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UNITED STATES AID MISSION TO NICARAGUA
AGENCY FOR INTERNATIONAL DEVELOPMENT
AMERICAN EMBASSY
MANAGUA, NICARAGUA

DUPLICATE

TO : Mr. Barry Sidman

DATE July 26, 1978

FROM : Gussie Daniels/Peter Orr

SUBJECT: Joint Evaluation of the Managua Urban Reconstruction Project (~~029~~) 140 project incorrectly numbered, should be 5240140.

Attached for your review and approval is a copy in the Spanish Language of the joint annual evaluation report for the Managua Urban Reconstruction Project (029).

I. Background

The purpose of the Urban Reconstruction project is to plan and execute a comphrehensive series of activities that will enable Managua to support a population of approximately 650,000 persons by 1980 under decentralized seismicaly safe conditions. Reconstruction and development of the city of Managua was to be carried out according to certain basic principles designed to ensure that the city would be able to withstand future earthquakes without widespread damage and disruption. USAID/N provided $30.0 million to finance activities to be carried out under the Immediate Action Reconstruction Program (PRAI). The GON agreed to make $40.0 million available as counterpart which would be used to restore essential public services, reestablish small scale business and industries, extend, enlarge and/or complete various urban transportation arteries to support deconcentration of population, facilities and services, provide water connections for the residents of low income neighborhoods and construct an emergency drainage system for the capital city.

The requirement for an annual joint evaluation is based on Article III, Sec. B, of Implementation Letter No. 1 to the Loan Agreement which specified that a joint review should be carried out each year to analyze, "the extent to which the program has contributed to assisting Managua to recover from the earthquake, the extent to which Managua's growth is being tilted into a permanently deconcentrated pattern, the extent to which adequate planning has been developed for the long-range reconstruction of Managua and the extent to which the program has provided opportunities for Managua's lower socioeconomic groups".

II. Evaluation Methodology:

According to Implementation Letter No. 1, representatives from the Ministry of Finance, the Office of Coordination and Implementation (OCI), the National Budget Office, the Vice Ministry of Urban Planning and the Executing Agencies are supposed to participate in the Evaluation. The Evaluation Report, however, was prepared by an ad hoc group consisting of three urban development

specialists from the Vice Ministry of Urban Planning with the part-time assistance of a representative from OCI and AID/FIS. The evaluation Team used GON records, two survey/interviews with beneficiaries and non-beneficiaries of the water and sewer connection program, and unstructured interviews with GON personnel responsible for supervising design and execution of sub-projects to conduct a progress assessment of the current status of activities carried out under the PRAI since the last evaluation. Within the confines of its terms of reference and the limitation of the evaluation format, the Team analyzed and described in narrative form the inputs, outputs and purpose indicators for the project. Experience from the prior evaluation showed that a structured log-frame approach was unworkable, principally because progress on the purpose level, i.e. deconcentration of the city and restoration and expansion of the city's infrastructure, has preceeded much of public construction which was planned for specific areas of the city. A principle hypothesis of the PRAI was that subcenters and district centers would become poles of attraction for population and commercial activity. Various factors,however, caused the population and commercial activity to resettle before these centers could be constructed. Among the factors were; the clsure of the old center for new construction or repair, the basic need for people and businesses to find new locations, the VIMPU's control over building permits, the public knowledge of the outlines of the PRAI plan for deconcentration, and the pattern of non-PRAI public capital investment in the city.

The investment plan of the PRAI has been amply evaluated in the past from the urban development perspective by Messrs. Dyckman,Mann and other specialists in the field. As there has been no significant change in the basic plan (except for timing of elements and source of financing), this evaluation does not attempt to reevaluate the plan.

III. Progress to Date:

Achievements since the last evaluation report are as follows:

1. Recuperation of Public Services - The evaluation report shows that water, electricity, sewerage connections, communications, health facilities, classrooms, central government buildings, flood control channels, and roads have all been restored to the point of exceeding pre-earthquake levels. Sales of potable water have increased at an annual rate of 5.3% since 1973 compared with an annual increase of 2.8 prior to 1972. In addition, 4,560 household connections have been installed for lower income families. Other aspects of recuperation of services involve restoration of 60,000 household electrical services

representing an annual increase of 16.5%, the repair/construction of the number in existence prior to the earthquake and the construction of government offices, hospitals, markets and police stations. The construction of these facilities has facilitated deconcentration of the city in a pattern consistent with original reconstruction objectives.

Besides the completed household water connections, PRAI construction projects include, the first stage emergency flood drainage canals. (A.I.D.), Pista Santo Domingo (GON), Pista Suburbana (GON), and the Provisional Civic Center (GON). Beyond recuperation and expansion of public facilities, the evaluation points out that a significant contribution of the PRAI was its identification of public services not previously available in Managua, i.e. bus stops, libraries, and public day care centers, and the calling of these requirements to the attention of various sources of financing.

2. Permanent Deconcentration - The evaluation report points out that, according to the 1975 census, a dynamic shift has occurred in settlement patterns in Managua. In 1971 49.1% of Managua's population lived in the concentric rings 1 and 2. The 1975 census showed only 23.6% of the population living in this area. The largest increase was in rings 5 and 6 where the percentage of Managua's population went from 15.8% in 1971 to 33.2%. According to VIMPU's estimates, Managua's population distribution pattern has not undergone any marked change since the 1975 census.

The deconcentration of the population was achieved through a deliberate policy of freezing the issuance of new building permits in the old center of the city, shifting of infrastructure, control over the location of new housing developments, and encouraging private investment into new settlement zones. The evaluation also analyzed the private commercial sector, showing that, whereas prior to the earthquake 80% of the total number of commercial establishments were located in or very close to the center of the city, since 1973 the majority of these activities have relocated to outlying commercial centers such as Linda Vista, Montoya, Bello Horizonte, Centro Comercial Managua, Nejapa, etc. During the period 1973-1977, the evaluation team estimates that 148 building permits valued at C$144.5 million córdobas were issued for construction of commercial facilities around the periphery of the destroyed center.

3. Planning for Long-Range Reconstruction - Pre-earthquake planning for expansion of services and facilities in Managua did not include factors relating to seismic conditions of the sub-soil, deconcentration or any limitations on geographic expansion. Following

the earthquake of 1972, the GON developed an Immediate Action Reconstruction Plan (PRAI) which was to serve as a short-range action guide for the reconstruction of Managua. In addition, the Vice Ministry of Urban Planning is preparing a Long-Range Master Plan for Managua (PGDU/M) which is expected to be completed in July or August 1980. Preliminary indications are that this document will include short, medium and long-term approaches to optimal land use patterns based on seismic conditions, definition of urban support structure needed for population and the influence of social, economic, spatial and administrative factors which influence urban development. The VIMPU has developed a spatial and organizational model for use in identifying studies needed for finalizing the plan. The Evaluation Team did not evaluate the plan itself as a guide for the long-term rehabilitation and development of Managua since it has not been completed and reviewed.

4. Opportunities for Lower Income Socio-Economic Groups - The evaluation report is vague in analyzing exactly how the urban poor have benefitted from projects carried out under the PRAI. It concludes that the poor have substantially benefitted from restoration of services, employment opportunities arising from reconstruction projects and the household water connections sub-project. This conclusion, while probably accurate and probably based upon the premise that benefit for the poor was only one of several objectives to be served through this project, is put forward without specifying the number of poor benefitted, where these persons are located, the number who have been benefitted from services as well as the number who have been employed as a result of reconstruction sub-projects. The exception is the water and sewer connections project where the benefits and beneficiaries were easily quantified in the project evaluation included in the larger program evaluation document. Clearly, more data and analysis is required describing the benefits which the poor have received from the other aspects of the reconstruction program.

5. Water Connections - The objective of the water connections sub-activity was to provide potable water and sewerage services to the residents of low income barrios in Managua located between the by-pass road and the proposed pista rural. Prior to initiation of the project families residing in these neighborhoods obtained their domestic water supply from private wells, public hydrants, water sellers, etc. The evaluation report reviewed the mechanism established to administer this activity, pointing out that a dual purpose control unit was established in Aguadora: one level was responsible for soliciting and evaluating bids, controlling and disbursing funds, preparing and presenting reports, and the lower level was charged with supervising construction. Aguadora originally estimated that 805 families would be provided with potable water, 2,705 with sewage connections and 2,202 families with both water and sewage. In terms of actual accomplishments, the report estimates that 2,203 families

had received potable water (49%) and 2,238 families obtained sewage (51%) connections at the end of October 1977, with a total benefitted population of about 35,000 persons. Short-term benefits include reduction in the amount of family income devoted to water consumption and reductions in medical expenses previously associated with consumption and reductions in medical expenses previously associated with consumption of unsafe drinking water. In addition, the Team believes this activity contributed to improvement of the physical environment of these areas by reducing the need for a large number of latrines. A survey of Reparto Schick and Open No.2 carried out in 1976 indicated that the price per unit of water to low income residents dropped by as much as 500% and water usage increased by 300% in those houses with newly installed facilities.

Initially there was concern that most of the participants in the program would be renters who would be contributing to real improvements in the value of the owners' property. The Evaluation Team surveyed 500 participants in this activity and found that only 26 families were actually renting while the rest were property owners. When asked whether rental payments had increased as a result of installation of the new facilities, only 3 of these 26 renters responded in the affirmative. The principal conclusion of these surveys is that low income families have benefitted from the water connections program and that such benefits have exceeded costs. Surveys also indicate a further potential demand for these services which could be partially met through the use of other unutilized funds presently available under Loan 029 to increase the number of connections. The relatively low number of renters among the beneficiaries, and the responses of non-beneficiary renters prompted the recommendation that future promotion also be oriented toward convincing landlords of the benefits of participation in the program.

IV. Economic Impact of the PRAI

The evaluation report points out that in the first two years following the earthquake the cost of materials rose by 74%, as a result of excess demand, speculative practices, and factors external to the Nicaraguan economy. With capacity having been built up and the demand for construction leveling off, the price index for construction materials remained roughly constant from 1974 through 1977. Although the evaluation team was not able to obtain estimates for total anticipated construction during the 1978-1979 period when the bulk of PRAI construction will take place, information available suggests that this will also be a period of relative excess capacity. The team therefore concluded that the PRAI construction should not be expected to place inflationary strains on the economy.

The team concluded that the PRAI construction, in the short term, is providing needed stimulus to the economy. In the medium and longer term they expect the investments, particularly in the

highways and the Subcenters and District Centers, to provide the basis for a more efficient city. Transportation costs should be reduced for individuals, and businesses should benefit from the external economies achieved through the establishment of centers of commercial and public service activity.

V. Evaluative Recommendations:

The Evaluation report divides the activities being carried out under the PRAI into different categories with a separate set of recommendations for each group. These are as follows:

1. Physical Construction - With regard to construction activities, the Evaluation Team noted that the different projects are in various phases of design and execution. The Evaluation Team recommended that for those projects which have not been completed the GON executing agencies concentrate on supervision, procurement of equipment and provision of training to facilitate operation of the sub-centers, and provide sufficient funds for timely payment of contractors. With regard to supervision, both force account and contracted supervision show the need for improvement. With regard to the procurement of equipment, there is concern for the timely acquisition of both the fixed equipment needed for the completion of the buildings and the mobile equipment necessary for the successful operation of the buildings. The former is the responsibility of the construction contractors, but the GON must ensure that clearance through customs is facilitated. Acquisition of mobile equipment is the responsibility of OCI and the user agencies. Progress toward getting the user agencies to focus on the need for action now has been very uneven, which demonstrates that insufficient priority is being placed on this critical activity.

2. Small Enterprise Program - The Evaluation Report notes that the FED has already used 70% of the C$44.8 million allocated to this program. If the present rate of utilization is maintained, the funds would be totally disbursed by the end of 1978 (not including reflows). The Evaluation Team recommended that the GON (OCI) provide the required funding to FED so that progress of the program is not interupted by liquidity problems.

3. Land Purchase Fund - As of March 1978, more than 57% of the Land Purchase Fund had been used and land still remained to be acquired for the Reparto Schick Health Center and for pending road projects. The Report states that failure to purchase right of ways for the construction of these roads constitutes "a bottleneck to the execution of these programs" and recommends that the COMINAG start negotiations for the land required to start these activities. (Note: progress has been made since the evaluation report was prepared).

4. Implementation Assistance Fund - About 60% of the funds available for this activity have been used to finance five consultant studies, assistance for the Office of Coordination and Implementation (OCI) and the Inter-Agency Committee (COMINAG), and INCAE Advisory assistance to the GON. The Evaluation Report recommends that the consultants' reports such as the Managua Transportation Study, the Electrical Distribution Study and the Hidro-Geological Study be released to the public and private sectors. The Report recommends that the VIMPU evaluate the consultant's report on the six cities comprising the Metropolitan system and also release the other studies to public sector agencies and the general public.

VI. AID Action:

The attached Evaluation Report was reviewed by the Inter-Agency Coordinating Committee (COMINAG) prior to being forwarded to USAID/N for approval. Since the document was prepared almost entirely by the VIMPU with guidance from USAID/N, and is consistent with the requirements set forth in Implementation Letter No.1, We recommend that the Evaluation Report be approved. All of the action recommendations are assigned to GON executing agencies. USAID/N follow-up actions are only required to the extent of verifying whether the evaluative recommendations were acceptable to the GON and that appropriate GON action is taken.

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