affected families can be protected and improved by NGOs working at the community level on preventive care, education, and clinic referrals.
- Public and private sector health providers can deliver high-quality, affordable primary health care.
- Repairing and sanitizing damaged wells, drilling new wells, building latrines, and cleaning up solid waste will improve health and slow the spread of infectious diseases.

Linkages to Other USG Agencies, Donors and GON Activities

USAID is already working closely with the U.S. Army New Horizons program and may collaborate with the U.S. Army Corps of Engineers on reconstruction of health facilities and construction to improve access to health centers for Mitch-affected populations. The water and sanitation activity under this IR will coordinate with the EPA on water quality testing, and solid waste management; the USGS for siting wells and sanitation management; and HUD for water supply and sanitation of new settlements. The Mission is studying possible coordination with the Center for Disease Control (CDC) in four areas: rehabilitation of laboratory capacity in infectious diseases and environmental health analysis; rehabilitation of the disease monitoring and surveillance system; increased training for epidemiologists; and institutionalization of prevention methods.

International response by donors to the hurricane was rapid and significant. Much of the relief effort focussed on health interventions, including food and medicine distribution and water supply. In addition to disaster relief, several donors have increased support for existing primary health care programs. With donors' help, the Ministry of Health is repairing or proposes to repair one hospital, 46 health centers and 66 health posts, and to build 16 health centers and 12 health posts.

The Pan American Health Organization implements the immunization program funded by USAID and other donors, which is key to preventing major outbreaks of life-threatening diseases. USAID has coordinated closely with PAHO since the beginning of the relief effort and used PAHO as a reliable channel for OFDA-funded donations of medicines and medical supplies. The Japanese have agreed to supply essential child survival and other drugs over the medium and long-term. The Swedes fund regional health departments contiguous to those supported by USAID. The World Bank, Inter-American Development Bank (IDB) and Japan fund hospital construction and renovation, other health infrastructure projects, and urban water/sanitation projects. The new World Bank and IDB health sector reform loan of over \$40 million will address critical infrastructure, supplies and facilities needs.

Donors in health in Nicaragua hold bimonthly meetings to share information and collaboration, excellent over the last two years, has improved even more in our united effort to avoid health setbacks after Mitch.

Intermediate Result 2: Economic Livelihood of Farmers, Micro-Entrepreneurs, and Laborers in Mitch-Affected Areas Restored

Reconstruction Needs in Sector

Mitch has presented Nicaraguan agriculture with both reconstruction challenges and development opportunities. The specific reconstruction needs facing the sector include the repair or replacement of equipment and on-farm infrastructure (e.g., storage facilities, irrigation and water control structures) damaged or lost due to flooding, and the provision of inputs, particularly seed and fertilizer, so farmers can begin cropping again. Land reclamation, where economically feasible, is a high priority. Micro-finance institutions require funds to refinance at risk loans and to increase liquidity for rapid disbursements to meet the immediate needs of micro-entrepreneurs.

Hurricane Mitch also represents an opportunity. As a result of the devastation, many small farmers are more sensitive to the importance of the sustainable agricultural practices that USAID and its partners have been supporting for years. In particular, opportunities exist for a renewed focus on watershed management and farm-level approaches to control soil erosion, including expanding the use of environmentally sustainable production practices, such as contour plowing, mulching, terracing, minimum tillage, improved pasture management, integrated pest management, and organic production. There is an opening to promote environmentally sustainable crop diversification (e.g., organic farming, shaded coffee production, and the introduction of new crops, particularly non-traditional, high value crops), and the expansion of on-farm agroforestry to control soil erosion. The introduction of multi-purpose tree and shrub species into the cropping system for fuel, fodder and poles is particularly important and has diverse purposes such as: live fencing along field boundaries to demarcate plots; along the edge of waterways to stabilize soil; and along roads and lanes to protect them from water erosion.

In keeping with the GON's theme of reconstruction and transformation, the replacement of damaged tree crops (particularly fruit and nut trees) with improved varieties, and the introduction of permanent tree crops into cropping systems as a means of increasing crop diversification and vegetative cover, holds promise. The agriculture sector could also change by increasing the availability of improved grain and vegetable seed and nursery stock (coffee, cacao, and root crops).

Though USAID already supports such activities through its contracts, cooperative agreements, and grants, it will now target Mitch-affected areas with supplemental funds. Under the SpO, USAID will work on rehabilitation and spread its message of sustainable agriculture to those zones heavily affected by flooding thus impacting a broader array and larger number of small- and medium-scale producers. To do so, USAID will increase the level of effort that we give to our existing partners and identifying new partners that merit support.

Proposed Activities

The performance of the program will be based on the achievement of five lower-level intermediate results, all of which will focus on Mitch-affected areas:

IR 2.1 Farmers adopt environmentally sustainable agricultural practices

Assistance in this area will include: the repair or replacement of equipment and on-farm infrastructure; promotion of crop diversification and the use of environmentally sustainable production practices; increasing the availability of improved seeds and nursery stock; the expansion of cost-effective post-harvest storage (e.g., use of grain silos); and the adoption of more effective marketing strategies.

IR 2.2: Agricultural land reclaimed and rehabilitated

USAID will support efforts to reclaim or rehabilitate cropland damaged by Mitch. This would include the removal of rock, debris, and infertile sediment, the plowing of land to mix less fertile deposits with better soil underneath. It will also include the rehabilitation, construction, and expansion of irrigation systems in order to bring damaged land back into production or, in cases

where communities have literally lost their land, to provide alternative land that could be productively farmed.

IR 2.3: Critical watersheds stabilized

Watershed stabilization investments funded with supplemental funds will include the clearing of waterways of debris and the shoring up of embankments. An important element will be construction of waterways and water diversion trenches to channel run-off, prevent erosion, and decrease flooding, and construction of check dams to control gullying and decrease the velocity of rainwater run-off. Other structures needed are water catchments, terracing, contour dikes and ridges to reduce sheet erosion, increase water infiltration, and control the flow of water run-off. Reforestation will be a key element.

Such efforts will be largely conducted through food-for-work and cash-for-work activities carried out by U.S. PVOs thus generating temporary employment for rural laborers both men and women.

IR2.4: Farm-to-market roads rehabilitated in Mitch-affected areas

An estimated 7,300 kilometers of tertiary access roads and caminos, and 3,200 meters of bridges need to be repaired or improved in the flood-damaged areas of Nicaragua. These repairs will include road resurfacing, the repair of small earth/stone bridges and fords (i.e. less than 10 meters long), the clearing, repair or construction of culverts and drainage channels, and the construction of retention walls and embankments. The primary mechanism for addressing the road rehabilitation problem will be food-for-work or cash-for-work programs that combined with watershed rehabilitation activities, will generate temporary work for an estimated 24,000 laborers.

IR 2.5: Credit provided to Mitch-affected micro-entrepreneurs

USAID proposes to develop a micro-finance program over the next two years that will help micro-finance institutions recapitalize their loan portfolios and increase their ability to extend new loans, especially to women in Mitch-affected areas. It is estimated that nearly 11,000 micro-entrepreneurs will be provided loans by U.S. partner organizations under the proposed reconstruction effort.

Implementation Mechanisms

USPVO Partners: USAID will provide funding under the supplemental to USPVOs currently working in the Nicaraguan agriculture sector, thus enabling them to expand their programs and target affected farmers in flood-ravaged areas. An Annual Program Statement has already been issued that will allow USAID to receive applications for cooperative agreements from USPVOs. Within this program, USPVOs will also carry out integrated watershed management programs. Such programs will generally involve work with farmers within a given watershed, promoting soil and water conservation activities that will reduce erosion on the watershed as a whole. USAID has requested assistance from the Global Bureau to identify gender concerns that could impact on the proposed programs.

As mentioned above, food-for-work and cash-for-work programs implemented will be used for rural road rehabilitation activities. Food-for-work programs will be joint undertakings with organizations such as the World Food Program that have been given responsibility for the distribution of food assistance. Where food resources are not available, cash-for-work proposals will be entertained. The priorities in terms of the work involved (road improvement, clearing out of streambeds) will be determined at the local level.

Indigenous NGO Partners: USAID will provide grants to local NGOs through our program to provide technical services to small farmers being implemented under a contract with Winrock International. This contract has a grants component which can provide a flexible mechanism for channeling funds to local NGOs and producer associations and, through them, reaching a more farmers in Mitch-affected regions with this type of assistance. Additional funding would be put into the Winrock contract itself, in order to ensure adequate grants management for this expanded grants program.

Seed Improvement: USAID will provide additional funds to implement a hybrid maize promotion and distribution program that would benefit small producers in the hard-hit Departments of Esteli, Matagalpa, and Jinotega. This activity would be carried out as a special component under USAID's seed improvement program, PROMESA.

Credit: USAID will develop and implement a micro-enterprise development activity designed to help micro-finance institutions recapitalize their loan portfolios and increase their ability to refinance and extend new loans to small producers and micro-entrepreneurs, especially women, in rural and urban areas affected by Hurricane Mitch. Grants will be made to partner organizations and local credit unions that have demonstrated the fiscal management rigor needed to ensure long-term viability.

Expected Program Accomplishments

In accomplishing the above results, USAID will rely primarily on USPVOs and local NGOs. This will help ensure that the interventions undertaken reflect the priority needs of local communities and ensure that the support provided reaches the people. At the same time, however, it means that, with the possible exception of IR 2.5, specific targets for the indicators, and the proportion of funding that will go towards accomplishing lower-level intermediate results will depend upon the focus and priorities identified in individual grant applications.

Actual targets will be based on estimates provided by the NGOs and PVOs in their applications for funding. For example, applicants will be required to set specific targets in their applications (e.g., the number of farmers that will adopt new practices as a result of their intervention, the number of hectares of farmland reclaimed, the number of kilometers of road rehabilitated). USAID will work with its partners to define common, measurable indicators, that can be used program-wide. The indicators appropriate to the activity of a given cooperator or grantee activity will be incorporated into the grant or cooperative agreement that it is awarded. The self-defined targets of the cooperators and grantees will be aggregated to provide program-wide targets.

The applicants will also be required to provide a monitoring plan that defines how they will collect the data needed to measure progress against the agreed-upon indicators. Each cooperator or grantee will be evaluated against the performance targets that it set for itself.

Critical Assumptions

While there are many Mitch-related needs, available funding will not be sufficient to meet all of them. A critical constraint could be the availability of reliable partners who can effectively use the additional resources available without being overwhelmed. USAID, because of its desire to move the funding in two years and because of its somewhat more rigorous accountability standards, will want to work with the strongest and most reliable PVOs possible, those with the management capacity to move the money quickly and effectively.

USAID has held discussions with possible partners and, at present, there is more than enough interest and capacity to absorb the bilateral resources that USAID is considering programming into the sector. However, other donors are considering expanding their ongoing programs as well. Many appear to be waiting until the Consultative Group meetings in Stockholm to decide what they will do in terms of reconstruction. Other donors may have a preference to channel their assistance through the many European PVOs active in Nicaragua or through the government and into major infrastructure and credit. Further, their funding is more likely to have a longer-term focus than our two-year time limit. Consequently, it does not at present appear that USAID will be competing with other donors for the same PVO implementing partners. Nevertheless, if approval of the supplemental continues to be long delayed, there is a possibility that key partners with whom USAID would like to work will turn to other donors for funding. If so, they may not be available to play the implementing role in USAID's program that we currently envision.

A critical assumption to the implementation of food-for-work programs will be the establishment of effective collaboration between Cooperating Sponsors and the NGOs that wish to directly implement food-for-work programs.

Linkages to Other USG Agencies, Donors and GON Activities

USAID's existing Participating Agency Service Agreement (PASA) with the USDA will serve as a key vehicle for managing watershed management and rehabilitation activities implemented by both U.S. PVOs and local NGOs. Through the PASA, USAID can obtain additional resident staff to help manage the reconstruction program for the next two years, as well as short-term technical assistance and training services, and access to land grant colleges and universities. GIS and other mapping services available from the USGS will be coordinated with the USDA recommendations. The Mission is studying a possible role for the US Army Corps of Engineers in providing technical support in conjunction with watershed protection activities.

Because of the need to rapidly disburse the funds provided in an effective and accountable manner, USAID will work primarily through the partners (PVOs, NGOs, and contractors) with whom it has had an ongoing relationship. Nevertheless, USAID envisions collaborations with the GON in flood prevention and other donors (e.g., the World Food Program) to carry out these activities. In some cases, PVOs and NGOs will combine USAID resources with those of other

donors to finance Mitch reconstruction activities. For example, CARE International is using both USAID and European funding to implement a cash-for-work program in the Department of Esteli. USAID's contractor will collaborate with MAG-FOR in implementing the expansion of its seed improvement program.

The GON is providing short and medium agricultural credit through second story finance institutions totaling approximately \$16 million while local NGOs offer credit to individual farmers and members of cooperatives. Other donors, including CABEI, GTZ, COSUDE, IDB and the UNDP, are also providing agricultural credit for small farmers and loans for micro-entrepreneurs. USAID's micro-enterprise initiative will complement the activities of the joint USAID/IDB Regional Micro-enterprise Recovery Fund.

Intermediate Result 3: Vulnerability to flooding and other natural disasters mitigated

Reconstruction Needs in Sector

Mitch seriously changed the hydrological cycle and drainage patterns within Nicaragua. As a result, there is a need to identify areas where the threat of flooding and mudslides has increased. Then, in order to stabilize watersheds and prevent further erosion and flooding, investments will have to be made to stabilize stream banks and remove from the watercourses the silt and debris left over from Mitch. Such works will include the construction of on-farm and community-level water conservation works, the repair of secondary and tertiary roads and on-farm footpaths, and the construction and repair of bridges and fords, and related works.

Proposed Activities

The performance of the program will be based on the achievement of two lower-level intermediate results, all of which will focus on Mitch-affected areas:

IR 3.1: Threat conditions identified

Emergency watershed experts from the U.S. Department of Agriculture (USDA) are providing assistance to the GON in the identification of sites where there is an immediate danger to lives and property ("exigencies") from flooding and landslides. USDA is also identifying other sites where, while there are not immediate threats to life and property, significant flood damage can occur. These will be sites where Mitch caused siltation of river channels, damage to embankments and levees, and changes in river channels that can lead to flooding, or where unstable soil formations threaten mudslides. To date, USDA experts have confined their work to the area of Posoltega.

Addressing these exigencies will require the dredging and clearing of river channels, and the stabilization of soils and hillsides. The GON is taking steps to address the problems identified in Posoltega. Nevertheless, there is a need to carry out such analyses in all Mitch-affected areas. USAID proposes to support an expansion of this effort and to provide training to GON engineers in the identification of exigencies and the design of remediation efforts. There could be a well-defined role for the U.S. Army Corps of Engineers in this activity.

IR 3.2: Increased local capability to prepare for, and cope with disasters

To achieve this result, training in disaster preparedness will be provided to local communities threatened with natural disasters. This training may be provided to municipal officials, local community groups, or through schools.

Expected Program Accomplishments

It will take a comprehensive survey of Mitch-affected areas to identify the number of "exigencies" that need to be remedied in order to protect human life and property from floods and other natural disasters. If the findings of the USDA threat assessment team are any indication, however, the number of sites needing mitigation will be large. In the municipality of Posoltega, alone, they identified six problem sites, the most serious of which was the urgent need to dredge sections of the Posoltega river and repair a retaining wall to prevent serious flooding of that town 3,000 habitants. The program will also train a cadre of citizens in 70 municipalities for disaster preparedness.

Critical Assumptions

While USAID can provide assistance in the identification of exigencies, the Nicaraguan government will have to negotiate the funding for carrying out the construction works required to correct them. USAID's advisors can help in terms of designing solutions, training GON staff and local community officials, and helping the GON package proposals for submission to donors and international development banks for funding. Except perhaps through food-for-work programs, USAID will not become involved in construction activities. Nevertheless, recognizing the danger that the six exigencies already identified pose and the need to move quickly before the rains return in May, the GON has moved quickly to correct them by using local currencies from PL 480 Title I. USAID believes that the GON will continue to be responsive when serious threats are identified.

Linkages to Other USG Agencies, Donors and GON Activities

The USDA can provide the technical expertise necessary to identify areas where there are exigency conditions while the US Army Corps of Engineers is a potential source for engineering assistance in how to actually mitigate and correct the identified exigencies. The design of this IR is built around the use of USDA Emergency Watershed Protection teams and the resources that the USDA offers. Other possible links with USG agencies that need to be analyzed are the USGS for remote sensing and GIS technology, and FEMA for public education campaigns on disaster preparedness.

In implementing this component of the reconstruction program, USAID will work closely with GON officials, particularly within the Ministry of Agriculture and Forestry (MAG-FOR), the Instituto Nicaraguense de Estudios Territoriales (INETER), and the Instituto Nicaraguense de Fomento Municipal (INIFOM). USAID will also collaborate in this with the World Bank's PROTIERRA project. The disaster preparedness work will involve municipal authorities, schools, and local NGOs. The participation of women will be especially encouraged.

Intermediate Result 4: Conditions Restored for Primary School Students to Learn

Reconstruction Needs in Sector

The Ministry of Education, Culture and Sports (MECD) figures to-date on school damage show 1,140 classrooms damaged and another 682 classrooms completely destroyed. At present there are 600 tent or provisional classrooms in Mitch-affected areas. Most of these classrooms are open-air structures, with plastic sheeting for roofs. Some of them operate in churches or private homes. Approximately 80,000 desks were lost due to flooding or were damaged in schools that served as relief centers. As a result, students at many schools sit on bricks or stones, without desks or tables. MECD figures show 294,000 textbooks lost or damaged. School supplies and instructional materials, in critical shortage before the hurricane, were destroyed by the flooding.

Proposed Activities

USAID will carefully tailor assistance to meet needs in the hardest-hit municipalities in the country and in those schools/municipalities identified by the MECD as needing priority assistance. USAID will re-supply and partially re-equip schools, refurbish schools, facilitate access to learning materials, and provide targeted recovery services to highest priority hurricane-affected schools.

USAID will focus on the provision of basic school supplies, instructional materials and equipment so that Mitch-affected schools are able to return to functioning at a minimal or higher level of effectiveness. School supplies will include items such as notebooks, pencils, construction and bond paper, index cards, scissors, glue, tape, staplers/staple removers and markers/marker boards. Instructional materials will include items such as dictionaries; abacuses; maps and globes; geography, history, science and other charts/posters; and learning kits. In order to facilitate a more effective learning environment, radio-cassette players and other equipment will be provided.

Two categories of schools have been identified as top priority for assistance. First, 200 temporary/tent primary schools will receive the basic supplies and instructional materials needed for them to operate until students are relocated to permanent facilities over the next year. Second, schools in the most severely affected areas and with limited capacity to provide formal primary education will be targeted. This includes the Rio Coco and Rio Grande de Matagalpa river systems, Posoltega and the Vida Nueva resettlement area in Managua. Rio Coco communities located in the Atlantic region are home to a high concentrations of indigenous populations.

Rather than expending considerable resources to transport used furnishings from the United States, USAID will support a self-help construction program so that Nicaraguans themselves will be directly involved in the refurbishing schools. The local economy will benefit from the investment of resources and the creation of employment opportunities. USAID will work through local NGOs with specific expertise in the severely affected areas to support local artisans with materials, tools and other small-scale assistance to facilitate the production of classroom furniture. To the extent possible, these NGOs will coordinate with others to improve school water and sanitation services.

While the basic school supplies and instructional materials will allow schools to function at a minimum level, it is important that students and teachers have broader access to equipment and services in order for them operate more effectively in the classroom. USAID will work with local

teachers' groups to set up resource and outreach centers in strategic locations close to clusters of Mitch-affected schools. The centers will house small lending and resource libraries, photocopiers and expendable supplies for teachers and parents to use in making classroom materials to replace and augment those lost in the floods. In order for these centers to reach schools in more remote areas, four-wheel drive vehicles and small boats will be needed to transport supplies, equipment and school personnel.

Services for Posoltega schools will include assistance and training from psychologists to help teachers work with children traumatized by the natural disaster which killed more than 2,000 people. Most children in Posoltega have lost family members and many are now orphans, having lost some or all of their extended families. Psycho-social services for Vida Nueva will include training for teachers and administrators in how to work with relocated children at risk, since most children living in this urban-fringe community will not stay in school beyond sixth grade. To mitigate the effect of violence, drugs, prostitution and unemployment on children's lifestyle choices, we will also assist the MECD in developing emergency school-community linkages with community involvement of parents and micro-business owners. Fifth and sixth graders at the Vida Nueva School will be targeted in order to provide practical after-school work and learning alternatives.

Expected Program Accomplishments

Through the activities proposed as part of this intermediate result, we will restore or improve the conditions for learning that existed prior to the hurricane in the schools in our targeted areas. Students will have basic learning materials and furniture. Resource centers will strengthen teacher training and facilitate teachers' class preparation. Special services will allow students in Mitch-affected areas to make the most of their primary school education.

Critical Assumptions

- As USAID proceeds to implement these education activities, there is continued cooperation and support from the MECD.
- Other donors carry out their planned activities in a timely manner
- There are no other major natural disasters in next two years
- Qualified local NGOs can be found to implement activities

Linkages to Other USG Agencies, Donors and GON Activities

USAID has coordinated with the US Army New Horizons program in the selection of a number of schools to be rehabilitated. While not envisaged at this time, supplemental funding may be used to complement self-help efforts of rural communities to construct or reconstruct schools and related water and sanitation facilities. Construction may be coordinated with the US Army's New Horizons program or with US Army Corps of Engineers' activities in nearby locations.

Immediately following Hurricane Mitch, the GON estimated the cost of full recovery of the Nicaraguan school system at roughly \$50 million. According to GON figures, international recovery and reconstruction assistance to the education sector to date totals \$21 million including

\$13.3 million in loan funding provided by the World Bank. An obligation of public funds by the Nicaraguan National Assembly totaling \$17.7 million is pending.

The greater part of Nicaraguan treasury funds and loans will go to a three-year program of school construction, reconstruction and repair. The World Bank loan will also be used for textbooks and school supplies, desks and furniture, vehicle procurement, and reconstruction technical advisory services. Nicaraguan public funds are also being used to buy school desks and furniture, equipment for vocational education and sports equipment, in addition to school reconstruction and repair.

Immediate USAID Mission-level assistance included procurement of classroom equipment and supplies for 200 emergency "tent schools" meeting under pole-and-canvas shelters provided by the World Bank. WFP developed an emergency distribution of food to schools through its Nicaraguan school nutrition program. UNICEF is providing \$180,945 for a special program for psychological assistance for children traumatized by the disaster.

The Japanese International Cooperation Agency will begin construction of 130 new schools during 1999. Various European bilateral donors have provided a wide range of smaller grants and in-kind donations. NGO and private-sector assistance has consisted mainly of reconstruction assistance to individual schools and contributions to individual schools of replacement furniture and school supplies.

Intermediate Result 5: Basic Infrastructure in Selected Mitch-Affected Municipalities Repaired

Reconstruction Needs in Sector

Hurricane Mitch affected municipalities already suffering from relatively weak income bases. Economic damage caused by the hurricane reduced municipal revenues, which in turn has affected local governments' ability to respond to the emergency and provide basic services.

The Government of Nicaragua estimated the cost of reconstruction at more than US\$1.3 billion. The IDB and UNDP estimates agree that, of the total damage caused in the social and infrastructure sectors, some 30-40% represented housing, while around 55 percent was in the transportation, water and sanitation sectors.

A recent survey showed that the top reconstruction priorities for municipalities and surrounding areas are housing/resettlement, rehabilitation of rural roads and bridges, and assistance to farmers. Focussing specifically on the urban areas of the municipalities, reconstruction needs include repair of roads, streets and sidewalks, rehabilitation of storm drainage systems, cleaning of stream beds within urban areas, rehabilitation and reinforcement of culverts and embankments, and rehabilitation and reconstruction of water and sewer systems.

Proposed activities:

USAID will focus its assistance on small to medium municipalities in the most severely affected areas of Nicaragua to fund the repair of at least basic infrastructure works key to restoring services to citizens.

USAID will initially engage municipalities to pre-select projects from a list of high priority subprojects identified by 49 municipalities. Twenty subprojects and approximately 5 alternates will be selected based on criteria established by USAID. The estimated cost (including design, construction, supervision and administration) of the 20 projects will total about \$3.75 million. The average subproject cost will be about \$185,000.

The Mission will coordinate with the Nicaraguan Association of Municipalities (AMUNIC), other donors, partners and contractors, in order to make the selection within the first 30 days after funding is available. The Nicaraguan Emergency Social Investment Fund (FISE) will be the implementing agency and grant recipient. FISE has demonstrated capacity to implement subprojects with municipal governments similar to those proposed for this activity. FISE would not select subprojects or municipalities, rather USAID will have the assistance of its institutional contractor to prepare a detailed overall program implementation plan and project profiles.

Expected Program Accomplishments

Restoration, repair or reconstruction of selected basic infrastructure works in a limited number of Nicaraguan municipalities that were damaged by hurricane Mitch will be achieved within the two year time period. At least 20 selected restoration subprojects in an equal number of municipalities will be completed with ample participation of the communities in selecting and carrying out the projects. Apart from the specific reconstruction projects, the role of local governments in reconstruction will be strengthened by the donors' preference for channeling a large share of reconstruction funds through local governments and community organizations.

Critical Assumptions

- Continued cooperation and support from FISE, participating municipalities, and other partners associated and/or contracted for the implementation of the activity
- Other donors carry out their planned activities in a timely manner
- There are no other major natural disasters in next two years
- Qualified local companies can be found to implement the activity in a timely manner.

Linkages to Other USG Agencies, Donor and GON Activities

USAID is studying possible offers by the US Army Corps of Engineers and HUD to provide technical and engineering expertise in the restoration of local infrastructure. An EPA proposal to assist in identifying cost-effective technology to protect urban drinking water supply from contamination as a result of natural disasters, and to reduce vulnerability by improving designs, seems a good fit with the Mission's municipal reconstruction activities. A very general concept paper put forth by the Peace Corps contains elements that could be complementary to USAID's municipal rehabilitation strategy under this IR.

Nicaragua's proposed national budget contains resources to finance implementation of the National Reconstruction Plan for 1999 and assigns responsibility to the Nicaraguan Institute for Municipal Development (INIFOM) to lead the rebuilding of local infrastructure with an increase of \$3.8 million over INIFOM normal budget assignment. These resources will fund roadway

reconstruction as well as infrastructure related to municipal services (markets, cemeteries, and parks). Lead agency responsibility related to shelter remains less clear. The provisional reconstruction budget includes \$13.8 million to the Nicaraguan Urban/Rural Housing Institute (INVUR) for housing projects for those displaced by Mitch.

The Emergency Social Investment Fund (FISE) has been providing an effective response in rebuilding municipal/community infrastructure damaged by the hurricane. FISE is seeking \$164 million for infrastructure investment during the 1999-2001 period. Sixty-five percent of those funds will be directed to an estimated 47 municipalities where families live in conditions of extreme poverty, most of which are in the area affected by Mitch. FISE is negotiating with COSUDE for \$1 million to begin reconstruction work in some 30 targeted municipalities in the priority Departments of Jinotega, Matagalpa, and the eastern part of Nueva Segovia.

Protierra, a World Bank-funded project implemented by INIFOM, has targeted largely the same geographic area as FISE for post-hurricane Mitch reconstruction. With an injection of \$4 million, Protierra has funded infrastructure investments in nearly 50 affected municipalities. It focuses on rural projects, such as wells and water systems, latrines, and repair or road maintenance equipment. Protierra plans to field technical teams to assist municipalities and their technical units in developing Municipal Development Plans based on specific geographic inputs from INETER, the Ministry of Natural Resources, and the Ministry of Agriculture. A second phase scheduled to begin in 2000 will most likely involve the Mitch-affected departments of Nueva Segovia, Matagalpa and Jinotega, as well as Boaco and Chontales. Since Hurricane Mitch, the Danes have also helped municipalities revise investment priorities and apply for funding, largely to FISE.

Intermediate Result 6: Donor Funds Channeled Through the GON Managed Honestly and Effectively

Crosscutting Intermediate Result

Transparency and accountability in the reconstruction program is a critical concern for the people of Nicaragua, the GON, and the international donor community. It is an objective that cuts across the Mission's entire reconstruction program. Among the donors, there is general agreement that a special oversight mechanism is desirable for reconstruction in addition to strengthening relevant government agencies and non-governmental organizations to monitor and prevent the misuse of donor and local resources.

In December 1998, President Aleman originally suggested that an international auditing firm provide oversight of the emergency relief effort and then requested that the US fund an independent Inspector General to ensure transparency in the reconstruction effort. The donor community, including the US, was concerned that any structure that was established not undermine the institutionalization of the Controller General. As the concept of an oversight mechanism evolved, President Aleman named three eminent Nicaraguans with long experience in international financial institutions to a committee to develop a proposal for an oversight mechanism. Their concept was presented in March 1999 at the Paris meeting of donors. The proposal to establish an ad hoc commission to administer a "Special Support Program for

Reconstruction and Transformation" did not meet expectations and so was never fully vetted. The committee has returned to the drawing board and is expected to have another product for discussion by April 30.

Under the SpO, USAID has earmarked funds to support the honest and effective use of donor funds channeled through the GON. Until an oversight mechanism is defined and there is donor agreement on how best we can support the effort to keep reconstruction corruption-free, USAID will hold these funds to cover the cost of concurrent audits of selected GON reconstruction activities, and to strengthen the audit capabilities of the Controller General. The donors are watching that any proposed oversight mechanism not duplicate the work supported by USAID and the World Bank to extend the SIGFA financial management program to central government ministries handling the bulk of reconstruction funds. A second phase of World Bank support for SIGFA is expected to be approved in June or July 1999. It will standardize internal accounting and audit functions of the ministries and strengthen the capacity of ministries to exercise "prior control" over budget resources.

With regard to concurrent audits, priority will be given to auditing activities supported directly by USG resources. Though USAID plans to channel reconstruction funds generally only through USPVOs, local NGOs, and contractors, there may be a few exceptions, such as the use of FISE. Where central government entities or local governments are benefiting indirectly from USG funds, we may ask for concurrent audits.

V. DESIGN CONSIDERATIONS

Customers and Partners

The ultimate customers for the Mission's reconstruction program are the more than 800,000 Nicaraguans affected in life, livelihood, and health, by Hurricane Mitch. We expect to reach at least one third of this population working through a large number of partners directly engaged in reconstruction activities in Nicaragua's north and northwestern departments as well as the Atlantic region along the Rio Coco.

Because of the need to rapidly disburse supplemental funds in an effective and accountable manner, USAID will work primarily through the U.S. PVOs, NGOs and contractors with whom we have had an ongoing relationship. Certain GON line ministries will also be key stakeholders and partners under the reconstruction program funded by USAID though not direct recipients of our funding. We will collaborate with other donors and international organizations in order to increase the impact of our assistance.

Relying on our established network of partners working in the region hardest hit by Mitch and over own staff observations from the field, the Mission was able to gather basic information on customer needs. Official GON reports are still lacking statistical data and findings, so there are some gaps in the information available. We continue to consult those organizations that work closest to the communities as the design of reconstruction activities evolves. Our budget for the SpO includes funds for program development and management support that will allow us to

commission surveys, studies and other research necessary to complete our analytical base. We look for an active role by partners and customers in order to assure that decisions are made at the local level and that mechanisms that foster participation are at the forefront of all USAID supported initiatives.

Funding for a reconstruction coordinator who will serve as the point person for working with partners and customers across the diverse sectors of our Mitch reconstruction program is also included in the SpO budget line item for program development and management.

Other USG Agencies

The Mission is currently analyzing proposals made by 13 other USG agencies to support Mitch-related activities in the region. A preliminary review shows good potential for collaboration with the USDA, USGS, US Army Corps of Engineers, and EPA. The Mission needs to engage these agencies in discussions here in Nicaragua to clarify what they can offer for the reconstruction program and to establish coordination mechanisms. Other agencies whose proposals showed some possible areas of mutual interest were CDC, Peace Corps, NOAA, FEMA, and IAF. However, in most cases there was a lack of specificity in the proposals that impedes us from determining yet whether they are appropriate for the Nicaraguan context. Proposals from EX-IM Bank, OPIC, State, and DOT would be better coordinated with the Embassy since they address areas not ordinarily covered by USAID. Finally, the Mission is pending receipt of a proposal from HUD.

Environmental Considerations

The Mission has shared a draft Initial Environmental Examination with AID/W which breaks down the reconstruction program by component parts for easy identification of those elements that will not require a full environmental assessment. For example, we anticipate that education activities will qualify for a categorical exclusion since construction is not a part of the education component. On the other hand, road rehabilitation and agricultural activities may require either environmental guidelines or a full environmental assessment depending on the final design of the activities. The Mission is committed to ensuring that all reconstruction activities are implemented in an environmentally sound manner. Our partners understand USAID regulations regarding environmental considerations and have complied in the past without exception.

All of the proposed activities under the SpO will impact positively on Global Climate Change in terms of increasing or maintaining carbon sinks. For example, watershed management activities will maintain existing forest cover, and sustainable agriculture activities will increase tree cover through agro-forestry systems. By reporting on the number of hectares under management, carbon calculations for specific SpO activities can be made.

Procurement Issues

The Mission already has a fairly complete list of procurement actions required to implement the reconstruction program. The issue is the number of actions and the timing for completing the procurements. The Mission will reduce the number of procurement actions by grouping like activities together in one contract or grant, by increasing use of global field support and IQCs, and by adding Mitch-specific components to existing instruments. We need to accelerate

procurements given the short implementation period for the supplemental. A key assumption in our design is that there will be some relaxation of the full and open competition requirements, and that a reasonable amount of waivers will be granted and approvals for contractor to do sub-grants. To get a jump start on some procurements utilizing full and open competition before the supplemental funds are approved, we will do unfunded RFAs and RFPs.

The Mission has been sharing its Regional Contracting Officer with USAID/Honduras. Given the anticipated volume of assistance and acquisition actions required to quickly begin implementing the reconstruction program, it is imperative that USAID/Nicaragua have the fulltime services of the RCO.

Obligation Mechanisms

The Mission intends to sign one overall Special Objective Agreement with the GON covering the entire reconstruction program. As in other results package agreements we have with the GON, this agreement will give USAID the responsibility for approving and managing all further subobligations in direct contracts and grants to partner organizations. The SOAG will specify each party's roles and responsibilities, and will actively engage the GON ministries in performance monitoring in their related sectors.

Implementation Timeline

Major benchmarks in the first six months of implementing the SpO are:

May 1999	SpO approved by AA/LAC IQCs and Global Field Support mechanisms identified Position Descriptions for additional staff completed Draft IEE reviewed in AID/W Other USG agencies proposals reviewed in the field Draft RFAs/RFPs for competitive procurements CG in Stockholm
June 1999	Supplemental Funds appropriated Negotiate SpOAG with Secretariat for External Cooperation Draft CNs sent to LAC IEE sent to LAC and approved Recruit new staff Prepare waiver requests for less than full and open competition General consultation and briefing for partners in Nicaragua
July 1999	CNs expire SpOAG finalized and signed

- Sub-obligations done for amended contracts and grants
- Execute health sector buy-ins to Global IQCs
- USDA PASA amended
- August 1999 Open competition for supervised agricultural credit activity
- Receive proposals under small producers APS
- Select new staff
- September 1999 USG agencies proposals finalized, operating procedures defined
- Continue subobligations for amended contracts and grants
- Adjustments made to procurement plans
- Activity Work Plans approved
- Draft performance Monitoring Plan for overall SpO
- Follow-up actions to Stockholm in progress or completed
- Continue selection of new staff
- CAs awarded under small producers APS
- USPSC new hires arrive in-country
- Mission SpO team formalized under Deputy Director with new Reconstruction Coordinator and SO team leaders
- Transparency component defined
- Micro-enterprise Recovery Funds fully programmed
- First round of municipal infrastructure subprojects underway
- October 1999 Final targets agreed to with partners
- Quarterly reports from implementing organizations
- CA awarded for supervised agricultural credit
- Implementation review with Sec. of External Cooperation

Performance Monitoring

While preliminary performance indicators and targets have been proposed for the results package, considerable effort and consultation is needed still to confirm these indicators, define missing targets, and draw up a comprehensive performance monitoring plan for the SpO as a whole. During the time between the approval of the SpO and the obligation of the supplemental funds, the Mission will continue its dialogue with partners who will be mainly responsible for achieving the expected results. Performance monitoring plans will be tailored for each element of the program by the responsible partners and then will be aggregated for a complete plan. We will consult with GON line ministries overseeing each sector throughout the process.

USAID is conscious of the need not to overestimate what impact can realistically be measured in less than two years; thus most indicators will be at the output level. We expect reporting requirements to be frequent and demanding given the high interest of the U.S. Congress and the Clinton administration in the reconstruction program. The performance monitoring plan for the SpO should provide good information without overburdening our partners by asking for costly measurements or inaccessible data.

Each component of the reconstruction program and each contract and grant will include the cost of performance data collection and analysis. In addition, part of the program development and management budget line item will be available for special studies, cross-cutting evaluations, and other performance related assessments. The Mission will make a determination with the GON on whether a final evaluation will be carried out upon conclusion of the reconstruction program.

The Mission plans to monitor the performance our regular program that was redirected to support relief and reconstruction separately from supplemental funded activities. However, we will attempt to provide full reporting on all outputs and impacts related to Mitch no matter the funding source, when requested. The Mission will be careful to avoid double counting and will track regular and supplemental funded activities along parallel lines.