

AGENCY FOR INTERNATIONAL DEVELOPMENT		TRANSACTION CODE		PP 2
PROJECT PAPER FACESHEET		<input type="checkbox"/> A ADD <input type="checkbox"/> C CHANGE <input type="checkbox"/> D DELETE		2. DOCUMENT CODE 3
3. COUNTRY/ENTITY <u>NICARAGUA</u>		4. DOCUMENT REVISION NUMBER <input type="checkbox"/>		
5. PROJECT NUMBER (7 digits) <input type="checkbox"/> 524-0119 <input type="checkbox"/>	6. BUREAU/OFFICE A SYMBOL <u>L.A.</u> B. CODE <input type="checkbox"/> 05 <input type="checkbox"/>	7. PROJECT TITLE (Maximum 40 characters) <input type="checkbox"/> Rural Municipal Development <input type="checkbox"/>		
8. ESTIMATED FY OF PROJECT COMPLETION FY <input type="checkbox"/> 8 <input type="checkbox"/> 1 <input type="checkbox"/>		9. ESTIMATED DATE OF OBLIGATION A INITIAL FY <input type="checkbox"/> 7 <input type="checkbox"/> 7 B. QUARTER <input type="checkbox"/> 4 <input type="checkbox"/> C. FINAL FY <input type="checkbox"/> 8 <input type="checkbox"/> 1 (Enter 1, 2, 3, or 4)		

10. ESTIMATED COSTS (\$000 OR EQUIVALENT \$1 -)						
A. FUNDING SOURCE	FIRST FY <u>77</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL						
(GRANT)	()	()	()	()	()	()
(LOAN)	(70)	(107)	(177)	(403)	(3,097)	(3,500)
OTHER U.S. 1. 2.						
HOST COUNTRY		609	609		3,920	3,920
OTHER DONOR(S)						
TOTALS	70	716	786	403	7,017	7,420

11. PROPOSED BUDGET APPROPRIATED FUNDS (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY <u>77</u>		H. 2ND FY <u> </u>		K. 3RD FY <u> </u>	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
(1) P&W	200		200		3,500				
(2)									
(3)									
(4)									
TOTALS					3,500				

A. APPROPRIATION	N. 4TH FY <u> </u>		Q. 5TH FY <u> </u>		LIFE OF PROJECT		12. IN-DEPTH EVALUATION SCHEDULED
	O. GRANT	P. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN	
(1)						3,500	MM YY <input type="checkbox"/> 09 <input type="checkbox"/> 78
(2)							
(3)							
(4)							
TOTALS							3,500

13. DATA CHANGE INDICATOR. WERE CHANGES MADE IN THE PID FACESHEET DATA, BLOCKS 12, 13, 14, OR 15 OR IN PRP FACESHEET DATA, BLOCK 12? IF YES, ATTACH CHANGED PID FACESHEET.

1 NO
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14. ORIGINATING OFFICE CLEARANCE				15. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION			
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LIST OF ACRONYMS USED IN THIS PAPER

AGROMOC:	INVIERNO Field Workers
A.I.D.	Agency for International Development
CEDE	Development Center (INVIERNO)
CENCA	National Agricultural Education Center (MAG)
DENACAL	National Water and Sewerage Authority
DIPSA	Agricultural Planning Directorate (MAG)
ENALUF	National Power and Energy Authority
FAR	Fixed Amount Reimbursement
GON	Government of Nicaragua
IBAM	Brazilian Institute of Municipal Administration
IDB	Inter-American Development Bank
IEE	Initial Environmental Examination
IFAM	Municipal Development Institute (Costa Rica)
INCAE	Central American Business Administration Institute
INFOM	Municipal Development Institute (Guatemala)
INVIERNO	Campeño Welfare Institute
MAG	Ministry of Agriculture
MDD	Municipal Development Department
MCH	Ministry of Health
MOG	Ministry of Government
MPE	Ministry of Public Education
NMA	National Municipal Association
NPD	National Planning Directorate
RDSL I	Rural Development Sector Loan I
VMPU	Vice-Ministry of Urban Planning

PART I - PROJECT SUMMARY AND RECOMMENDATIONS

A. Face Sheet Data. See the preceding face sheet for a summary of fiscal data and the project purpose.

B. Recommendations. The Mission recommends authorization of the stated financing for a Rural Municipal Development Project to be implemented by the Government of Nicaragua (GON).

1. Project Authorization. \$3,500,000. The loan will carry recommended terms of repayment within 30 years, including a ten year grace period with an interest rate of 2% per annum during the grace period and 3% thereafter. It is expected that most (about \$3.1 million) will finance local currency costs, with the remainder financing foreign exchange costs. The Nicaraguan unit of currency is the Cordoba (C\$), and the rate of exchange is C\$7. = US\$1.00.

2. Terms and Conditions. The project funding will be subject to the terms and conditions specified in the draft Project Authorization (Annex D).

C. Borrower. The borrower will be the GON. Representing the GON, the Campesino Welfare Institute (INVIERNO) will manage the Municipal Credit Fund while the Ministry of Government will administer the Municipal Development and Administration Program.

D. Project Description and Financial Plan

1. Project Strategy. This project will complement the GON's Integrated Rural Development Strategy by strengthening the municipality as a local developmental and service institution. This project is designed to improve the public services which rural municipalities offer their constituencies both in the municipal center and in the rural hinterlands. By promoting the development of the infrastructure and public services provided by the municipal government in market towns and larger service centers, it is expected that an urban-regional spatial structure will be created to provide viable marketing and support centers to the rural areas which should promote decentralization and in turn lessen the current dependency of municipalities on the central government.

2. Project Goal. The goal of this project is to improve the economic well-being and living conditions of the rural poor in Nicaragua.

3. Project Purpose. The project purpose is to increase the accessibility of public services provided by municipal governments to the people living in their jurisdictions, especially the poor.

4. Project Components

a. Component One, Municipal Credit Fund. This Project includes a continuing loan fund for municipalities to use in financing priority public works. The objective of the credit fund is to provide an accessible source of funding for projects that will assist in the development of municipal services with emphasis on the poor. The Ministry of Government through its Municipal Development Department (MDD) will identify, develop and propose for financing those projects which meet pre-established loan criteria of economic and social benefit. The fund will be managed by the Campesino Welfare Institute (INVIERNO). As a part of its banking functions, INVIERNO staff will review all sub-projects for financial feasibility.

This project will concentrate on funding sub-projects which directly improve the efficiency of the production and distribution of agricultural products and improve the living conditions within the municipality. A.I.D. funds of \$2.7 million will capitalize a portion of the rotating fund for financing eligible municipal projects. The GON will provide \$1.5 million in counterpart to further capitalize the rotating fund. In addition, the GON will cover \$350,000 in operating costs over the four-year life of the project. The municipalities will provide as counterpart approximately \$420,000 over the life of the project in the form of land, cash and in-kind services (e.g., labor).

b. Component Two, Municipal Administration and Development Program. This component is designed to upgrade municipal governments which, in turn, will be able to manage, more effectively and efficiently, the affairs of the municipalities for the benefit of their residents. The MDD will be responsible for providing relevant technical assistance and training programs which will broaden the popular base of local government as well as upgrade the administration of the municipalities' public services and supporting financial systems. Field Monitors will be assigned to Regional Offices where they will offer on-site technical assistance to municipal officials.

The MDD will also be responsible for carrying out special and project related studies during the implementation stage of this project. Studies dealing with

municipal legislation, tax codes, zoning ordinances, regional planning and urban planning are examples of the types of specific activities the MDD will carry out. In addition, the MDD will perform feasibility studies for proposed municipal sub-projects to determine their viability and priority.

A.I.D. funds of \$800,000 will assist in financing the Municipal Administration and Development Program of this project. These funds will finance technical assistance and training for both the MDD and the municipalities and finance the purchase of equipment and vehicles. The GON will provide \$1,650,000 as counterpart in the form of operating, training and office equipment costs for the MDD.

5. Financial Plan. Based on the above components of the project, it is expected that the A.I.D. loan and GON counterpart resources will be allocated approximately as follows:

(In U.S. \$.000)

Uses of Funds	A.I.D.	GON	MUNIC.	TOTAL
<u>Component One: Municipal Credit Fund</u>				
a. Administrative Costs		350		350
b. Credit Fund	2,700	1,500	420	4,620
<u>Component Two: Municipal Development and Administration</u>				
<u>and Administration</u>				
c. Technical Assistance				
1) To Municipalities	110	660		790
2) To MDD	150			150
b. Training				
1) For Municipalities	360	610		950
2) For MDD	80	50		130
c. Commodities				
1) Vehicles	80			80
2) Office Equipment	20	50		70
d. Administrative Costs		280		280
TOTALS	3,500	3,500	420	7,420

	<u>A.I.D.</u>	<u>GON</u>
% Not Counting Municipal Contribution as Counterpart	50%	50%
% Counting Municipal Contribution as Counterpart	48%	52%

E. Project Beneficiaries. This project is designed to strengthen local governmental institutions so that they can more effectively provide the public services demanded by their constituency. The major beneficiary of this project will be the poor. Per capita income in the rural areas of the target regions is less than \$120 for over 70% of the rural population. It is estimated that 65% of the population in the target urban areas have a per capita income of less than \$210. The poor will have increased access to basic public services (e.g., potable water, sewerage, roads, electricity) which will improve the quality of their lives and, in some cases, increase their real incomes (e.g., markets, slaughterhouses). The project is structured so that the municipal government will gradually evolve into an agent of change with a greater popular responsibility for the overall social and economic development of its region.

F. Program Issues. General issues related to this project concern the ability of GON personnel to manage and evaluate the program and the range of activities to be implemented over the four year period of this project. The managerial and institutional concerns are addressed in the section entitled Project Management Feasibility. Other implementation concerns are the subject of Conditions Precedent to Loan Disbursement as outlined in the draft loan authorization contained in Annex D.

Organizational alternatives for the municipal development function in Nicaragua is of continuing interest. Under A.I.D. Loan No. 524-T-031, the GON chose to administer this program through two distinct organizations, the Ministry of Government and INVIERNO. This project proposes that more responsibility be programmed for the MDD within the Ministry of Government, thereby leaving INVIERNO only a banking role. It is recognized that the program still involves two institutions, and the effectiveness of this arrangement will receive special attention by the GON and A.I.D. in the annual evaluations of the project. As this program develops over the next four years, there is a distinct possibility that the GON will consolidate the program within a single Ministry or create an autonomous municipal development institution.

A major issue in this project is the commitment of the GON to take legislative and administrative measures to increase the autonomy and financial base of the municipalities. The Technical Analysis section of this paper discusses the status of municipal legislation and legislative changes that will be needed to increase both municipal autonomy and the municipalities' share of central government revenues. The revision of local tax codes to make them more progressive and up-to-date is discussed as a major activity under Component Two. The GON has already begun to take steps to improve municipal autonomy and finances by up-dating municipal tax codes and drafting new municipal legislation. This project will support these beginning efforts and provide the necessary assistance to insure they have an equitable and beneficial impact upon the municipalities.

G. Overall Project Committee

GON Project Committee

1.	Atilio Bravo	INVIERNO
2.	Jose Esteban Castillo	INVIERNO
3.	Fágot Bohorquez	Ministry of Government
4.	Chester Guevara	Ministry of Government
5.	Oscar Cano	Ministry of Government
6.	Donald Baca	Ministry of Government

USAID Project Committee

1.	David Jickling	Project Manager, DVP
2.	Owen Lustig	RDD
3.	Aaron Benjamin	HUD
4.	Paul Wilson	CAP
5.	James Ito	CONT
6.	Betty Facey	ENG

Project Consultants

- | | | |
|-----|-----------------|----------------------|
| 1. | Richard Layton | ROCAP |
| 2. | Ramiro Eduardo | ROCAP |
| 3. | Loc Eckersley | ROCAP |
| 4. | Elias Hill | ROCAP |
| 5. | Doyle Casey | USAID/Panama |
| 6. | William Feldman | AID/W |
| 7. | Tom McKee | Poynor International |
| 8. | Darean Day | AID/W |
| 9. | Harry Carr | Checchi Corporation |
| 10. | William Burras | AITEC |

USAID Reviewing Officers

- | | | |
|----|-----------------|----------|
| 1. | Arthur W. Mudge | Director |
| 2. | Paul N. Wenger | CAP |

Approved by: Arthur W. Mudge, Director

PART II - PROJECT BACKGROUND

A. Integrated Rural Development Strategy

Since the completion of the Nicaraguan Agriculture Sector Assessment, it has become increasingly clear that development of the agriculture sector, which is a basic goal of the GON's development strategy, is a function of a longer, infinitely more complex process of rural development. Vast potential for agricultural development exists in Nicaragua. An agricultural frontier on the Atlantic Coast covering an area of over 61,000 square kilometers (larger than the remainder of the country) is virtually unfarmed, not to mention the improvement in yields which could be obtained through more modern cultivation practices. However, converting this potential into a developed agricultural sector requires more than a focus on farm land; it also requires larger and more effective investments in people. Thus, Integrated Rural Development has become the key strategy for implementing the GON's Agriculture Sector Policy.

The first objective of this policy is to "improve the standard of living of the rural population through greater access of the population to the flow of goods and services and through increasing the participation of rural inhabitants in decisions which affect their well being." In a larger sense, therefore, the GON's Integrated Rural Development sector strategy involves a major effort to restructure all pertinent public sector policies, institutions and activities at both the local and central government levels so that these become more aggressively responsive to the needs of the people, especially the rural poor. Stated in another way, the results of the GON's Integrated Rural Development Strategy should be measurable in terms of better education, improved health and nutrition, increased participation in public affairs, better clothing and more adequate shelter, as well as in terms of additional production, higher yields, increased farm incomes, more foreign exchange earnings, and larger contributions of the agricultural sector to the total economy.

1. Framework of the Strategy. Three intrinsic constraints conditioned the design of the Rural Development Strategy. One is the dispersion of the rural poor. Nicaragua has the largest land area (48,000 squ. miles) in Central America; it also has the lowest population to land ratio (33 per square mile). The second constraint is economic. The financial resources required to reach massive members of rural poor over widely dispersed areas are distinctly limited. Finally, and most importantly, is the unforgiving complexity of the nature of poverty and therefore the design of effective programs to help the poor.

In recognition of the above, the GON postulated the following development premises:

a. It is held that poverty is caused both by a lack of financial means and a set of conditions including, but not limited to deficient education, inadequate nutrition, high morbidity, and inadequate shelter.

b. Given the economic constraints and the complexity of the problem, programs designed to attack poverty must be integrated and complementary in such a way that the outputs of one become inputs for another. It follows that programs designed for short term impact must also be valid in the long term.

c. In view of the dispersion of the rural population, program resources should be concentrated first in Regions V and II successively. These two regions are endowed with abundant natural resources but are also the home of at least half of Nicaragua's rural poor.

2. The Integrated Strategy. It was obvious at the outset that the GON had two broad alternatives. The first would have been to initiate a major development thrust through the municipal governments. This strategy would have had the advantage of proximity to the rural poor, i.e., using institutions closer to the poor. Further, it could have served well to involve the people in grassroots participation in both the political and developmental processes.

Unfortunately there were serious historical and programmatic obstacles with this approach. The resource base at the municipal levels of government is low; planning and programming talent is virtually non-existent and even in the larger cabeceras, municipal administrative procedures are at best rudimentary. Although, historically, the independent municipalities have been an important local entity, they have become thoroughly dependent upon the central government for almost all physical facilities from major infrastructure to minor maintenance. As a result, government planners opted to start with a top down strategy for rural development but at the same time recognized the importance of working with the municipal governments.

The GON, therefore, has adopted a strategy to extend integrated, bureaucratically streamlined systems for the delivery of credit, education, health and nutrition services and better rural municipal government to the rural poor in selected regions until members of the target group have the means and conditions necessary to help

themselves up from poverty to progressively higher levels of well being. The major components of this strategy are as follows:

a. Restructuring the Public Agricultural Sector. The Ministry of Agriculture's (MAG) strength has been in operational programs and services but none of these have heretofore contained the right mix of properties needed to reach the rural poor. Its short suit has been in planning, a facility urgently needed to develop studies, prepare project design and evaluate rural development programs. The Ministry proceeded, therefore, to strengthen its planning capabilities with the formation of DIPSA and to create new autonomous "Institutes" to carry on its operational responsibilities with greater independence and flexibility.

The Institute of Campesino Welfare (INVIERNO) was the first of the new operational entities created by the MAG. INVIERNO was chartered to provide any type of service necessary or contract for the provision of services with other entities in the public or private sectors to improve the lives of the rural poor. Its top priority was to help increase the net disposable incomes of the rural poor. To start with, INVIERNO needed to gain the confidence of the campesino in Regions V and II. Thus, it employed and trained a cadre of Agricultural Generalists called (AGROMOCS) to enter rural communities and form or activate community agricultural committees or juntas comunales. These committees, in turn, brought together poor farmers into groups to participate in discussions of their needs and in quick succession to take part in programs arranged by INVIERNO, e.g., adult education programs in agricultural practices and marketing techniques, preventive health care programs organized by INVIERNO through the Ministry of Health, etc.

At the same time, INVIERNO organized a "banking" service to provide credit to the rural poor. Its clients (called socios or members) are the poor farmers organized by the AGROMOCS and local communities. One of the key innovations provided by the banking facility is a flexible repayment system for credit which tends to reduce the possibility that bad seasons would further impoverish INVIERNO's members.

The INVIERNO mandate also was supported by funds to implement a rural access road improvement program and to initiate a Rural Municipal Development Credit Fund. The Rural Municipal Development component is in the early stages of implementation, whereas the rural road function is well along in the planning stages. In summary, the public agriculture sector and the INVIERNO program were endowed

with an early mandate to extend beyond their sectors into health, education, infrastructure and municipal development. As these sectors become reorganized to attend to the rural poor in Regions V and II, INVIERNO will be able to expand its program into new areas.

b. Health and Nutrition. The second major ingredient being folded into the overall strategy is a rural health program, which was designed to begin implementation during the second and third years of the program in Regions V and II. The purpose of this program is to extend, improve and integrate health services for the rural poor. The MOH, which has had previous experience in community development, is training health promoters to work with the campesinos in rural communities. These promoters, working with INVIERNO's Agromocs, will form health committees, in many cases from members of the agricultural committees. The committees in turn will encourage the campesinos to take advantage of health services, training, etc. Included will be efforts to provide basic health education, deliver basic environmental sanitation services (potable water and latrines), and strengthen the rural health referral system. In this way, rural health activities will build on the efforts of INVIERNO and the Agromocs in rural community development to assure that benefits of the health program are efficiently and effectively delivered to the rural areas.

A follow-up contribution to the Rural Development Strategy is a multi-sectoral nutrition program. Based upon a newly established national food and nutrition planning mechanism, this program will, in part, help to upgrade, through a variety of educational means, the food habits of rural dwellers; help increase the availability of food for their consumption; and extend maternal child health and related services to target communities. This program will work with and through the health committees to develop capabilities at the community level to monitor nutritional status and to evaluate the effectiveness of the GON's program to improve the nutritional status of the rural poor.

c. Education. The fourth major facet of the Rural Development Strategy is the more difficult program of educating the target population. The purpose of the program is to develop or improve educational programs for rural adults, adolescents and children. Directed to the Regions V and II, this program will strengthen existing schools, develop more relevant curricula, teaching and learning materials for adolescent and primary school systems and organize adult education courses.

Following the lead of INVIERNO and the MOH, the Ministry of Education will employ a teacher's aide to work in each of the rural communities. By the time these aides are in the rural areas, most communities will have active agriculture and health committees. Thus the organization of education committees, which will have more responsibility than other committees, should be less difficult. Their task will be to feed back ideas into the curricula development process, monitor the new education program materials, organize construction and maintenance of school facilities, and encourage community participation in the education programs.

The Agromocs and the Health promoters will also play a major role in the education program. Both will assist in the preparation of adult education programs; both could be used as guest teachers, and both should be important sources for the articulation of new ideas for curricula development. In addition, the warehousing and distribution system initiated by INVIERNO will be used in the early years of the program for the distribution of educational materials. The Education program scheduled to begin in mid 1977, is designed to fully capitalize on the slowly expanding horizons which are developing among the rural poor as a result of the INVIERNO and MOH efforts.

d. Rural Municipal Development. The fifth component of the Rural Development Strategy is the proposed Rural Municipal Development program. This component is designed to improve services of municipalities to their constituencies residing in the municipal center and especially those in the rural hinterlands surrounding the center. By promoting the development of the services provided by the municipal centers - whether they are market towns, service centers or secondary cities -, it is expected that an urban-regional spatial structure will be created to provide marketing and support centers to the rural areas which should promote decentralization and in turn, lessen the current dependency of rural municipalities on the central government. Although the GON's Municipal Development Strategy is evolving, its first concern is with the poor in the rural municipalities and with the development of a horizontal thrust to reach the poor through local institutions (which have popular representation).

Thus, the Municipal Development Program includes at the outset a credit fund to finance projects such as better marketing facilities, slaughterhouses, and other essential public services. The program will also provide training and technical assistance to improve the administration of the municipalities (county seats of

government). In time, the municipal governments should become responsible for the maintenance of physical facilities, such as rural schools and health facilities, and may take over the distribution of school materials. Further, the municipalities may provide campesino legal aid in licensing small farmer business enterprises, property assessment, title clearances and other land purchases or rentals transacted by the rural constituents. It is expected that this program will benefit by added revenues generated by the overall Rural Development Program. More importantly, the experience in civic affairs gained by the agricultural, health, and education committees will tend to assure that municipal government becomes more representative of, and responsive to the needs of its constituency.

3. Integrating the Components. By the time the Rural Municipal Development program is in place, INVIERNO will initiate delivery of a second set of services. Scheduled for implementation in the fourth year of the integrated program, this set of services will be designed to channel the additional incomes of the rural poor into new equity investments. The strategy will be to capture some of the additional income earned by the rural poor through the production credit programs and parlay these into investments in home improvements, small farm enterprises, and land purchases. INVIERNO will make new lines of credit available to the rural poor to facilitate this process. At this point, too, INVIERNO will begin divestiture of some of its input supply and distribution facilities. These facilities will become small farm enterprises which are owned and managed by INVIERNO members (socios).

The most crucial test of the GON strategy will occur during this phase of the program. If the health and nutrition interventions have not decreased morbidity, or if the education program has not provided relevant new learning experiences or expanded the horizons of the poor, and if the campesinos lack confidence in the will and ability of rural municipal governments to protect their interests, it is unlikely that the target group would willingly risk investing its small additional income to achieve higher levels of well being. This is the point in the GON's strategy at which all components should converge to help lift the rural poor to a higher set of living conditions and economic well being. If the strategy succeeds, INVIERNO over time will be in a position to organize its withdrawal from some of the target areas in Regions V and II.

4. Replication. There are no certain fail safe mechanisms to insure the success of these efforts. Frequent evaluation and many tactical corrections are foreseen in the execution of the GON's complex but innovative Rural Development Strategy.

However, if it is successful, the all too vicious circle of poverty will be replaced by continuous improvements in the quality of life for the poor. Certainly the campesinos should benefit from increasing access to the flow of goods and services and from their greater participation in the decision-making process. But in the longer term, there should be measurable improvements in the health and education, as well as in the housing, clothing and home conditions of the target population. And if in the medium term, there are measurable increases in the levels of productivity, income and employment, as there should be, the GON plans to replicate the strategy in other regions.

B. Overview of the Municipal System in Nicaragua

1. Historical Development

a. Colonial Period. Municipal organization (i.e., concentration in an urban community) was a natural and characteristic development in the early history of Spanish colonization in the New World. Spain was a country of urban centers largely due to the wars of the Reconquest and the necessity to settle in towns for protection against the Moors. As Spain colonized the New World, urban communities became the dominant type of political and social organization. Municipalities were established in the very first days of the conquest, drawing support from aboriginal labor in the fields and mines. It has been said that, in the Spanish colonies, the population of the countryside grew to meet the needs of the urban centers.

During the colonial period, the foundations for the current system of municipal government were established. An intendente system of local government provided for the division of Nicaragua into nine (9) basic local government jurisdictions. The intendente represented the Crown at the local level. He was supported by a system of locally elected municipal councils. Elected for one year terms, each council consisted of one or two mayors, a secretary, a representative, councilmen, and a justice for agricultural matters. This system represented the beginning of local self-government.

The major functions of the municipality were broader than those of the present: distributing land, imposing taxes, raising a militia, providing building permits, maintaining jails and roads, and supervising local market prices. Even then, the municipal government was characterized by inadequate funds to provide these services. The municipality generated very little revenue through municipal taxes. Most revenues came from renting common lands controlled by the local government.

The municipality did play a decisive role in the colonial period nonetheless. First, it was the one local institution that had continuity and was not a simple

appendage of the Spanish crown. Second, it was the sole governmental entity where American-born Spaniards retained a large degree of active participation.

b. Independence Period. With independence, the local government system in Nicaragua provided continuity of government at the community level as various systems of federal government for all of Central America were tried and failed. This was followed by a period of civil war between the forces of Granada and Leon in Nicaragua. This conflict was resolved with the Constitution of 1858 and the establishment of a new national capital in Managua.

The Constitution of 1858 divided the country into departments and municipalities. Each department was administered by a prefect, appointed by the central government. Prefects supervised the municipalities, local justices and police within their jurisdiction. Although the military commander and the principal justices in their area were legally independent, the prefect influenced their activities to a considerable extent. The prefect became the chief executive - a little president - in his department.

The municipalities, following the colonial practice, continued to be governed by elected councils consisting of a mayor, councilmen, a sindico (trustee) representative and their alternates. Smaller villages called pueblos were governed only by a mayor and his alternate. Major decisions of the municipalities were often made by popular vote after an open meeting (cabildo abierto), attended by the public.

Municipal councils established local boards for specific functions. In times of financial need, a finance board would be formed to raise revenue for a special purpose. When public buildings or churches were destroyed, reconstruction boards were formed. Local boards also functioned at the departmental level. Two of the most important and continuing local boards were for charity and education. The charity boards supported local hospitals, cemeteries and other public welfare activities. The education directorate was composed of five locally elected members. It met twice a month to direct the work of the public schools in the department.

2. Current Status of the Municipalities.

a. Description of the Municipalities. Nicaragua is currently divided into 129 municipalities (similar to U. S. counties) and the National District of Managua.* Of these, 16 are departmental capitals. According to the 1974 Constitution,

* Based on Anuario Estadístico, 1975. Best data available on population in municipalities.

the municipality is the main administrative unit at the local level and has executive power to meet the needs of the people living within its jurisdiction. This responsibility includes both the urban center plus the surrounding rural population and lands. The Ministry of Government is charged with the responsibility for determining the territorial limits of the municipalities. By law, a municipality must have a total population of at least 5,000 people, although in fact 36 municipalities with 8% of the population have less than that amount. Two of the municipalities (Managua and Leon) have populations of over 100,000 or about 26% of all Nicaraguans. 16% of the population live in six municipalities with populations in the range of 40 - 100,000 people. The bulk of Nicaraguans live in municipalities with combined urban and rural population ranging from 5,000 - 40,000.

b. Municipal Structure. The focal point of the municipality is the cabecera municipal which is the urban center of the municipality. Surrounding the cabecera are small communities which range from 5 - 50 houses. These small communities in descending order of importance, are called comarcas, caseríos and valles. Each division is headed by a political official. In the department, it is the governor; in the municipal center, the mayor; in the comarca, the judge and sheriff and in the caseríos and valles, the assistant sheriff. Only the mayors are elected, with the governors, judges and sheriffs being appointed by the Executive Branch of the Nicaraguan Government.

The Government of the municipality is centered around the Municipal Council which is made up of three members: the mayor, a trustee (sindico) and a treasurer. They are all elected by popular vote for a three year period. The mayor and treasurer represent the party which receives a majority of votes. The sindico always represents the party which is second in the popular vote. Each member of the Council has an alternate who is elected with him and serves in his temporary or permanent absence. To be elected a member of a municipal council one must be a citizen of over 21 years of age, be secular (a layman), know how to read and write, have resided in the municipality for at least five years, and not be in arrears in his or her taxes.

The mayor is responsible for the execution of all laws and regulations of the municipal government, the supervision of all local work programs, and the resolution of municipal conflicts. The sindico is responsible for all the administration of justice. The treasurer is responsible for all municipal property and revenues.

Other municipal employees are appointed by the mayor in accordance with the appropriate provisions of the law. In small municipalities (less than 5,000 people)

these typically include a municipal clerk, a porter (general messenger and assistant), and at least one tax collector. In the larger municipalities a full range of positions are staffed in relation to the functions and services of the municipality.

The functions of the municipal councils include the following:

- 1) Prepare and revise the municipal tax ordinance (plan de arbitrios).
- 2) Prepare the annual budget for ordinary and extraordinary expenditures.
- 3) Organize the necessary staff to carry out local administration.
- 4) Prepare regulations to insure public safety and protect the public morality.
- 5) Provide essential public services.
- 6) Expropriate land when necessary for public purposes.
- 7) Authorize contracts for local public works and public services.
- 8) Promote public education, cultural activities and health services in the locality.
- 9) Maintain fire equipment.
- 10) Provide for the general improvements of the local area.

Additionally, a revision of the Municipal Law has been proposed (See Section IV, B.2.) which will enable municipalities selected by the Ministry of Government (based on local importance and income) to:

- 1) Form municipal planning advisory boards of three qualified local people;

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- 2) Establish an Urban Planning Office; and
- 3) Set up municipal archives.

The proposal will also revitalize the cabildo abierto. Municipal councils will be encouraged to hold open meetings so that the general community can become more involved in local decision-making.

c. Municipal Relationships with Governmental Agencies. The Ministry of Government is the primary agency of the central government in relation to the municipalities. It is responsible for approving their budget and tax ordinances. The Ministry also approves all municipal investments of over \$700 in the departmental capitals and over \$140 in the other municipalities. The Ministry establishes both departmental and municipal boundaries and generally supervises municipal activities.

The Court of Accounts (Tribunal de Cuentas) is the fiscal audit agency for the municipalities. It supervises all aspects of the operations of the municipal treasury, auditing accounts, checking on the adequacy of financial and property records, and reviewing all municipal contracts.

The basic law governing the municipalities provides that they will coordinate their services with other agencies of the central government operating in their jurisdictions. These agencies include the national water authority (DENACA), the national electric authority (ENALUF), and the Ministries of Public Works, Health and Education.

C. Local Constraints to Municipal Development

The municipal system in Nicaragua has historically been weak in its ability to provide services to its inhabitants. Since the municipality has not been considered as a focal point for local development, it has not received support from either private or governmental institutions. Three major deficiencies have acted as constraints to adequate municipal development. These are (1) a lack of infrastructure and adequate municipal services, (2) weak municipal finances and (3) poor municipal administration.

These deficiencies are closely interrelated, and together they create a vicious circle of underdevelopment for the municipalities, especially the smaller and more rural municipalities where this project will focus. These

municipalities provide minimal services which create citizen resistance to paying taxes. Poor municipal revenues, in turn, prevent the municipality from developing the administrative systems and attracting qualified personnel who could develop the projects and public services needed by the community.

1. Lack of Infrastructure and Adequate Municipal Services.

This problem includes shortcomings in basic social services; in economic infrastructure and public services; and in commercial and industrial development.

a. Basic Social Services. The assessment carried out by the Ministry of Government and INVIERNO in October, 1976 revealed that both Regions V and II are characterized by high rates of illiteracy. In the Central Highlands (Region V), the percentage of illiteracy is 64%, and in the Central Pacific area (Region II) including the Managua area the percentage is 45%. These percentages compare with a national average of 47%. In spite of efforts being made by the central government, the smaller urban centers and rural areas in these regions are short of both primary and secondary schools as well as vocational training facilities, which could provide short courses in industrial arts, crafts and practical, work-related training. As a result, illiteracy is compounded by a great shortage of technical personnel to provide specialized, development-oriented services.

The same shortages exist in the area of health services. The great majority of health centers, hospitals and other health facilities are concentrated in the two or three localities which are departmental capitals. Even these centers are inadequately staffed and equipped to meet the needs of the public. In the great majority of the municipalities there are no hospital facilities at all; and, all considered, there is less than one hospital bed per 1,000 persons. The unequal distribution of medical facilities is considered to be an important factor in the continuing rural to urban migration in Nicaragua.

In housing, more than half of the homes in Regions II and V lack potable water. In the smaller urban centers scarcely one-third of the homes have potable water, and in the hinterlands the number of homes with potable water is negligible. Those without must carry water from uncontrolled and frequently polluted wells, rivers and other sources. Sanitary facilities are similarly lacking in a majority of the homes, especially in the smaller communities. The vast majority of the communities have no sanitary sewers and few have storm sewers. Less than one third of these communities are served by two other basic services: garbage collection and public lighting.

b. Economic Infrastructure and Public Services. Only two municipalities in these two regions, both departmental capitals, have intra-urban bus service. Automatic telephone service is also limited to the few departmental capitals. The other urban areas are served by manual systems or by none at all. Most municipalities in the two regions have electricity either from the national system (ENALUF) or from municipal or private electric plants. The ENALUF system reaches more municipalities in Region II than in Region V.

One of the principal problems confronting the municipalities is the lack of access roads within their jurisdictions. Road repair and construction is frequently cited by community leaders as one of the key needs facing their area.

The 1976 study of the municipal situation in Regions II and V also indicated that the quality and coverage of municipal services varied in direct relation to the size of the municipal budgets in each case. In general, only the major municipalities provided services to over 70% of their population. Many municipalities reached less than one-half of their citizens with any significant public services and the smaller, more rural municipalities often reached less than 30% of their people.

Municipal services are inadequately planned, both for their current operation and for projecting future needs. Little attention is given to population growth and migration as factors affecting municipal services.

The municipalities do have a strong desire to invest their limited funds in public works. However, the majority of these investments are in municipal parks and urban beautification. In large part, this is due to small amounts of funds, available for investment at any one time, which do not suffice for the construction of higher priority public works. Thus many public works, such as markets and access roads, traditionally have been considered beyond the capacity of the municipality, are left to central authorities or are not undertaken at all.

c. Commercial and Industrial Development. The departmental capitals, in each case, have greater commercial and industrial development than the other municipalities in these regions. The smaller municipalities frequently have little or no industry and only a limited number of commercial enterprises. Industries, such as exist, in these communities are typically of a handicraft nature.

Wholesale markets for agricultural products and for other goods are concentrated

in the departmental capitals. Often these cities have ten or more types of wholesale commercial services. The smaller municipalities, typically, have only retail commercial sales and limited agricultural marketing opportunities. Municipal markets are found more frequently in Region II than in Region V. The majority of the markets are located in the departmental capitals.

2. Weak Municipal Finances. More than 70% of the municipalities in Regions V and II have budgets of under C\$300,000 (US\$42,000). Only the departmental capitals have budgets of over C\$1,000,000 (US\$140,000). In the past three years the municipalities in Region II have more than doubled their budgets, while in Region V the budgets of a majority of the municipalities have increased by less than 70%. Much of this increase is attributable to updated municipal tax codes. The budgets of the smaller municipalities have grown at a faster rate than the larger municipalities, but neither have the revenue base required to provide an adequate range of public services.

The principal sources of municipal revenue are taxes on commerce, gasoline and sales taxes. These represent 78% of all municipal revenues collected in the country. Public services and licenses are other important sources of municipal income. The lack of industries in most municipalities prevents this from being a larger source of revenue, nor is there a general property tax for the municipalities.

Municipal borrowing from private banks, national public credit institutions or international sources have not been extensively used for the financing of municipal public works. Only the larger municipalities are able to meet the stringent conditions levied by these institutions on municipal borrowing. If credit were available on favorable terms, it is anticipated that the municipalities would use it to initiate long term capital investments which will allow them to meet their infrastructure needs sooner. The smaller municipalities, in any event, will have sharply limited credit capacity and in many cases will need to expand their revenue base in order to take advantage of credit availabilities.

Municipal revenue ordinances (planes de arbitrios) are in many cases out of date and do not realize current revenue potentials in the municipalities. These ordinances often include fixed rates and revenue procedures which unnecessarily complicate collection tasks. Other taxes are difficult to control and certain ones, although included in the ordinances, are not collected at all either because they are impractical or because of negligence on the part of municipal authorities.

Certain municipal taxes are resisted by the local population; but if services were improved and collection was enforced, these taxes would be paid.

Many municipalities lack urban and rural property registers as well as registers of taxpayers for various types of municipal taxes. The lack of these registers seriously affects tax collection. The establishment of registers is an important step to be taken in improving municipal revenue system.

The municipalities will benefit greatly from a technical assistance program which will enable them to broaden their revenue base, collect taxes more effectively and utilize their revenues for essential developmental services. One specific problem which needs to be addressed immediately by the technical assistance program is the preparation of municipal budgets. These are based on actual revenue collections of the previous year. Eighty percent of the municipalities in Regions II and V have increased revenues in recent years but have budgets which restrict their expenditure to the levels of the previous year. As a result, they finish the year with cash balances due to inadequate budgeting and planning.

3. Poor Administration. The inability of the municipalities to develop and carry out significant development activities is also related to the lack of preparation of municipal personnel.

a. Municipal Personnel. The key municipal officers are the mayor, the treasurer, and the sindico. As described earlier, these elected officials are typically assisted by a clerk, a messenger/general assistant, and two or more municipal tax collectors. These municipal employees are appointed by the mayor. In many cases there is considerable continuity of service, but a new mayor can and does frequently change personnel at will. Only in the larger municipalities does the staff include additional and specialized personnel. A larger municipality, for example, may have an accountant and staff to provide specific services such as market operations.

In the smaller municipalities, the officers typically have only a primary education. No systematic training now exists to orient them to their functions. The Court of Accounts (Tribunal de Cuentas) provides guidance on municipal tax collection and bookkeeping through the periodic visits to the municipalities by their auditors. The Ministry of Government provides guidance on the preparation of the annual budget for each municipality and also assists on the revision of municipal revenue ordinances. But these services, in the past, have been sporadic and inadequate to meet the municipalities' needs. The deficient orientation of new municipal officers in

their functions and lack of assistance in improving the general quality of municipal administration have been especially noticeable and often criticized.

b) Project Development. Most municipalities have had no experience in developing public works type projects on their own, save the most simple type of self-help construction. In most cases, public works have been developed and constructed by agencies of the central government.

The municipal authorities in the departmental capitals and in a few other larger municipalities have had some experience in project identification and development. For the other municipalities considerable technical assistance and training will be necessary to assist authorities identify priority, revenue producing or social projects and to enable the municipalities to follow through with feasibility studies, project design and implementation.

D. Rural Municipal Development Project Strategy.

1. Introduction. The first approximation to the Rural Municipal Development Project Strategy described herein came as a result of the Agriculture Sector Assessment and was subsequently articulated in the Rural Development Strategy. Since then, the GON has undertaken an Urban-Regional Sector Assessment. Although the Urban-Regional Assessment has not yet been released, the Mission has been apprised of the principal findings and recommendations. Two of the three major recommendations contained in the Urban-Regional Assessment strongly support the rural municipal development approach outlined in the Rural Development Strategy. The third recommendation suggests that the Municipal Development Strategy should in the near future evolve into a broader based regional and inter-regional strategy affecting the urban populations in the medium and larger cities. In summary, it seems apparent that the recommendations contained in the Urban Regional Sector Assessment, which are discussed more fully in succeeding paragraphs, are complementary and fully compatible in terms of activities and timing.

2. Rural Municipal Development Strategy. The basic strategy of this project is to enable the rural municipalities in Regions V and II to increase the accessibility of the poor, especially the rural poor, to the flow of goods and services required to improve the quality of life in the rural areas. Stated in another way, the rural municipalities should, over a period of years, take on the characteristics of national government in microcosm, with a direct and indirect role in many government functions and development needs. This doesn't mean

that municipalities will assume from national ministries or specialized agencies full responsibility for health, education or economic development but rather that they will begin to work together in a partnership born of mutual respect, strength and concern to solve the major problems of their citizens. It means that the municipality will pay more attention to the development of all its area and all its people. It means that the central government will pay more attention to the municipalities. Specifically, it means that the GON will implement a strategy for using the municipalities; that it will assign them specific roles within the National Development Plans; that it will assign them significant permanent portions of national revenues collected at the municipal level; in short, that it values them as a developmental instrument.

This horizontal concept responds to the ever increasing demands for solutions to hundreds and thousands of local development problems - demands which central government agencies working out of the capital city cannot hope to keep up with without a local partner or agent who funnels information, pressure and lessons of experience between the central government and the citizens of the municipality.

The GON's Rural Municipal Development Strategy - and indeed the total Rural Development Strategy - represents a dramatic change in the attitude of the government toward development. Certainly the GON's traditional emphasis on municipal development has been a vertical, trickle down thrust with concentrated efforts in the larger urban areas. Nonetheless, the GON recognizes that its strategy toward rural areas must be backed up by projects which create an urban-regional spatial structure wherein secondary cities and service centers provide a broader range of services for rural and urban inhabitants.

3. Rural Municipal Development Project. Two of the major recommendations of the Urban Regional Sector Assessment are 1) that high priority should be placed upon programs which attack the causes of poverty, increase capital formation by the poor and involve the poor in the making of decisions which affect their livelihood; and 2) that projects which strengthen the capability of local municipalities and regional centers to provide public services and infrastructure for both the rural and urban populations in their areas should be supported. These recommendations are close parallels to those made in the Agricultural Sector Assessment.

The major emphasis of the proposed project in terms of project-related activities, is on the small, rural municipalities.

The activities proposed for funding under this project will be concentrated in the 49 municipalities located in Regions II and V, excluding Managua. Only six (6) of these municipalities are departmental capitals which have the characteristics of regional centers. The total population of urban and rural inhabitants in these areas is over 775,000 which represents 35% of Nicaragua's total population. The breakdown by size of the municipalities affected by this project is as follows:

<u>Range of Total Municipal Population</u>	<u>Number of Municipalities</u>	<u>Population</u>	<u>% of Total Pop. in Region II & V</u>
0-5,000	13	36,832	5%
5-10,000	11	80,777	10%
10-20,000	14	183,095	24%
20-40,000	6	166,557	21%
40-100,000	5	307,922	40%
Over 100,000*	0	0	0%
	49	775,183	100%

The cabeceras municipales or municipal centers are the focal points of a major portion of the credit, technical assistance and training programmed in this project. However, every effort will be made to encourage participation by the smaller communities within the municipality since they will, in any event benefit from improved services and greater facilities in the cabeceras. The following represents a breakdown of the population in the municipal centers in Regions II and V.

<u>Range of Population in Municipal Centers*</u>	<u>No. of Municipalities</u>
0-5,000	36
5-10,000	6
10-20,000	3
20-40,000	2
Over 40,000	2
	<u>49</u>

* Excluding Managua.

4. Secondary Urban Centers. A complementary approach to strengthening the urban centers as they relate to rural development is the Secondary Urban Centers project. This effort will address the recommendation to develop regional centers. Tentatively, this project will finance (1) secondary water and sewer lines and home hook ups, (2) home improvement activities and (3) private sector agro-industry and small business investments. It will build on the organizational and infrastructure base that will be developed under the Rural Municipal Development project and will use the technical assistance and training experience gained by the MOG in upgrading the administration of Secondary Urban Centers. The GON and A.I.D. feel that these two projects are complementary and represent an effective approach for addressing problems and potential of the municipalities. Both the proposed GON efforts with the municipalities will attempt to reinforce a more horizontal role for the municipality.

5. Decentralization. The third aspect of the GON's strategy would respond to the third recommendation of the Urban Assessment which is to expand and strengthen intra- and inter-regional economic linkages. This recommendation coincides with the GON's desire to decentralize industry and commerce to secondary cities and market towns to protect a portion of the basic economic activities from catastrophic destruction such as that occurring in the earthquake of 1972. In addition, this strategy should help to distribute more equitably resources outside of Managua, thereby promoting regional growth throughout the country. The decentralization strategy would not be an uncontrolled attempt to disperse activities all over the country. The Managua area will continue to be the prime location for major industrial investment and economic activity. Nevertheless, this effort will be a planned program of carefully controlled activities, polarizing around central places that have potential for the economic growth.

The proposed Secondary Centers and Rural Municipal Development projects will make the urban centers and rural areas better places to live and work. Moreover, improved urban and rural municipal administration and better efficiency in the rural to urban linkages are essential steps in the decentralization of both the public and private sectors.

E. Previous A.I.D. Experience. Assistance to Municipal Development Institutes (MDI) has been an important ingredient in A.I.D. programs to Latin America. The following section discusses an evaluation of that experience as well the two (2) municipal projects undertaken in Nicaragua. These are a completed grant for municipal improvement and the current municipal development component of the Rural Development Sector Loan I (524-T-031).

1. Checchi Evaluation Municipal Development Programs. Between 1969 and 1974, A.I.D. lent \$18 million in support of municipal development institutes (MDIs) in Latin America. Assistance was also provided in grants for pre-project studies, technical assistance and evaluations of municipal development and public administration projects.

In 1975, A.I.D. financed an evaluation by Checchi and Company of MDI programs that have received A.I.D. support and financing.* Focusing on Costa Rica, the Dominican Republic, Guatemala and Venezuela, the evaluation determined that the A.I.D. financed programs met the broad, general objectives set down in the individual project strategy statements. A.I.D. supported projects channeled resources to small towns and secondary cities with the resulting effect of redistributing national revenues and development resources. These efforts have also created an increasing awareness of the relationship of local government to rural development and strengthened the management ability of municipal governments.

The Checchi Evaluation did criticize some aspects of the municipal development programs, however. One major criticism was that too much attention was given to the banking aspect of municipal development to the detriment of the institutional needs of the MDIs and the target municipalities. Most programs have received a strong project focus, with technical assistance and training playing minor roles.

A second major criticism is that A.I.D. programs have the traditional or vertical view of the municipality. The majority of all project activities have focused on the central place (urban area), and little attention has been given to the surrounding rural area. Sub-projects have been in the areas of sewerage, markets, water systems, street lighting, etc. In a more horizontal view, the municipality would extend its role directly and indirectly throughout its entire jurisdictional area. The development needs of both rural

* Gall, Pirie M., et al. Intercountry Evaluation of Municipal Development Programs and Institutions, A.I.D. Program Evaluation Studies, October, 1975.

and urban areas would become the focus of the municipality's programs. Specifically, the horizontal approach to municipal development implies more activity in the rural part of the municipality's jurisdiction, especially in providing infrastructure to support agricultural development programs. Additional discussion on the evaluation is contained in Annex H.

The Checchi Report concludes that the MDI programs are reaching many previously unassisted communities with basic urban services and facilities. In addition, steps are being taken to improve the notoriously weak financial status of the local governments. Recent evaluations show that sub-projects are limited to the urban centers of the municipalities. As a result of experience and evaluations, municipal development experts see the need to extend the impact of MDI lending programs, both geographically and possibly into more economically productive sub-projects, to the rural areas surrounding the towns. Training and technical assistance is taking place, but these activities have produced little impact on the municipalities. The reasons given are that training and technical assistance have been either overly narrow in scope, or overly dispersed among the municipalities. The impact of these programs has also been difficult to assess because the MDI has lacked a viable evaluation capability.

The results of the Checchi Evaluation have been analyzed thoroughly by GON officials. (Copies in Spanish are available.) The proposed project reflects GON reactions to the criticisms and recommendations in the evaluation. First, the training and technical assistance activities will be required inputs into each sub-project. The two components of this program are linked in such a fashion that it will be difficult for one to grow at the expense of the other. Secondly, municipal leaders will be encouraged, through their contacts with the technical advisors and in the training program, to evaluate their responsibilities to the entire municipality and analyze how the municipal government can better serve all its constituency.

2. Municipal Improvement Project Grant. The objective of the Municipal Improvement Project was to improve the managerial ability of the municipalities and help the municipalities obtain funding for infrastructure improvements from governmental sources and private banks. A.I.D. assistance was limited to one, long-term technical advisor over the life of the project. Because of the elementary level of local government administration and the impracticality of dealing with many municipalities as individual cases, the major advisory effort was devoted to creating training and informational resources which would eventually reach all urban areas.

The municipalities, with GON encouragement, formed a National Municipal Association (NMA) in 1966. The goal of the NMA was to provide a central organization which would (1) provide guidance in improving municipal legislation; (2) make information and training materials available to the municipalities; and (3) conduct investigations of problems affecting the majority of the municipalities. The A.I.D. financed municipal advisor worked closely with the NMA and its Board of Directors. The program's principal accomplishments were as follows:

- a. The institutionalization of a municipal quota system to support the NMA.
- b. Development of a model Local Government Revenue Plan.
- c. Development of a Municipal Budget Manual.
- d. Training seminars for municipal officials.
- e. Assistance in the design of municipal projects.

The NMA is theoretically still in existence. Although the municipalities should be putting 0.25% of their revenues into the NMA, the truth is that most do not pay anything. The balance in the NMA's checking account is C\$8,000 (\$1,143). This money has been collected over a four year period. The secretary of the NMA uses the money to pay dues to international organizations such as the Inter-American Municipal Organization (OICI).

Only minimal improvements in municipal administration and financial viability were made during the four year life of the A.I.D. project. The project had its greatest impact in the National District (Managua) where there were notable improvements in the administration and operation of public work functions. Because the municipal development responsibility was not adequately institutionalized in a governmental agency, the work of the A.I.D. advisors has not been continued by the NMA or the GON.

3. Progress-to-Date of the Rural Municipal Development Program.

a. Background. The Rural Municipal Development Program was formulated during the design process for the Rural Development Sector Loan I (RDSL I) in 1974-75. (RDSL I financed the reorganization of the public agricultural sector and

the establishment of INVIERNO.) At the same time, it was obvious that the municipalities were underutilized resources and that a strong effort could convert the municipalities into effective developmental institutions. The strategy which evolved was to develop market towns and regional service centers which would more effectively serve the surrounding rural hinterland with basic foods and services.

As originally designed under RDSL I, the Municipal Credit Unit in INVIERNO was to administer the municipal development program. As this unit gained experience (1 - 2 years), it was to have been separated from INVIERNO to form the nucleus of a full-fledge municipal development institution in the model of INFOM in Guatemala or IFAM in Costa Rica.

During the detailed project planning phase of RDSL I, the GON decided that the institutional design of the program needed to be changed. With A.I.D.'s concurrence (amendment to loan authorization), the program responsibilities were divided between two institutions, the Ministry of Government and INVIERNO. The major reason for this decision was that the GON, at the highest levels, did not see the need to develop an additional autonomous agency when institutions existed with the legal authority to carry out the program. In addition, the GON felt the establishment of a new agency would create an untimely and unnecessary drain on the budget.

In August, 1976, an agreement was signed between INVIERNO and the Ministry of Government which clarified the responsibilities of the two agencies (Annex I). Under the agreement, INVIERNO became the financial entity responsible for the financial viability of projects, making loans and collecting repayments. The Ministry of Government (MOG) assumed responsibility for providing technical assistance and training to the target municipalities and for project identification, development and evaluation as well as any special studies (e.g., regional plans, tax codes, etc.) that are deemed necessary.

INVIERNO established its Municipal Banking Division in the spring of 1976 and proceeded immediately with in-depth studies of the municipalities in Regions II and V. Subsequently, the INVIERNO collaborated with the Ministry of Government in the identification of organizational requirements and the preparation of a staffing pattern for the Ministry's Municipal Development Division (MDD). The Director of this new unit was appointed in January, 1977; and by February, the Municipal Development Division had been officially established. Since then, the MDD has added 21 professionals to its staff. The organizational structure and staffing pattern of the MDD are shown in Appendix R and U, respectively.

b. Program Development. The first priority of the MDD was to design an organizational strategy which would impact in the shortest possible time on the rural municipalities. To achieve this, the MDD contracted short term technical advisors to assist in the design process. The strategy formulated consisted of two basic elements. The first was to provide a nucleus of the staff with an opportunity to observe similar programs in other countries, to select four staff members from the MDD's technical assistance staff for medium term training programs in the Instituto Brasileiro de Administracao Municipal in Brazil, and to provide each staff member with short term training courses (1-20 day) in the area of their specialization. The second element of the strategy was to initiate a limited number of project immediately so that the staff offices of the MDD could build their expertise around specific requirements in the municipalities. At the same time, it was recommended that the MDD enter into agreements with other agencies, e.g., VMPU, and to locate and contract additional technical assistance in certain specialized areas of concern.

Since the development of the program, observation visits have been made to Venezuela, Panama, Costa Rica and Guatemala; three members of the staff (two from the Technical Assistance Office and one from the legal office) have been trained in IBAM, and every member of the staff has participated in university sponsored short-term courses or seminars in their specializations. During the same period, the MOG held a one half day meeting with the mayors in Region V to invite their participation in the project. Since then, the MDD has received eight proposals from the municipalities. Of these, one has been rejected, one is in the final approval process, three are in the pre-feasibility study stage, and two are in various stages of the feasibility study process.

1) Technical Assistance Program. The Technical Assistance Division of the MDD is presently staffed by an economist, two accountants and two management professionals. Although the technical assistance staff is not scheduled to initiate its program until the first project has been approved, its staff has been intimately involved in the analyses (diagnosticos) of administration in five municipalities. These studies have given the staff an opportunity to witness first hand the deficiencies which are only too common in the municipalities in Nicaragua. The staff has also been active in the preparation of the technical assistance and training plan for Matiguas, which is scheduled for implementation after receiving a loan for a market in September.

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2) Training Program. The Training Division is staffed by two professionals, an economist and an administrator. The MDD believes this division needs additional staff and is in the process of establishing the needed positions. The staff of this division also participated in the study of the five municipal administrations and have prepared a training program for Matiguas. It is expected that the training division will work in close cooperation with national training facilities at the public sector (CENCA) and university (INCAE) levels and with technical advisors to develop its program curricula. Their program will include, interalia, courses in Accounting, Budgeting, General Municipal Administration, Planning, Project Management, etc.

3) Special Studies Program. The Special Studies Division is presently staffed by three economists, an architect, two engineers and two draftsmen. In the five months that this division has been staffed, these individuals have written diagnosticos for five municipalities (see Annex J). In addition, they have performed feasibility studies for the following three projects which are at various stages of the approval process: municipal market - Matiguas, street improvement - Ciudad Darío and a slaughterhouse in Masaya.

4) Legal Program. The legal staff which consists of two lawyers and a business administrator has been involved almost exclusively in a review and revision of the municipal legislation. At present a first draft of the revised legislation has been completed. While it is still too early to evaluate these efforts, the MDD believes that the new legislation could have far reaching effects upon the development of municipalities in Nicaragua. The legal office also has prepared and negotiated an agreement with the Vice Ministry of Urban Planning (VMPU) to acquire the latter's assistance with the development of studies and plans for physical facilities.

c. Future Activities under RDSL I. Table I presents the disbursements and obligations under the Municipal Development component of RDSL I as of July 31, 1977 and a time-phased disbursement plan of the remaining funds.

1) Technical Assistance. The technical assistance needs of the program, especially with the MDD, are many and varied. The MDD has identified and is in the process of contracting several individuals who will be assisting them in the months ahead.

(a) Municipal Development Specialist.

A U. S. contractor will make four trips to Nicaragua over a four month period

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of time to advise the MDD on their efforts to (a) design the develop management and administrative system, (b) design and develop a program and project evaluation systems, (c) design scopes of work for special studies that will be carried out, and (d) assess the capabilities of local training and technical assistance organizations.

(b) Municipal Development Specialist.

A highly esteemed Venezuelan with extensive knowledge of municipal development programs throughout Latin America will be available throughout the life of this project for short-term visits to assist the MDD in its overall program, including participation in seminars and training programs.

(c) Municipal Legislation and Tax Specialist.

A Guatemalan is being contracted to assist the MDD in reviewing the Nicaraguan laws affecting municipalities especially those involving revenue sharing and taxation.

(d) Accounting and Financial Analyst.

A Costa Rican, with previous experience in IFAM, will be contracted to work with the Technical Assistance and Training Divisions to assist the MDD in designing a flexible accounting system for the municipalities which can be modified according to the demands placed upon it. This individual will also assist in developing the accounting methods training course for municipal officials.

2) Training. The majority of the training funds will be spent in the following manner. Four MDD officials will be trained in IBAM at a total cost of approximately \$24,000. Six representatives of the MDD will receive "on-the-job" type training from INFOM, the Guatemalan Municipal Development Institute. This training will cost approximately \$8,000. The Director, Deputy Director and other key officials of the MDD will make observation visits to Guatemala, Costa Rica, Honduras and Panama in order to familiarize themselves with those programs. The cost of these trips is estimated at \$8,000. The remaining funds will be used for other short-term courses offered in other countries and in-country training.

3) Equipment. The equipment funds will be spent by December. The MDD will acquire three additional vehicles for its program and complete the remodeling and equipping of its central offices.

4) Credit. The credit component of this project will be used for the first time in September of this year to finance the Matiguas market. Feasibility studies are being carried out by the MDD on five projects with a

total value of \$435,000. These will be funded using RDSL I funds. The remaining \$335,000 of loan and counterpart funds will finance projects that are still in the identification stage. It is anticipated that these funds under T-031 will be fully committed before the proposed loan is ready for disbursement. (See Section V.E. for conditions precedent.)

Table I

Obligation Projections

Rural Municipal Development Component - A.I.D. Loan No. 524-T-031

	Funding Level Approved July, 1977	Funds Authorized Obligated July 31, 1977	Aug-Dec.	Jan-March	April-June
Technical Assistance	\$ 163,000	\$ 20,000	\$ 53,000	\$ 45,000	\$ 45,000
Training	75,000	15,000	25,000	35,000	-
Equipment	72,000	30,000	42,000	-	-
Credit*	810,000	-	400,000	175,000	235,000
TOTAL:	\$1,120,000	\$ 65,000	\$520,000	\$255,000	\$280,000

A.I.D. funded and GON counterpart

PART III - PROJECT DESCRIPTION

A. Goal and Purposes

1. Project Goal

The overall goal of the GON/A.I.D. programs that are supporting the Integrated Rural Development Strategy is to improve the economic well-being and living conditions of the rural poor.

In Nicaragua, the term rural poor encompasses the majority of the people living in urban centers outside of Managua as well as the small farmer and others not living in urban centers.^{1/} Generally the poor depend on agriculture and the rural economy for their livelihood and work as small farmers, day laborers and owners of small businesses. This rural person is characterized by low productivity resulting in low income, unhealthy living conditions, poor nutrition and health, and extremely low levels of education. The major portion of this group has very limited access to public services or resources, and lives on the margin of Nicaraguan society, making little contribution as producers or consumers in the national economy.

This Rural Municipal Development Project addresses a specific constraint to the attainment, by the poor majority, of an improved standard of living. The constraint is the lack of an efficient governmental unit at the local level that can promote the development of its sub-region and provide necessary public services. Historically, developmental assistance has come from the central government (Ministries) in Managua, but in most cases it has been inadequate, long in coming, or just a promise. The municipality has not had the opportunity nor the resources to play an effective role in the development of its district.

2. Project Purpose

The purpose of this project is to increase the accessibility of public services provided by municipal governments to the people living in their jurisdictions, especially the poor.

^{1/} Urban is defined in Nicaragua as localities with a population of 1,000 or more.

At the present time, most municipalities in Regions II and V, where project activities will be concentrated, are incapable of promoting development activities or infrastructure improvements. The local government is poorly managed with a static orientation towards progress rather than a dynamic outlook to the numerous possibilities for activities that will benefit their region. This inactive attitude is the result of a lack of information, an historical dependence upon the central government, the absence of a single ministry or agency dedicated to the development of the municipality as an integral part of the development of Nicaragua, and often on the lack of competence on the part of municipal officials.

This project will confront the above problems with credit for public and economic infrastructure, technical assistance and training. These programmed interventions are meant to increase local revenues, improve management ability and increase the number and improve the quality and accessibility of public services. These end of project accomplishments will signify the initial step in making the Nicaraguan municipality an agent of change in its micro-region.

B. Component One, Municipal Credit Fund

1. Description

The lending capital of the municipal credit fund will be increased under this program in order to provide an increased source of funding for municipal projects that will assist in the development of the urban center and rural hinterland. This component will fund priority projects of a development or public service nature.

In accordance with the GON's Integrated Rural Development Program, the lending activities will concentrate on Regions II and V. The improvement in the physical infrastructure of the municipalities is a complementary and necessary component of the rural development program. Those projects that lead to increased income or services to small farmers and non-farm rural poor will receive priority. These include markets, slaughterhouses, and access road improvement. The social needs of the urban centers will also be addressed under this program. Water systems, street improvements, electrification, and sewage and drainage systems are traditional municipal projects which will be financed. Although these latter types of sub-projects do not always provide an economic return, they do have a positive impact upon the goal of improving the standard of living of the poor.

The Ministry of Government, through its Municipal Development Department (MDD), will assist the municipalities in identifying, developing and proposing for financing those projects which meet pre-established loan criteria. INVIERNO will serve as the financial institution. The Municipal Loan Department within INVIERNO manages the day-to-day operations of the fund. Its primary responsibilities are to analyze the financial feasibility of the proposed sub-projects, assist in the preparation of financial plans and provide credit for the implementation of sub-projects. The MDD's field monitors will work closely with the INVIERNO promoters (Agromocs) on the identification of municipal development needs.

The general criteria for approving sub-loans in order to insure that specific project benefit the rural poor are as follows:

- (a) A study of the financial, technical socio-economic and environmental feasibility of the sub-project must be performed which clearly demonstrates a beneficial impact on the poor.
- (b) Sub-projects must be high priority within the range of local community needs.
- (c) Sub-projects should be consistent with plans and strategies of regional and national development which relate to municipal development.

The following points further define the lending framework for the program:

- a. Eligible Municipalities. The program will concentrate its lending activities on the municipalities in the Central Pacific (Region II) and the Central Interior (Region V). Efforts will be made to encourage the development of sub-projects in the smaller municipalities. At least 90% of all sub-projects will be developed in those municipalities with from 1,000 to 40,000 inhabitants in the urban centers (47 municipalities).
- b. Loan Levels. Specific loan levels will be determined by the feasibility studies which will take into consideration the financial viability of the proposed project and the repayment capacity of the municipality.
- c. Eligible Sub-Projects. The MDD and INVIERNO have tentatively identified projects totalling \$16 million. Further analysis, based upon accepted

loan criteria and the capacity of the institutions to implement this program over four years, reduced the starting project demand to \$4.2 million.

Self-financing projects (e.g., markets, slaughterhouses), will be given top priority under this program followed by public work projects, e.g., water systems, sewage and drainage systems and street and road improvements. The following is an illustrative list of the types of sub-projects that will be financed under this program, the projected number of sub-projects, their estimated value and their impact (benefit incidence) upon low-income groups.

1) Market and Market Improvements, 15-Sub-Projects, \$1.5 million. Public markets are of direct benefit to the poorer population of Nicaragua, whether they are buyers or sellers. As buyers, the poor are able to purchase food and the everyday necessities of life directly from the producers or market vendors with low overhead costs. This enables them to avoid the higher "middleman" costs of private commercial retailing channels (e.g., pulperías). By grouping vendors of foods and other essentials together, the market also increases competition which tends to keep prices down for the consumer. The modern municipal market also improves the hygienic conditions under which food is sold and has a positive health impact for the consumer.

As sellers, the public market helps the poor by providing them with a low-cost method of selling their produce directly to the consumer. This enables them, as direct sellers, to receive all of the benefits derived from the same, rather than having a separate retailer derive an additional profit. In most municipal markets, the producer or a member of his/her own family sell, his/her own products. These "farmer" markets thus enable the producer to receive a larger return on his/her production. The public market also serves as a consolidation point where small quantities of produce can be combined to form a single wholesale shipment to the departmental capital or Managua. This wholesaling function in large lots can improve efficiencies in getting produce to large consumption centers and reduce potential wastage at the local market level.

On the social scale, municipal markets are the traditional places for buying and selling by the poorer classes. In addition, the market serves as a gathering place for the exchange of information and ideas, thereby having a positive social benefit. Middle and upper-class people tend to shop more often in private, commercial stores.

Thus by their nature, public municipal markets particularly serve those at the lower end of the social-economic ladder.

2) Slaughterhouses and Slaughterhouse Improvements, 8 Sub-Projects, \$300,000. Municipal slaughterhouses are similarly oriented toward lower-class users. While upper-class people tend to consume more processed, canned or frozen foods, lower class people without refrigerators, are highly dependent upon local, easily accessible slaughterhouses for the continuous availability of low-cost meat supplies. These slaughterhouses permit meat to be prepared and sold on a regular basis under improved hygienic conditions. The accessibility of these slaughterhouses also allows the small farmer-seller of a single animal to market his product on a more favorable basis. Without this facility, he might have to sell his animal to a trucker or other middleman at a lower price or in many cases, lose money on the animal because of weight loss in the overland trip to a more distant slaughterhouse. A more efficient use of animal by-products can also be transferred into a higher price for the seller.

3) Water Systems, 10 Sub-Projects, \$800,000. Sub-projects under this category include the establishment, expansion and upgrading of municipal potable water systems, and the upgrading and improvement of existing water treatment capacity. These activities will improve water quality, thereby raising the overall health and sanitary conditions of the community. Better access to water will increase water consumption especially among low-income groups who previously had limited access. Thus, increased consumption of safe potable water should result in higher productivity and incomes.

4) Sewage and Drainage Systems, 8 Sub-Projects, \$500,000. Sewage and drainage systems will help reduce the exposure to health hazards in the municipalities and reduce the exposure to the dangers of flooding, water-logging and erosion. These sub-project interventions can generate valuable employment during the construction stage and in the operation and maintenance of the system; improve sanitary conditions; and improve the quality in the living environment, especially in low-income areas. Improved drainage systems will have the most direct impact on the poor. These improvements can be translated into increased personal capacities of members of those groups receiving these public services which, in turn, should have favorable impacts upon productivity and incomes.

5) Street and Road Improvement, 8 Sub-Projects, \$600,000. The impact on the poorer people is less clearly identifiable with sub-projects such as

street paving and curbing. Nevertheless, the streets where the more wealthy citizens live or have their businesses in many towns are already paved. By extending street improvement beyond these restricted areas, the municipality will tend to serve the poorer section of the urban area, where the people now suffer mud, dust and other health problems and cleaning expenses caused by the inconveniences of dirt streets. Paved streets also improve drainage and facilitate accessibility to public transport (i.e., bus services).

This type of sub-project will also finance the purchase of road maintenance equipment that the municipality will use to maintain the farm-to-market roads in its jurisdiction. At the present time, these roads are poorly maintained and restrict the movement of goods, services and people between the urban and rural areas of the municipality. The rural poor will directly benefit from this activity by reductions in costs of marketing their produce because of time saved and the reductions of spoilage between the farm and the market. Improved rural roads also increase access to health centers, schools and agricultural input suppliers.

6) Others, 6 Sub-Projects, \$500,000. This category includes those projects that have been identified as priority activities in a limited number of municipalities. Electrification, garbage trucks, artisan centers, transport terminals, industrial arts schools and public wash basins have been identified as concerns in a number of municipalities. These sub-projects will impact directly upon the poor by providing a healthier living environment and increased employment opportunities.

Sub-projects not listed above will not be financed under this program without prior approval from A.I.D. and evidence that they will have a direct and favorable impact upon low-income groups.

d. Interest Rates. Self-financing projects (e.g., markets, slaughterhouses) will be charged an interest rate of 14%. Sub-projects which are more service-oriented (e.g., potable water, sewerage) will be charged 8%.

e. Repayment Period. Repayment and grace periods will be determined as a result of the findings of the sub-projects' feasibility study. Maximum limits on the repayment period and the grace period are 20 years and 5 years, respectively.

f. Technical Assistance and Training. The MDD's technical assistance and training program is tied directly to INVIERNO's lending program. Loan

applications are not only considered on economic, social and financial grounds but also in light of the findings of a municipal analysis. The analysis forms part of the loan application and lays out an administrative improvement plan for the municipality. The sub-project loan agreements with the municipality specify that the municipal government formally agree to an appropriate technical assistance and training program worked out with the MDD. Disbursements are made only if the technical assistance and training programs are actually carried out.

g. Inspection and Supervision. INVIERNO, with the cooperation of the MDD and other government agencies, establishes the procedures for supervising and inspecting the financed projects to insure that they are properly built and put into operation. Section V. B. discusses this aspect of the program in more detail.

h. Municipal Counterpart. The municipalities will finance at least 10% of the total projects' cost in the form of cash or in-kind resources. In some cases, the central government may make direct transfers of funds to the municipality to assist in covering the financial burden of a specific project. For example, San Sebastian de Yali may want to expand its water system, and it has been determined to be the top priority project in the municipality. Based on Yali's debt service capacity, the municipality can not conceivably finance with its own revenues the total cost of improving its water system. With a guarantee from the central government, the municipality will loan finance the total cost of the project and on an annual basis funds will be transferred directly from central government coffers to the municipality to enable it to make interest and principal payments. This money will be placed in the municipal budget and will be in the form of a grant. This transfer will be made with public works projects and not those of the self-financing variety.

i. Suspension of Loans or Reimbursements. INVIERNO reserves the right to suspend reimbursements and/or loans because of default, non-compliance with conditions precedent or contracts and any other condition that was agreed upon by both parties but not complied with by the municipality.

2. Inputs and Budget

Inputs to the first component of this project will be financed from budgetary allocations from the GON to INVIERNO and from A.I.D. project funds. Inputs by source and the estimated budget are as follows:

a. GON Inputs. The GON counterpart for this portion of the project is composed of capitalization of the Municipal Credit Fund and operating costs to manage the fund. Operating costs include personnel working in INVIERNO's Municipal Loan Department and expenses associated with office space, computer time, office supplies, etc. Two percentage points of the interest rate charged on sub-loans will go to covering these operating and administrative costs.

The GON will provide the equivalent of \$1.5 million to capitalize the credit fund. In addition, the GON will finance \$350,000 in operating costs over the first four years of the project. After the fourth year the fund should generate sufficient revenues to cover all operating costs.

b. Municipal Inputs. The municipalities will be asked to provide 10% of the project cost as their counterpart to the loan. This contribution will most often be in the form of land or municipal labor, although, a municipality may be able to contribute cash to the project. It is estimated that the municipalities will provide \$420,000 over the four year life of this project.

c. A.I.D. Inputs. The A.I.D. loan will provide the equivalent of \$2.7 million to capitalize the Municipal Credit Fund.

d. Budget. Aggregating inputs from the above sources, the budget for this component is as follows:

Source of Funds
(In US\$)

Uses of Funds	A.I.D.	GON	Municipalities	TOTAL
Operating Costs	-	350,000	-	350,000
Municipal Counterpart	-	-	420,000	420,000
Credit Fund	2,700,000	1,500,000	-	4,200,000
TOTAL:	2,700,000	1,850,000	420,000	4,970,000

3. Outputs and End of Component Status.

a. Outputs. The GON and A.I.D. financed inputs will be used to achieve the following inputs:

The following sub-projects will be constructed:

- 15 markets
- 8 Slaughterhouses
- 10 Water Systems
- 8 Sewage and Drainage Systems
- 8 Street and Road Improvements
- 6 Other types of projects

b. End of Component Status. The end of component status is a continuing loan system to fund essential public services provided by the local municipal governments. Expanded municipal services will have taken place in Regions II and V in support of the GON's integrated rural development strategy to improve the quality of life of the rural poor.

C. Component Two, Municipal Administration and Development.

1. Introduction.

An important requirement under this program is the improvement of local government administration and an increase in the municipal financial base. Municipalities have been a long neglected element of the Nicaraguan government structure; and as a result, the human capability at the local level is less than desirable. The GON is committed to a policy of strengthening the municipalities by the decentralization of resources and functions. To accomplish this, a major effort needs to be made in developing the human element at the local level and in assuring that the municipality enjoys a greater role in the development of its region.

The Ministry of Government is legally charged with overseeing the budgetary affairs of the municipalities. As an extension of this responsibility, the MOG is developing a program that provides local municipal governments with appropriate technical assistance and training. The programs of the Municipal Development Department have as their major objective the development of the municipality as a capable governmental unit which represents the desires and addresses the needs of the populace.

2. Technical Assistance Program

The technical assistance program has two principal objectives: (1) to increase the financial base of the municipalities through legal efforts involving legislation, tax codes, etc. and (2) to provide specific municipalities with technical services that will assist them in improving their management of existing efforts and in developing new ones.

a. Legal Assistance. Assistance in this area will take three major forms: (1) updating and revising municipal legislation at the national level, (2) updating and revising municipal tax codes and developing mechanisms to insure their effective and equitable enforcement, and (3) assisting the municipality in providing legal aid and information to the poorest segments of the municipality. National legislation dealing with municipal affairs includes a number of laws and decrees which are not cataloged and for all practical purposes inaccessible to local municipal councils. A compilation of municipal legislation will be accomplished as a condition precedent to this program. The compilation of these documents will be distributed to and discussed with the municipal leaders.

The major effort at the national level will be the passage of a unified interpretative law that provides specific guidelines for the municipalities for the following activities:

- 1) Municipal taxes.
- 2) Rights to centrally collected revenues.
- 3) Budgetary responsibilities of the municipal councils.
- 4) Revenue - sharing responsibilities of the central government including direct transfers.

Each municipality has its own tax code which is in the majority of cases based on historical precedent and not in step with local realities. The Ministry of

Government has already begun to assist municipalities in updating these codes, and the results have been impressive. Municipal revenues have increased 100% in some municipalities while the average increase is 75%. This program will take further steps to revise and update these codes. Steps will be taken to insure that collection practices are improved and that the municipality receives the necessary legal backstopping in enforcing the law.

The final activity that will be encouraged through legal assistance is the establishment, within the local municipal government, of an ombudsman responsibility. The municipal government will be encouraged to provide legal aid or assistance to the poor in their efforts to title property, appraise land, notarize legal documents, etc. Local officials may not actually carry out all specific activities, but they will become capable of facilitating information and guidance on these issues. This activity will also be encouraged under the upcoming GON/AID Campesino Legal Aid Program which will assist the rural poor in landlord-tenant relationships in addition to the mentioned issues. The municipality will again be backstopped by the legal staff of the MDD.

b. Regional and Community Development. This second element in the technical assistance program is designed to reinforce the evolving GON strategy of getting the municipal government increasingly involved in the decisions and activities which impact upon constituencies. By the time this project begins to function in the rural areas, GON supported agricultural, health and education committees formed by the citizens in the rural municipalities will have begun promoting the interests of the poor. The normal social dynamic of this process is resulting in the criteria of pressures by these committees at all levels of government for programs and assistance which will help the poor. Thus, the central government is encouraging the municipalities not only to take advantage of the opportunity for more popular participation but also to become more aggressively involved in meeting the substantive needs of the poor. Municipalities, in other words should become the leading advocates for their constituencies.

This will require training and motivation sessions which will enable municipal officials and leaders to broaden their vision of the responsibilities of the municipalities toward the rural hinterlands. It will require increasing the use of the cabildo abierto to facilitate the participation of larger members of people in local decision-making. And, if municipal leaders are responsive, it should result in a more dynamic municipality, extending, and maintaining facilities and services which help the poor to help themselves.

This means that the municipalities traditionally passive role in education, health and road maintenance for example will be replaced by a more active role of lobbying for better health and education programs; taking over the responsibility for the maintenance of schools, health facilities as well as for some rural roads and trails. It means that the staff to accomplish these endeavors will be augmented by community self-help efforts; and it means that the annual budgets submitted by the municipalities will adhere more closely to the needs and priorities of the rural poor.

c. General Administrative Practices. The majority of the target municipalities are managed in a very rudimentary fashion, which limits their ability to respond to the municipalities' needs. This program will improve the following administrative practices:

- 1) Accounting procedures will be modified and standardized so that more up-to-date and accurate financial statements will be available on which management systems will be based. This activity will be closely coordinated with representatives of the Controller General.
- 2) Municipal officials will be assisted in developing better planned and more realistic budgets that reflect the operational costs and capital investments needed to carry out municipal functions.
- 3) The management of existing public services will be strengthened so that they are operated, efficiently and effectively.
- 4) Personnel management, office management, etc., will also be additional areas of focus for the program.

d. Sub-Project Design and Development. The identification, design and implementation of sub-projects is a cooperative effort between the municipalities and the government representatives. MDD personnel analyze the municipality's needs and recommend to the municipality the specific types of activities that could address these problems. Potential sub-projects are prioritized, and a specific intervention is selected with the consent of all parties. The municipalities are assisted in completing a feasibility study on the sub-project. The implementation of the sub-project activity is also a cooperative effort between the municipality and the technical advisors.

The delivery mechanism for the majority of this technical assistance is the field monitor system. Field monitors, with relevant academic backgrounds and municipal training, are assigned to a regional office. One will be located in Estelí or Matagalpa (Region V), * and the other will serve Region II and operate out of the Managua office. Each monitor will be assigned to specific municipalities and will be responsible for activities carried out in those communities. The monitors will depend upon backstopping from the Legal, Technical Assistance, and Special Studies Divisions of the MDD to insure that municipal problems are adequately addressed. The monitors will also work closely with the Training Division so that the courses and seminars offered to municipal leaders are relevant and appropriately designed for their audience.

3. Training Program.

The objective of the municipal training program is to develop the ability of municipal leaders to manage the municipality more effectively and in turn, broaden the development role of the municipal government in its micro-region. Training activities will be directed toward the representatives of the municipal councils, municipal employees and other interested community leaders.

Training will be focused in two primary areas: orientation and basic skills and knowledge. Orientation training will be given to elected municipal officials and staffs, community leaders, central government leaders and staff of GON agencies dealing with municipalities to the present and potential role of municipal government in Nicaragua. This training will be carried out through seminars, short courses, open discussion groups, and, in special cases, domestic and foreign observation trips. Basic skills and knowledge training will focus on those medium and small municipalities who lack funds to hire full-time accountants, office managers, etc. and for whom the lack of basic accounting, managerial and secretarial skills wreaks havoc on the day-to-day financial and administrative affairs of the municipality.

The following is an illustrative list of the types of training that will be offered under this program:

* To be established in early 1978.

Orientation

Municipal Development
 Rural Development
 Community Development
 Urban Planning
 Regional Planning
 Public Relations

Basic Skills and Knowledge

Management of Public Services
 Budgeting
 Accounting
 Tax Administration
 Municipal Administration

As mentioned previously, the training program will concentrate its activities on Regions II and V.

The training program will be administered by the Training Division of the MDD. The Training Division will plan and execute the training seminars and courses as well as evaluate them. In order to implement this program effectively, the Division Chief will work closely with the Technical Assistance Division, which will be identifying training needs in the municipalities through the field monitors.

The Training Division, working with specially contracted technical advisors, will develop relevant curriculum in cooperation with the other operational divisions of the MDD. A logical outgrowth of curriculum development will be the production of manuals for use in course instruction and as guides in the technical assistance activities of the field monitors.

The Training Division will contract with local educational institutions (e.g., Agricultural Education Center, Polytechnical University) or local/foreign experts to carry out specific courses or seminars for local leaders. As the staff of the MDD gains more experience, certain members will be able to give workshops in their speciality. However, it is estimated that over the life of this project the majority of the municipal training activities will be contracted to outside individuals and institutions.

4. Inputs and Budget: Inputs by source and the estimated budget for Component Two are as follows:

a. GON Inputs. The MDD of the Ministry of Government will have the responsibility for carrying out the Municipal Administration and Development component of this project. Based on existing staff levels and operating costs and taking into

consideration the gradual expansion of this program over the four year life of the project, the GON has estimated its counterpart for this component to be approximately \$1.65 million. In addition, the ongoing costs of \$511,000 per year after project completion will be met by the GON. A more detailed breakdown of counterpart costs is presented in Section IV. A. 1.

b. A.I.D. Inputs.

1) Technical Assistance. Two types of technical assistance will be A.I.D. financed under this component: (1) support for specific municipalities and (2) assistance for the MDD. The A.I.D. loan will have 46 person/months of technical assistance at a cost of \$260,000. This assistance will be broken down as follows:

(a) Technical Assistance for Municipalities (22 person/months, \$110,000). These funds will be used to finance technical advisors, engineers, architects, etc. who will be contracted on a short-term basis to assist a municipality with a particular problem. Although a majority of these situations will involve sub-project feasibility studies, urban planning, cadaster management and local tax codes are additional areas which will require expert assistance. The MDD will carry out the contracting for these individuals.

(b) Municipal Development Specialist (18 person/months, \$14,000). This individual will represent a continuation of the Municipal Development Specialists that have been and will be contracted using RDSL I funds. This generalist will advise the MDD on general strategy and the day-to-day administration of the program. Special attention will be focused on evaluation, coordination between operating agencies, management systems and reporting.

(c) Training Advisor (6 person/months, \$36,000). This position is also a continuation of the training advisor funded under RDSL I. Since the training of municipal leaders is a key activity in this project, the Training Division will need periodic support from experts in the field of informal training. This individual will concentrate his/her activities on curriculum development, curriculum evaluation, training methods (i.e., seminars, workshops, roundtable discussions) and the production of didactic materials.

2) Training. The A.I.D. loan will finance the training program for the municipalities. Per diem costs for the students, educational material costs as well as the costs of the instructor if he or she is not a member of the MDD staff will be loan financed. It is estimated that the Training Division will develop and carry out 8 - 20 basic skills and knowledge courses a year. The courses will vary in length from 5 - 15 days, depending on the type and content of the course. In addition, 3 - 6 orientation seminars will be given each year to which municipal representatives from various sections of the country will be invited. These seminars will be for one to three days; in addition to informing municipal leaders, they will serve as a forum to discuss municipal development problems and issues.

Based upon the detailed cost calculations shown in Annex K A.I.D. will be financing \$360,000 in training costs over the life of this project. The MDD will covenant in the loan agreement to continue the training program after A.I.D. financing is terminated. Annual training costs after the life of the project are estimated at \$200,000.

A.I.D. will also loan finance the continued training of MDD personnel. The staff development process will need to continue under this proposed project, especially as the MDD staff is expanded and begins to confront a greater number of complex problems in the target municipalities. The objective of the MDD staff training is to increase the technical and managerial capability of the organization.

MDD training will take three forms:

(a) Short courses and seminars in foreign countries (15 person/months, \$45,000). IBAM in Brazil and AVECI and FUNDACOMUN in Venezuela offer periodic courses and seminars on topics related to municipal development. Members of the MDD staff have already participated in a number of these courses and have found them to be valuable.

(b) Observation Visits (12 person/months, \$18,000). Nicaragua is virtually surrounded by countries that have active and mature municipal development programs. Observation visits to Guatemala, Honduras, Costa Rica and Panama have proven to be worthwhile for the staff of the MDD. In addition to short-term visits (1 - 3 days), the MDD has set up arrangements with INFOM (Guatemala) and IFAM (Costa Rica) whereby, MDD technicians can spend up to

three weeks working with their counterparts in the sister institution.

(c) In-country training (280 person/days, \$17,000). This training is focused on providing a continuing program of staff improvements through attendance at locally held seminars and courses. These training activities are sponsored by the Nicaraguan Chamber of Commerce, Central American University, the National University of Nicaragua and the Central American Business Institute (INCAE).

3) Commodities. A.I.D. will finance the purchase of vehicles to assist the MDD, and especially the field monitors, in reaching the municipalities with technical assistance. It is estimated that 10 four-wheel drive vehicles will be purchased for the MDD at a cost of \$80,000. In addition, the A.I.D. loan will finance the local purchase of file cabinets, typewriters, adding machines, calculators, drafting tables, desks, bookshelves, etc. as the MDD expands its program. The cost of these items is estimated at \$20,000.

c. Budget. Aggregating inputs from the above source and distributing the GON counterpart between the two elements in the manner in which the counterpart will be spent, the budget for this component is as follows:

<u>Uses of Funds</u>	<u>Source of Funds</u>		
	<u>(In US\$)</u>		
	<u>A.I.D.</u>	<u>GON</u>	<u>TOTAL</u>
Technical Assistance	260,000	660,000	920,000
Training	440,000	660,000	1,100,000
Commodities	100,000	50,000	150,000
Administrative Costs	-	280,000	280,000
TOTAL	800,000	1,650,000	2,450,000

5. Outputs and End of Component Status.

a. Outputs. The GON and A.I.D. financed inputs will be used to achieve the following outputs:

- 1) At least 80 sub-projects identified, designed and constructed.
- 2) An increase in municipal revenues.
- 3) Target municipalities using revised budget systems.
- 4) Target municipalities using improved accounting practices.
- 5) Municipal officials and leaders trained.

b. End of Component Status. The end of component status is the improvement in the financial and administrative capacity of municipal governments to meet the public service needs of their constituency. In addition, the municipal governments will be taking a greater responsibility in the maintenance of schools, health centers and roads and provide legal information to the lower income groups.

PART IV - PROJECT ANALYSIS

A. Financial Plan and Analysis

1. Financial Summary. The proposed \$3.5 million loan will include a 10-year grace period at 2% interest and a 20-year repayment term at 3%. The A.I.D. Loan will be augmented by \$3.5 million in GON counterpart funding, bringing the project total to \$7.0 million. The municipalities will contribute approximately 10% of total sub-project costs. This figure is not included as official GON counterpart, but rather as part of Nicaragua's total contribution. The A.I.D. funds will be lent to the GON who in turn will grant them to the MOG and INVIERNO. (See Economic Analysis Section for a discussion of the GON's debt servicing capacity). The credit funds will be relent to the municipalities at interest rates of 8 and 14 percent. for periods ranging up to 20 years. INVIERNO's credit policy also includes variable grace periods depending on the type of project to be financed and the present and potential financial position of municipality.

The following tables illustrate the financial aspects of the projects.

Table 2 is a summary of the sources and uses of funds for the project. As indicated in the table, when the municipal contribution is included as Nicaraguan counterpart A.I.D. will be financing 47% of total project costs. The GON will also be financing 47% with the municipal contribution calculated at 6%. When the municipal contribution is not taken into consideration, total project costs will be evenly divided between A.I.D. and the GON.

Table 3 illustrates the relative annual project contributions required by A.I.D. and the Government of Nicaragua. This relationship of A.I.D. and the GON inputs is stated by component to illustrate the proportionate investment of each Government to major project activities.

Table 4 presents the financing plan for the project by major output elements as a function of the input activities which contribute towards their generation. Until inputs have been allocated to each output activity so that output budgeting and cost data can be controlled, accumulated and evaluated for project implementation and monitoring purposes.

Based upon GON-A.I.D. estimates and previous experience, it has been determined that four years is a reasonable period in which to implement a program of this complexity and magnitude. The program will thus be executed in calendar years 1977 through 1981.

TABLE 2
SUMMARY FINANCIAL PLAN

	Sources and Uses (in US\$000)		<u>GON</u>	<u>MUNIC.</u>	<u>TOTAL</u>
	<u>\$</u>	<u>C\$</u>			
<u>Component One, Municipal Credit Fund</u>					
a. Operating Costs			350		350
b. Credit Fund		2,700	1,500	420	4,620
<u>Component Two, Municipal Development & Administration</u>					
a. Technical Assistance					
1. To Municipalities	110		660		770
2. To MDD	150				150
b. Training					
1. For Municipalities		360	610		970
2. For MDD	63	17	50		130
c. Commodities					
1. Vehicles	80				80
2. Office Equipment		20	50		70
d. Administrative Costs			280		280
Sub-Totals	<u>403</u>	<u>3,097</u>	<u>3,500</u>	<u>420</u>	<u>7,420</u>
Totals	<u>3,500</u>		<u>3,500</u>	<u>420</u>	<u>7,420</u>
Percent	47%		47%	6%	100%

TABLE 3

SCHEDULE OF PROJECT DISBURSEMENTS

Loan Component	First Year			Second Year			Third Year			Fourth Year			Total							
	A. I. D.		GON	A.I.D.		GON	A.I.D.		GON	A. I. D.		GON	A. I. D.		GON					
	US\$	Córdoba		Total	US\$		Córdoba	Total		US\$	Córdoba		Total	US\$		Córdoba	Total	US\$	Córdoba	Total
No. Description																				
1. Municipal Credit Fund																				
a. Operating Costs			100			100			100			50								
b. Credit Fund	50	50	200	660	660	350	960	960	450	1,030	1,030	500	2,700	2,700	1,500					
2. Municipal Development and Administration																				
a. Technical Assistance																				
1) Municipalities	20	20	125	30	30	145	30	30	185	30	30	205	110	110	660					
2) DDM			90		90		60	60				150		150						
b. Training																				
1) Municipalities		50	50	116	70	70	134	100	100	171	140	140	187	360	360	610				
2) DDM	15	2	17	5	16	5	21	15	16	5	21	15	16	5	21	15	53	17	80	50
c. Materials																				
1) Vehicles	35	35		25		25		20	20				80			80				
2) Office Equipment		5	5	10	5	5	10	5	5	15	5	5	15	20	20	50				
d. Administrative Costs			53			62			78			87			280					
TOTALS	70	107	177	609	161	740	901	816	126	1,070	1,196	1,014	46	1,180	1,226	1,061	403	3,097	3,500	3,500

TABLE 4

INPUT/OUTPUT TABLE
(In US\$000)

INPUT/OUTPUT	Municipal Credit Fund		Municipal Institutional Development		MDD Institutional Development		Total	
	<u>A.I.D.</u>	<u>GON</u>	<u>A.I.D.</u>	<u>GON</u>	<u>A.I.D.</u>	<u>GON</u>	<u>A.I.D.</u>	<u>GON</u>
1. Credit	2,700	1,500					2,700	1,500
2. Technical Assistance	-	-	110	660	150		260	660
3. Training	-	-	360	610	80	50	440	660
4. Equipment	-	-	80	-	20	50	100	50
5. Operating and Administrative Costs	-	350	-	180	-	100	-	630
TOTAL	2,700	1,850	550	1,450	250	200	3,500	3,500

2. Municipal Debt Service Capacity. Table 5 represents a summary of the data collected on municipal revenues and expenditures of all forty-nine municipalities in Regions II and V of Nicaragua. The data were extracted from the accounting records maintained by the Tribunal de Cuentas and represent the final and, in most cases, audited financial information for the years 1974, 1975 and 1976 of the municipalities.

An analysis of these financial data reveal the following trends and relationships from which conclusions are drawn on the ability of the municipalities to absorb and repay long-term debts for capital projects.

1) Municipal Revenues. The total revenues of the municipalities in Regions II and V for 1976 totalled \$3.1 million. Of this amount, \$2.6 million were collected directly by the municipalities from various sources, such as local taxes, charges for municipal services, rental income, etc. The balance of \$500,000 was provided through the revenue sharing mechanism of centrally collected taxes. These taxes are collected and distributed (the distribution based on municipal population) by the central government. Of the total revenues of the municipalities for the three year period, 79.5% were collected directly by the municipalities, and the remaining 20.5% was provided by centrally collected taxes. The total revenues of the municipalities have increased during the period by 37.2%. The direct municipal revenues have increased by 59.1% in the same period. This increase was due primarily to the efforts of the Ministry of Government in assisting some municipalities to revise their antiquated tax laws.

2) Municipal Expenditures. The total municipal expenditures for the year 1976 were \$2.9 million; \$2.8 million were disbursed directly by the municipalities and \$100,000 were disbursed by the central government acting as agent or guarantor. Of the total expenditures for the three year period, 95.5% were disbursed directly by the municipalities. Of the total revenues for the period 94.7% were disbursed; the balance of the revenues has increased the cash balances so that cash held by the municipalities was, at the end of 1976, more than three times as much as was held at the beginning of the period (an average annual increase of over \$135,000 for the two regions).

3) Public Works Expenditures. Expenditures for public works projects for the three year period were 27.7% or \$2.0 million of the total expenditures of \$7.2 million. These public works expenditures have increased by 55.1% over

TABLE 5

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SUMMARY OF MUNICIPAL FINANCIAL DATA - REGIONS II & V
(US\$)

		REVENUES			EXPENDITURES			Ending Cash Balance	Public Works
		Total	Munic.	Cent. Gov.	Total	Munic.	Cent. Gov.		
TOTAL REGION II	73	-	-	-	-	-	-	93,147	N/A
	74	1,397,729	390,315	507,414	1,169,794	1,085,129	84,665	321,082	297,227
	75	1,416,040	1,120,013	296,027	1,464,716	1,409,642	55,074	272,406	375,083
	76	1,953,983	1,568,535	385,448	1,799,704	1,728,402	71,302	426,685	591,327
TOTAL II		4,767,752	3,578,863	1,188,889	4,434,214	4,223,173	211,041	1,113,320	1,263,637
TOTAL REGION V	73	-	-	-	-	-	-	33,685	N/A
	74	861,928	730,874	131,054	838,779	797,955	40,824	56,834	196,142
	75	831,939	733,777	98,162	816,801	778,781	38,020	71,973	232,606
	76	1,146,792	1,011,127	135,665	1,111,986	1,081,631	30,355	106,778	304,450
TOTAL V		2,840,659	2,475,778	364,881	2,767,566	2,658,367	109,199	269,270	733,198
GRAND TOTAL II&V	73	-	-	-	-	-	-	126,832	N/A
	74	2,259,657	1,621,189	638,468	2,008,573	1,883,084	125,489	377,916	493,369
	75	2,247,979	1,853,790	394,189	2,281,517	2,188,423	93,094	344,379	607,689
	76	3,100,775	2,579,662	521,113	2,911,690	2,810,033	101,657	533,463	895,777
GRAND TOTAL		7,608,411	6,054,641	1,553,770	7,201,780	6,881,540	320,240	1,382,590	1,996,835
		100.0%	79.5%	20.5%	100.0%	95.5%	4.5%		27.7% ^{1/}
		100.0%			94.7% ^{2/}		20.6% ^{3/}		
				100.0%					

1/ Percentage to total expenditures

2/ Percentage of revenues expended

3/ Percentage of Central Revenues expended directly by MOG.

1976 revenue/munic. X = \$63,281

1976 expend/munic. X = \$59,422

1976 public works/munic. X - \$18,281

the period as compared with the 37.2% increase in total revenues. Many of these public works projects were miniature replicas of the types of projects to be considered for financing under this proposed A.I.D. loan project. The average public works expenditure per municipality for 1976 was \$18,281 of total average expenditures per municipality for 1976 of \$59,422.

From the above analysis of municipal financial data, the Mission has concluded that the present debt service capacity of the municipalities in Regions II and V is marginal (an average of about \$9,000 annually could be diverted from one third of the current amounts budgeted for public works plus all revenue surpluses) for repayment of social, non-profitable projects. However, from the study of eligible project demand (Section IVA.3) we find that many projects will generate enough revenue to operate and maintain themselves in addition to repaying the loan amounts (e.g., slaughterhouses, markets and garbage collection). Additionally, the improved municipal administration and revised tax laws resulting from the technical assistance and training components of this project should result in greatly increased tax revenues (both direct and centrally collected). Since the tendency is for municipal governments to spend the greatest proportion of revenue increases on public works projects, the Mission expects that the percentage increase in debt payment capacity will exceed the percentage increase in revenues. Thus, if there is a 75% increase in municipal revenues over the disbursement period of the A.I.D. loan, the annual debt service capacity of the average municipality could increase from \$9,000 currently to more than \$16,000 in four years^{1/}. This would allow for an average social project size of \$140,000, assuming a 20 year sub-loan repayment period with a 5 year grace period (the current average project size using the same assumptions is \$77,000). Section IVA.3, the analysis of sub-project demand, indicates a total demand of eligible, social projects over the next five years of 120 projects totalling over \$11 million for an average project size of \$94,000.

The increase in revenues needed to increase the debt service capacity to the level necessary to repay loans for currently projected social projects is about 30% overall. A 30% increase over the four year disbursement period of the A.I.D. loan is less than ⁸38% increase in revenues experienced between 1975 and 1976 without the benefit of the assistance programmed in this loan project.

The following chart summarizes the effect on debt capacity of the various assumptions made above. These conclusions apply only to the non self-repaying social type of project as previously stated.

^{1/} Assuming recent efforts in the revision of municipal tax codes are continued under this program with at least the same degree of success.

TABLE 6
DEBT CAPACITY

Public Works Expenditures and Revenues Surplus	Public Works Expenditures Portion to Debt Payment					
	CURRENT		1/4		1/3	
	Annual Debt / Serv. Capacity	Size of Project	Annual Debt / Serv. Capacity	Size of Project 1/	Annual Debt / Serv. Capacity	Size of Project 1/
(\$18,281 P.W.E.)						
I Current (3,000 R.S.)	-o-	-o-	\$ 7,570	\$64,795	\$ 9,094	\$ 77,840
(\$23,765 P.W.E.)						
II Plus 30% (3,000 R.S.)	-o-	-o-	8,941	76,530	10,530	93,487
(\$31,992 P.W.E.)						
III Plus 75% (3,000 R.S.)	-o-	-o-	10,998	94,137	13,664	116,957

3. Demand Projections for Sub-Projects. Table 7 supported by Annex M reflects the five year projected demand costs for Municipal Development Projects. The demand for projects was developed by INVIERNO, and projected costs were assigned to each project by the Municipal Development Department (MDD) of the Ministry of Government (MOG). In estimating sub-project potential demand (Annex M), INVIERNO utilized its Preliminary Diagnostic Survey on Local Governments, INCAE's study of Nicaraguan Municipalities and individual Municipal Diagnostic studies prepared by the MDD. In applying costs to sub-project demand the MDD used criteria shown in Annex M.

The five year demand projections show increasing numbers of Municipal Development projects during the first three years and decreases in the fourth and fifth years. The demand for projects by year as included in demand projection follows:

1/ Cumulative debt service capacity

TABLE 7
SUMMARY OF COST ESTIMATES AND ADJUSTMENTS FOR SUB-PROJECT POTENTIAL DEMAND
(In US Dollars)

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Project Title	YEARLY DEMAND											
	First		Second		Third		Fourth		Fifth		All Years	
	Potential	Adjusted	Potential	Adjusted								
Market	1,141,616	1,101,116	543,290	543,290	994,450	994,450	98,986	98,986	10,465	10,465	2,788,807	2,748,307
Slaughterhouse	123,809	-	280,821	210,088	397,270	397,270	158,944	158,944	669,053	669,053	1,629,897	1,435,355
Garbage Truck	62,857	62,857	103,714	103,714	114,086	114,086	292,820	292,820	138,044	138,044	711,521	711,521
Street Improvement	371,492	266,286	530,743	530,743	744,000	744,000	920,171	920,171	624,514	624,514	3,190,920	3,085,714
Curbing	26,720	22,400	36,913	36,913	27,429	27,429	37,714	37,714	-	-	128,776	124,456
Potable Water	1,606,643	1,606,643	895,440	895,440	866,373	866,373	581,271	581,271	-	-	3,949,727	3,949,727
Sewerage	603,271	603,271	1,628,834	1,628,834	1,258,739	1,258,739	72,995	72,995	401,475	401,475	3,965,314	3,965,314
Public Lighting	-	-	10,392	10,392	32,266	32,266	16,319	16,319	1,812	1,812	60,789	60,789
* Industrial Arts Building	-	-	-	-	39,943	39,943	21,964	21,964	-	-	61,907	61,907
* Municipal Building	-	-	32,143	-	-	-	24,893	-	-	-	166,516	-
* Health Post	-	-	31,143	-	34,286	-	75,429	-	109,480	-	182,287	-
* House Wiring	120,306	-	126,760	-	243,575	-	74,992	-	41,429	-	565,633	-
* School Construction	16,500	-	-	-	-	-	62,964	-	-	-	196,994	-
* Housing	-	-	-	-	1,559,172	-	2,039,271	-	117,530	-	9,971,429	-
Total	4,073,214	3,662,573	4,220,193	3,959,414	6,311,589	4,474,556	4,478,733	2,201,184	8,486,788	1,845,363	27,570,517	16,143,090
Social Projects: Adjusted Totals		2,498,600		3,102,322		2,968,750		1,650,434		1,027,801		11,247,907
Number of Projects		24		35		31		20		10		120
Average Cost per Project		104,108		88,638		95,766		82,522		102,780		93,733
Self-Financing Projects: Adjusted Totals		1,163,973		857,092		1,505,806		550,750		817,562		4,895,183
Number of Projects		10		9		9		11		7		46
Average Cost per Project		116,397		95,232		167,312		50,068		116,795		106,417
All Projects: Number of Projects		34		44		40		31		17		166
Average Cost per Project		107,723		89,987		111,864		71,006		108,551		97,248

* These projects will not be financed under this Program.

SOURCE:

Annex M Cost Estimates for Project Demand

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<u>Year</u>	<u>No. of Projects</u>
1	57
2	69
3	78
4	66
5	<u>47</u>
Total	<u>317</u>

The higher demand for projects during the first three years is caused by the current existing unfulfilled need for municipal development project financing. This need is expected to moderate after the third year. After year five INVIERNO expects the sub-project demand to level off in Regions II and V. If consideration is given to the needs of other Regions participating in the program after the loan is fully disbursed, the demand segment of the project would again increase after year four.

Sub-projects were costed in thirty-three of the forty-nine municipalities included in the potential demand study. Cost estimations were applied to a total of 205 projects resulting in a total estimated cost of \$27.6 million. Since some of the projects do not fall within the proposed project loan criteria, demand figures were adjusted by the GON and A.I.D. The following comparative table indicates projected demand and adjusted projected demand:

(In U.S. Millions)

<u>Year</u>	<u>Projected Demand</u>		<u>Adjusted Demand</u>	
	<u>No. of Project</u>	<u>Amount</u>	<u>No. of Project</u>	<u>Amount</u>
1	40	4.0	34	3.7
2	50	4.2	44	4.0
3	46	6.3	40	4.5
4	39	4.5	31	2.2
5	<u>30</u>	<u>8.5</u>	<u>17</u>	<u>1.8</u>
Total	<u>205</u>	<u>27.5</u>	<u>166</u>	<u>16.2</u>

The adjustment made reflect the deletion of sub-projects such as schools, health posts, municipal buildings and housing projects.^{1/} Large differences between projected demand and adjusted demand in the last few years result from deleting housing projects costing from \$779 thousand to over \$2.0 million. Total projected cost demand and adjustments by project type are shown in Table

Accurate predictions of the estimated financial requirements to cover a projected demand of the size of this one are difficult. However, the costing of 65% of total projected demand (numbers of projects) gives a good indication of the total financial requirements to meet the demand. Because of the availability of funds, the complexity of the program, and the time required to upgrade institutional capabilities, a smaller program than that required to cover projected demand is presented in this project. It may be, however, that the GON will request additional A.I.D. assistance in the future to increase the capitalization of the revolving fund when institutional capabilities have proven to reach a level where a larger program can be handled efficiently.

4. Cash Flow Analysis. Table 8 is the ten year cash flow projection of the Rural Municipal Development revolving fund.^{2/} In projecting the cash flow, the sub-loan terms were distributed into two loan repayment periods (20 years with 5 years' grace and 10 years with 2 years' grace) and two rates of interest (8% and 14%).

At the end of the disbursement period of the loan, the fund will have \$5 million in loan portfolio and \$590,000 in cash balance. The cash balance represents interest earned during the loan disbursing period less a 2% administrative fee paid to INVIERNO. Though this 2% administrative charge has been included, the amount generated through this allocation will not cover INVIERNO's estimated financial cost to administer the fund of \$100,000 a year. Any deficit experienced in the administration of the fund will be offset with counterpart funds.

The GON will covenant to provide an additional \$1.5 million^{3/} after the

^{1/} Schools, health centers and housing are financed under other programs.
^{2/} Includes both the credit funds under RDSL I and the proposed project.

^{3/} Possibly with a follow-on A.I.D. loan.

TABLE 8
RURAL MUNICIPAL DEVELOPMENT PROJECT
REVOLVING FUND ACTIVITIES
10 YEAR CASH FLOW PROJECTION
(IN US\$000s)

YEAR	Prior to this Loan	Project Year 1	Project Year 2	Project Year 3	Project Year 4	Completion of AID Assistance Status	Year 5	6	7	8	9	10	Status at the End of 10th Year
INFLOW													
RDL-1 Loan (524-T-031) ^{1/}	410	400	-	-	-	810	-	-	-	-	-	-	810
This Loan ^{2/}	-	250	1,010	1,410	1,530	4,200	-	-	-	-	-	-	4,200
Interest Income	-	43	110	215	362	730	521	624	728	832	926	1,009	5,370
Reflow (Repayments)	-	-	13	33	65	111	129	210	297	424	529	604	2,298
	410	693	1,133	1,658	1,957	5,851							
GON or Other Sources ^{2/}	-	-	-	-	-	-	500	410	300	200	100	-	1,500
							1,150	1,234	1,379	1,456	1,555	1,613	14,178
OUTFLOW													
Subloans	410	650	1,023	1,443	1,595	5,121	1,123	1,218	1,307	1,319	1,338	1,324	12,750
2% Admin Exp. due INMERN	-	8	21	41	70	140	100	120	140	160	178	194	1,032
	410	658	1,044	1,484	1,665	5,261	1,223	1,338	1,447	1,479	1,516	1,518	13,782
NET INFLOW	0	35	89	174	292	590	(73)	(104)	(128)	(23)	39	95	396
REVOLVING FUND STATUS													
A) Cash Balance	0	35	124	298	590	590	517	413	285	262	301	396	396
B) Loan Portfolio	410	1,060	2,070	3,480	5,010	5,010	6,000	7,000	8,000	8,900	9,700	10,400	10,400
	410	1,095	2,194	3,778	5,600	5,600	6,577	7,413	8,285	9,162	10,001	10,796	10,796

^{1/} See Drawdown Assumptions

^{2/} Provided by the GON, a Follow-On A.I.D. Loan, or Financing from Another International Donor

A.I.D. contribution period ends. By the end of the tenth year the loan portfolio will reach \$10.4 million and the fund will provide sufficient interest income and reflow of funds to sustain \$1.5 million in annual lending activities.

The assumptions made in calculating the projected cash flow of the revolving fund are the following:

1. Loan Seed Capital will be the following:
 - a) \$810,000 from RDSL I Project which consist of \$600,000 from A.I.D. loan and \$210,000 from GON counterpart contribution.
 - b) A.I.D. input under this Loan \$2.7 Million
GON counterpart contribution \$1.5 Million
2. Draw down of loan funds and GON counterpart are estimated as follows:

<u>Year</u>	<u>RDSL I</u>		<u>THIS LOAN</u>	
	<u>A.I.D.</u>	<u>GON</u>	<u>A.I.D.</u>	<u>GON</u>
While in Process	300	110	---	---
1	300	100	50	200
2	---	---	660	350
3	---	---	960	450
4	---	---	1,030	500
	600	210	2,700	1,500
	===	===	===	===

3. The A.I.D. Loans are to be repaid by the GON and not from the Revolving Fund.
4. The fund will be sub-loaned at the following rates and terms

<u>% of Available Resources</u>	<u>Terms</u>	<u>Interest Rate</u>
45%	20 years - 5 year Grace	8%
30%	20 years - 5 year Grace	14%
15%	10 years - 2 year Grace	8%
10%	10 years - 2 year Grace	14%

5. Further GON contribution and/or other source of funds to the extent of \$1.5 million is available to sustain subloan activities at \$1.3 million dollar level at the end of A.I.D. assistance period.
6. During the project period, the cash balance of the fund consists of interest earnings in excess of 2% administrative cost payable to INVIERNO. All reflow of subloans are immediately reinvested.
7. Interest collections are based on prior year ending portfolio.
8. The administrative charge for INVIERNO will be 2% of the prior year ending portfolio.

A summary of the cash flow analysis and the revolving fund status is presented in Table 9 to demonstrate the financial viability of this project.

TABLE 9
REVOLVING FUND
(stated in US\$000s)

<u>Inflow</u>	<u>A.I.D. Project Period</u>	<u>End of 10th Year</u>	<u>11th Year</u>
From RDSL I	810	810	-
This loan	4,200	4,200	-
Interest	730	5,370	1,082
Reflow	111	2,298	786
GON/other Post Proje. Inputs	-	1,500	-
Total Inflow	5,851	14,178	1,868
<u>Outflow</u>			
Subloans	5,121	12,750	1,500
2% Adm. Fees	140	1,032	208
Total Outflow	5,261	13,782	1,708
<u>Net Inflow</u>	<u>590</u>	<u>396</u>	<u>160</u>
<u>Revolving Fund Status</u>	<u>End of A.I.D. Project</u>	<u>End of 10th Year</u>	<u>11th Year</u>
Loan Portfolio	5,010	10,400	11,114
Cash Balance	590	396	608
Total	5,600	10,796	11,722

B. Technical Analysis

1. Project Management Feasibility

a. Principal Implementing Agencies: The Ministry of Government with its recently established Municipal Development Department (MDD) and the Ministry of Agriculture through the Institute of Campesino Welfare (INVIERNO) are the GON's major implementing agencies for this project. This combination capitalizes on the Ministry of Government traditional linkages with the municipalities and the increasingly effective set of financial facilities offered by INVIERNO to the rural poor. Additionally, several other agencies of the central government are expected to play key roles in the implementation of the Municipal Development program.

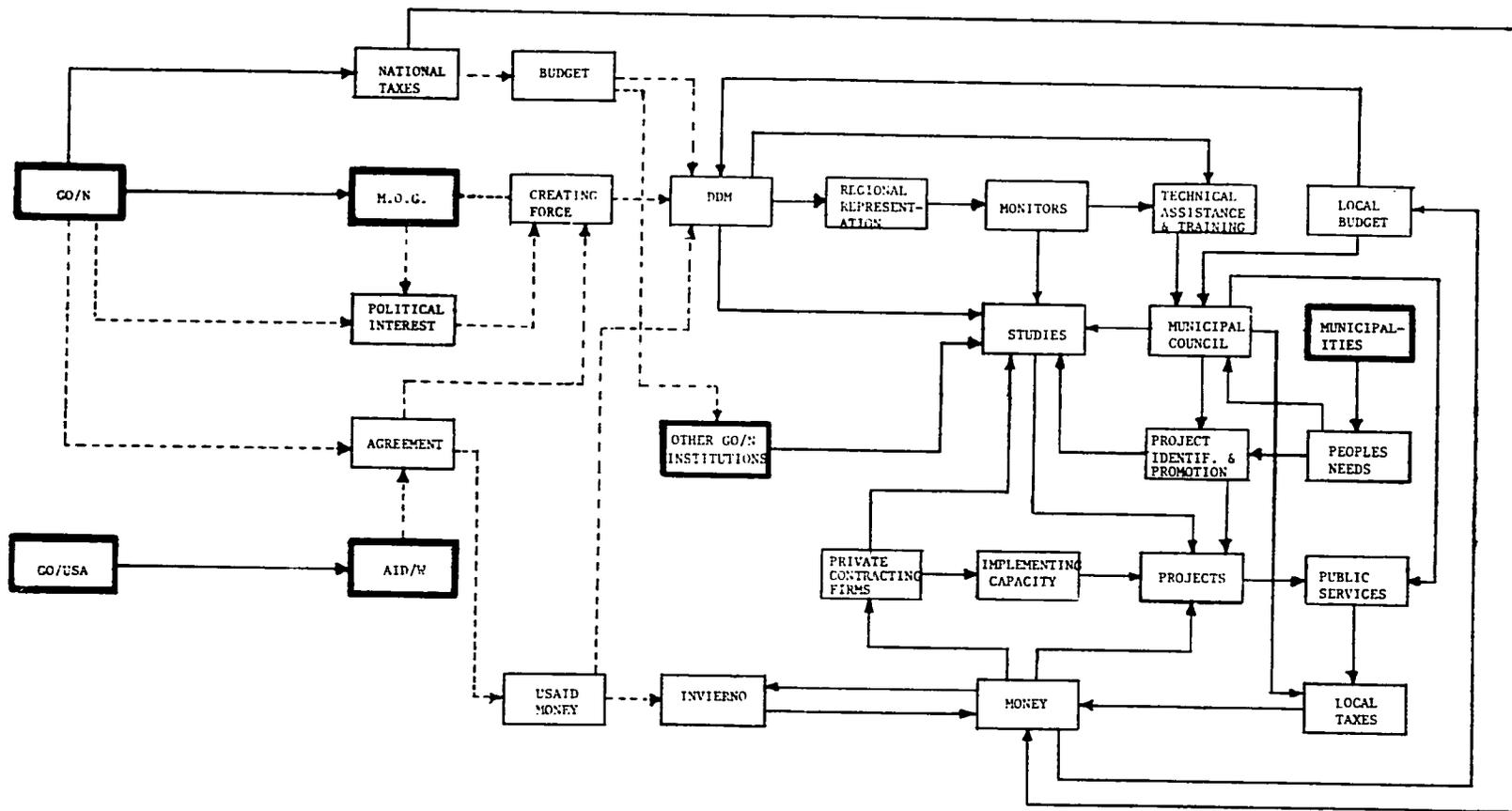
1) Municipal Development Department - MOG. The Ministry of Government linkages with municipalities stem from its role in establishing political boundaries and approving municipal budgets and tax ordinances. For the most part, this role has tended to be a passive one with the MOG acting only when so moved by the submission of municipal budgets or new tax ordinances. The recent creation of the Municipal Development Department enables the MOG to assist temporary municipal administration and to play a more positive role in influencing the allocations of central government revenues to the municipalities.

Illustration 1 provides a visual image of the new system of interventions being implemented by the central and local governments. The essence of this new system is increasingly to decentralize the process of initiating and implementing development activities in the municipalities. Under the new system, as can be seen on the far right side of the illustration, the process of identifying people's needs and translating these to better or more public services becomes a function of the municipalities, and financing those initiatives is to become a function of using both central and local government revenues.

The system, which has been managed effectively in other developing countries, requires that the Municipal Development Department undertake the following functions:

- a) Diagnose administrative, financial and legal

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inadequacies in the municipalities and design and assist in implementing improvement programs;

- b) Rationalize the perceived needs of municipalities on the basis of local, regional and national priorities;
- c) Assist municipalities in the processing of loan requests and/or additional allocations from central government revenues;
- d) Coordinate activities with other central government agencies concerned with municipal, regional and national development; and
- e) Promote intra-municipal cooperation.

To fulfill these responsibilities, the Municipal Development Department is organized into five separate divisions: Legal, Administrative, Technical Assistance, Special Studies, and Training. The Department's Director reports directly to the Minister. Twenty-one professionals staff the department including two public administration employees presently in training at IBAM in Rio de Janeiro, Brazil.

The Legal Division is designed to perform three basic functions: First it will review and improve existing tax ordinances in the Municipalities; secondly it will be responsible for the development of central government decrees and laws which facilitate the decentralization process; and, thirdly the Legal Division will assist the municipality in providing legal aid and information to the poorest segments of the municipality. Special studies will assist in analyzing municipal needs and in the development of feasibility and other studies required for the project. The Training Division will implement training program for municipal officials and the Technical Assistance Division will provide municipalities with on-site assistance in streamlining their administrative and management systems and in designing and implementing development projects.

The staff of the MDD is composed of mostly young, dedicated technocrats. Their lack of in-depth experience is easily compensated by their eagerness to work, and learn. Thus the Department has sought out specialists from the U.S. and other countries to assist in their endeavors and have taken the initiative to obtain the services of six Peace Corps Volunteers to assist in the execution of both their central (4) and on-site (2) functions. Finally the MDD has the faculty to contract services of other five (5) GON agencies to assist in the design and implementation of specialized development projects.

2) INVIERNO - MAG. INVIERNO was the first of the autonomous institutes created by the Ministry of Agriculture to execute the GON's new Rural Development Strategy. It has already accrued significant experience in organizing community activities, providing credit and conducting in depth studies of the municipalities in Region II and V.

Under the new decentralized municipal development system, the INVIERNO program intervenes at two extremely important points. The first is in organizing community participation in identifying its real and perceived needs and providing loans to small farmers which generate new incomes for the rural poor. These in turn create additional pressures from the community for new or better public services. The second is the management of a credit fund which extends loans to municipalities for development projects.

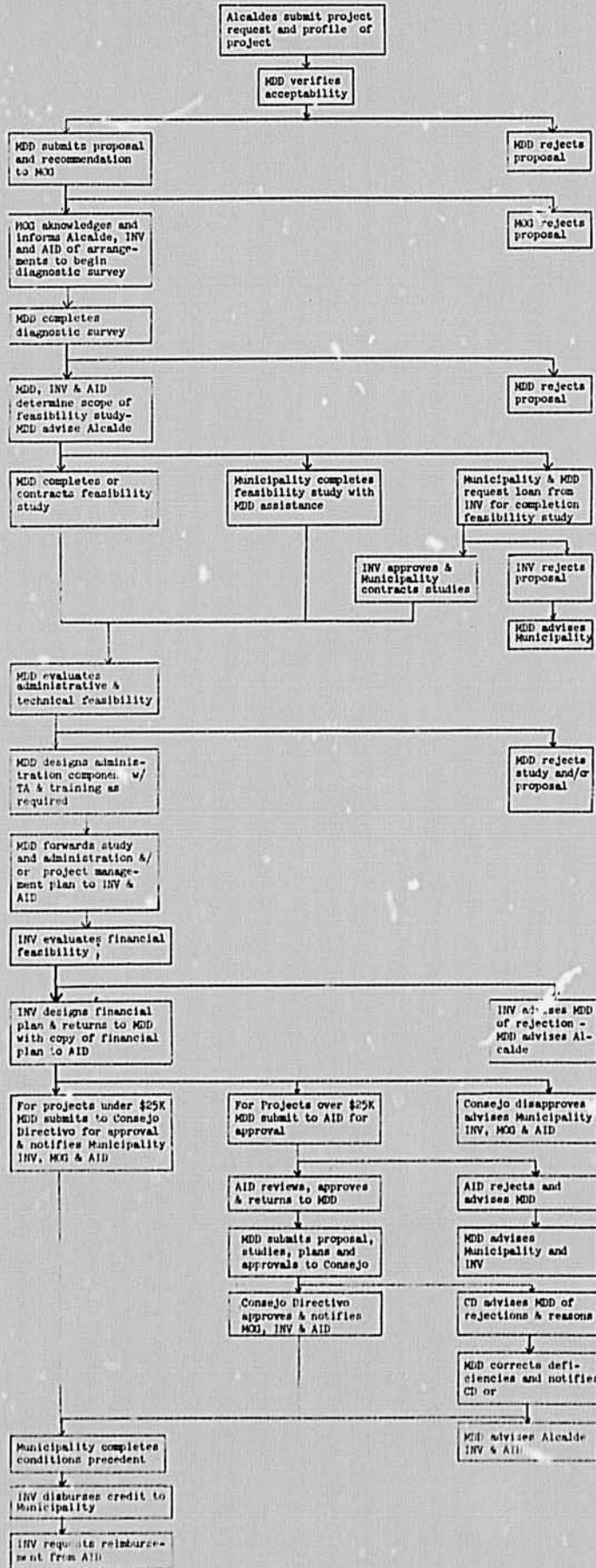
Some of the specific tasks for which INVIERNO will be responsible are the following:

- a) Assisting in the determination of the scope of work required for feasibility studies;
- b) Evaluating the financial feasibility of municipal development projects;
- c) Designing financial (mostly loan repayment) plans for the municipal governments;
- d) Disbursing loan funds to municipalities for approved projects; and
- e) Collecting loan repayments.

To accomplish these tasks, INVIERNO has installed a Municipal Development unit staffed by two highly qualified professionals and supported by a thoroughly competent programming engineering and financial staff. The Institute's track record in managing its existing A.I.D. funded program is excellent and no difficulties are foreseen in the management of its responsibilities under this program.

A graphic illustration of how the two institutions will coordinate their efforts is presented in Illustration 2.

ILLUSTRATION 2
ORGANIZATIONAL FLOWCHART



b, Other Cooperating Agencies: It is recognized that the MOG, especially, will not have immediate technical capability in the areas of engineering, architecture, planning and financial analysis. Technical assistance and training program, will address these institutional deficiencies over the life of the project. Nevertheless, the MDD can draw upon the human and capital resources of other governmental institutions to support and complement their early efforts in municipal development.

1) Vice Ministry of Urban Planning (VMPU). A.I.D. supported the development of VMPU after the earthquake of 1972 in order to provide in one institution the capability to design a new Managua and begin to carry out the necessary plans which would be the first step to the GON's policy of decentralization. A.I.D. supported VMPU with a number of long-term technical advisors who did a great deal to build up the human resource capability within the institution.

The MOG has recognized the technical capability of VMPU and has taken steps to draw upon this resource. In July, 1977, an agreement was signed between the MOG and VMPU which specified the type of assistance VMPU could offer the rural municipal development program. (Annex I). The major areas of cooperation are urban planning and sub-project feasibility studies. Additionally, VMPU may assume responsibility for overseeing all construction activities in the municipalities for projects under \$100,000. MDD and VMPU personnel will work in teams so that VMPU personnel will transfer experience and knowledge to the less experienced MDD personnel. The MDD will be the controlling party in the cooperative agreement, always determining the timing and type of assistance VMPU will provide.

As the project develops, the MDD will increase its capacity in the areas of regional planning and feasibility analysis. VMPU will become less and less involved in these areas. It is foreseen that VMPU will always retain the major responsibility for urban planning and will work closely with the MDD in this area throughout the life of the project.

2) National Planning Directorate (NPD). The NPD has become an increasingly important institution in the GON since the 1972 earthquake. As a result of the National Reconstruction and Development Plan, 1975-1979 it developed, the NPD has become increasingly involved in analyzing and planning how individual institutions can direct their efforts to

reach the objectives established in the plan. The NPD is asked to review all loan proposals from international lending agencies and play a coordinating role in inter-institutional programs.

The NPD plays a key role in this project because its representatives sit on the Council of Directors. From these decision-making positions, the NPD can assist the MOG and INVIERNO in analyzing proposed sub-project interventions in light of regional and national priorities and goals. This input is vital to the overall success of the program because it will help to insure that resources are appropriately invested geographically and in accordance with regional, and hence national, needs. Locally felt needs can be in conflict with regional priorities. For example, based on the sub-project demand list, a majority of the municipalities want to construct a market under this program. The MDD realizes that the construction of a market in every municipality would likely lead to an underutilized and inefficient marketing system. The NPD can assist the MDD in determining the location, size and rank of priority of markets based on a regional and national perspective.

3) Public Works Ministry (PW). The engineers in the MDD will be slowly acquiring experience in designing and monitoring the construction and maintenance of access roads and rural trails. PW has the primary responsibility for building and maintaining the highways and roads in Nicaragua. PW has the qualified people and the appropriate machinery to construct these links between rural and more urban areas. INVIERNO, in its rural development program, is already using PW as the implementation agency for its access road program.

The municipalities, often with the cooperation of a community group, will construct rural trails and access roads with the financial assistance of the proposed program and the technical assistance and equipment of Obras Públicas. The MDD will cooperate with PW engineers in designing roads and trails to insure that the work is done correctly and more importantly to provide MDD an opportunity to draw upon PW's experience in road building and maintenance.

4) National Light and Power Company (ENALUF). A sub-project that has been requested by a small number of municipalities (See Annex M) is electrification. ENALUF has the major responsibility for providing electricity to Nicaragua. There are also four rural electric cooperatives, but these units buy their power from ENALUF and are under ENALUF's influence.

If the initial analysis of the municipality shows that electrification is a priority, ENALUF or the cooperatives will be contacted by the MDD. Efforts will be taken to either have those entities extend their service to these areas or, if such expansion is not planned in the near future, finance the expansion with project funds while drawing upon the technical resources of ENALUF or the cooperatives.

5) Nicaraguan Water and Sewer Authority (DENACAL).

Another major request by municipalities is the construction of potable water and/or sewage systems. DENACAL has the major GON responsibility for these activities. An \$18.0 million IDB loan to DENACAL is designed to build water systems in 36 municipalities throughout the country. The GON/AID program will not compete with the IDB project; instead it will encourage DENACAL in its activities in Regions II and V and finance the construction, expansion and improvement of water and sewage systems in municipalities that are not priority for DENACAL. The MDD will coordinate its activities with DENACAL and again, draw upon that institution's personnel for project design and implementation assistance.

6) Private Sector Participation. It is expected that the private sector will be contracted to execute many of the development projects as well as a limited number of feasibility studies. Additionally, one of the requirements of the project is that A&E firms be required to assist in the design of all projects costing \$100,000 or more and further that such a firm be retained by the municipality to oversee construction of such projects.

c. Institutional Coordination. Coordination between INVIERNO and the MDD and between the various agencies participating in the project will be accomplished through two basic mechanisms. The first will be through a series of agreements and/or contracts between the MDD and the other agencies. Two agreements, one between MDD and INVIERNO, and the other between MDD and VMPU have been concluded. Others will be drawn up as needed in the execution of the program.

The second mechanism is the Council of Directors (Concejo Directivo) which was created in July, 1976 to coordinate the Municipal Development effort. The Council is presided over by the Minister of Government and consists of the following members, with their Vice Ministers or deputies as alternates:

- a. Minister-Director of the National Planning Directorate
- b. Minister of Agriculture
- c. Minister of Public Education
- d. Minister of Public Works
- e. General Manager of INVIERNO
- f. Nicaraguan National Bank Representative
- g. Central Bank Representative
- h. One Representative Farmer Associations

The principal functions of the Council are to: 1) service as an overall policy setting and guidance organism for the program; 2) resolve conflicts or duplications of efforts which may develop among the agencies involved in the implementation of the project; 3) approve credit applications for development projects presented by the municipalities, and 4) maintain an awareness among other agencies of the executive and legislative branches of the needs of the municipalities and the overall progress of the program. The Board of Directors meets once a month.

2. Review of Municipal Legislation and Practices.

The Nicaraguan Constitution of 1974 establishes the basic parameters that govern the functioning of government at the departmental, National District, and municipal level. This document is supported by the Constitutional Law of the National District and the Municipalities, which is Presidential Decree No. 1330, signed April 8, 1967. A review of this legislation gives a good overview of the municipal system as it exists today within Nicaragua.

a. Taxation. There is no specific legislation governing municipal taxation included in the Constitutional Law. There is no single written guideline to the municipalities on local taxes. The Constitution in Article 250 gives the municipalities the right to impose, collect and utilize taxes in their areas subject to approval by the central government, but there is no uniform interpretative law or code to guide them. Instead, there is a patchwork system of separate tax codes for each of the municipalities. Each municipal council makes up its own tax codes based almost solely on, and restricted by, historical precedent. The codes then are presented to, and approved by, the Ministry of Government. The codes become legal on the date of their appearance in the national legal register. These local tax codes or planes de arbitrios do not either individually or collectively form a municipal tax system which is designed to serve specific economic purposes.

The system is an anachronism from the time when municipalities were isolated and cut off from each other and the central government. It serves to meet only the most rudimentary needs of the municipalities. Under this tax system the municipalities are on the periphery of the real economic life of their area. They collect literally hundreds of individual small charges from local businesses at arbitrarily fixed rates. Municipalities collect the majority of their revenue from taxes on commerce, gasoline and sales. A recent plan de arbitrios for the National District listed 120 tax items with 272 classifications. Municipalities are for the most part excluded from participation in direct taxes collected by the central government on the major sources of wealth in their areas i.e. property and income taxes. When commerce, industry or agriculture begins to grow and prosper in any area, the municipality does not have available to it the sources of revenues from this growth which would enable it to provide broader services to its inhabitants. In 1975, the total income from local taxes of the municipalities was 165 million cordobas (\$23,570,000) of which 122 million (\$17,428,000) was for the National District and only 43 million (\$6,143,000) was for the remaining 134 municipalities. Total Public Sector income was approximately 3.3 billion cordobas. The municipal revenue was approximately 5% of the total of which the National District represented 3.7% and the other 134 municipalities 1.3%.

b. Employment, Social Security. There is no system of permanent employment of municipal employees nor social security. Although, typically, especially in the smaller municipalities, municipal officials and appointed employees are in office for more than one term, it is common practice to change the majority of employees when new elected officials take office.

c. Budgets, Finance, Audits. Municipal budgets are prepared by municipal councils and submitted to the Ministry of Government for approval based again on historical precedent and not on projected real needs of the municipality for the upcoming year. The examination of the budgets by the MOG serves as a "pre-audit." The regular auditing is done by the Court of Accounts (Tribunal de Cuentas), - the national controller general. It supervises municipal tax collection based on an approved tax ordinance and generally review all municipal financial transactions for acceptability. The law which governs the percentages which each municipality is allowed to spend for administrative and program costs (Law No. 189 of September 1937 in "La Gaceta") is outdated. In 40 yrs. some municipalities have grown to be major secondary cities and many new, small ones have been created. Their budgets need to reflect their different roles and demands.

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The Government of Nicaragua uses a system of budgeting by projects. This type of system could well be used by the municipalities. Another important item is that the municipalities still have up to 5% of their total annual budget taken away by the central government to support the municipal auditing activities of the controller general. This money now goes into the general central government coffers for the national budget and is no longer related to the amount allocated to the controller general for auditing assistance to the municipalities. Left over from forty years ago it is a strange process which finds the central government providing revenue-sharing funds with one hand and with the other taking away a substantial amount from these same funds.

Municipalities have to depend heavily for revenue on local taxes and limited assistance from central government. The annual budgets thus provided average \$50,000 and typically only cover administrative costs and minimal public services. Improvement of municipal finances is a prime objective of the proposed program.

d. Borrowing. With the exception of a handful of the larger municipalities, there has been no municipal borrowing from national or international sources. Municipal autonomy seems to allow direct borrowing, but municipal finances are inadequate.

e. Revenue Sharing. While there is no single piece of legislative governing transfers from the central government to the Nicaraguan municipalities, there have been, over the years, various decrees establishing municipal participation (e.g. September 9, 1965 "La Gaceta" - Diario Oficial, establishing participation in tobacco tax) in several taxes collected by the central government. Funds generated from these taxes are distributed by the Ministry of Finance to the municipalities on the basis of their generation of such taxes or, if that cannot be determined, on the basis of population.

The municipalities presumably have a legal right to these funds, but because the granting legislation consists of a series of isolated decrees focused on amount and distribution, there are no clear guidelines. Since 1975, the following transfers have taken place:

	<u>Direct Transfers</u>	<u>Capital Projects Transfers</u>
1975	\$ 1,209,343	\$ 90,000
1976	\$ 1,245,029	\$ 347,866
1977	\$ 1,817,386	\$ 665,498

These data from the National Budget indicates a growing willingness by the central government to pass on funds to local governments. In 1977, the direct transfers listed will be taken from the following:

1) Municipal Tax on Flour	\$	20,000
2) 1% Municipal Sales Tax	\$	628,572
3) \$0.014 Municipal Gasoline Tax	\$	811,672
4) Municipal Tax on Cigarettes	\$	357,143

The capital transfers for 1977 will finance 24 projects, including 12 street and sewer construction projects, 5 city halls, 1 market, 1 community center, a bridge, an electrification activity, a water system and a community development project. It is important to the municipalities that legislation be drawn up consolidating the direct transfers so that these funds can serve as a permanent revenue source against which municipalities can borrow for the financing of capital projects.

f. Assets. Nicaraguan municipalities are guaranteed by the Constitution the sole, tax-free right to their assets including municipality owned real estate.

3. Environmental Impact Statement.

An Initial Environmental Examination (IEE) was carried out for this project which identified and described the nature, scope and magnitude of the foreseeable effects of this project on the human environment (Annex O). It was determined that the proposed Rural Municipal Development project would not adversely affect the environment. Therefore, it was recommended in the IEE that this project receive a negative determination and that no additional environmental examination be carried out on this project. The appropriate officials in AID/W have studied the IEE and have concurred that a negative threshold decision is in order.

C. Social Analysis

1. Target Beneficiaries

This project is designed to strengthen local governmental institutions so that they can more effectively provide the public services required by their constituency. The major beneficiary of this project will be the poor. The following analysis of the target population verifies that the majority of existing and potential users of these services are the poor.

The target population presented in Appendix G can be summarized as follows:

<u>Region</u>	<u>Total Population</u>	<u>Urban Population</u> ^{1/}	<u>Rural Population</u>
II	388,236	207,376	180,860
V	386,946	102,609	284,337
TOTAL:	<u>775,182</u>	<u>309,985</u>	<u>465,197</u>

The Agricultural Sector Assessment published in 1974 presents the most accurate measurement to date of rural income in Nicaragua. It is estimated that 74% of the rural population in Region II and 82% in Region V have per capita incomes of less than \$120^{2/}. Therefore, this project has a potential rural target population of 367,000 people.

Income data on the urban population in Nicaragua is limited. Specific studies have measured urban incomes and their distribution in Managua. The Nicaraguan Housing Bank and INCAE have recently completed separate income surveys for other Nicaraguan cities. Based on these studies, USAID has estimated the distribution of income in urban areas outside of Managua to be the following:

^{1/} Does not include Managua.

^{2/} In 1973 prices.

<u>Annual Per Capital Income</u>	<u>% of Urban Population</u>
\$ 0 - 109	63%
\$210 - 415	20%
\$416 - 1,000	13%
Over \$1,000	4%

Assuming these figures are transferable to the urban centers in Regions II and V, the urban poor target group (incomes of less than \$210) can be estimated at 195,000 individuals. More detailed urban income data will be forthcoming from the Urban Sector Assessment.

2. Socio-Cultural Feasibility

The following analysis of the social environment for this project describes both the social setting and the opportunities for significant rural social change.

a. Views and Values. Within the rural community in Nicaragua the paramount social values have grown out of the Spanish cultural tradition. Although these values are changing in the larger urban centers, they are strong and persistent in the smaller communities and the rural areas. A strong sense of personal dignity, of individualism pervades the culture. This is not so much a concept of the equality of men as it is a sense of the worth of the individual. A second level of values relates to the importance of family cohesion. The family is the basic building block of the society. Not only in times of crisis, but throughout life, one turns to his family for support and strength. A third level of values relates to the social hierarchy in the community. There is a definite order of social relationships growing out of the old patron-peon system and carrying over into the whole framework of community loyalties and commitments in rural Nicaragua today.

From this value system, the rural Nicaraguan looks on the outside world as a frequently hostile force. The campesino is unable to control the natural and man made forces which surround him. To the outsiders, he appears sometimes apathetic and

at other times fatalistic. In fact he may just have very modest hopes and expectations about changing his world. He would like to improve things for himself and his children and will work hard to do so, but he also has a built in expectation of failure, that things won't work out as planned. He views the political system as one which often makes promises, but they are promises which seldom materialize.

The municipality is viewed differently by its rural and urban inhabitants. The campesino views it as a market-service center where he comes to buy and sell, to go to church, and perhaps to seek medical services. He may send his children to school in the urban center if he can afford to send them beyond the limited levels of the rural schools. From time to time, the municipality will provide other services from registering births to providing a place to bury the dead. The campesino will look to the local government system to settle simple disputes and, if he wishes, to legalize his marriage or to facilitate his access to services of central government agencies. The urban dweller in these market towns looks to the municipality for the same services plus others. These additional services include water and light, where the municipality performs an important role as intermediary with central agencies which have primary responsibility for these services. In other areas such as street paving and recreation, the urban dweller may look with modest expectations for municipal services.

b. Social Patterns at the Community Level. The social hierarchy at the rural community level is headed by the few professionals who live in the area. In most instances, the local priest and school teachers are the principal leaders in the community. These individuals are the important organizers and promoters of community development activities. The mayor or other city councilmen may or may not be considered leaders. They may well be representative of commercial or political interests which are at a second level in the community hierarchy. Commercial farmers do not often live in the smaller communities, but, if they do, they typically fit the older patron role as community leader.

Traditional, subsistence farmers are at the bottom of the social hierarchy. These small farmers produce primarily for their own needs. Such earnings as they have often result from working as harvest laborers on commercial farms or for other part-time, off-farm employment. A step above these subsistence farmers is the modernizing, intermediate farmers who are gradually introducing improved technology and producing for a market. These farmers are those who would be especially benefited by expanded services in the rural market towns.

In the last few years, as a result of the GON's Integrated Rural Development Strategy, new leaders and promoters have entered the local hierarchy. These are INVIERNO's Agromocs and the Ministry of Health's Community Promoters. These individuals are organizing local communities and assisting them in developing their capability to address their problems through self-help measures or through local institutions or national agencies. They have added a dynamic and progressive element to community level activities which is being transferred into more grass-roots participation by the poor.

c. Role of the Municipality. The role of the municipality in rural modernization is only one of a set of modernizing influences and must be viewed in that perspective. The concept of rural development being carried out by INVIERNO program in Nicaragua places expanded production by the small farmer at the heart of the process. This is being achieved by improving his accessibility to credit, technology and other inputs which he needs to produce more effectively for the market. Through the sale, of his production, the farmer will be on the road to improving his own quality of life. But his development depends also on a series of other development services. Some of these, such as health and education, depend upon the coordination of other central agency development efforts. Other activities depend upon community self-help efforts. These self-help efforts can be private, as in the case of a community ad-hoc improvement committee or a continuing cooperative-type program, or they can be public. The key public agency at the local level in this scheme is the municipality. To support integrated rural development, the municipal government needs to be able to provide better, more effective public services. These services will enable all citizens of the municipality, rural and urban, to share in a stronger, development-oriented socio-economic system. This is the role of the municipality in rural development and the basic rationale for this project.

3. Spread Effects and Benefit Incidence

The ability of this project to have a positive impact on the formidable obstacles in its socio-cultural environment depends very much upon the motivation of the participants in it. At the community level, it will depend upon the ability of municipal governments to break out of the stagnation which all too often characterizes their approach for providing minimal public services. The key catalytic agent in this process will be the technical assistance and training arm of the MOG, reaching out in the name of municipal development to support local, self-help efforts. This process of social change will depend essentially on the quality and motivation of the technical

staff assigned to the project. If, as appears at present, they continue to select young, idealistic, service oriented technicians, pay them well, give them positive support through training, technical assistance, and high level backing for their work in municipal development, the whole enterprise has a significant chance of changing the local development environment in Nicaragua. The chain reaction which enables a project like this to become self-sustaining and to spread throughout a socio-political system depends upon this type of quality staffing and the kind of resource allocation which the Government of Nicaragua has committed to this project.

The beneficiaries of the project will be the poor of the rural communities who are not now adequately served by their local government. These are the users of the essential public services to be expanded by this project: the markets, slaughterhouses, and other expanded municipal services. Intermediate beneficiaries will include the municipalities which will receive technical assistance, training and credit under the project. But the ultimate and direct beneficiaries will be the people of the rural communities served by these organizations.

The focus of this project is on needy people in Regions V (the central highlands) and Region II (the central Pacific area outside of Managua), which are the priority areas for the INVIERNO rural development program. Over one-half of the families, which exist in low-end poverty in Nicaragua, live in these two regions. Birth rates are high (45 per 1,000); infant mortality is high (over 120 per 1,000), and malnutrition is prevalent (56% of children under five (5) are malnourished). Sanitation, public health and educational services are inadequate. All indicators of social and economic status clearly identify these people as appropriate for A.I.D. assisted development activities.

4. Impact of the Project On Women

This project is expected to have a positive impact on women and on their role in Nicaraguan society.

a. Municipal Administration and Development. Women have been actively taking leadership roles in the municipalities in Nicaragua. Women serve as mayors or treasurers in several municipalities in Region II. In Region V women hold an even larger number of public offices, from mayor of one of the largest municipalities

(Matagalpa), to the mayor of the smallest municipality (San Juan de Limay) in the Department of Estelí. Of the 134 municipalities, women hold the following elected positions:

<u>Position</u>	<u>No.</u>	<u>%</u>
Mayor	13	10%
Treasurer	24	18%
Trustee (Sindico)	4	3%

In addition, women are appointed as alternates to the above positions. There are 19 alternate mayors who are women, 22 alternate treasurers, and 13 alternate trustees.

The technical assistance and training program will include these women as participants in addition to the employees of the municipality who are women. The training should have a particularly positive impact on the leadership role of women in the municipalities.

b. Municipal Credit Fund. Specific sub-projects to be financed under this program will impact on women in a number of ways. New or improved public markets and slaughterhouses will provide a cleaner and lower cost environment for the buying and selling of meats, fruits, vegetables and basic grains. These activities are predominantly performed by women. Improved public services such as potable water, sewage systems, public laundry facilities and drainage will upgrade the living conditions of families, whose health and welfare is a primary concern and, in most homes, the major responsibility of the woman.

D. Economic Analysis.

During the development of this project, economic decisions were made that had and will have, an impact upon the design of the program. Different analyses were used to determine the most cost-effective approach to the institutional design and the most beneficial mix of sub-projects in economic and social terms. The reasons for the institutional design are described below; however, only estimates of the sub-project impacts can be made at this time.

1. Institutional Design.

Cost effective criteria were applied in developing all institutional aspects of this program. In 1976, the GON, at the highest levels, decided that the development of an autonomous municipal development institution would be too costly, especially in view of the high costs of the reconstruction program and the implementation of its strategy in the rural sector. Two governmental entities already existed with the legal powers to conduct a rural municipal development program. The GON therefore opted for a cost-efficient, two institutional system wherein the Ministry of Government will be handling the technical assistance and training components, and INVIERNO will serve as the bank for the program.

The decision to establish a regional center in Region V was based on both organizational efficiency and cost considerations. Field Monitors working out of Managua would not have the necessary day-to-day contact with municipal officials if the outreach program of the MDD is to be effective. The monitors exposure to municipal realities is increased by assigning them to a regional office, and the center enables them to draw upon the specializations of their colleagues as well as upon other field works in the health, education and agricultural programs. Also, the regional system is more cost effective because of the savings in gasoline and vehicle maintenance, etc. that will be achieved by establishing a base of operations closer to the target communities.

Similarly, efficiency considerations were involved in the decision to maximize the use of local institutions, e.g., CENCA, and INCAE for training and technical assistance and Obras Públicas and VMPU for project design, feasibility studies and supervision of construction. In this way, the MDD, which needs assistance, can be expected to meet its demand without duplicating either the technical responsibilities or capacities of other local entities in achieving the desired outputs.

The MDD's program has also concentrated its activities in areas that will have a high pay-off for the municipality. The training program will develop human capital at the municipal government level which should have short, medium and long-term impacts on how the affairs of the community are managed. It should be expected that better trained leaders and officers should be able to make informed decisions on how municipal services can best be used for the benefit of the citizens.

A second manner in which the MDD's program will have a high pay-off is in the area of municipal legislation and tax reform. The costs of the modification, up-dating and revision of municipal legislation are substantially outweighed by the potential benefits such actions can have on the revenue base of municipalities. These efforts will be the most productive in terms of the economic impact the project will have on the role of the municipality.

2. Sub-project Financing.

The cost and benefits of the specific sub-projects are unknown to measure at this stage. However, the criteria for allocating limited funds among sub-projects on the demand schedule are sound, economically. Those sub-projects which are self-financing (e.g., markets, slaughterhouses) will be given the highest priority under this program. Cost-benefit analysis or internal rate of return (IRR) measurements will be utilized to evaluate the sub-projects. For example, the municipal market in Matiguas was evaluated using the IRR method. An IRR of 17.6% was achieved after thoroughly analyzing the projected demand for market spaces, the existing and potential demand for the products sold in the market and the capital and operating costs of the facility.

On non-productive projects (e.g., drainage, street improvements), cost effective criteria will be used to evaluate the project. Sub-projects will be designed to meet the needs of the community at the lowest feasible cost. A basic criteria of all sub-projects is that local materials and labor intensive methods be used.

3. Macroeconomic Analysis

a. Summary of Current Economic Situation.

Despite an unusually dry rainy season, 1976 brought recovery from the 1975 recession to Nicaragua's agricultural-based economy. The nation's

gross domestic product (GDP) increased 6.2% in real terms during 1976 and per capital GDP, at current prices, reached approximately \$825. A marked 44% increase in 1976 export earnings, coupled with only a slight 3% increase in imports, enabled Nicaragua to enjoy its first trade surplus (\$45 million on an f.o.b. basis) since 1972. Although the country continues to have a current account deficit due to net outlays for services, net capital movements should augment the trade surplus by an estimated \$56 million increase in net international reserves in 1977. This development, too, is a reversal of Nicaragua's recent balance of payments deficits (See Annex N).

In 1976, exports of cotton (\$129 million) and coffee (\$95 million), both of which command high prices, contributed greatly to the trade surplus. The prices of both commodities continue high in 1977. Export earnings from meat and seafood are also up, but depressed world market prices reduced anticipated income from sugar. Thus, Nicaragua had a trade surplus with most areas of the world, an almost exact balance with the U.S., and, as usual, a trade deficit with its partners in the Central American Common Market (CACM) and with Venezuela, its crude oil supplier.

Nicaragua's economic recovery has not been even. Certain 1976 imports were considerably below last year's levels, due primarily to the carry-over of large inventories and a cautious "wait and see" attitude on the part of many in the private sector. Imports of fertilizers, industrial machinery, raw materials for the food processing industry, and construction materials were substantially below 1975 totals.

Although investment in the manufacturing sector grew by 60% (chiefly in textiles and chemical products) and the value of manufactures rose by 7.5% in real terms, private investment during 1976 declined by 5%. Moreover, while GDP grew by 16% at current prices, few of those who profited by the export boom were inclined to make new investments. Indeed, local bankers complained of excessive liquidity for which suitable borrowers were few.* However, interest rates remained near the legal maximum.

Higher export prices improved the nation's terms of trade last year by approximately 27%. The official consumer price index rose 6% during 1976 while the money supply grew less than 6%. Domestic savings for 1976 increased by 80%

* The A.I.D.-supported Pilot Credit Guaranty Project is designed to help channel some of this excess liquidity to smaller producers, and marginal borrowers normally unable to qualify for private credits.

and provided financing for about 82% of total capital investment (\$357 million). As savings grew and private sector borrowing slackened relatively, commercial banks utilized some of their excess liquidity to reduce their foreign indebtedness in 1976 particularly short-term obligations. Also, indebtedness to the government and the Central Bank was reduced.

b. 1977 Economic Situation.

Nicaragua's economic performance by mid-year of 1977 indicated continued export-led growth. Its export earnings should increase by \$120 million over 1976. Coffee is expected to bring in over \$180 million, thus exceeding for the first time in recent memory cotton earnings (estimated at about \$160 million). Income from exports of meat and textiles should also grow. The 1976 drought affected cotton production; only a 7% increase over the prior year's crop was registered, but an increase of \$34 million in 1977 export earnings from cotton is expected, due to improving prices.

Nicaragua's expected 1977 balance of payment surplus (US\$56 million) will be larger than in 1976. Expenditures for invisibles, including debt services, will reduce the anticipated trade surplus, but official capital should offset this. The Nation's GDP should exceed \$2,100 million by the end of the year, an estimated growth of 15.8% in current terms, and 6.6% in real terms. The consumer price index, however, may rise somewhat in 1977.

The coffee rust which the government announced in November, 1976, is apparently now under control; financing of the anti-rust program was covered by the emergency tax on coffee exports. An initially wet rainy season in 1977 portends recuperation of basic grains production affected by drought in 1976.

c. Public Sector Finances.

1) Revenues.

Once again, in 1976, Nicaraguan Central Government current revenues rose over the prior year's collection but fell short of the year's goal.

1976 current revenues are estimated to be 1527.8 million cordobas compared to 1312.9 million cordobas in 1975, and to 1658.3 million cordobas originally projected in the 1976 budget (see Annex N). 1976 actual revenues thus represent a 16% increase.

over 1975 actual collections and 92% of expected 1976 collections.

Income tax was reformed in 1975 to be somewhat more progressive and more responsive to GDP growth, but 1976 collections were overestimated and underenforced. The 40% increase in 1976 income tax revenues over 1975 was significant, but only three quarters of the expected total. This was even more disappointing given the windfall gains of coffee exporters and the excess liquidity of private banks. (Coffee exporters, are being taxed \$5 per quintal in 1977 to fund the rust eradication campaign.) Indirect revenues still represent three quarters of total tax collections. This proportion has declined slightly since 1973. Sales tax performance in 1976 was 13% better than expected, due in part to the economic recovery.

2) Expenditures.

The 1976 current and capital expenditures of the Central Government were very close (and slightly under) the target (See Annex N). Implementation of real investment was only 77% of the target level, due largely to project delays, but additional capital transfers to public banks and autonomous agencies compensated for most of the real investment shortfall.

3) 1977 Revenues and Expenditures.

The 1977 Budget projected 1,695.2 million cordobas or a 10.9% increase in current revenues (including recuperations and earmarked taxes). (These estimates were recently revised to 1,700 million cordobas.) Total expenditures are estimated at C\$2,876 million of which C\$1,457 million (or 51%) are current. The resulting C\$1,135 million deficit is to be financed by C\$1,084 million in foreign borrowing and the balance through internal credit. This latter item includes borrowing from the Social Security System (C\$56 million) and authorization to issue bonds, essentially a balancing item which is not like to be used unless and until actual shortages occur. The 1977 programmed expenditures represent a 20% increase in current expenditures and 57% in capital expenditures over 1976 (See Annex N).

Public debt servicing is diverting (16-17%) of 1977 capital budget.

d. Debt Service Capability. In general terms, the GON is maintaining its debt service within manageable proportions as compared to exports (i.e., the generation of foreign exchange). High world market prices for export crops have permitted the GON some breathing space in this regard, as the table below indicates:

Nicaragua: Debt Service/Exports Ratio(US\$ millions)

	<u>1975</u>	<u>1976(p)</u>	<u>1977 (e)</u>
1. Exports Goods	376	541	663
2. Est. Exports Non-Factor Services	55	60	65
3. Total Exports	431	601	728
4. Debt Service	59	84	110
5. $4 \div 3 =$	13.7%	14.0%	15.1%

Source: Central Bank for exports; USAID estimates for other.

Note, however, that despite significant increases in exports, debt service payments are rising slightly faster. The GON has begun to pay off large commercial borrowings negotiated in 1973 and 1974. Although, it contracted over \$100 million from commercial and export banks in 1976, terms tended to be somewhat softer. Some of this borrowing was for consolidation of debts, and other loans potentially for export product financing. New lines of credit for road building equipment exceeded \$60 million.

The weight of debt servicing is being felt more heavily as a diversion of Central Government resources rather than as a diversion of foreign exchange. As the table below shows, interest and amortization of Central Government internal and external borrowing will absorb 15.5% of total expenditures in 1977.

Nicaragua: Central Government Debt Service (External and Internal)

	<u>1975</u>	<u>1976</u>	<u>1977</u>
Interest as % Current Expenditures	15.5%	13.7%	14.9%
Amortization as % Capital Expenditures	13.0%	17.3%	16.1%
Total Debt Service as % Total Expenditures	14.4%	13.9%	15.5%

Source: Central Bank.

The GON has tightened its current spending for 1977 in order to cover interest payments; only absolutely essential new positions were to be established. It also continues to seek concessional financing wherever appropriate. Debt service is expected to stabilize below 18% of exports over the next few years and then increase more slowly in absolute terms as the average payments are offset by debt consolidation. Interest payments to A.I.D. are a relatively small share of total public sector interest payments (under 6% in 1977), and the same is true of amortization of A.I.D. loans as compared with total amortization. Traditionally, the GON has been concerned about its credit image with donor agencies and has sought to make timely payments. It is expected that this attitude will continue.

PART V. - IMPLEMENTATION ARRANGEMENTS

A. Borrower Arrangements

1. Ministry of Government.

The Minister of Government will be responsible for the technical assistance, training and special studies activities of this project. The Director of the Municipal Development Department will be responsible for the day-to-day operations of the program and report to the Minister through the Chief Administrative Officer (Oficial Mayor). The Oficial Mayor is a legal advisor to the Minister and coordinates all paperwork and people within the Ministry of Government.

The Administrative Officer of the MDD will keep accounting records of the use of all A.I.D. and counterpart funds. He will be assisted by the Controller General's representative who is assigned permanently to the MDD as an employee and serves as a liaison between the two institutions.

2. INVIERNO.

The General Manager of INVIERNO will manage the credit fund and make the necessary and appropriate day-to-day decisions regarding the fund. The Chief of the Municipal Development Loan Department in INVIERNO will coordinate the financial analysis of the loan applications INVIERNO receives from the MOG. The Chief will report directly to the General Manager of INVIERNO.

3. Council of Directors.

The Council of Directors will serve as an overall policy setting, sub-project approval and guidance organism for the program. The Council meets once a month to review program progress, approve sub-project credit applications and to resolve any institutional conflicts. The Minister of Government will preside over the Council.

B. A.I.D. Arrangements.

1. USAID Administrative Responsibilities.

Mr. David Jickling will be the Project Manager for the USAID and

will be assisted by a Committee consisting of representatives from the Rural Development Division, the Project Finance and Implementation Staff, the Controller's Office, the Housing and Urban Development Office and the Engineering Office. In addition, the Regional Legal Advisor will assist as needed with implementation activities on the USAID side.

Finally, the USAID expects that AID/W will actively backstop program operations, including when appropriate, the preparation and processing of documentation.

2. USAID Sub-Project Monitoring Responsibilities.

Because this project represents a continuation of a relatively new activity for both the Ministry of Government and INVIERNO, the Mission, represented by the project committee, will closely monitor the flow of sub-project requests through the approval mechanism. Specifically, USAID will be informed of all applications by the MDD for further analysis. USAID will receive for the review and approval all feasibility studies for sub-projects in excess of \$25,000. USAID will also receive for approval all designs, specifications, cost estimates and draft contracts either as part of the feasibility or separately for all sub-projects over \$25,000.* Feasibility studies for sub-projects costing less than \$25,000 will be submitted to USAID for the Mission's information and files.

Regular monthly meetings will be held with representatives of the MDD and INVIERNO to discuss all sub-projects in the development and implementation stages. In addition, all sub-projects will be periodically monitored by USAID technical staff during the construction period.

For sub-projects costing less than \$100,000, MDD/INVIERNO will cooperate with VMPU, DENACAL, Public Works, etc., in supervising the construction. Sub-projects costing in excess of \$100,000 will require the selection of an A&E supervisor agreed upon by the municipality, MDD and INVIERNO. Prior to final acceptance for all sub-projects (three to four weeks before completion of construction) they will be reviewed by authorized representatives of A.I.D., the municipality, the responsible supervising government agency and/or the A & E supervisory firm, the contractor, MDD and INVIERNO. These representatives will formally note any construction pending, deficiencies, quality of work and

Sub-loans over this amount will be reviewed for conformity to project criteria, appropriateness for A.I.D. financing, and general engineering and economic soundness.

compliance with the construction specifications. Final acceptance by the municipality and by MDD and INVIERNO will take place when all the required work is completed.

3. Disbursement Procedures.

All A.I.D. funds will be earmarked to specific project components through the funding authorization procedure. The GON and USAID will choose appropriate disbursement procedures for the specific requirements of the goods and services being financed. This process should help facilitate disbursements and avoid procurement delays. Examples of these procedures are discussed below.

a. Disbursement for Foreign Exchange Costs. GON may obtain disbursements of funds under the Loan for the foreign exchange costs of goods or services required for the Project in the following ways as may be mutually agreed upon:

1) By submitting to A.I.D. with necessary supporting documentation, (a) requests for reimbursement for such goods and services, or (b) requests for A.I.D. to procure commodities or services in Borrower's behalf for the project; or

2) By requesting A.I.D. to issue Letter of Commitment for specified amounts (a) to one or more U. S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods and services, or (b) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers, through Letters of Credit or otherwise, for such goods or services.

Banking charges incurred by Borrower in connection with Letters of Commitment and Letters of Credit will be financed under the Loan unless the Borrower instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Loan.

b. Disbursements for Local Currency Costs. Disbursements for local currency costs will be made on a reimbursement basis. The Ministry of Finance will be requested to establish a revolving fund in MOG and INVIERNO for project expenditures and the sub-project credit fund respectively.

A.I.D. reviewed the possibility of using the Fixed Amount Reimbursement (FAR) method of payment for sub-project expenditures. It was decided that the FAR would not be practical because of the individuality of the sub-projects. There will be no standard design for a market or water system due to the varying needs of the communities. Therefore, it was decided to use a sub-project specific payment system whereby A.I.D. will pay an agreed upon amount for the project after reviewing designs and cost estimates, and any cost overruns will be borne by INVIERNO.

4. Procurement Procedures.

Loan financed items will have their source and origin in Geographic Code 941 countries, including Nicaragua. It is estimated that approximately \$400,000 of the project will be utilized for dollar costs while approximately \$3.10 million will be provided for local currency costs. Per PD-68, the Ministry of Government will contract for nearly all the financed goods and services itself. However, it is anticipated that A.I.D. may be called on to contract for some foreign participant training. With respect to procurement for technical services, it is expected that the Ministry of Government will give preference to consultants with prior successful work with other municipal development programs in Latin America.

5. Accounting Procedures.

This project will be accounted for and reported on an accrual basis by project components. (See Financial Section). A table of accrual basis is presented below.

<u>Type of Expenditures</u>	<u>Accrual Basis</u>
Commodities	Constructive Delivery
Technical Services	Person-Months Completed
Training	Person-Months Completed
Construction Services	% of Completion

C. Implementation Plan.

It is planned that the Rural Municipal Development Project will be implemented in accordance with the following appropriate schedule:

<u>Activity</u>	<u>Estimated Date</u>
Loan Authorized	by 9-30-77
Loan Agreement signed	by 11-30-77
Conditions Precedent to Initial Disbursement for Technical Assistance and Training Met.	by 3-31-78
Conditions Precedent to Initial Disbursement for Sub-Projects Met.	by 6-31-78
First Project: Evaluation Completed - Focusing on Experiences under L-031.	by 9-30-78
National Municipal Development Strategy Presented Publicly.	by 1-1-79
Second Project Evaluation Completed.	by 9-30-79
Third Project Evaluation Completed.	by 9-30-80
Final Project Evaluation Completed	by 9-30-81
Terminal Date for Requesting Disbursement.	by 11-30-81

In light of the progress of the program under A.I D. Loan No. 524-T-031 and the institutional capabilities of INVIERNO and MOG, the above schedule represents the GON/AID's best estimate as to overall project timing. These plans are reflected in greater detail in the PERT Chart of Annex P.

D. Evaluation Plan.

Baseline data for this project has been collected in the diagnostic study of the municipalities in Regions V and II carried out by INVIERNO and the Ministry of Government in 1976. This comprehensive survey includes data on the current status of these municipalities and will be used to measure progress in municipal development as a result of this project. This data includes Social and Economic Characteristics, Municipal Infrastructure, Administrative Capacity, Community Needs and Community Perceptions.

The Special Studies Division of the Municipal Development Department of the Ministry of Government will be primarily responsible for evaluation of progress under this project. Evaluations will be carried out on three levels of complexity and frequency.

1. A Continuing Management Information System.

Technical assistance will be provided to the Special Studies Division in organizing an "operation center," which will provide the MDD management with a continuing flow of information on various activities underway. This system will be essential in order to insure a coordinated effort of training, technical assistance and credit to the participating municipalities. Work plans and progress reports will be tied in to this "operations center" concept of management. Short term objectives (up to one year in advance) will be defined, charted, and work steps needed to achieve these objectives will be outlined. Personnel will be assigned to tasks related to these work steps, and work will be monitored on a continuing basis to insure effective movement toward project goals. Corrective action will be taken when performance varies from planned achievements. This type of continuing evaluation is perhaps the most important for the effective management of the project.

2. An Annual Program Review.

On a yearly basis, a team made up of the Director of the Municipal Development Division, MOG, the Director of Municipal Development, INVIERNO and the USAID Project Manager will review progress in project implementation. The primary purpose of this evaluation will be to identify problems which have occurred and to anticipate new problems in order that corrective action can be taken to insure more effective project implementation. This review will consider themes such as these:

a. Development Role. Has the MDD fulfilled its assigned developmental role? To what extent have MDD financed sub-projects been successful in increasing the capacity of rural municipios to enhance the economic and social well being of their inhabitants? Have the MDD coordinating activities with other GON ministries and agencies developed as planned? Have GON programs, policies and actions helped or hindered the MDD in carrying out its functions?

b. Institutional Progress. Has the coordination agreement between the MOG and INVIERNO been effective? Is the MDD developing into an effective institution?

Have the municipios received the expected amounts of financial and technical assistance? Has the MDD developed and placed into use policies, regulations and directives anticipated in the project paper? Has the MDD's professional staff continued to develop as expected? Have the joint responsibilities of the MOG and INVIERNO been performed as outlined in the project paper? Are internal information/communication and evaluation systems functioning as anticipated? Have the MDD Regional Centers been successfully established, and to what extent have they become effective?

c. Municipal Improvement. Have MDD technical assistance and training programs provided rural municipios with the capability to identify, develop, implement and manage loan funded sub-projects? Has the MDD collected data on existing municipal services and needs been used to assist rural municipios to plan capital investment programs? Have the MDD's technical assistance and training activities increased local revenues? To what extent has municipal administration been improved by the MDD's technical assistance and training programs? Have municipal public services and infrastructure improved? Are the sub-projects promoting the development and or market towns as agricultural service centers? Have MDD/INVIERNO financed sub-projects had an appreciable social and economic impact on the rural municipios and the target population?

d. Sub-Project Costs and Benefits. What have been the costs and benefits of different kinds of sub-projects? Which sub-projects have been the best economic and social investment? What has been the administrative experience of the municipios with different type of sub-projects? What improvements can be made? Have sub-project loan criteria been followed? Do modified or additional sub-project loan criteria need to be developed?

3. A Project Impact Study. At the end of three years of project implementation, an independent social survey team will be contracted with project technical assistance funds to carry out a systematic beneficiaries' impact study. On a sample basis, this team will interview a cross-section of project beneficiaries including rural and urban dwellers and municipal officials in a selection of municipalities assisted by the project. The survey will focus on benefits and changes, both positive and negative, in the local community which can be attributed to the project. A determined effort will be made to measure the impact of the project on its ultimate beneficiaries and to provide useful feedback to the project managers for the improvement of continuing project activities. The baseline data in 1976 diagnostic study will be used for comparisons, especially as it relates to social and economic indicators and previous levels of municipal services.

E. Conditions and Covenants.

1. Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, the Ministry of the Government shall furnish in form and substance satisfactory to A.I.D.:

a. Evidence of the establishment of a Regional Office in Region V staffed with sufficient Field Monitors and other personnel necessary for the proper functioning of said office.

b. Evidence that the Municipalities and other interested parties have received copies of all laws, decrees, and regulations relating to municipalities and local governments in Nicaragua.

c. Evidence that the MOG and INVIERNO have submitted a time-phased project implementation plan, including counterpart allocations.

2. Prior to any disbursement or to the issuance of any commitment documents under the Project Agreement, to finance consulting services, the Ministry of the Government shall furnish in form and substance satisfactory to A.I.D. evidence that it has obligated all funds programmed for this purpose under A.I.D. Loan No. 524-T-031.

3. Prior to any disbursement, or to the issuance of any commitment document under the project document to finance municipal sub-loans, the Ministry of Government and INVIERNO shall furnish, in form and substance satisfactory to A.I.D., evidence that they have obligated all of the municipal credi funds under A.I.D. Loan No. 524-T-031.

4. Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance technical assistance and training, the Ministry of Government shall furnish, in form and substance satisfactory to A.I.D., an implementation plan for this Component.

5. Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement subsequent to January 1, 1978, the Ministry of Government shall furnish, in form and substance satisfactory to A.I.D., evidence that its field monitor system has been extended to Region II.

6. Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement and subsequent to January 1, 1979, the Government of Nicaragua shall furnish, in form and substance satisfactory to A.I.D., evidence that the Government of Nicaragua has developed a municipal strategy including:

- a. An expanded concept of the role of the municipality in development.
- b. Specific steps which will be taken to increase municipal revenue through municipal self help measures and through broader sharing by the municipalities of the national revenue.
- c. Methods of fostering greater inter-municipal cooperation.
- d. Plans to improve the status of municipal officials and the quality of municipal administration.
- e. Other steps to expand and improve municipal services for the benefit of all citizens with special attention to those with limited income in both the rural and urban areas.

7. Borrower shall covenant to budget adequate amounts to maintain the ongoing viability at the municipal credit fund and the recurring operating costs of the municipal development organization to carry on the project activities after the A.I.D. project disbursements are completed.

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ANNEX A

Page 1 of 1

AID/W APPROVAL AND GUIDANCE MESSAGE

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FM SECSTATE WASHDC
TO AMEMBASSY MANAGUA 7912
BT
UNCLAS STATE 006254

AIDAC

E.O. 11652:N/A

TAGS:

SUBJECT: PROPOSED MUNICIPAL DEVELOPMENT LOAN

REFERENCE: (A) MANAGUA 5612, (B) MUDGE/ZALLMAN/DIAZ MEETING 12/10/76,
(C) STATE 287282, (D) WEINBERG/MUDGE LTR DTD 11/12/76

1. AID/W HAS NO OBJECTION TO COURSE OF ACTION PROPOSED IN REFTEL (A) ALTHOUGH WE MAINTAIN OUR RESERVATIONS, EXPRESSED IN REFS (C) AND (D) ABOUT CHANGES IN IMPLEMENTATION ARRANGEMENT FROM THAT ORIGINALLY CONCEIVED IN THE RURAL DEVELOPMENT SECTOR LOAN PAPER AND SUBSEQUENTLY CONFIRMED IN THE PRP FOR THE SUBJECT LOAN. SPECIFICALLY, IT IS OUR CONCERN THAT IF THE OBJECTIVE OF THE PROJECT IS MUNICIPAL DEVELOPMENT, THE THRUST OF THE PROJECT SHOULD BE STRENGTHENING THE CAPACITY OF MUNICIPAL GOVERNMENTS AND NOT SIMPLY THE PROMOTION OF RURAL INFRASTRUCTURE. MISSION INTENTION TO NOT PRESENT THE PP FOR THE SUBJECT LOAN UNTIL IT CAN BE CLEARLY DEMONSTRATED THAT THE QUALITATIVE ASPECTS (TRAINING, TECHNICAL ASSISTANCE) FOCUSED ON STRENGTHENING LOCAL GOVERNMENTS AS ADMINISTERED BY THE MINGOV ARE OPERATIONAL WILL HELP TO DISPEL THESE RESERVATIONS.
2. WE WOULD APPRECIATE IT IF MISSION WOULD KEEP US INFORMED OF PROGRESS OF MINGOV UNIT IN BECOMING OPERATIONAL. AS DISCUSSED DURING REFCON (B), MISSION IS ASKED TO SUBMIT A STATUS REPORT PRIOR TO PP SUBMISSION (IN MAY OR JUNE) WHICH DISCUSSES: (A) THE GON POLICY ON MUNICIPAL DEVELOPMENT (ESPECIALLY, THE ROLE OF MUNICIPAL GOVERNMENTS IN THE GOVERNMENT'S DEVELOPMENT PLANS, GENERAL ASSISTANCE REQUIRED, AND WHAT INSTITUTION WILL PROVIDE IT); AND (B) THE MINGOV MUNICIPAL UNIT'S ORGANIZATION, STAFFING AND MUNICIPAL ASSISTANCE ACTIVITIES. IDEALLY, IN ORDER TO JUDGE WHETHER OR NOT THE MINGOV MUNICIPAL UNIT IS OPERATIONAL, THE UNIT WILL BE ESTABLISHED, STAFFED, PROGRAMS DEVELOPED, AND WORK INITIATED ON THOSE PROGRAMS.
3. IF THE PROPOSED MUNICIPAL DEVELOPMENT PROGRAM APPEARS PREMATURE AT THIS TIME, WE WOULD NOT OBJECT TO RECASTING THE PROGRAM TO FOCUS ON THE MORE LIMITED AIM OF PROVIDING RURAL INFRASTRUCTURE WITH SOME TA AND TRAINING FOR MUNICIPAL GOVERNMENTS IN ORDER TO BUILD THE INSTITUTIONAL CAPACITY FOR A SUBSEQUENT MUNICIPAL DEVELOPMENT PROGRAM. THIS ALTERNATIVE, WHICH LA/DR AND THE MISSION HAVE PREVIOUSLY DISCUSSED WOULD NOT INCLUDE AS A PRIMARY EMPHASIS THAT OF STRENGTHENING THE CAPACITY OF THE MUNICIPAL GOVERNMENTS AND WOULD BE IN ESSENCE, A CONTINUATION OF THE RURAL MUNICIPAL INFRASTRUCTURE ACTIVITY OF THE RURAL DEVELOPMENT SECTOR LOAN (O31).
4. PER TELCON WITH CRDO WENGER, AID/W EXPECTING SUBMISSION OF PP IN AUGUST 1977.

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CHECKLIST OF STATUTORY CRITERIA (Alliance for Progress)

ANNEX B

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A. GENERAL CRITERIA FOR COUNTRY

1. FAA Sec. 116. Can it be demonstrated that contemplated assistance will directly benefit the needy? If not, has the Department of State determined that this government has engaged in consistent pattern of gross violations of internationally recognized human rights?
Yes. This project will directly benefit the poor by improving the financial and administrative capacity of municipal governments to provide the local infrastructure and public services required by the people living in its jurisdiction.
2. FAA Sec. 481. Has it been determined that the government of recipient country has failed to take adequate steps to prevent narcotics drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?
No. It has not been so determined.
3. FAA Sec. 620(a). Does recipient country furnish assistance to Cuba or fail to take appropriate steps to prevent ships or aircraft under its flag from carrying cargoes to or from Cuba?
No. It does not furnish such assistance.
4. FAA Sec. 620(b). If assistance is to a Government, has the Secretary of State determined that it is not controlled by the international Communist movement?
Yes. The Secretary of State has so determined.
5. FAA Sec. 620(c). If assistance is to government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?
No. The Government of Nicaragua is not so liable.

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6. FAA Sec. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?
- No. The Government of Nicaragua has taken no such action.
7. FAA Sec. 620(f); App. Sec. 108. Is recipient country a Communist country? Will assistance be provided to the Democratic Republic of Vietnam (North Vietnam), South Vietnam, Cambodia or Laos?
- No. Nicaragua is not a communist country nor is it helping Vietnam, Cambodia or Laos.
8. FAA Sec. 620(i). is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression?
- No. Nicaragua is not subverting the United States.
9. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property?
- No. Nicaragua has not failed to take such measures.
10. FAA Sec. 620(l). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, inconvertibility or confiscation, has the AID Administrator within the past year considered denying assistance to such government for this reason?
- The Investment Guarantee Program exists in Nicaragua.
11. FAA Sec. 620(o); Fishermen's Protective Act, Sec. 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters.
- Nicaragua has not taken any action against U.S. fishing activities.
- a. has any deduction required by Fishermen's Protective Act been made?
- No deduction is required.
- b. has complete denial of assistance been considered by AID Administrator?
- Denial of assistance has not been considered.

12. FAA Sec. 620(q); App. Sec. 504.
 (a) Is the government of the recipient country in default on interest or principal of any AID loan to the country? (b) Is country in default exceeding one year on interest or principal on U.S. loan under program for which App. Act appropriates funds, unless debt was earlier disputed, or appropriate steps taken to cure default?
- Nicaragua is in default on AID Loan 017 for \$18,592.50 since May 1977.
13. FAA Sec. 620(s). What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? How much spent for the purchase of sophisticated weapons systems? (Consideration of these points is to be coordinated with the Bureau for Program and Policy Coordination, Regional Coordinators and Military Assistance Staff (PPC/RC).)
- Defense expenditures for 1977 are 10.7% of the total national budget. Approximately .2 % of foreign exchange resources are spent on military equipment. None is spent on the purchase of sophisticated weapons systems.
14. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?
- No. Nicaragua has full diplomatic relations with the United States.
15. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget?
- Nicaragua is not delinquent in the payment of its U.N. obligations.
16. FAA Sec. 620A. Has the country granted sanctuary from prosecution to any individual or group which has committed an act of international terrorism?
- Nicaragua has not granted sanctuary to any terrorist group.
17. FAA Sec. 666. Does the country object, on basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. there to carry out economic development program under FAA?
- Nicaragua does not so object to any U.S. assistance officer.
18. FAA Sec. 669. Has the country delivered or received nuclear reprocessing or enrichment equipment, materials or technology, without specified arrangements on safeguards, etc.?
- Nicaragua has no nuclear equipment.

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NO. 4 OF 14

(6) Otherwise responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures.

Nicaragua's major effort in integrated rural development reflects a clear policy determination to improve the socio-economic status of the rural poor.

c. FAA Sec. 201(b), 211(a). Is the country among the 20 countries in which development assistance loans may be made in this fiscal year, or among the 40 in which development assistance grants (other than for self-help projects) may be made?

Nicaragua is among the countries in which development loans may be made.

d. FAA Sec. 115. Will country be furnished, in same fiscal year, either security supporting assistance, or Middle East peace funds? If so, is assistance for population programs, humanitarian and through international organizations, or regional programs?

Nicaragua will receive no supporting assistance this year.

2. Security Supporting Assistance
Country Criteria

a. FAA Sec. 502B. Has the country engaged in a consistent pattern of gross violations of internationally recognized human rights? Is program in accordance with policy of this Section?

No.

b. FAA Sec. 531. Is the Assistance to be furnished to a friendly country, organization, or body eligible to receive assistance?

Yes.

c. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

Not applicable.

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6C(2) - PROJECT CHECKLIST

Listed below are, first, statutory criteria applicable generally to projects with FAA funds, and then project criteria applicable to individual fund sources: Development Assistance (with a sub-category for criteria applicable only to loans); and Security Supporting Assistance funds.

GENERAL CRITERIA FOR PROJECT.

1. App. Unnumbered; FAA Sec. 653(b)
(a) Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the project;
(b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that figure plus 10%)?

A description of this project was shown on page 224 of the FY 1977 Congressional Presentation.
2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Yes.
3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

No further legislative action is required.
4. FAA Sec. 611(b); App. Sec. 101. If for water or water-related land resource construction, has project met the standards and criteria as per Memorandum of the President dated Sept. 5, 1973 (replaces Memorandum of May 15, 1962; see Fed. Register, Vol 38, No. 174, Part III, Sept. 10, 1973)?

Not applicable.
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?

Yes. The Director has so certified.

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6. FAA Sec. 209, 619. Is project susceptible of execution as part of regional or multi-lateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. If assistance is for newly independent country, is it furnished through multi-lateral organizations or plans to the maximum extent appropriate?

No.

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7. FAA Sec. 601(a); (and Sec. 201(f) for development loans). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

The project will foster general development at the local municipal level.

8. FAA Sec. 601(b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

Some goods and services will be purchased from the United States under the project.

9. FAA Sec. 612(f); Sec. 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.

The Government of Nicaragua, including municipal governments, will contribute over 50% of the cost of this project.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency and, if so, what arrangements have been made for its release?

Not applicable.

FINDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(c); Sec. 111; Sec. 281a. Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production, spreading investment out from cities to small towns and rural areas; and (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions?

The project will directly influence the decentralization of investment decisions toward the small towns and rural areas of Nicaragua. It will also directly encourage the development of local government institutions.

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b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available: [include only applicable paragraph -- e.g., a, b, etc. -- which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source.]

- (1) [103] for agriculture, rural development or nutrition; if so, extent to which activity is specifically designed to increase productivity and income of rural poor, [103A] if for agricultural research, is full account taken of needs of small farmers;
- (2) [104] for population planning or health; if so, extent to which activity extends low-cost, integrated delivery systems to provide health and family planning services, especially to rural areas and poor;
- (3) [105] for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development;
- (4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:
 - (a) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;
 - (b) to help alleviate energy problem;
 - (c) research into, and evaluation of, economic development processes and techniques;
 - (d) reconstruction after natural or manmade disaster;
 - (e) for special development problem, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;
 - (f) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

As part of the Nicaraguan integrated rural development program this project will provide infrastructure and support for improving the income of the rural poor.

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(5) [107] by grants for coordinated private effort to develop and disseminate intermediate technologies appropriate for developing countries.

c. FAA Sec. 110(a); Sec. 208(e). Is the recipient country willing to contribute funds to the project, and in what manner has or will it provide assurances that it will provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least-developed" country)?

d. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing?

e. IAA Sec. 207; Sec. 113. Extent to which assistance reflects appropriate emphasis on: (1) encouraging development of democratic, economic, political, and social institutions; (2) self-help in meeting the country's food needs; (3) improving availability of trained worker-pover in the country; (4) programs designed to meet the country's health needs; (5) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and Voluntary Agencies; transportation and communication; planning and public administration; urban development, and modernization of existing laws; or (6) integrating women into the recipient country's national economy.

f. FAA Sec. 221(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

Nicaragua will contribute over 50% of the costs of this project.

No grant assistance is included in this project.

The project encourages local government and community self help efforts. It will provide expanded municipal services which will support improved health and economic growth at the local level.

Participation in local government by the citizens is recognized as an important part of the success of this program.

B1

g. FAA Sec. 201(b)(2)-(4) and -(8); Sec. 201(e); Sec. 211(a)(1)-(3) and -(8). Does the activity give reasonable promise of contributing to the development: of economic resources, or to the increase of productive capacities and self-sustaining economic growth; or of educational or other institutions directed toward social progress? Is it related to and consistent with other development activities, and will it contribute to realizable long-range objectives? And does project paper provide information and conclusion on an activity's economic and technical soundness?

The proposed project gives reasonable promise of contributing effectively to local development in Nicaragua.

h. FAA Sec. 201(l)(6); Sec. 211(a)(5), (6). Information and conclusion on possible effects of the assistance on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving or safeguarding the U.S. balance-of-payments position.

The project will include a limited amount of procurement of commodities and technical services from the U. S.

2. Development Assistance Project Criteria (Loans only)

a. FAA Sec. 201(b)(1). Information and conclusion on availability of financing from other free-world sources, including private sources within U.S.

Alternative sources of financing are not available for this project.

b. FAA Sec. 201(b)(2); 201(d). Information and conclusion on (1) capacity of the country to repay the loan, including reasonableness of repayment prospects, and (2) reasonableness and legality (under laws of country and U.S.) of lending and relending terms of the loan.

Nicaragua is capable of repaying the loan, which is reasonable and legal under U.S. and Nicaraguan laws.

c. FAA Sec. 201(e). If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds \$100,000, has country submitted to AID an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner?

Yes. A letter of application has been received for this loan.

d. FAA Sec. 201(f). Does project paper describe how project will promote the country's economic development taking into account the country's human and material resources requirements and relationship between ultimate objectives of the project and overall economic development?

The Project Paper provides such a description.

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e. FAA Sec. 202(a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources?

Not applicable.

f. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete in the U.S. with U.S. enterprise, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

No such enterprise is being assisted.

3. Project Criteria Solely for Security Supporting Assistance

FAA Sec. 531. How will this assistance support promote economic or political stability?

Stronger, more effective local government will promote economic growth and political stability.

4. Additional Criteria for Alliance for Progress

[Note: Alliance for Progress projects should add the following two items to a project checklist.]

a. FAA Sec. 201(b)(1), -(3). Does assistance take into account principles of the Act of Bogota and the Charter of Punta del Este; and to what extent will the activity contribute to the economic or political integration of Latin America?

The proposed project takes into account the concepts of the Act of Bogota and the Charter of Punta del Este. The Project will not directly contribute to the economic or political integration of Latin America.

b. FAA Sec. 201(b)(6); 201(h). For loans, has there been taken into account the effort made by recipient nation to repatriate capital invested in other countries by their own citizens? Is loan consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress (now "CEPCIES," the Permanent Executive Committee of the OAS) in its annual review of national development activities?

The repatriation of Nicaraguan funds invested abroad has been taken into account as far as possible. The loan is consistent with CEPCIES fundings and recommendations for Nicaragua.

(b)(3) - STANDARD ITEM CHECKLIST

Listed below are statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by exclusion (as where certain uses of funds are permitted, but other uses not).

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of goods and services financed? U.S. small business will be afforded an opportunity to participate equitably in the furnishing of goods and services for the program.
2. FAA Sec. 604(a). Will all commodity procurement financed be from the U.S. except as otherwise determined by the President or under delegation from him? Loan-financed commodities will have their source and origin in Code 941 countries, or Nicaragua.
3. FAA Sec. 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will agreement require that marine insurance be placed in the U.S. on commodities financed? The Agreement will require that marine insurance be placed in accordance with applicable regulation.
4. FAA Sec. 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? Not applicable.
5. FAA Sec. 604(a). Will U.S. Government excess personal property be utilized whenever practicable in lieu of the procurement of new items? U. S. Government Excess Property will be used when possible.
6. FAA Sec. 601(b). (a) Compliance with requirement that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates. This project will comply within the parameters of the Nicaragua Waiver.
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis? If the facilities of other Federal agencies will be utilized, Technical assistance will be purchased from private sources with possible assistance from federal agencies.

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are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

8. International Air Transport. Fair Competitive Practices Act, 1974

U.S. flag carriers will be used where possible.

If air transportation of persons or property is financed on grant basis, will provision be made that U.S.-flag carriers will be utilized to the extent such service is available?

3. Construction

1. FAA Sec. 601(d). If a capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interest?

Not applicable.

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

Yes. AID's normal procurement procedure will be followed.

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million?

Not applicable.

C. Other Restrictions

1. FAA Sec. 201(d). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?

The interest rate will be 2% per annum during grace period and 3% per annum thereafter.

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

Not applicable.

3. FAA Sec. 620(h). Do arrangements preclude promoting or assisting the foreign aid projects or activities of Communist-Bloc countries, contrary to the best interests of the U.S.?

They preclude promotion of Communist Block projects.

4. FAA Sec. 635(i). Is financing not permitted to be used, without waiver, for purchase, long-term lease, or exchange of motor vehicle manufactured outside the U.S. or guaranty of such transaction?

Financing for foreign made vehicles is not permitted without waiver.

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Annex B

5. Will arrangements preclude use of financing:
- a. IFA Sec. 115. to pay for performance of abortions or to motivate or coerce persons to practice abortions? Not applicable.
 - b. IFA Sec. 62 (g). to compensate owners for expropriated nationalized property? Not applicable.
 - c. IFA Sec. 64. to finance police training or other law enforcement assistance, except for narcotics programs? Financing will not be used for either police or law enforcement.
 - d. IFA Sec. 66. for CIA activities? CIA activities will not be funded by this loan.
 - e. IFA Sec. 105. to pay pensions, etc., for military personnel? Military pensions will not be financed.
 - f. App. Sec. 116. to pay U.N. assessments? U.N. assessments will not be funded by this loan.
 - g. App. Sec. 107. to carry out provisions of IFA sections 229(d) and 251(h)? (transfer to multilateral organization for lending). Project funds will only be used by stated project activities.
 - h. App. Sec. 501. to be used for publicity or propaganda purposes within U.S. not authorized by Congress? No funds will be used for political publicity or propaganda.

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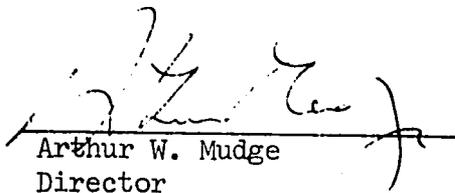
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ANNEX C
Page 1 of 1

CERTIFICATION PURSUANT TO SECTION 611(E) OF THE
FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I CERTIFY to the Administrator of the Agency for International Development that, to the best of my knowledge and belief, Nicaragua possesses both the financial capability and human resources to maintain and utilize effectively the project to be undertaken pursuant to the terms of the A.I.D. Loan proposed in this paper. This Loan, between the United States of America and the Government of Nicaragua, will assist said Government in increasing the accessibility of public services provided by municipal governments to the people living in their jurisdictions, especially the poor. Provision is being made under the program for technical assistance for the program components in order to ensure effective utilization of a development project of this nature. I have also taken into account the maintenance and utilization of projects in Nicaragua previously financed or assisted by the United States and the capability of the executing Nicaraguan institutions.

8/15/77

Date



Arthur W. Mudge
Director

A.I.D. Mission to Nicaragua

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ANNEX D
Page 1 of 5

DRAFT LOAN AUTHORIZATION

App 9A, Ch 9, HB 3

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS PART I		1. TRANSACTION CODE <input type="checkbox"/> A ADD <input type="checkbox"/> C CHANGE <input type="checkbox"/> D DELETE	PAF 2. DOCUMENT CODE 5
3. COUNTRY/ENTITY NICARAGUA		4. DOCUMENT DIVISION, NUMBER	
5. PROJECT NUMBER (7 digits) [524-0119]	6. BUREAU OFFICE A. SYMBOL: L.A. B. CODE: [05]	7. PROJECT TITLE (Maximum 70 characters) [Rural Municipal Development]	
8. PROJECT APPROVAL DECISION <input type="checkbox"/> A APPROVED <input type="checkbox"/> D DISAPPROVED <input type="checkbox"/> DE DEAUTHORIZED		9. EST. PERIOD OF IMPLEMENTATION YRS. [0] [4] QTRS. []	

10. APPROVED BUDGET AID APPROPRIATED FUNDS (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY <u>77</u>		H. 2ND FY		K. 3RD FY	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
(1) P&N	200		200		3,500				
(2)									
(3)									
(4)									
TOTALS					3,500				

A. APPROPRIATION	N. 4TH FY		O. 5TH FY		LIFE OF PROJECT		11. PROJECT FUNDING AUTHORIZED (ENTER APPROPRIATE CODES) 1. LIFE OF PROJECT 2. INCREMENTAL LIFE OF PROJECT	A. GRANT	B. LOAN
	C. GRANT	P. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN			
(1)						3,500			
(2)									
(3)									
(4)									
TOTALS						3,500			

12. INITIAL PROJECT FUNDING ALLOTMENT REQUESTED (\$000)			13. FUNDS RESERVED FOR ALLOTMENT		
A. APPROPRIATION	B. ALLOTMENT REQUEST NO.		TYPED NAME (Chief, SER/EM/USD)		
	C. GRANT	D. LOAN	SIGNATURE		
(1) 11X1023 P&N			DATE		
(2)					
(3)					
(4)					
TOTALS					

14. SOURCE/ORIGIN OF GOODS AND SERVICES
 000 941 LOCAL OTHER CACM

15. FOR AMENDMENTS, NATURE OF CHANGE PROPOSED

FOR PDC/PIA'S USE ONLY	16. AUTHORIZING OFFICE SYMBOL	17. ACTION DATE	18. ACTION REFERENCE (Optional)	ACTION REFERENCE DATE
		MM DD YY		MM DD YY

PROJECT AUTHORIZATION AND
REQUEST FOR ALLOTMENT OF FUNDS

PART II

Name of Country: NICARAGUA
Name of Project: Rural Municipal Development
Number of Project: 524-0119

Pursuant to Part I, Chapter 1, Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Loan to Nicaragua the "Cooperating Country" of not to exceed Three Million, Five Hundred Thousand United States Dollars (\$3, 500, 000) the "Authorized Amount" to help in financing certain foreign exchange and local currency costs of goods and services required for the project as described in the following paragraph.

The Project consists of financial inputs and technical assistance to increase public accessibility to services provided by certain Municipal Governments to their constituents, especially the poor, hereinafter referred to as the "Project". Of the Authorized Amount, Three Million Five Hundred Thousand dollars ("Loan") will be lent to the Cooperating Country to assist in financing certain Foreign Exchange and Local Currency costs of goods and services required for the Project. The entire amount of the A. I. D. financing herein authorized for the project will be obligated when the Project Agreement is executed.

I approve the total level of A. I. D. appropriated funding planned for this Project of not to exceed Three Million Five Hundred Thousand United States Dollars (\$3, 500, 000).

I hereby authorize the initiation of negotiation and execution of the Project Agreement by the officer to whom such authority has been delegated in accordance with A. I. D. regulations and Delegations of Authority subject to the following essential terms and covenants and major conditions; together with such other terms and conditions as A. I. D. may deem appropriate:

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a. Interest Rate and Terms of Repayment

The Cooperating Country shall repay the Loan to A. I. D. in United States dollars within thirty (30) years from the date of first disbursement of the Loan, including a grace period of not to exceed ten (10) years. The Cooperating Country shall pay to A. I. D. in United States dollars interest from the date of first disbursement of the Loan at the rate of (a) two percent (2%) per annum during the first ten (10) years, and (b) three percent (3%) per annum thereafter, on the outstanding disbursed balance of the Loan and on any due and unpaid interest accrued thereon.

b. Source and Origin of Goods and Services

Except for Ocean Shipping goods and services financed by A. I. D. under the Project shall have their source and origin in countries which are members of the Central American Common Market, or in countries included in the A. I. D. Geographic Code 941 except as A. I. D. may otherwise agree in writing. Ocean shipping financed under the Loan shall be procured in any eligible source country except countries which are members of the Central American Common Market.

c. Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, the Ministry of the Government shall furnish in form and substance satisfactory to A. I. D.:

1. Evidence of the establishment of a Regional Office in Region V staffed with sufficient Field Monitors and other personnel necessary for the proper functioning of said office.

2. Evidence that the Municipalities and other interested parties have received copies of all laws, decrees, and regulations relating to municipalities and local governments in Nicaragua.

3. Evidence that it and INVIERNO have submitted a time-phased project implementation plan, including counterpart allocations.

d. Prior to any disbursement or to the issuance of any commitment documents under the Project Agreement, to finance

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consulting services, the Ministry of the Government shall furnish in form and substance satisfactory to A. I. D. evidence that it has obligated all funds programmed for this purpose under A. I. D. Loan 524-T-031.

e. Prior to any disbursement, or to the issuance of any commitment documents under the project document to finance municipal sub-loans the Ministry of Government and INVIERNO shall furnish in form and substance satisfactory to A. I. D. evidence that they have obligated all of the municipal credit funds under A. I. D. Loan 524-T-031.

f. Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance technical assistance and training, the Ministry of the Government shall furnish in form and substance satisfactory to A. I. D. an implementation plan for this Component.

g. Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement subsequent to January 1, 1978, the Ministry of the Government shall furnish in form and substance satisfactory to A. I. D. evidence that its field monitor system has been extended to Region II.

h. Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement subsequent to January 1, 1980, the Government of Nicaragua shall furnish in form and substance satisfactory to A. I. D. evidence that the Government of Nicaragua has developed a municipal strategy including:

1. An expanded concept of the role of the municipality in development.
2. Specific steps which will be taken to increase municipal revenue through municipal self help measures and through broader sharing by the municipalities of the national revenue.
3. Methods of fostering greater inter-municipal cooperation.
4. Plans to improve the status of municipal

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officials and the quality of municipal administration.

5. Other steps to expand and improve municipal services for the benefit of all citizens with special attention to those with limited income in both the rural and urban areas.

i. Borrower shall covenant to budget adequate amounts to maintain the ongoing viability at the municipal credit fund and the recurring operating costs of the municipal development organization to carry on the project activities after the A. I. D. project disbursements are completed.

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Ministerio de la Gobernación

Managua, D. N.

Departamento de
Desarrollo Municipal**BEST AVAILABLE DOCUMENT**

Palacio Nacional

Managua, D.N., 15 de agosto de 1977

Señor Encargado de Negocios:

El propósito de esta carta es confirmar a usted, las conversaciones sostenidas entre representantes del Gobierno de Nicaragua y funcionarios de la Agencia para el Desarrollo Internacional de los Estados Unidos (AID), acerca del interés de nuestro Gobierno en ampliar su Programa de Desarrollo Municipal, para lo cual solicita asistencia financiera de AID.

El Programa de Desarrollo Municipal es uno de los instrumentos de la política general del Gobierno, de mejorar la calidad de la vida de los ciudadanos en sus propios lugares de origen, en forma de propiciar la descentralización del desarrollo. Este objetivo general está contemplado en el Plan Nacional de Reconstrucción y Desarrollo 1975-1979. El Programa se propone básicamente dos cosas: a) fortalecer las capacidades administrativas y financieras de los gobiernos locales (municipales) en base a estudios generales, capacitación de personal local y asistencia técnica y b) brindar asistencia financiera a las municipalidades, mediante la concesión de préstamos reembolsables para proyectos específicos autofinanciables.

Con el fin de lograr estos propósitos el Gobierno está tomando las siguientes medidas: a) está procediendo a revisar la Ley Orgánica de Municipalidades con miras a organizar el desarrollo municipal, modernizar su administración y mejorar su capacidad financiera; b) creó el Departamento de Desarrollo Municipal en el Ministerio de la Gobernación para atender los programas de capacitación y asistencia técnica y estudios generales de problemas relativos al desarrollo municipal y c) El Ministerio de la Gobernación suscribió un Convenio con el Instituto de Bienestar Campesino (INVIERNO) con el objeto de que esta institución atienda la parte operativa de los créditos municipales, por su experiencia bancaria en las zonas II y V, donde se ha comenzado a otorgar préstamos, operando una especie de plan piloto inicial; d) de acuerdo al mismo Convenio, se creó un Comité Ejecutivo para orientar el desarrollo municipal.

Por mi medio, el Gobierno de Nicaragua solicita a la AID, un préstamo por la cantidad de US\$3.5 millones (equivalentes a 24.5 millones de córdobas) los cuales, conjuntamente con la contrapartida nacional por igual cantidad al

Honorable Señor
Don TREVIN RUBENTENS
Encargado de Negocios
Embajada de los Estados Unidos de América
Managua, Nicaragua.

.../...



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Managua, D. N.

Departamento de
Desarrollo Municipal

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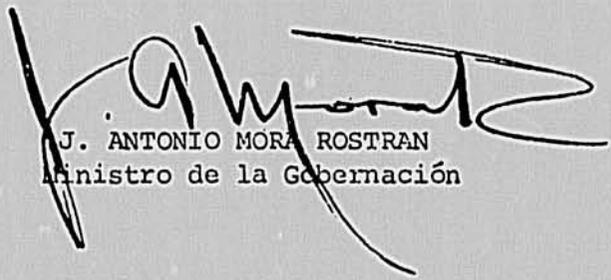
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préstamo solicitado, serán utilizados en un período de cuatro años para los propósitos del Programa, según el cuadro anexo. En el anexo se explican los dos componentes del programa con sus respectivos requerimientos financieros: el Componente del Fondo de Crédito Municipal y el de Asistencia Técnica y Capacitación.

La suma total del capital del fondo se usará para otorgar sub-préstamos a las municipalidades para estudios de factibilidad de proyectos, inversiones fijas y capital de trabajo de proyectos, tales como construcción de mercados, maderos y otros bienes públicos de importancia. Los recursos del segundo componente del Programa serán destinados a estudios generales, asistencia técnica y capacitación.

Me place informarle que esta solicitud de crédito ha sido sometida a la consideración del Consejo de Planificación Nacional, el que le otorgó la prioridad correspondiente por considerar de importancia el Programa a que los fondos serán destinados.

Aprovecho complacido la oportunidad para reiterarle mis altas muestras de aprecio y consideración.



J. ANTONIO MORA ROSTRAN
Ministro de la Gobernación

CC:
Lic. Manuel Centeno Cantillano
Secretario de la Presidencia.

Lic. Ricardo Parrales S.
Ministro-Director
Dirección de Planificación Nacional

Ing. Gustavo Gómez Casco
Gerente General de INVIERNO

Anexo.

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NICARAGUAN MAPS

This Annex contains the following:

1. Map of Nicaragua with Regions II and V Highlighted
2. Target Municipalities, Region II
3. Target Municipalities, Region V

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HONDURAS

• FITELI • JINOTEGA
• MATAGALPA

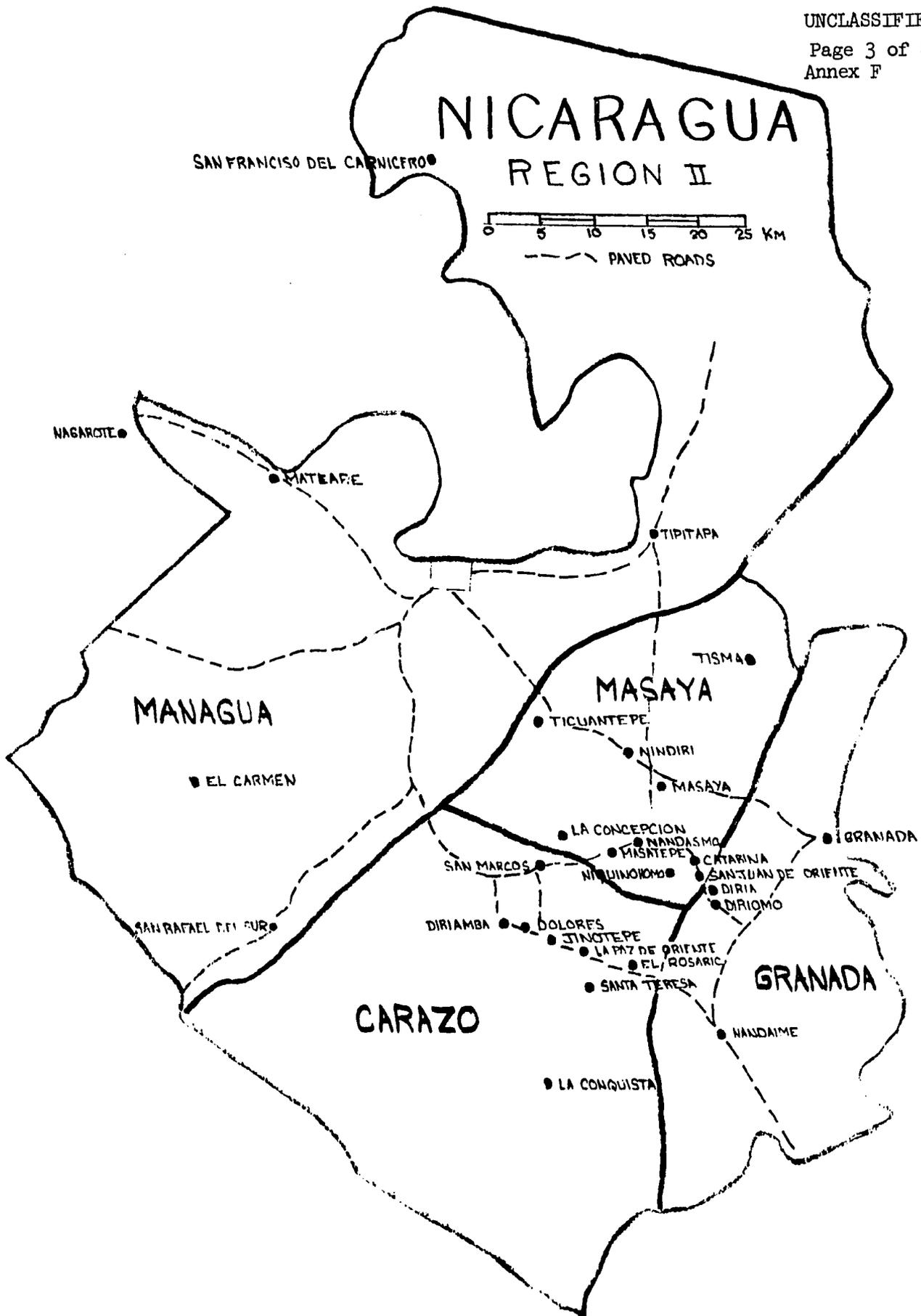
REGION V

NICARAGUA

• MANAGUA

• GRANADA

REGION II



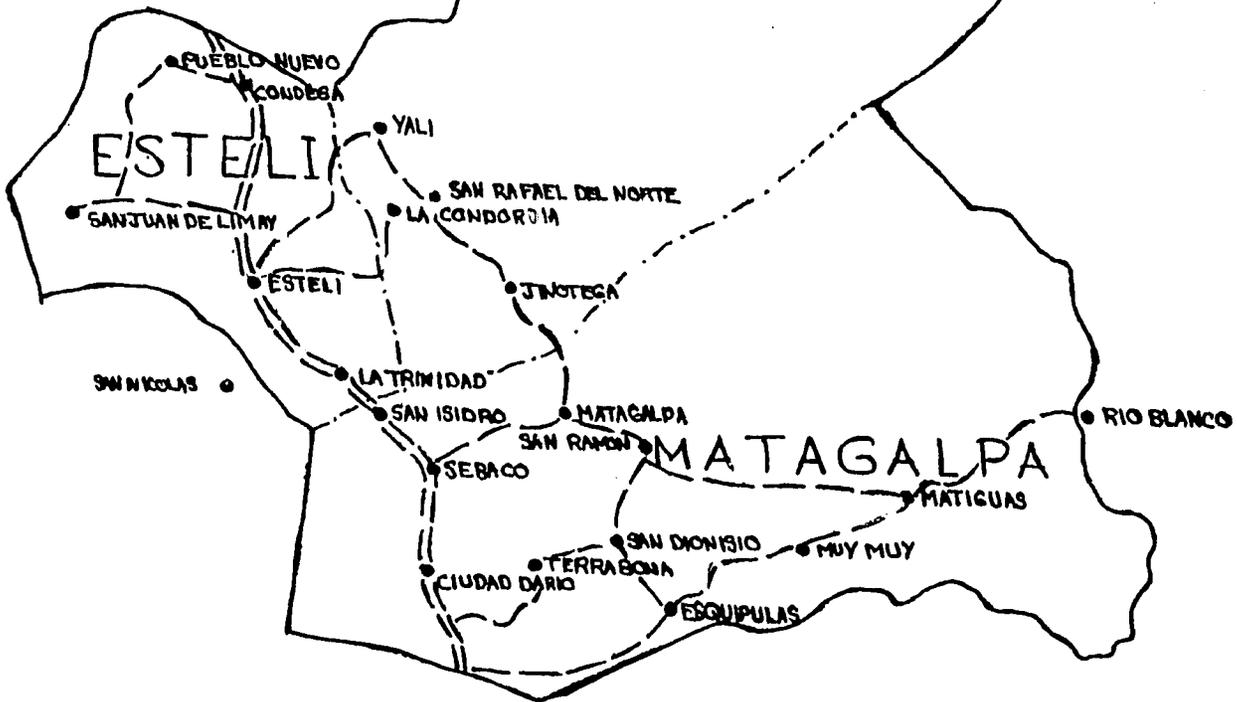
TARGET MUNICIPALITIES

NICARAGUA REGION V



- == PAN AM HIGHWAY
- - ALL-WEATHER ROAD
- - - DEPT. BOUNDARY

JINOTEGA



TARGET MUNICIPALITIES

POPULATION OF TARGET MUNICIPALITIES

This Annex contains the following:

1. Population of Target Municipalities in Region II
2. Population of Target Municipalities in Region V

APPENDIX

POPULATION OF TARGET MUNICIPALITIES IN REGION II, 1975

Department & Municipality	Total	Urban	Rural
Department of Leon			
Nagarote	14,908	9,309	5,599
Department of Managua			
El Carmen	11,619	1,124	10,495
Mateare	5,871	1,797	4,074
Sn. Fco. del Carnicero	9,518	1,131	8,387
Sn. Rafael del Sur	23,434	4,384	19,050
Tipitapa	26,983	9,545	17,438
Department of Masaya			
Masaya	58,529	40,907	17,622
Catarina	3,336	2,306	1,030
La Concepción	12,636	3,841	8,795
Masatepe	14,648	8,505	6,143
Nandasmo	3,636	2,918	718
Nindirí	9,974	3,284	6,690
Niquinohomo	6,208	3,063	3,145
Sn. Juan de Oriente	1,303	801	502
Tisma	3,790	2,141	1,649
Ticuantepe	N/A	N/A	N/A
Department of Granada			
Granada	59,740	50,094	9,646
Diriá	3,146	2,394	752
Diriomo	10,574	5,168	5,406
Nandaime	17,961	7,621	10,340
Department of Carazo			
Jinotepe	24,652	17,984	6,668
La Conquista	3,354	713	2,641
Diriamba	33,749	16,079	17,670
Dolores	1,974	1,528	446
La Paz de Oriente	2,035	1,121	914
El Rosario	2,109	1,323	786
San Marcos	11,678	4,721	6,957
Santa Teresa	10,871	3,574	7,297
Totals: 28 Municipalities	388,236	207,376	180,860
Percentage	100%	53%	47%

APPENDIX

POPULATION OF TARGET MUNICIPALITIES IN REGION V, 1975

<u>Department & Municipality</u>	<u>Total</u>	<u>Urban</u>	<u>Rural</u>
Department of Leon			
San Nicolás	3, 898	263	3, 635
Department of Matagalpa			
Matagalpa	68, 036	24, 562	43, 474
Ciudad Darío	25, 788	6, 858	18, 930
Esquipulas	8, 144	2, 697	5, 447
Matiguás	31, 951	2, 812	29, 139
MuyMuy	6, 307	1, 970	4, 337
Sébaco	10, 633	3, 754	6, 879
San Dionisio	3, 637	870	2, 767
San Isidro	7, 659	2, 764	4, 895
San Ramón	16, 299	853	15, 446
Terrabona	9, 067	1, 068	7, 999
Río Blanco	N/A	N/A	N/A
Department of Jinotega			
Jinotega	80, 874	12, 804	68, 070
La Concordia	4, 613	1, 024	3, 589
Sn. Rafael del Norte	8, 314	1, 906	6, 408
Sn. Sebastián de Yalí	11, 141	1, 644	9, 497
Department of Estelí			
Estelí	40, 743	24, 903	15, 840
Condega	14, 778	3, 761	11, 017
Pueblo Nuevo	11, 470	1, 801	9, 669
San Juan de Limay	9, 715	2, 315	7, 400
La Trinidad	13, 879	3, 980	9, 899
Totals: 21 Municipalities	386, 946	102, 609	284, 337
Percentage	100%	27%	73%

DETAILED FINDINGS ON CHECCHI EVALUATION OF MUNICIPAL
DEVELOPMENT INSTITUTES

The following comments are the highlights of the evaluation report divided into the major functional areas, subprojects, technical assistance and training. In addition, the report evaluated the MDIs as institutions and the major comments have been included below.

Municipal Subprojects

1. The majority of the subloan activity reached small and intermediate cities. Some loans were made to large cities.
2. The individual beneficiaries of municipal projects funded by the MDIs are in the great majority small-town, low-income people of both sexes.
3. The municipal subprojects are primarily social and secondarily economic in their effects on the users.
4. Experience has shown that project failures are most often attributed to hasty or incomplete studies of the subproject's feasibility, to poor management, or to the lack of political will to raise taxes to the necessary levels.

Technical Assistance Programs

1. The MDI's help with surveys of development problems and diagnosis of development service needs in the municipalities.
2. The various technical assistance programs develop long-range revenues and financial projections for the municipios. In addition, the MDIs assist in the organization and administration of municipal government personnel, so as to encourage greater stability, productivity, and professionalism.
3. Technical assistance programs have promoted the establishment of better communication and collaboration between municipal governments,

community development or neighborhood associations.

4. The MDIs' technical assistance programs were found to be inadequate and insufficiently linked to training programs.

Training Programs

1. Most MDI training programs rely heavily on the lecture method, and have not yet widely put into practice the use of round tables, case studies and the like.

2. Training has not been followed up regularly with technical assistance and evaluation, nor have training activities been sufficiently tied to the production and distribution of manuals.

MDIs as Institutions

1. The MDIs have provided the municipalities with useful and beneficial projects and with some basic administrative tools. Their programs have channeled support from the national level to municipal governments which were to a large extent abandoned or bypassed previously.

2. The MDIs have lacked an overall strategy and their programs have not been coordinated with other developmental efforts.

3. Financial planning and management within the MDIs has been weak. Most MDIs would benefit by assistance in using the budget process as a financial reflection of, and management tool for, a better program design.

4. Historically, the MDI has been based in the capital city.



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ANNEX I
Page 1 of 3

Ministerio de la Gobernación

Managua, D. N.

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COOPERATING AGREEMENT BETWEEN THE MINISTRY OF
GOVERNMENT AND THE VICE-MINISTRY OF URBAN PLANNING

CARTA DE IMPLEMENTACION

DEL

MINISTERIO DE LA GOBERNACION

Y

EL VICE-MINISTERIO DE PLANIFICACION URBANA

PARA EL D.D.M.

El Ing. J. Antonio Mora R., en su calidad de Ministro de la Gobernación, y el Arq. Iván Osorio Peters, en su carácter de Vice-Ministro de Planificación Urbana.

CONSIDERANDO:

- I.- Que debido a la filosofía de nuestro Gobernante, General de División Don Anastasio Somoza Debayle, y a su constante preocupación de dotar de infraestructuras básicas a la República y de fortalecer la gestión de sus gobiernos locales, la cual sería más efectiva en estrecha unidad de propósitos con las Instituciones afines al Programa de Desarrollo Municipal.
- II.- Que el Ministerio de la Gobernación, de conformidad con el Art. 250 de la Constitución Nacional Política, de la Ley Creadora de Ministerio de Estados y otras dependencias del Poder Ejecutivo y sus Reformas, y de la Ley Orgánica del Distrito Nacional y de Municipalidades Vigentes, tiene a su cargo la aprobación de los Planes de Arbitrios y Presupuesto, así como la vigilancia de las Municipalidades y la División Política Interdepartamental.
- III.- Que el Vice-Ministerio de Planificación es una entidad experta en planeamiento Urbano-Regional, Urbano-Local y Asesoría en Desarrollo Municipal.
- IV.- Que es sumamente necesario, que tanto el Ministerio de la Gobernación, como el Vice-Ministerio de Planificación Urbana, a través de una estrecha coordinación, con el objeto fundamental de visualizar los lineamientos para la obtención de logros positivos en los Planes, Programas y Proyectos de los Gobiernos Locales, que redunden en beneficio del desenvolvimiento Nacional.

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Ministerio de la Gobernación

Managua, D. N.

Departamento de
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ACUERDAN :**FIRMAR LA PRESENTE CARTA DE IMPLEMENTACION QUE COMPRENDE LAS SIGUIENTES LINEAS GENERALES :**

- 1.- A solicitud del Ministerio de Gobernación, el Vice-Ministerio de Planificación Urbana, proporcionará al Departamento de Desarrollo Municipal, en lo que se refiere a la Gestión Municipal lo siguiente:
 - a) Asesoramiento en la formulación de planes y programas para capacitación y entrenamiento del personal municipal, en donde exista afinidad con el Vice-Ministro de Planificación Urbana.
 - b) Asesoramiento en Planificación Urbana para el desarrollo del programa y Asistencia Técnica del mismo.
 - c) El asesoramiento informativo en la Planificación del D.D.M. en los estudios de factibilidad de la construcción de mataderos y mercados etc.
 - d) Información estadística en ciertas ramas necesarias para Planificación.
- 2.- El Ministerio de la Gobernación y el Vice-Ministerio de Planificación Urbana, se coordinan para la realización de los puntos mencionados en el presente documento, por medio de los delegados o representantes del D.D.M. y la Sección de Planificación Urbana-Regional y Asesoría Municipal, designados por ambas Instituciones.



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Ministerio de la Gobernación

Managua, D. N.

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En fe de lo cual, firmamos el presente convenio en la ciudad de
Managua, D. N., a los _____ días del mes _____ 19____.

J. ANTONIO MORA R.
Ministro de la Gobernación.

IVAN OSORIO PETERS.
Vice-Ministro
Planificación Urbana.

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Ministerio de la Gobernación

Managua, D. N.

Departamento de
Desarrollo Municipal

MUNICIPAL ANALYSIS QUESTIONNAIRE

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A N E X O B.

FORMULARIO DE INFORMACION

PARA EL ESTUDIO



Ministerio de la Gobernación

Managua, D. N.

Departamento de
Desarrollo Municipal

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MINISTERIO DE LA GOBERNACION
DEPARTAMENTO DE DESARROLLO MUNICIPAL
DIVISION DE ESTUDIOS ESPECIALES

Nombre del Entrevistador _____

Grado de la Capacidad Administrativa de los Gobiernos Locales

Número de la Entrevista () () 1-2

1o. Nombre del Municipio

Datos Personales del Entrevistado

1) Cargo

2o. Sexo: 1. Masculino 2. Femenino () 3

3. Estado Civil 1. Soltero 2. Casado 3. Viudo 4. Unido Libre () 4

4o. Edad

1. menos de 20 años	4. de 31 a 35 años	:	:
2. de 20 a 25	5. de 36 a 40	()	5
3. de 26 a 30	6. más de 40	-	-

5o. Profesión u oficio _____

6o. Datos culturales

Cursó

1. Primaria	4. Otros estudios
2. Secundaria	5. No ha estudiado

3. Universidad Si responde 4
Cual ? _____ () 6

7o. Cual es el último año cursado? _____



Ministerio de la Gobernación

Managua, D. N.

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Palacio Nacional

Departamento de
Desarrollo Municipal

X

De la Tributación y Recaudación

80. Tiene un plan o programa de recaudación?

1. Si

2. No

() 7

Si responde (1) en que consiste el plan

Si responde (2) porque no lo tiene; y como se puede mejorar el plan.

90. Existe cantidad de pago de los contribuyentes?

1. Si

2. No

() 8

10. Cómo hace el registro?

1. Tarjeta 2. Libro 3. Cuaderno

() () () 9-11

11. Cada cuanto efectúa la recaudación?

1. Diario 2. Semanal 3. Mensual 4. Anual () () () () 12-15

12. Cual le resulta mejor _____

13. Porcentaje de contribuyentes que no son controlados. _____

14. Cuantos colectores existen y como los controla?

15. Cómo se le paga a los colectores?

1. Sueldo fijo 2. Porcentaje 3. Ambos

() 16

Caso responde 2 o 3 cuál es el porcentaje _____

16. Existe control de impuestos a negocios similares

1. Si

2. No

() 17



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x. Contabilidad

26. Existe inventario de los bienes de la Alcaldía?

1. Si

2. No

() 21

Si responde (1) en que consiste

Si responde (2) porque no existe

27. Lleva control de caja?

1. Si

2. No

() 22

Si responde (1) en que consiste

Si responde (2) por que no lo llevan

28. Lleva algún control estadístico?

1. Si

2. No.

() 23

Si responde (1) en que consiste

Si responde (2) porque no lleva

29. Tiene usted atrasos en el envío de informes al Tribunal de Cuentas?

1. Si

2. No

() 24

Si responde (1) por qué



Ministerio de la Gobernación
Managua, D. N.
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30. Tiene problemas para llenar el Estado de Cuentas"

1. Si

2. No

() 25

Si responde (1) indicar los motivos:

.....

.....

.....

.....

.....

31. Necesita entrenamiento para llevar el Estado de Cuentas?

1. Si

2. No

(26)

.../



Ministerio de la Gobernación
Managua, D. N.
Departamento de
Desarrollo Municipal

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Palacio Nacional

* Aspectos Generales

32. Hay Dependencia convenientes creadas por la alcaldía?

1. Si

2. No

() 27

Si responde (1) indicar su gerarquía

.....

.....

.....

.....

33. Tienen obras en marcha?

1. Si

2. No

() 28

Si responde (1) anotar clase de obra, entidad financiadora, entidad ejecutora, duración de la obra:

.....

.....

.....

34. Tiene Reglamento Interno?

1. Si

2. No

() 29

Si responde (1) anotar tipo de reglamento

.....

.....

.....

35. Cuáles son los objetivos principales en el año en curso?

.....

.....

.....



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Managua, D. N.

Departamento de
Desarrollo Municipal

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Palacio Nacional

34. Indique el nombre de las personas que colaboran con el Señor Alcalde en la toma de decisiones.

Nombre

Cargo

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

35. Cómo y cada cuánto se reúnen los del Concejo?

.....

.....

.....

.....

36. Observaciones hechas por el entrevistador.

.....

.....

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.....

CALCULATIONS OF MUNICIPAL TRAINING COSTS

This Annex contains the following:

1. Daily Average Costs for Training Seminars and Courses
2. Annual Costs of the Municipal Training Program

Daily Average Costs* For Training Seminars and Courses

<u>Type</u>	<u>Numbers</u>	<u>Unit Cost</u>
Instructor	1 day	\$ 75.00
Per Diem for the Instructor	1 day	15.00
Per Diem for Participants	1 participant/day	15.00
Educational Materials	1 participant	15.00
Rent	1 day	15.00
Didactic Equipment	1 day	20.00
(can be purchased or rented)		

* Costs are based on estimated developed by INVIERNO and MDD personnel. The above per day costs were compared to similar costs for CENCA and UCA and found to be reasonable.

MUNICIPAL TRAINING PROGRAM
1st Year

<u>Type of Training</u>	<u>Length of Training (days)</u>	<u>Regions</u>	<u>Number of Participants</u>	<u>Cost</u>
1) Seminar on Municipal Development	2	II and V	20	1,150
	2	II and V	49	2,455
	2	Others ^{1/}	40	2,050
	2	Others	40	2,050
2) Basic Municipal Accounting	10	II and V	14	3,560
	15	II and V	15	5,475
	15	II and V	15	5,475
	15	Others	15	5,475
3) Municipal Finances and Budgeting	10	II and V	14	3,560
	15	II and V	15	5,475
	15	II and V	15	5,475
4) Seminar on Community Development	2	II and V	24	1,330
	2	II and V	25	1,375
	<u>2</u>	Others	<u>40</u>	<u>2,050</u>
Total for 1st year	109		341	\$46,955

1/ Refers to other interested municipalities in Nicaragua

MUNICIPAL TRAINING PROGRAM
2nd Year

<u>Type of Training</u>	<u>Length of Training (days)</u>	<u>Regions</u>	<u>Number of Participants</u>	<u>Cost</u>
1) Basic Municipal Accounting	15	II and V	15	5,475
	15	II and V	15	5,475
	15	Others	15	5,475
2) Municipal Finances and Budgeting	15	II and V	15	5,475
	15	Others	15	5,475
3) Secretarial Services	10	II and V	10	2,900
	10	II and V	10	2,900
4) Tax Administration	10	II and V	15	3,875
	15	II and V	10	4,275
5) Seminar on Regional Development	2	II and V	20	1,150
	2	II and V	20	1,150
	2	Others	30	1,600
6) Seminar on Community Development	2	II and V	40	2,050
7) Municipal Administration	10	II and V	15	3,875
	10	II and V	15	3,875
8) Project Management	15	II and V	15	5,475
	<u>15</u>	II and V	<u>15</u>	<u>5,475</u>
Totals	168		290	65,975

MUNICIPAL TRAINING PROGR
3rd Year

<u>Type of Training</u>	<u>Length of Training (days)</u>	<u>Regions</u>	<u>Number of Participants</u>	<u>Cost</u>
1) Basic Municipal Accounting	15	II and V	15	5,475
	15	II and V	15	5,475
	15	Others	15	5,475
2) Municipal Finances and Budget	15	II and V	15	5,475
	15	II and V	15	5,475
	15	Others	15	5,475
3) Cadaster Management	10	II and V	10	2,900
	10	Others	10	2,900
4) Secretarial Services	10	II and V	15	3,875
	10	Others	10	2,900
5) Project Management	15	II and V	15	5,475
	15	II and V	15	5,475
6) Seminar on Urban Planning	3	II and V	20	1,575
	3	II and V	20	1,575
	3	Others	30	2,175
7) Seminar on Regional Development	2	II and V	15	925
	2	Others	30	1,600
8) National Seminar on Municipal Development <u>1/</u>	2	National	300	14,230
	<u>3</u>	National	<u>300</u>	<u>19,845</u>
Totals	177		880	98,300

1/ Speakers will be brought in from outside of Nicaragua thereby increasing the cost of the instructor. Instructor costs for two guests are estimated at \$250/day with \$40.00 per diem.

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MUNICIPAL TRAINING PROGRAM
4th Year

<u>Type of Training</u>	<u>Length of Training (days)</u>	<u>Regions</u>	<u>Number of Participants</u>	<u>Cost</u>
1) Basic Municipal Accounting	15	II and V	15	5,475
	15	Others	15	5,475
	15	Others	15	5,475
2) Municipal Finances and Budgeting	15	II and V	15	5,475
	15	Others	15	5,475
3) Seminar on Community Development	2	II and V	49	2,455
	2	Others	40	2,050
4) Secretarial Services	10	II and V	15	3,875
	10	Others	15	3,875
	10	Others	15	3,875
5) Project Management	15	II and V	15	5,475
	15	Others	15	5,475
6) Seminar on Public Relations	2	National	300	14,230
7) Seminar on Urban Planning	3	National	300	19,845
8) Regional Seminar on Regional Development	3	II	100	6,375
	3	V	100	6,375
	3	IV	100	6,375
9) Tax Administration	10	II and V	15	3,875
	10	II and V	15	3,875
10) National Seminar on Municipal Development	3	National	300	19,845
Totals	176		1,469	135,250

SUMMARY OF MUNICIPAL ACCOUNTS DATA
(US\$)

REGION II - Departments of Leon & Managua		REVENUES			EXPENDITURES			Ending Cash Balance	Public Works
		Total	Municipality	Central Government	Total	Municipality	Central Government		
Nagarote - Dept. of Leon	73	--	--	--	--	--	--	3,262	N/A
	74	23,551	6,915	16,636	19,487	17,128	2,359	7,326	10,545
	75	27,486	14,365	13,121	34,550	33,276	1,274	262	24,249
	76	34,957	19,981	14,976	34,903	32,843	2,060	316	17,747
Total		85,994	41,261	44,733	88,940	83,247	5,693	11,166	52,541
Tiptapa - Dept. of Managua	73	--	--	--	--	--	--	3,134	N/A
	74	265,712	88,594	177,118	137,108	129,387	7,721	131,738	46,892
	75	188,416	154,808	33,608	226,638	219,293	7,345	93,516	109,436
	76	219,512	171,187	48,325	220,591	286,751	13,840	98,437	120,294
Total		673,640	414,589	259,051	584,337	555,431	28,906	320,825	276,622
San Francisco el Carricero	73	--	--	--	--	--	--	1,776	N/A
	74	22,682	1,168	21,514	7,140	6,294	846	17,318	4,449
	75	18,393	1,582	16,811	10,518	10,328	190	25,193	6,858
	76	26,471	2,308	24,163	22,307	22,035	272	29,357	9,821
Total		67,546	5,058	62,488	39,965	38,657	1,308	73,644	21,128
San Rafael del Sur	73	--	--	--	--	--	--	7,844	N/A
	74	77,947	34,920	43,027	60,067	26,445	33,622	25,724	25,478
	75	60,067	26,445	33,622	66,293	64,889	1,404	19,498	1,314
	76	81,898	33,573	48,325	77,222	70,568	6,654	24,174	28,354
Total		219,912	94,938	124,974	203,582	161,902	41,680	77,240	55,146
El Carmen	73	--	--	--	--	--	--	3,121	N/A
	74	12,621	1,864	10,757	8,897	8,183	714	6,845	--
	75	12,224	3,818	8,406	19,084	18,781	303	15	1,201
	76	18,689	6,608	18,081	16,949	16,762	187	1,725	8,772
Total		43,534	12,290	31,244	44,930	43,726	1,204	11,676	9,973
Matagalpa	73	--	--	--	--	--	--	3,565	N/A
	74	12,268	3,274	8,994	5,521	5,032	489	10,312	591
	75	61,588	53,182	8,406	67,151	66,982	169	4,749	52,788
	76	105,107	93,086	12,081	106,527	106,059	468	3,329	56,459
Total		178,963	149,482	29,481	179,199	178,073	1,126	21,955	109,838

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SUMMARY OF MUNICIPAL ACCOUNTS DATA
 (US\$)

REGION II - Department of Managua	REVENUES			EXPENDITURES			Ending Cash Balance	Public Works
	Total	Municipality	Central Government	Total	Municipality	Central Government		
Totals	73	--	--	--	--	--	19,440	N/A
	74	391,230	129,820	261,410	218,733	175,341	43,392	77,410
	75	340,688	239,835	100,853	389,684	380,273	9,411	171,597
	76	451,677	306,702	144,975	443,596	422,175	21,421	223,700
		<u>1,183,595</u>	<u>676,357</u>	<u>507,238</u>	<u>1,052,013</u>	<u>977,789</u>	<u>74,224</u>	<u>472,707</u>

SUMMARY OF MUNICIPAL ACCOUNTS DATA
(US\$)

REGION II - Department of Masaya		REVENUES			EXPENDITURES			Ending Cash Balance	Public Works
		Total	Municipality	Central Government	Total	Municipality	Central Government		
Masaya	73	--	--	--	--	--	--	33,246	N/A
	74	275,365	242,884	32,481	291,388	285,568	5,820	17,223	77,322
	75	273,671	231,126	42,545	286,551	266,291	20,260	4,343	49,586
	76	403,683	357,228	46,455	340,936	331,589	9,347	67,090	94,511
	Total	952,719	831,238	121,481	918,875	883,448	35,427	121,902	221,419
Catarina	73	--	--	--	--	--	--	1,027	N/A
	74	8,107	2,174	5,933	4,398	4,132	266	4,736	3,179
	75	6,191	2,148	4,043	4,221	3,924	297	6,706	2,534
	76	7,581	2,703	4,878	4,120	3,979	141	10,167	647
	Total	21,879	7,025	14,854	12,739	12,035	704	22,636	6,360
La Concepción	73	--	--	--	--	--	--	2,136	N/A
	74	14,566	3,552	11,014	12,302	11,806	496	4,400	5,455
	75	14,619	6,678	7,941	9,912	9,695	217	9,107	2,998
	76	13,758	7,521	11,237	26,325	26,007	318	1,540	17,419
	Total	47,943	17,751	30,192	48,539	47,508	1,031	17,183	25,872
Masatepe	73	--	--	--	--	--	--	2,523	N/A
	74	33,734	20,131	13,603	35,589	33,115	2,474	668	23,537
	75	23,065	13,139	9,926	21,505	18,766	2,739	2,228	7,389
	76	31,012	16,965	14,047	29,086	25,735	3,351	4,154	3,883
	Total	87,811	50,235	37,576	86,180	77,616	8,564	9,573	34,809
Nandasmo	73	--	--	--	--	--	--	--	N/A
	74	5,473	55	5,418	1,557	1,315	242	3,916	980
	75	12,325	7,823	4,502	5,627	5,603	24	10,614	1,079
	76	6,628	991	5,637	12,556	12,472	84	4,686	7,182
	Total	24,426	8,869	15,557	19,740	19,390	350	19,216	9,241
Nindirí	73	--	--	--	--	--	--	1,535	N/A
	74	12,879	2,043	10,836	4,889	4,312	577	9,525	1,351
	75	11,580	3,639	7,941	5,946	5,819	127	1,159	1,201
	76	72,559	61,339	11,220	44,708	44,597	111	43,010	4,546
	Total	97,018	67,021	29,997	55,543	54,728	815	69,229	44,098

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SUMMARY OF MUNICIPAL ACCOUNTS DATA
(US\$)

		REVENUES			EXPENDITURES			Ending Cash Balance	Public Works
		Total	Municipality	Central Government	Total	Municipality	Central Government		
REGION II - Department of Masaya									
Niquinohomo	73	--	--	--	--	--	760	N/A	
	74	13,944	3,167	10,777	10,964	10,562	3,740	3,825	
	75	12,567	4,833	7,734	11,813	11,590	4,494	846	
	76	15,959	4,722	11,237	20,473	18,095	(20)	5,487	
Total		42,470	12,722	29,748	43,250	40,247	8,974	10,158	
San Juan de Oriente	73	--	--	--	--	--	654	N/A	
	74	2,922	432	2,490	1,993	1,912	1,583	986	
	75	2,869	279	2,590	1,949	1,918	2,503	863	
	76	2,558	365	2,193	3,953	3,909	1,108	1,654	
Total		8,349	1,076	7,273	7,895	7,739	5,848	3,503	
Tiquantepe	73	--	--	--	--	--	--	N/A	
	74	--	--	--	--	--	--	--	
	75	--	--	--	--	--	--	--	
	76	16,101	10,482	5,619	12,134	12,078	3,967	382	
Total		16,101	10,482	5,619	12,134	12,078	3,967	382	
Tisma	73	--	--	--	--	--	1,502	N/A	
	74	7,313	1,990	5,323	4,368	4,005	4,447	252	
	75	6,230	2,267	3,963	5,946	5,861	4,731	143	
	76	8,000	2,524	5,476	6,953	6,845	5,778	2,328	
Total		21,543	6,781	14,762	17,267	16,711	16,458	2,723	
Total	73	--	--	--	--	--	43,383	N/A	
	74	374,303	276,428	97,875	367,448	356,727	50,238	116,887	
	75	363,117	271,932	91,185	353,470	329,467	59,885	66,639	
	76	582,839	464,840	117,999	501,244	485,306	141,480	175,039	
Total Dept. of Masaya		1,320,259	1,013,200	307,059	1,222,162	1,171,500	294,986	358,565	

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SUMMARY OF MUNICIPAL ACCOUNTS DATA
(US\$)

REGION II - Department of Granada	REVENUES			EXPENDITURES			Ending Cash Balance	Public Works
	Total	Municipal	Central Government	Total	Municipality	Central Government		
Granada	73	--	--	--	--	--	1,462	N/A
	74	296,526	260,539	35,987	291,607	282,053	6,381	26,965
	75	381,988	351,458	30,530	368,015	362,383	20,354	38,026
	76	519,861	484,757	35,104	454,664	442,012	85,551	69,845
Total		1,198,375	1,096,754	101,621	1,114,286	1,086,448	113,748	134,836
Diria	73	--	--	--	--	--	12	N/A
	74	8,718	2,006	6,712	6,180	5,752	2,550	1,092
	75	7,886	2,798	5,088	10,468	10,245	(32)	2,566
	76	9,008	3,016	5,992	9,135	8,854	(159)	2,605
Total		25,612	7,820	17,792	25,783	24,851	2,371	6,263
Diriomo	73	--	--	--	--	--	2,520	N/A
	74	11,611	4,193	7,418	9,197	8,656	4,934	2,937
	75	10,684	5,596	5,088	9,026	8,663	6,592	3,896
	76	11,530	5,679	5,851	13,899	13,510	4,223	8,070
Total		33,825	15,468	18,357	32,122	30,829	18,269	14,903
Nandaime	73	--	--	--	--	--	211	N/A
	74	30,422	17,012	13,410	30,394	26,658	239	16,918
	75	32,461	22,292	10,169	32,462	29,668	238	8,476
	76	40,397	28,696	11,701	38,276	33,909	2,359	6,627
Total		103,280	68,000	35,280	101,132	90,229	3,047	32,021
	73	--	--	--	--	--	4,205	N/A
	74	347,277	283,750	63,527	337,378	323,119	14,104	47,912
	75	433,019	382,144	50,875	419,971	410,953	27,152	52,964
	76	580,796	522,148	58,648	515,974	498,285	91,974	87,147
Totals Department		1,361,092	1,188,042	173,050	1,273,323	1,232,357	137,435	188,023

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SUMMARY OF MUNICIPAL ACCOUNTS DATA
(US\$)

REGION II - Department of Carazo		REVENUES			EXPENDITURES				
		Total	Municipality	Central Government	Total	Municipality	Central Government	Ending Cash Balance	Public Works
Jinotepe	73	--	--	--	--	--	--	7,193	N/A
	74	128,497	111,706	16,791	108,052	102,821	5,231	27,638	17,925
	75	108,813	98,245	10,568	122,077	118,560	3,517	14,374	15,465
	76	126,812	114,457	12,355	121,497	116,400	5,097	19,689	13,886
	Total	364,122	324,408	39,714	351,626	337,781	13,845	68,894	47,276
Diriamba	73	--	--	--	--	--	--	6,650	N/A
	74	85,875	63,947	21,928	86,869	80,403	6,466	5,656	20,337
	75	94,805	85,003	9,802	98,600	93,238	3,362	1,861	32,525
	76	128,654	113,828	14,826	130,343	123,680	6,663	172	31,289
	Total	309,334	262,778	46,556	315,812	297,321	18,491	14,339	84,151
Dolores	73	--	--	--	--	--	--	284	N/A
	74	4,812	1,540	3,272	4,052	3,951	101	1,044	--
	75	4,478	1,864	2,614	3,351	3,271	80	2,171	178
	76	1,007	2,049	1,958	3,740	3,680	60	2,438	984
	Total	13,297	5,453	7,844	11,143	10,902	241	5,937	1,162
El Rosario	73	--	--	--	--	--	--	450	N/A
	74	4,026	754	3,272	1,346	1,117	229	3,130	100
	75	3,199	1,075	2,124	2,707	2,210	497	3,622	1,146
	76	3,705	1,261	2,444	3,186	3,148	38	4,141	487
	Total	10,930	3,090	7,840	7,239	6,475	764	11,343	1,733
La Conquista	73	--	--	--	--	--	--	4,139	N/A
	74	7,027	699	6,328	2,106	2,054	52	9,060	14
	75	6,558	2,377	4,181	2,557	2,557	--	13,061	7
	76	5,803	891	4,912	11,803	11,760	43	7,061	8,365
	Total	19,388	3,967	15,421	16,466	16,371	95	33,321	8,386
La Paz de Oriente	73	--	--	--	--	--	--	111	N/A
	74	6,975	3,703	3,272	3,252	2,999	253	3,834	957
	75	4,999	2,885	2,114	6,863	6,821	42	1,970	1,082
	76	5,553	3,082	2,471	6,744	6,692	102	779	2,808
	Total	17,527	9,670	7,857	16,859	16,462	397	6,694	4,847

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SUMMARY OF MUNICIPAL ACCOUNTS DATA
(US\$)

REGION = Department of Carazo	REVENUES			EXPENDITURES			Ending Cash Balance	Public Works
	Total	Municipal	Central Government	Total	Municipal	Central Government		
San Marcos	73	--	--	--	--	--	3,485	N/A
	74	15,367	8,824	6,543	12,428	11,718	710	6,424
	75	20,846	16,469	4,377	23,531	22,165	1,366	3,739
	76	18,114	13,172	4,942	14,966	13,062	1,904	6,887
Total		54,327	38,465	15,862	50,925	46,945	3,980	20,535
Santa Teresa	73	--	--	--	--	--	545	N/A
	74	8,789	2,229	6,560	8,643	7,751	982	691
	75	8,032	3,819	4,213	7,355	6,851	504	1,368
	76	11,066	4,902	4,942	11,708	11,421	287	726
Total		11,066	4,902	4,942	11,708	11,421	287	726
Carazo Totals - 8 Municipalities	73	--	--	--	--	--	22,857	N/A
	74	261,368	193,402	67,966	226,748	212,814	13,934	57,477
	75	251,730	211,737	39,993	267,041	255,673	11,368	42,166
	76	303,714	254,864	48,850	303,987	289,793	14,194	41,893
Grand Total:		816,812	660,003	156,809	797,776	758,280	39,496	164,393
								191,801

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SUMMARY OF MUNICIPAL ACCOUNTS DATA
(US\$ _____)

REGION V	REVENUES			EXPENDITURES			Ending Cash Balance	Public Works		
	Total	Municipality	Central Government	Total	Municipality	Central Government				
11	Matagalpa	73					8,789	N/A		
		74	358,828	297,281	61,547	351,680	326,846	24,834	15,937	68,929
		75	393,190	347,641	45,549	383,446	361,163	22,283	25,682	81,714
		76	551,268	485,320	65,948	531,401	518,497	12,904	45,548	142,682
	Total	1,303,286	1,130,242	173,044	1,266,527	1,206,506	60,021	95,956	293,325	
4	Jinotega	73					12,604	N/A		
		74	166,158	144,346	21,812	172,336	169,460	2,876	6,426	79,631
		75	152,303	138,435	13,868	151,661	149,480	2,181	7,068	106,267
		76	239,756	216,358	23,398	242,978	238,126	4,852	3,846	72,921
	Total	558,217	499,139	59,078	566,975	557,066	9,909	29,944	258,819	
5	Estelí	73					7,360	N/A		
		74	331,170	288,783	42,387	311,593	298,606	12,987	26,937	46,927
		75	279,022	247,108	31,914	279,436	265,952	13,484	26,523	44,625
		76	347,507	308,660	38,847	326,345	313,853	12,492	47,685	85,136
	Total	957,699	844,551	113,148	917,374	878,411	38,963	108,505	176,688	
1	León	73					4,932	N/A		
		74	5,772	464	5,308	3,170	3,043	127	7,534	655
		75	7,424	593	6,831	2,258	2,186	72	12,700	-
		76	8,261	789	7,472	11,262	11,155	1071	9,699	3,711
	Total	21,457	1,846	19,611	16,690	16,384	306	34,865	4,366	
21	Total Region V	73	-	-	-	-	-	33,685	N/A	
		74	861,928	730,874	131,054	838,779	797,955	40,824	56,834	196,142
		75	831,939	733,777	98,162	816,801	778,781	38,020	71,973	232,606
		76	1,146,792	1,011,127	135,665	1,111,986	1,081,631	30,355	106,778	304,450
		2,840,659	2,475,778	364,881	2,767,566	2,658,367	109,199	269,270	733,198	

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SUMMARY OF MUNICIPAL ACCOUNTS DATA
(US\$)

REGION V - Department of Matagalpa	REVENUES			EXPENDITURES			Ending Cash Balance	Publics Works	
	Total %	Municipality %	Central Government %	Total %	Municipality	Central Government			
Matagalpa	73	--	--	--	--	--	326	N/A	
	74	259,351	233,908	25,443	259,186	246,056	13,130	43,405	
	75	287,852	268,227	19,625	286,007	269,500	16,507	48,898	
	76	411,529	387,824	23,705	391,677	386,429	5,248	86,191	
Total		958,732%	889,959%	68,773%	936,870	901,985%	34,885%	25,341	178,494
Ciudad Larío	73	--	--	--	--	--	1,275	N/A	
	74	22,745	17,745	5,027	23,527	21,828	1,699	4,603	
	75	21,711	16,838	4,873	18,918	17,091	1,827	2,704	
	76	32,956	26,183	6,773	36,312	32,689	3,623	12,236	
Total		77,412	60,739	16,673	78,757	71,608	7,149	4,984	15,543
Esquipulas	73	--	--	--	--	--	95	N/A	
	74	9,658	6,606	3,052	8,750	7,753	997	1,003	
	75	9,456	8,558	898	8,337	8,162	175	2,122	
	76	10,985	7,702	3,283	10,381	9,993	388	2,726	
Total		30,099	2,866	7,233	27,468	25,908	1,560	5,946	12,202
Matiguas	73	--	--	--	--	--	5,259	N/A	
	74	19,864	13,761	6,103	20,604	18,788	1,816	4,519	
	75	16,689	11,836	4,853	17,847	16,825	1,022	3,361	
	76	23,094	18,622	4,472	16,690	14,966	1,724	9,765	
Total		59,647	44,219	15,428	55,141	50,579	4,562	22,904	24,051
Muy Muy	73	--	--	--	--	--	170	N/A	
	74	8,425	5,373	3,052	7,828	7,057	771	767	
	75	8,519	6,092	2,427	7,864	7,502	362	1,422	
	76	9,961	6,559	3,352	8,587	7,308	279	2,746	
Total		26,855	18,024	8,831	24,279	22,867	1,412	5,105	5,328
Rio Blanco	73	--	--	--	--	--	--	N/A	
	74	--	--	--	--	--	--	N/A	
	75	12,185	10,665	1,521	9,187	8,629	558	2,999	
	76	16,916	13,615	3,301	16,561	16,287	274	3,354	
Total		29,102	24,280	4,822	25,748	24,916	832	6,353	10,620

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SUMMARY OF MUNICIPAL ACCOUNTS DATA
(US\$)

REGION V - Department of Matagalpa		REVENUES			EXPENDITURES			Ending Cash Balance	Public Works
		Total	Municipality	Central Government	Total	Municipality	Central Government		
San Dionisio	73	--	--	--	--	--	--	N/A	
	74	5,383	1,855	3,528	4,007	1,580	2,427	1,389	
	75	4,040	3,559	481	5,674	5,489	185	(258)	
	76	4,954	1,568	3,386	3,850	3,683	167	846	
Total		14,377	6,982	7,395	13,531	10,752	2,779	1,964	
San Isidro	73	--	--	--	--	--	7	N/A	
	74	11,385	8,235	3,150	12,050	9,623	2,427	(658)	
	75	11,386	10,799	587	10,118	9,151	967	610	
	76	15,637	11,896	4,741	17,481	16,979	502	(234)	
Total		39,408	30,930	8,478	39,649	35,753	3,896	(275)	
San Ramón	73	--	--	--	--	--	1,490	N/A	
	74	8,295	2,192	6,103	2,563	2,039	524	7,222	
	75	7,233	2,380	4,853	7,660	7,527	133	6,795	
	76	9,509	2,736	6,773	12,453	12,256	197	3,851	
Total		25,037	7,308	17,729	22,676	21,822	854	19,358	
Sébaco	73	--	--	--	--	--	121	N/A	
	74	9,531	6,479	3,052	9,080	8,495	585	572	
	75	10,312	7,885	2,427	10,167	9,787	380	717	
	76	9,659	6,273	3,386	10,013	9,689	324	363	
		29,502	20,637	8,865	29,260	27,971	1,289	1,773	
Terrabona	73	--	--	--	--	--	46	N/A	
	74	4,191	1,154	3,037	4,085	3,627	458	152	
	75	3,806	802	3,004	1,667	1,500	167	2,291	
	76	5,118	2,342	2,776	7,396	7,218	178	13	
Total		13,115	4,298	8,817	13,148	12,345	803	2,502	

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SUMMARY OF MUNICIPAL ACCOUNTS DATA
(US\$)

REGION V - Department of Matagalpa	REVENUES			EXPENDITURES			Ending Cash Balance	Public Works
	Total	Municipal	Central Government	Total	Municipality	Central Government		
73	--	--	--	--	--	--	8,789	N/A
74	358,828	297,281	61,547	351,680	326,846	24,834	15,937	68,929
75	393,190	347,641	45,549	383,446	361,163	22,283	25,682	81,714
76	551,268	485,320	65,948	531,401	518,497	12,904	45,548	142,682
Total	1,303,286	1,130,242	173,044	1,266,527	1,206,506	60,021	95,956	293,325

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SUMMARY OF MUNICIPAL ACCOUNTS DATA
(US\$ _____)

REGION V - Department of Jinotega	Total	REVENUES			EXPENDITURES			Ending Cash Balance	Public Works
		Municipality	Central Gov.	Total	Municipality	Centrd Gov.	Total		
Jinotega	73							10,139	N/A
	74	148,979	135,935	13,044	159,095	158,282	813	23	78,991
	75	130,000	123,000	7,000	128,151	127,209	942	1,872	94,759
	76	207,386	192,054	15,332	207,383	203,644	3,739	1,875	52,228
Total		486,365	450,989	35,376	494,629	489,135	5,404	13,909	225,978
La Concordia	73								N/A
	74	3,932	1,168	2,264	3,724	3,306	418	208	442
	75	4,095	2,519	1,576	3,638	3,203	435	665	105
	76	4,516	2,370	2,146	4,938	4,689	249	243	2,406
Total		12,543	6,557	5,986	12,300	11,198	1,102	1,116	2,953
San Rafael del Norte	73							1,120	N/A
	74	6,787	3,513	3,274	5,416	4,142	1,274	2,491	114
	75	5,930	3,566	2,364	8,065	7,577	488	356	3,160
	76	7,912	4,632	3,280	7,510	6,947	563	758	1,632
Total		20,629	11,711	8,918	20,991	18,666	2,325	4,725	4,906
San Sebastián de Yalí	73							1,345	N/A
	74	6,460	3,230	3,230	4,101	3,730	371	3,704	84
	75	12,278	9,350	2,928	11,807	11,491	316	4,175	8,243
	76	19,942	17,302	2,640	23,147	22,846	301	970	16,655
Total		38,680	29,882	8,798	39,055	38,067	988	10,194	24,982
Jinotega - Totals	73							12,604	N/A
	74	166,158	144,346	21,812	172,336	169,460	2,876	6,426	79,631
	75	152,303	138,435	13,868	151,661	149,480	2,181	7,068	106,267
	76	239,756	216,358	23,398	242,978	238,126	4,852	3,846	72,921
TOTAL		558,217	499,139	59,078	566,975	557,066	9,909	29,944	258,819

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SUMMARY OF MUNICIPAL ACCOUNTS DATA
(US\$ _____)

REGION V Department of Estelí	REVENUES			EXPENDITURES			Ending Cash Balance	Public Works	
	Total	Municipality	Central Government	Total	Municipality	Central Government			
Estelí	73								
	74	282,271	264,825	17,446	268,582	259,389	9,193	13,689	40,244
	75	229,504	216,973	12,531	229,425	218,722	10,703	13,768	36,294
	76	282,957	266,163	16,794	263,576	253,735	9,841	33,149	68,698
Total		794,732	747,961	46,771	761,583	731,846	29,737	60,606	145,236
Condega	73							9	N/A
	74	14,062	5,788	8,274	10,552	9,576	976	3,519	4,769
	75	13,910	7,317	6,593	14,436	14,055	381	2,993	7,937
	76	17,929	12,309	5,620	17,511	17,225	286	3,411	6,722
Total		45,901	25,414	20,487	42,499	40,856	1,643	9,932	19,428
La Trinidad	73							2,192	N/A
	74	17,871	9,456	8,415	13,885	12,560	1,325	6,178	-
	75	18,860	12,316	6,544	22,387	20,804	1,583	2,451	-
	76	26,751	18,497	8,254	28,822	27,454	1,368	580	7,263
Total		63,482	40,269	23,213	65,094	60,818	4,276	11,601	7,263
Pueblo Nuevo	73							1,914	N/A
	74	8,488	4,355	4,133	8,638	7,866	770	1,764	-
	75	8,858	5,728	3,130	6,385	6,138	247	4,237	-
	76	9,554	5,461	4,093	6,053	5,680	373	7,738	-
Total		26,900	15,544	11,356	21,076	19,686	1,390	15,653	-

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SUMMARY OF MUNICIPAL ACCOUNTS DATA
(US\$ _____)

REGION V	Department of Estelí	REVENUES			EXPENDITURES			Ending Cash Balance	Public Works
		Total	Municipality	Central Government	Total	Municipality	Central Government		
	San Juan de Limay	73							
		74	8,478	4,359	4,119	9,936	9,213	723	1,787
		75	7,890	4,774	3,116	6,803	6,233	570	2,874
		76	10,316	6,230	4,086	10,383	9,759	624	2,807
	Total		26,684	15,363	11,321	27,122	25,205	1,917	10,713
		73							
		74	331,170	288,783	42,387	311,593	298,606	12,987	7,360
		75	279,022	247,108	31,914	279,436	265,952	13,484	26,937
		76	347,507	308,660	38,847	326,345	313,853	12,492	26,523
	Total		957,699	844,551	113,148	917,374	878,411	38,963	47,685
									85,136
									176,688

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SUMMARY OF MUNICIPAL ACCOUNTS DATA
(US\$ _____)

REGION V Department of León	REVENUES			EXPENDITURES			Ending Cash Balance	Public Works
	Total	Municipality	Central Government	Total	Municipality	Central Government		
San Nicolás	73						4,932	N/A
	74	5,772	464	5,308	3,170	3,043	127	7,534
	75	7,424	593	6,831	2,258	2,186	72	12,700
	76	8,261	789	7,472	11,262	11,155	107	9,699
Total		21,457	1,846	19,611	16,690	16,384	306	34,865
								3,711
								4,366

DEMAND PROJECTIONS FOR SUB-PROJECTS

1978-1982

COSTING CRITERIA

I. General Comments:

The objective of this study is to estimate the cost of projects which could be carried out by the municipalities of Regions V and II according to their priorities and certain logical assumptions which are revealed in the methodology used.

The information accumulated in regard to the costs of specific projects, was obtained through the investigation of such documents as Memorias del Banco Central de Nicaragua 1976, Costos Unitarios de DENACAL 1977 -- Central Bank of Nicaragua Annual Report for 1976, DENACAL Unit Costs for 1977, and information rendered by public agencies. An annual 10% inflation factor was considered in applying costs to the projects.

Municipalities were classified as follows:

- 1) Large Municipalities. Those which are department capital (cabeceras).
 - a) Matagalpa
 - b) Esteli
 - c) Jinotega
 - d) Masaya
 - e) Granada
 - f) Jinotepe

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2) **Medium size municipalities.** Those with an urban population of more than 7,000 inhabitants.

- | | |
|---------------|-------------|
| a) Tipitapa | b) Masatepe |
| c) San Marcos | d) Diriamba |
| e) Nandaime | |

3) All other municipalities (39) are considered small.

II. Methodology Used for Projects:

1) Market

Basic criteria

- a) population
- b) average size of stalls

Population was estimated by taking the average annual population growth rates for periods 1965-1974 and 1974-1975.

A total number of five (5) persons was estimated per urban family and six (6) persons per rural family (Recommendation given by the Oficina de Encuestas y Censos -- Survey and Census Office).

Market facilities are used by 60% of Urban Families and 10% of rural families.

We have assumed that each family visits the four following product sales areas in every visit to the market.

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- | | | | |
|----|------------------|----|---------------|
| a) | meat | b) | vegetables |
| c) | cereals (grains) | d) | miscellaneous |

We have estimated that each stall can attend 150 daily visits. Average size for stalls is as follows:

Municipal capitals (<u>cabeceras</u>)	15 m ²
Medium size municipalities	12 m ²
Small municipalities	10 m ²

To the total market area, according to the number of stalls, we have added 30% for other areas as sidewalks, corridors, yards, etc. Square meter average cost for stalls:

Municipal capitals	C\$ 1,000/ m ²
Medium size municipalities	800/ m ²
Other municipalities	700/ m ²

Price per square meter per year, considering inflation:

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Capitals	1,100	1,210	1,313	1,464	1,610
Medium size	800	968	1,065	1,171	1,288
Small	770	847	932	1,025	1,127

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2) Slaughterhouses:

The criteria used in this type of project follow:

- a) average area b) average cost per square meter

According to the recommendations made by the Architect of the Municipal Development Program, the following was considered:

AVERAGE AREA FOR SLAUGHTERHOUSES

Department capitals	500 m ²
Medium size municipalities	350 m ²
Small municipalities	200 m ²

AVERAGE CONSTRUCTION COST FOR THE SLAUGHTERHOUSES

PER SQUARE METER

Department capitals	C\$	900
Medium size municipalities		700
Small municipalities		700

Based on the Masaya study, 45% of cost was considered construction and 55% for equipment and other (such as pig pens, corrals, etc.). This assumption was considered for the municipal capital and medium size municipalities. For small municipalities, 65% of total cost was considered for construction and 35% for equipment and other.

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PRICE PER SQUARE METER BY YEAR CONSIDERING INFLATION

	<u>In Cordobas</u>				
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Municipal capitals	990	1,089	1,198	1,318	1,450
Medium and small size municipalities	770	847	932	1,025	1,128

3) Garbage Collection:

Assumed the purchase of one dump truck with a capacity of 5 m³ at an average cost of C\$200,000.

It is also assumed that each municipal capital will purchase two units while medium and small size municipalities will purchase only one.

UNIT COSTS (5 m² CAPACITY) CONSIDERING INFLATION

	<u>(In Cordobas)</u>				
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
5 m ³ Capacity Dump Truck	220,000	242,000	266,200	292,820	322,100

4) Potable Water:

It is estimated that 60% of the population of all municipalities have potable water service.

The Engineering Section considered that each urban family represent a potable water service.

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In order to estimate the area of distribution, we assumed that each family to be served, occupies a 10 m. lot. The average cost per meter for distribution is C\$360.60 in 1977 (see Annex No.1.)

DISTRIBUTION COSTS CONSIDERING INFLATION

(In Cordobas)

<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
996.7	436.4	480	528	580

As explained in Annex 1, the average cost per family connection is C\$604.70.

AVERAGE COSTS PER POTABLE WATER SERVICE CONNECTION

CONSIDERING INFLATION

(In Cordobas)

<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
665	732	805	885	974

5) Sewer:*

In order to cost projects of this nature a special investigation was done in DENACAL (also for potable water service) as described in Annex No.1, from which average prices were taken.

1 linear meter of pipe lines	C\$ 220
1 manhole every 100 meters	3,900
Family Connections	900/family

Assuming family lots of 10 meters wide.

* Does not include costs of oxidation.

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In municipal capitals 5 kms. of pipe lines are installed annually.

In medium size municipalities 2 km. of pipe line are installed for each project.

In the rest of the municipalities each project covers a length of 1 km. of sewer system.

ANNUAL AVERAGE COST PER METER OF SEWER PIPE LINES

CONSIDERING INFLATION

(In Cordobas)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Pipe lines	242	266	293	322	354
Manhole	4,290	4,719	5,190	5,709	6,280
Connections	990	1,089	1,198	1,317	1,449

6) Pavement, block paving and street curbing:

Main criteria used in these types of projects are:

a) No. of streets to be paved or block paved:

- i) department capitals, 20 per project;
- ii) medium size municipalities, 10 per project;
- iii) small municipalities, 5 per project.

b) Block average dimensions:

- i) 80 meters long
- ii) 7 meters wide

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Total area per street block: 560 m²

Average price per square meter of block paving: C\$62

Each street block has 160 linear meters of curbing.

AVERAGE ANNUAL COSTS OF PAVEMENT, BLOCK PAVING AND CURBS

(In Cordobas)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Paving and Curbing	49	54	60	66	73
Block Paving	68	75	92	91	100

7) Electricity and Public Lighting:

Due to the fact that these projects are similar, they have been studied as a package. When estimating costs, street lights were separated, since electric wiring and transformers serve both projects. If a city needs a public lighting system but has house lighting, costs are only applied for street lights and transformers. In cases where no house lighting exists costs include transformers and house wiring.

Costs were provided by the Economic Planning Administration of ENALUF for the year 1977, and were increased in 10% for following years. The average costs per kilometer of transformation can be summarized in the following manner:

Year	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Cost, (thousands of C\$)	97.95	107.75	118.52	130.38	143.41	157.75

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Average cost for housewiring and street lighting were increased in the same percentages as above:

<u>Year</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Street lights	716.0	788.0	866.0	953.0	104.80	1153.0
House wiring	170.0	187.0	206.0	226.0	249.0	274.0

YEARLY PHYSICAL NEEDS

a) Municipal Capitals

<u>Years</u>	<u>1978, 1979 and 1980</u>	<u>1981 and 1982</u>
Wire system	2.5 km.	1 km.
Street lights	51	21
Connections	250	100

b) Minor Municipalities

<u>Years</u>	<u>1978, 1979 and 1980</u>	<u>1981 and 1982</u>
Wire system	1.5 km.	0.5
Street lights	31	11
Connections	100	40

c) Other Municipalities

<u>Year</u>	<u>1978, 1979 and 1980</u>	<u>1981 and 1982</u>
Wire system	1.0 km.	0.2
Street lights	21	5
Connections	40	15

COST ESTIMATE FOR DEMAND PROJECTIONS MUNICIPALITIES OF REGIONS II AND V

General Concepts:

Construction costs may vary in relation to a series of factors:

- a) **Materials available in the region.**
- b) **Production of construction materials in the region.**
- c) **Transportation of material and labor.**
- d) **Distances and conditions of roads for transportation of materials and labor.**
- e) **Condition of localities where work is to be done.**
- f) **Equipment availability.**
- g) **Weather conditions.**
- h) **Labor Cost.**

It is evident that construction costs in Region II will be less than in Region V since it is nearer to the Managua zone (the main producer of construction material), thereby reducing transportation costs. Labor costs will be equal in both regions, since they are based on the same collective agreement with the SCASS Labor Union which regulates labor costs in Managua.

In these cost estimates, we shall refer to: Installation of Potable Water System, Sanitary Sewage System, Storm Sewage System, Street Paving and street curbing.

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In the installation and construction of the potable water distribution systems, collection of rain water and domestic sewage, rocky grounds raises the price of construction, since ditch digging for the placement of pipes is more difficult, and the use of rented construction equipment is necessary.

The same rocky ground decreases construction costs for street paving and curbing, since it serves as a good supporting base. On the other hand, when the ground is argillaceous (clayey); this type of ground sometimes requires that certain material (not adequate for the construction of street pavement) be removed, and the transportation, placement and compacting of choice material for the base would be necessary.

POTABLE WATER SYSTEM:

A great variety of pipes with different diameters and materials used for their manufacture are employed in the installation of the potable water system. Many times these pipes vary in relation to the purity of water which will run through them and types of ground or surroundings where they will be installed.

The most common materials are:

- a) galvanized iron
- b) asbestos cement
- c) plastic PVC

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A one inch galvanized pipe is normally used in Nicaragua for potable water systems. Asbestos cement pipe even though being the most practical in this environment, especially in the metropolitan area, has the following inconveniences: it is not easily found in the market, it must be specifically imported when new systems are to be built and requires specialized labor for its installation.

PVC pipes are presently displacing other types since they are made in Nicaragua (two factories), they are manageable (light) and they can be easily installed. They also meet the requirements of the Empresa Guadora de Managua (Managua Water Company) and of the Departamento Nacional de Alcantarillados y Acueductos (DE: IACAL)

Common Pipe Diameters and Materials used in their manufacture are:

- | | | | |
|----|---------------------------------|---|---|
| 1) | 1/2" and 3/4" pipes | = | PVC and W ^a G ^a (domestic connections) |
| 2) | 1" \emptyset pipes | = | PVC and H ^a G ^a (general distribution service connection) |
| 3) | 2" \emptyset pipes | = | PVC (general distribution) |
| 4) | 3", 4" and 6" \emptyset pipes | = | PVC and AC (general distribution) |
| 5) | 8" to 20" \emptyset pipes | = | AC (general distribution) |

Considering type of ground and labor the costs of installing water pipes are as follows:

- I. Excavation done with machines, using the same material excavated for filling (cost of a linear meter).

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	2"	3"	4"	6"	8"	average	Thousand C\$
PVC	85.40	114.10	137.40	205.40	-	(542.3)	135.58
AC	--	113.20	136.90	168.60	196.3	(615)	153.75

II. Excavation done by hand, using part of the excavated material for filling.

	2	3	4	6	8	Average	Thousand C\$
PVC	155.3	197.40	233.5	318.10	--	(904.30)	226.08
AC	--	196.50	233.0	281.30	319.50	(1030.30)	257.58

III. Excavation done with explosives using choice material (brought from other areas) for filling.

	2	3	4	6	8	Average	Thousand C\$
PVC	225.20	280.70	326.60	430.80	--	(1263.30)	315.83
AC	--	279.80	326.10	394.00	442.70	(1442.60)	360.65

The domestic connection costs must also be included. These costs vary in accordance to type of ground and diameter of pipes used.

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POTABLE WATER.

CHART FOR DOMESTIC CONNECTIONS

MB-RED	I	II	III
2"	470=	585=	700=
3"	486=	601.72	716=
4"	489=	604=	719=
6"	499=	614=	729=
8"	504=	619=	734=

SANITARY SEWAGE SYSTEM:

For the construction of sanitary sewage systems there is only one type of material which meets all of the following conditions: economic, easy-installation, national manufacture and availability. This material is the 8" \emptyset concrete pipe which is manufactured in three places in Nicaragua.

Construction costs will vary in relation to the type of ground where the pipe is to be installed.

Manholes (inspection wells) needed for repairs and inspection of the pipes are made out of clay and reinforced concrete when their height requires. Construction costs will vary depending on the type of ground.

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The cost of a linear meter of an 8" ϕ concrete pipe is:

- I. Using machinery: C\$110=
- II. Using labor: C\$220=
- III. Using explosives C\$330=

The unit cost of the manholes (inspection wells) is:

- I. C\$3,000=
- II. C\$3,900=
- III. C\$4,800=

The cost of the domestic connections shall be:

- I. C\$600=
- II. C\$900=
- III. C\$1,200=

STORM SEWAGE SYSTEM:

In the construction of storm sewage systems, concrete pipes are always used.

Manholes (inspection wells) are similar to those used in the sanitary sewage systems.

Cost of pipes for storm sewages and inspection wells are:

	<u>8"</u>	<u>10"</u>	<u>12"</u>	<u>15"</u>	<u>18"</u>	<u>P.V.</u>
Ground I	110=	120=	140=	175=	200=	3,000=
Ground II	220=	240=	280=	350=	400=	3,900=
Ground III	330=	360=	420=	525=	600=	4,800=

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CURBS:

Lately, the construction of curbing has been diversified due to the use of different types of material. Normally, curbs are made out of concrete with a 2,500 lb. resistance per square inch without steel reinforcement. In many locations granite stone is being used, especially the granite stone from Diriamba, which is machine cut and is more resistant than others. There is another type of curb called "shoulder" which consists of the construction of only the vertical part of the curb. This has lately been used by the National District in Managua and is built with granite stone material.

Since costs of curbing may vary as previously stated, we can use as base costs the following:

concrete curb	=	C\$45=	(linear meter)
stone curb	=	C\$20=	(linear meter)

PAVEMENT:

Several years ago, Nicaragua used asphalt and stone layers; this was a long and expensive process for paving the streets. Other techniques which permit a faster and cheaper pavement construction have been used lately. Some of these methods are:

- 1) the use of asphalt mixtures
- 2) the use of concrete block paving.

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Asphaltic mixtures lower the price of construction, but with an inconvenience of having to use special machines for pouring and compacting. In municipalities located far from the capital city, the use of heavy equipment is expensive due to distances and road conditions. Furthermore, specialized personnel in the use of this type of machinery must also be transported.

The stone paving block is more manageable; it does not need special storage and can be exposed to the weather. No specialized material is necessary for its placement and it can easily be maintained, this is advantageous for those municipalities which do not have appropriate machinery.

Paving costs are assumed to be:

- a) asphaltic mixture= C\$45- / m²
- b) stone paving block= C\$62- / m²

These prices include the sub-base and base costs of the chosen material and normal land conditions. Normally, when a pavement design is made, soil studies should be done in a laboratory to determine the resistance and the depth or thickness of the sub-base, base and asphaltic mixture in relation to the load.

CONCLUSIONS:

To determine the costs of these projects without having a draft proposal is very difficult, due to the fact that a great amount of factors must be considered. These are:

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- a) design
- b) site condition
- c) site distance
- d) local availabilities.

In regard to the potable water, the design is an important factor for determining the costs, since only with a well-balanced design and with little losses, can the optimum relation of the different pipes be obtained.

The same occurs with the costs of the sanitary and storm sewages. To determine paving and curb construction costs in a community, it is sufficient to know the length and width of the streets to determine the amount of work to be done, and knowing the costs per ml or m² it is easy to determine the total costs.

ESTIMACION DE COSTOS PARA DEMANDA DE PROYECTOS
REGION II
QUINQUENIO 1978-1982

MUNICIPIOS	1978		1979		1980		1981		1982	
	PROY	COSTO	PROY	COSTO	PROY	COSTO	PROY	COSTO	PROY	COSTO
TIPITAPA	L.E	180,325	MER	770,528	VIV	5,457,100	T.A	292,820	PAV	525,600
	-		A.S	844,580	MAT	724,889	PAV	475,200	-	
	-		-		PAV	432,000	-		-	
	-		-		A.S	929,036	-		-	
MASAYA	MAT	866,663	MER	770,528	PAV	864,000	VIV	14,274,900	ESC	315,560
	-		PAV	777,600	L.E	1,147,350	ESC	287,000		
NINDIRI	A.P	676,281	A.S	422,290	T.A.I.	139,800	PAV	237,600	T.A	322,100
DIRIA	ENC	39,200	PAV	194,400	T.A.I.	139,800	PAV	237,600	-	-
SANTA TERESA	ENC	39,200	PAV	194,400	MER	193,856	PAV	237,600	-	-
NAGAROTE	PAV	176,400	AS	422,290	-	-	-	-	-	-
SAN RAFAEL DEL SUR	MER	250,250	A.P	1,065,064	A.PU	20,013	PAV	237,600	VIV	6,603,000
	-		A.PU	36,372	-		T.AI	153,750	PAV	262,800
	-									
JINOTEPE	MER	1,738,000	T.A	484,000	MAT	1,331,111	-	-	-	15,702,450

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REGION II

MUNICIPIOS	PROY	COSTO	PROY	COSTO	PROY	COSTO	PROY	COSTO	PROY	COSTO
DIRIAMBÁ	MER	968,240	PAV	388,800	PAV	432,000	MAT	797,222	PAV	379,600
	-	-	-	-	T.A.	266,200	-	-	-	-
GRANADA	A.S	1,919,500	A.S	2,111,450	MER	6,488,625	PAV	950,400	MAT	1,611,111
			MAT	495,132	PAV	864,000	-	-	PAV	1,051,200
NIQUINOHOMÓ	PAV	176,400	A.S	422,290	C.S	240,000	MER	186,550	PAV	262,800
	-	-	L.E	253,520	-	-	A.S	510,968	-	-
DOLORES	MER	60,060	ENC	43,200	PAV	216,000	PAV	247,600	CM	191,590
MASATEPE	A.P	1,741,632	A.S	844,580	A.S	929,038	A.PU	108,992	APU	12,683
NANDAIME	PAV	276,400	PAV	194,400	-	-	-	-	CM	191,590
	-	-	-	-	-	-	-	-	MAT	1,114,073
SAN MARCOS	MER	274,560	T.A	242,000	MAT	724,889	PAV	475,200	PAV	575,600
TOTAL	CS	9,403,111		10,977,424		21,539,709		19,711,002		29,121,757
	US\$	1,343,302		1,568,203		3,077,102		2,815,856		4,160,252

TOTAL GENERAL DE LA REGION CS 90,753,003
US\$ 12,964,715

SIMBOLOGIA

A.P Agua Potable

MER Mercado

TA Tren de Aseo

LEGEND

A.P Potable Water

MER Market

T.A Garbage Truck

PAV Pavimento

MAT Matadero

ENC Encunetado

PAV Paving

MAT Slaughterhouse

ENC Curbing

AS Alcantarillado Sanitario

VIV Viviendas

APU Alumbrado Público

AS Sewerage System

VIV Housing

APU Public Lighting

L.E Luz Eléctrica

C.M. Casa Municipal

C.S Centro de Salud

L.E House Wiring

C.M. Municipal Building

C.S Health Center

ESC. Escuela

T.AI Taller de Artes Industriales

ADO Adoquinado

ESC School

TAI Industrial Building

ADO Paving

ESTIMACION DE COSTOS PARA DEMANDA DE PROYECTOS
REGION V
QUINQUENTO 1978-1982

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ANNEX M
Page 21 of 23

MUNICIPIOS	1978		1979		1980		1981		1982	
	PROY	COSTO								
MA-TAG ALPA	A.P.	4,942,344	MAT	1,210,000	A.S.	2,322,550	ENC	211,200	VIV	15,702,450
	MER	2,251,700	ENC	172,000	T.A.	532,400	PAV	739,200	A.S.	2,810,330
	T.A.	440,000	A.S.	2,111,450	PAV	864,000	-	-	T.A.	644,200
	PAV	705,600	PAV	604,800	-	-	-	-	PAV	1,051,200
SEBACO	ENC	39,200	A.P.	662,480	A.S.	464,519	L.E.	492,527	C.S.	290,000
	A.P.	583,632	A.PU	36,372	-	-	-	-	-	-
LA TRINIDAD	-	-	MAT	260,615	PAV	216,000	A.PU	5,240	-	-
	-	-	-	-	A.PU	60,039	MER	266,500	-	-
SAN RAFAEL DEL NORTE	PAV	176,400	A.S.	422,290	-	-	ENC	52,800	PAV	262,800
	-	-	-	-	-	-	-	-	C.M.	191,590
CIUDAD DARIO	PAV	736,440	MER	374,374	A.S.	464,519	-	-	M.AT	347,077
	ENC	30,240	A.S	422,290	A.P.	1,703,920	-	-	VIV	6,603,000
CONDEGA	-	-	C.M	225,000	-	-	-	-	-	-
	ESC	115,500	A.S	422,290	VIV	5,457,100	PAV	184,800	ESC	169,050
	-	-	ENC	43,200	-	-	MER	239,850	-	-
SAN RAMON	A.S.	383,900	PAV	194,400	A.P	257,830	C.S	264,000	ESC	169,050
MATIGUAS	MER	283,500	A.P	682,864	A.S	464,519	T.A	292,820	-	-
	L.E	115,230	L.E	126,760	PAV	216,000	-	-	-	-
TERRABONA	PAV	176,400	A.P	229,320	A.S	464,519	C.M.	174,250	-	-
JINOTEGA	A.P	2,575,392	PAV	777,600	A.S.	1,843,435	T.A	585,640	MAT	1,611,111
	LE	316,125	MER	1,887,600	A.PU	145,809	ADO	1,230,400	-	-

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CONTINUACION - REGION V

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MUNICIPIOS	PROY	COSTO								
	MER	2,145,000	A.S.	2,111,450	A.P	3,531,150	A.P	4,068,900	-	-
	A.S	1,919,500	A.P	3,062,696	ENC	192,000	PAV	950,400	-	-
			C.S	218,000	PAV	672,000	-			
ESQUIPULAS	L.E	115,230	A.P	499,408	A.P	571,710	T.A	292,820	-	-
	-	-	-	-	-	-	C.S	264,000	-	-
SAN NICOLAS	L.E	115,230	A.P	66,248	PAV	216,000	T.A	292,820	-	
SAN DIONISIO	A.P	180,648	PAV	194,400	L.E	418,260	L.E	32,417	-	
SAN JUAN DE LIMAY	ENC	39,200	L.E	253,520	A.S	464,519	ESC	153,750	ESC	169,050
PUEBLO NUEVO	A.P	352,032	A.S	422,290	PAV	216,000	T.A	292,820	C.M	191,590
	-	-	-	-	MER	133,276	MAT	315,385	-	
SAN ISIDRO	PAV	176,400	A.S	422,290	MER	145,392	-		-	
LA CONCORDIA	A.P	194,544	PAV	174,400	A.S	464,519	PAV	237,600	MER	73,255
TOTAL	C\$	19,109,387		18,563,927		22,641,406		11,640,139		30,285,753
U.S.	\$	2,729,912		2,651,990		3,234,487		1,662,877		4,326,536

TOTAL GENERAL DE LA REGION C\$ 102,240,612
U.S. \$ 14,605,802

RESUMEN DE COSTO
REGION II Y V
(MILES)

ANOS		1978	1979	1980	1981	1982
REGION V	C\$	19,109.4	18,563.9	22,641.4	11,640.1	30,285.7
	\$	2,729.9	2,652.0	3,234.4	1,662.9	4,326.5
REGION II	C\$	9,403.1	10,977.4	21,539.8	19,711.0	29,121.8
	\$	1,343.3	1,568.2	3,077.2	2,815.8	4,160.3
TOTALES	C\$	28,512.5	29,541.3	44,181.2	31,351.1	59,407.5
	\$	4,073.2	4,220.2	6,311.6	4,478.7	8,486.8

Total General de las Dos Regiones: C\$ 192,993.6

US\$ 27,570.5

MACROECONOMIC ANALYSIS TABLES

This Annex contains the following:

1. Nicaragua: Central Government Revenues
2. Nicaragua: Central Government Budget
3. Nicaragua: Balance of Payments

NICARAGUA: CENTRAL GOVERNMENT REVENUES
(C\$ Millions)

	<u>Actual</u> <u>1975</u>	<u>Budget</u> <u>1976</u>	<u>Actuals</u> <u>1976</u>	<u>Revised</u> <u>1977</u>
1. Total Current Revenues	1312.9	1658.3	1527.3	1700.8
2. <u>Tax Revenues</u>	1151.2	1431.6	1352.7	1555.5
A. <u>Direct Taxes</u>	<u>265.2</u>	<u>427.6</u>	<u>350.3</u>	<u>351.2</u>
Income Tax	175.2	322.4	245.6	231.2
Property Tax	90.0	105.2	104.7	120.0
B. <u>Indirect Taxes</u>	<u>858.0</u>	<u>971.4</u>	<u>1002.4</u>	<u>1204.3</u>
Import Tax	344.6	406.0	367.3	435.9
Export Tax	6.9	7.8	6.8	45.5
Sales and Excise	506.5	557.6	628.3	722.9
3. A. <u>Non-Tax Revenues</u>	<u>119.9</u>	<u>146.3</u>	<u>109.3</u>	<u>71.2</u>
B. <u>Recuperations</u>	<u>14.2</u>	<u>50.2</u>	<u>21.1</u>	<u>18.8</u>
4. <u>Current Transfers</u>	<u>4.6</u>	<u>5.2</u>	<u>12.5</u>	<u>19.0</u>
5. <u>Earmarked Taxes</u>	<u>23.0</u>	<u>24.9</u>	<u>31.7</u>	<u>36.3</u>

SOURCES: 1975 and Budget 1976 - USAID Nicaragua: Current Economics Situation
1976 and 1977: Central Bank

NICARAGUA: CENTRAL GOVERNMENT BUDGET
(C\$ Millions)

	<u>1975</u>	<u>Budget 1976</u>	<u>Actual 1976</u>	<u>Estimated 1977</u>
A. Current Revenues	<u>1323.2</u>	<u>1658.3</u>	<u>1527.3</u>	<u>1700.8</u>
B. Current Expenditures	<u>1130.1</u>	<u>1234.2</u>	<u>1208.5</u>	<u>1456.8</u>
C. Savings on Current Account (A-B)	193.1	424.1	318.8	244.0
D. Capital Expenditures	<u>963.7</u>	<u>989.0</u>	<u>906.4</u>	<u>1419.6</u>
Real Investment	(332.0)	(414.9)	(319.0)	(783.5)
Financial and Indirect Investment*	(506.2)	(393.6)	(430.0)	(407.4)
Amortization of Debt	(125.5)	(180.5)	(157.4)	(228.7)
E. Total Expenditures (B+D)	2093.8	2223.2	2114.9	2876.4
F. Additional Resources Needed to Finance Investment (D-C)	<u>770.6</u>	<u>564.6</u>	<u>587.6</u>	<u>1175.6</u>
G. <u>Sources of Funds</u>	<u>644.6</u>	<u>505.5</u>	<u>587.6</u>	<u>1175.6</u>
Debt to INSS	48.8	51.4	51.4	56.5
Other Internal Borrowing**	-	102.3	29.3	93.0
External Borrowing	595.8	351.8	159.5	1084.3
H. To be covered by Cash Reserves (including deposits abroad)	126.0	59.1	347.4	(58.2)

SOURCES: 1975 USAID May 1976 Report Nicaragua: Current Economic Situation
1976 Budget - Ministry of Finance Program Budget
1976 - 1977 Central Bank and USAID

* Indirect investment is capital transfers to autonomous public entities, financial investment is lending by Central Government to autonomous entities.

** Such as bond issuance.

NICARAGUA: BALANCE OF PAYMENTS
(US\$ Millions)

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
A. <u>Balance on Current Account</u>	<u>256.7</u>	<u>-189.4</u>	<u>- 64.0</u>	<u>-109.2</u>
Exports (FOB)	379.6	375.9	541.2	663.3
Imports (FOB)	-540.2	-479.3	-496.2	-630.6
Net Services	-111.6	- 99.5	-120.5	-159.9
Net Transfers	15.5	13.5	11.5	8.0
B. <u>Private Capital</u>	<u>58.1</u>	<u>44.5</u>	<u>25.7</u>	<u>19.8</u>
Investment	13.8	13.0		
Loan Drawdowns	9.1	10.0		
Amortization	- 4.0	- 6.5		
Suppliers Credit	39.2	28.0		
C. <u>Official Capital</u>	<u>173.4</u>	<u>110.9</u>	<u>70.6</u>	<u>145.4</u>
Loan Drawdowns	174.4	156.9	72.3	197.3
Amortization	- 20.3	- 20.9	- 37.2	- 50.4
Other, Incl. Withdrawals or Deposits Abroad	19.3	- 25.1	35.5	- 1.5
D. Errors and Omissions	- 13.7	- 7.3	- 7.4	-
E. Balance of Payments	<u>- 38.9</u>	<u>- 31.7</u>	<u>39.7</u>	<u>56.0</u>
F. Change in Net Reserves (-) equals Increase	+ 38.9	+ 31.7	- 39.7	- 56.0

** Projected

SOURCE: Central Bank

INITIAL ENVIRONMENTAL EXAMINATION

Project Location: Nicaragua
Project Title: Rural Municipal Development
Project Number: Loan 524-0119
Funding (Fiscal Year and Amount): FY 1978/1980 - \$5 million loan
Life of Project: 3 years
IEE prepared by: Gussie L. Daniels III *GD*
Assistant Program Officer
Homero Bustamante *H*
Program Economist
Cleared by: Paul M. Groves, DVP *PMG*
P. Wilson, CAP *PW*
O. J. Lustig, RDO *OL*

Environmental Action Recommended: It is recommended that a negative determination be made for this project and that no additional environmental examinations be carried out on this project. The project will involve technical assistance, training and municipal infrastructure development. Although these activities will involve some kinds of infrastructure construction, these will be limited and are not expected to result in large-scale land transformations or to have a significant effect on the human environment.

Concurrence by Mission Director:

Arthur W. Mudge
Arthur W. Mudge, Director, USAID/Nicaragua

Date: 2/2/77

Assistant Administrator Decision:

Approved: Eugene N. Girard II, AA/LA

Disapproved: Eugene N. Girard II, AA/LA

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Description of Project: The purpose of this project is to develop a multi-institutional system to expand and improve the services provided by rural municipalities to their small farmer and rural poor constituents. This propose, directly related to the overall goal of the Government of Nicaragua and USAID/N's program to improve the standard of living of the rural poor, will be accomplished through the provision of training, technical assistance and supervised credit to rural municipalities. To ensure that suitable institutional arrangements will exist to organize and administer the program, this combined loan/grant project will support the establishment and staffing of a Rural Municipal Development Division in the Ministry of Government, the creation of a Municipal Data Bank to collect and analyze information on the major problems of rural municipalities, and the establishment of a Municipal Credit Fund within the Institute for Campesino Welfare (INVIERNO) to finance expanded Municipal services projects. In addition, the project will support the establishment of a Rural Municipal Development Executive Advisory Board, training for Ministry of Government personnel and local Municipal officials and a study of existing legislation affecting municipalities. Taken together, these activities are expected to have a positive impact on such factors as low annual budgets, antiquated organizational structures, poor administration, lack of facilities and other deficiencies which have limited the capacity of Nicaragua's municipalities to provide more and better services to the rural poor.

The GON will provide training, facilities, salary support, etc. to municipal officials on tax laws and collection procedures; financial management and control; budget preparation and control; and project design and management. AID funds (\$5.0 million) will finance technical assistance, training and commodity support for upgrading the skills of the Ministry of Government officials and to improve the capability of the Ministry to deal with municipal problems. In addition, the loan will finance municipal development projects.

1. Identification and Evaluation of Environmental Impacts

<u>Impact Areas and Sub-areas</u>	<u>Impact Identification and Evaluation</u> <u>2/</u>
<u>A. Land Use</u>	
1. Changing the character of land through:	
a. Increasing the population	N
b. Extracting natural resources	N
c. Land clearing	N
d. Changing soil productive capacity	N
2. Altering natural defenses	N
3. Foreclosing important uses	N
4. Jeopardizing man or his works	N
5. Other Factors	N
<u>B. Water Quality</u>	
1. Physical state of water	N
2. Chemical and biological states	N
3. Ecological balance	N
4. Other factors	N
<u>C. Atmospheric</u>	
1. Air additives	N
2. Air pollution	N
3. Noise pollution	N
4. Other factors	N

- 2/ N = No environmental impact
L = Little environmental impact
M = Moderate environmental impact
H = High environmental impact
U = Unknown environmental impact

D. Natural Resources

- 1. Diversion, altered use of water N
- 2. Irreversible, inefficient commitments N
- 3. Other factors N

E. Cultural

- 1. Altering physical symbols N
- 2. Change of cultural traditions N
- 3. Other factors N

F. Socio-Economic

- 1. Changes in economic/employment patterns M
- 2. Changes in population L
- 3. Changes in cultural patterns M
- 4. Other changes in traditional agriculture cultivation practices N

G. Health

- 1. Changing a natural environment N
- 2. Eliminating an ecosystem element N
- 3. Other factors - changing dietary habits of rural families N

H. General

- 1. International impacts N
- 2. Controversial impacts N
- 3. Larger program impacts N
- 4. Other factors N

- I. Other possible impacts (not listed above)

RURAL MUNICIPAL DEVELOPMENT
PROJECT PERT ACTIVITIES

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ANNEX P.
Page 1 of 8

No.	Description and Completion Date	Action
	<u>General</u>	
0	Starting point (PP completed and submitted to AID/W)	AID/N
0-1	Review and approve PP (30 Sep 77)	AID/W
1-2	Prepare and sign a project agreement to obligate FY 77 funds (30 Nov. 77)	AID/N-GON
2-3	Meet all conditions precedent to initiate disbursements under this project. (31 Mar. 78)	GON-DDM INVIERNO
3-4	Develop and present publicly a National Municipal Development Strategy (30 June 79)	GON

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No.	Description and Completion Date	Action
<u>Training</u>		
<u>DDM Personnel Training</u>		
Note: All activities carried out by the long and short term specialists will be carried out under an on-the-job training for the DDM counterpart personnel.		
0-5	Select and contract long term specialist (LT Spec) to provide technical assistance to DDM in its activities of creating an independent, unified municipal development institution with all necessary recommended services. (30 Apr. 78)	DDM-AID
5-6	Determine training needs, then design and schedule a training program to upgrade the capability of DDM personnel, including seminars, courses, on-the-job training, observation visits and long term overseas courses - Master level (15 Dec. 77)	DDM-Long Term Specialist
6-7	Select and contract a competent educational institution and/or training specialist(s) (T Spec) to develop or provide curriculum and teaching materials (15 Feb. 78)	DDM-Long Term Specialist
7-8	Develop and prepare all necessary teaching material and manuals for the first years scheduled DDM Personnel training activities (6 to 10 courses and 1 to 2 seminars). Also assist in the selection of participants and of schools and sites to be utilized. Start training. (15 Mar. 78)	MDD-T. Spec.
8-10 10-12 12-14	Conduct and evaluate each training activity scheduled for the period. Also update training as necessary including the selection and processing of participants and start the following training activities scheduled for the period (6 to 10 courses and 1 to 2 seminars) (31 June 78) (31 Jan 79) (31 Jan 80).	MDD-T. Spec.
14-16	Continue training DDM personnel as a permanent activity of the institution (31 Aug 81).	
<u>Training Municipal Government Personnel</u>		
7-9	Develop and prepare with the direct participation of DDM counterparts all necessary teaching material and manuals for the first years scheduled training activities to be given to Municipal Government Personnel. (6 to 10 courses and 1 to 2 seminars). Also assist in the selection and processing of participants and schools and sites to be utilized. Start training. (30 Jun. 78)	DDM-Spec.

No.	Description and Completion Date	Action
9-11 11-13 13-15	Conduct and evaluate each training activity schedule for the period. Also update training as necessary including the selection and processing procedures for participants. Start the following training activities scheduled for the period. (6 to 10 courses and 1 to 2 seminars) (31 Jan. 79) (31 Jan 80) (31 Jan 81)	DDM-Spec.
15-16	Continue training Municipal Government personnel as a permanent activity of DDM. (30 Aug. 81)	

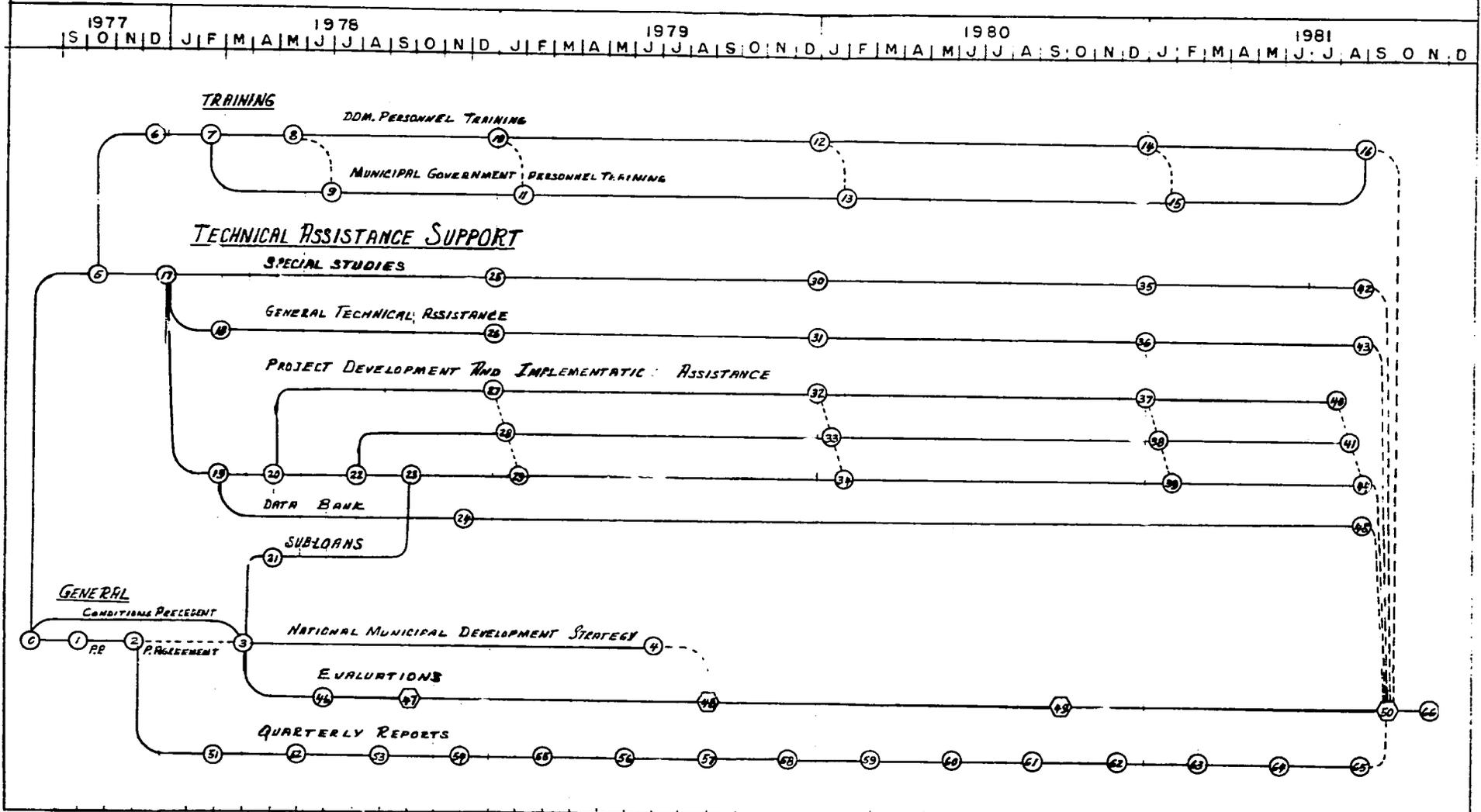
No.	Description and Completion Date	Action
<u>Technical Assistance Support</u>		
<u>Special Studies</u>		
5-17	With the active participation of DDM and INVIERNO counterparts review and develop a detailed work plan to achieve the institutionalization of the municipal development process through DDM, by creating an independent, semi-autonomous, unified development institution with a self-sufficient source of technical services to assist the municipalities in their developmental process. (30 June 78).	DDM-INVIERNO L.T. Spec.
17-25 25-30 30-35	Conduct scheduled social and legal studies to establish basis for improved municipal administration, also conduct studies on the political division of the country to insure its adequacy for municipal development and make specific recommendations to accelerate the municipal development process. Use Short Term specialist (S.T. Spec.) as necessary (31 Jan 78) (31 Dec 79) (31 Dec 80).	DDM - L.T.&S.T. Spec.
35-42	Continue as a permanent activity of DDM conducting special studies to establish basis for a more active development of the municipalities (31 Aug 81).	DDM

No.	Description and Completion Date	Action
<u>General Technical Assistance</u>		
17-18	Organize and staff field technical assistance with Regional Officers and field monitors to provide technical assistance to municipal government personnel. Specialized T.A. may be provided from the office central staff. Start providing T.A. services to Region V. (28 Feb. 78)	DDM - L.T. Spec.
18-26	Provide continued T.A. assistance to municipality government personnel in Region V and aid them all their activities of identifying, promoting and implementing municipal development projects. Consider evaluation recommendations and start providing T.A. services to Region II. (31 Dec 78).	DDM - L.T. Spec.
26-31	Based on yearly evaluation results update T.A. services and continue providing assistance to Regions II and V. (31 Dec 79) (31 Dec 80) (31 Aug 81).	DDM- L.T. Spec.

No.	Description and Completion Date	Action
<u>Project Development and Implementation Assistance</u>		
17-19	With active participation of INVIERNO design a basic program to identify, promote and implement municipal development projects within a stablished criteria for granting sub-loans to insure that specific projects benefit the rural poor as per agreed conditions (28 Feb. 78)	DDM- L.T. Spec. INVIERNO
19-20	Contact municipalities in Region V to detect needs for the identification of priority projects and promote them (30 Apr. 78)	Monitors
20-22	Complete feasibility studies for identified projects and submit them with loan applications to INVIERNO (31 Jul 78).	Monitor Study Div. Municipality
22-23	Process loan application, review feasibility study and approve loan if within general loan approval criteria established. Also sign loan agreement and disburse loan (30 Sept 78).	INVIERNO- Municipality
20-27	Continue identifying and promoting projects in Region V and start doing the same in Region II. (30 Dec. 78)	Monitors
22-28 28-33 33-38	Update methodology for making feasibility studies as recommended in evaluation and continue completing feasibility for identified projects. (15 Jan 79) (15 Jan 80) (15 Jan 81).	Monitors Study Div. Municipality
38-41	Update methodology as recommended in the general evaluation and continue as a permanent activity of DDM reviewing feasibility studies (31 Aug 81).	INVIERNO Municipality
23-29 29-34 34-39 39-44	Update methodology as recommended in the general evaluation and continue processing loan applications, reviewing studies, signing loan agreements and disbursing loans (31 Jan 79) (31 Jan 80) (31 Jan 81) (31 Aug 81).	
3-21	Review loan T-031 experience and accomodating new aspects of this project, update as necessary all procedures for processing, approving, disbursing, collecting and monitoring sub-loans. Also develop and put into practice a communication system by which DDM is maintained properly informed of all project sub-loan negotiation, implementation and loan recovery operations (30 Apr. 78).	INVIERNO
21-23	Process loans which already fill the requirements under this project in order to accelerate disbursements for project implementation (30 Sept 78).	INVIERNO

No.	Description and Completion Date	Action
19-24	Design and implement a data gathering, processing and information bank under which all municipalities to which credit has been extended, provide simple but standardized data.	DDM - Spec. INVIERNO
24-45	As a permanent activity of DDM continue building up the information bank and making this information available to users. (31 Aug 81).	DDM
<u>Evaluations</u>		
3-46	Design an ongoing evaluation and monitoring system, including criterias for municipal interventions and for overall governmental policies. Also set up within it a feedback system to improve or update interventions (30 June 78)	FONDESA Contractor
46-47 47-48 48-49	Conduct general evaluation of progress, emphasizing the improvement of a permanent evaluation system. Submit recommendations to improve system (30 Sep 78) (30 Sep 79) (30 Sep 80)	FONDESA/AID Contractor
49-50	Conduct Final General Evaluation (30 Sept 78)	AID/W
<u>REPORTS</u>		
2-51 51-52 52-53 53-54 54-55 55-56 56-57 57-58 58-59 59-60 60-61 61-62 62-63 63-64 64-65	Prepare and submit to AID quarterly progress reports. including loan activities reported by INVIERNO. (28 Feb 78) (31 May 78) (31 Aug 78) (30 Nov 78) (28 Feb 79) (31 May 79) (31 Aug 79) (30 Nov 79) (28 Feb 80) (31 May 80) (31 Aug 80) (30 Nov 80) (29 Feb 81) (31 May 81) (31 Aug 81)	DDM
50-66	Prepare and submit to AID/W end of project report (15 Nov. 81)	AID/N

RURAL MUNICIPAL DEVELOPMENT PROJECT PERT NETWORK



7/21/77

**PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK**

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ACRFX
Page 1 of 2

Life of Project:
From FY 77 to FY 81
Total U.S. Funding \$3,500,000
Date Prepared: July 30, 1977

Project Title & Number: Rural Municipal Development (524-0119)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS								
<p>Program or Sector Goal: The broader objective to which this project contributes: Improve the economic well-being and living conditions of the rural poor in Nicaragua.</p>	<p>Measures of Goal Achievement: 1. Increase in the per capita income of the rural population in Regions II and V. 2. Improvement in the living conditions or the population in 49 municipalities in Regions II and V.</p>	<p>1. Project evaluation results 2. Income surveys 3. Health and Nutrition Studies 4. Production surveys</p>	<p>Assumptions for achieving goal targets: 1. Positive and continuing GON support for municipal development 2. Increased municipal revenues are channeled into development oriented projects 3. Local leaders participate in municipal affairs 4. Program can remain relatively free of political influences.</p>								
<p>Project Purpose: To increase the accessibility of public services provided by municipal governments to the people living in their jurisdictions especially the poor.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status. 1. At least 80,000 urban dwellers and 100,000 rural inhabitants in Region II utilize and benefit from expanded and improved public services. 2. At least 100,000 urban dwellers and 200,000 rural inhabitants in Region V utilize and benefit from expanded and improved public service. 3. The municipal governments are increasingly responsible for the maintenance of schools, health centers and roads.</p>	<p>-INVIERNO and MDD records -MDD Field Monitor reports -Sub-project and program evaluations -FIRMA Rural Household Surveys -Municipal budgets and reviews of central government transfers from the National budget. -Decrees issued by MOG.</p>	<p>Assumptions for achieving purpose: 1. Sub-projects and the municipality are adequately managed 2. Beneficiaries use the services provided by the sub-projects.</p>								
<p>Outputs: 1. Projects constructed 2. Continuing technical assistance and training program in the areas of: 1. Municipal Finance 2. Municipal Administration</p>	<p>4. The municipal government providing legal aid and involved in information to the poor in the community. Magnitude of Outputs: 1.a <u>Sub-projects Constructed:</u> 15 Markets 8 Slaughterhouses 10 Water Systems 8 Sewage and Drainage Systems 8 Street and Road Improvements 6 Others 55 Totals</p>	<p>1. INVIERNO records 2. MDD records 3. AID Engineering and Project Management records 4. On-site visits 5. Evaluations</p>	<p>Assumptions for achieving outputs: 1. No shortage of construction skills and materials. 2. Revenue generating estimates of projects are accurate. 3. Municipality willing to accept technical assistance and training in a designated field 4. MDD will be willing to hire technical advisors to work with the municipalities. 5. Personnel of MDD and INVIERNO remain in the program. 6. Continued cooperation of GON ministries and agencies. 7. Municipal leaders attend training courses. 8. Municipalities request MA</p>								
<p>Inputs:</p>	<p>b. <u>Sub-project completion rate:</u> <table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td>1st Yr</td> <td>2nd Yr</td> <td>3rd Yr</td> <td>4th Yr</td> </tr> <tr> <td>8</td> <td>12</td> <td>15</td> <td>20</td> </tr> </table> 2. By the end of the fourth year the credit fund is covering 80% of its administrative costs. 3.a An average increase in municipal revenues of at least 100% over the four year life of this project. b. At least 60% of the target municipalities submit budgets that reflect future activities and funding requirements.</p>	1st Yr	2nd Yr	3rd Yr	4th Yr	8	12	15	20	<p align="center">UNCLASSIFIED</p>	
1st Yr	2nd Yr	3rd Yr	4th Yr								
8	12	15	20								

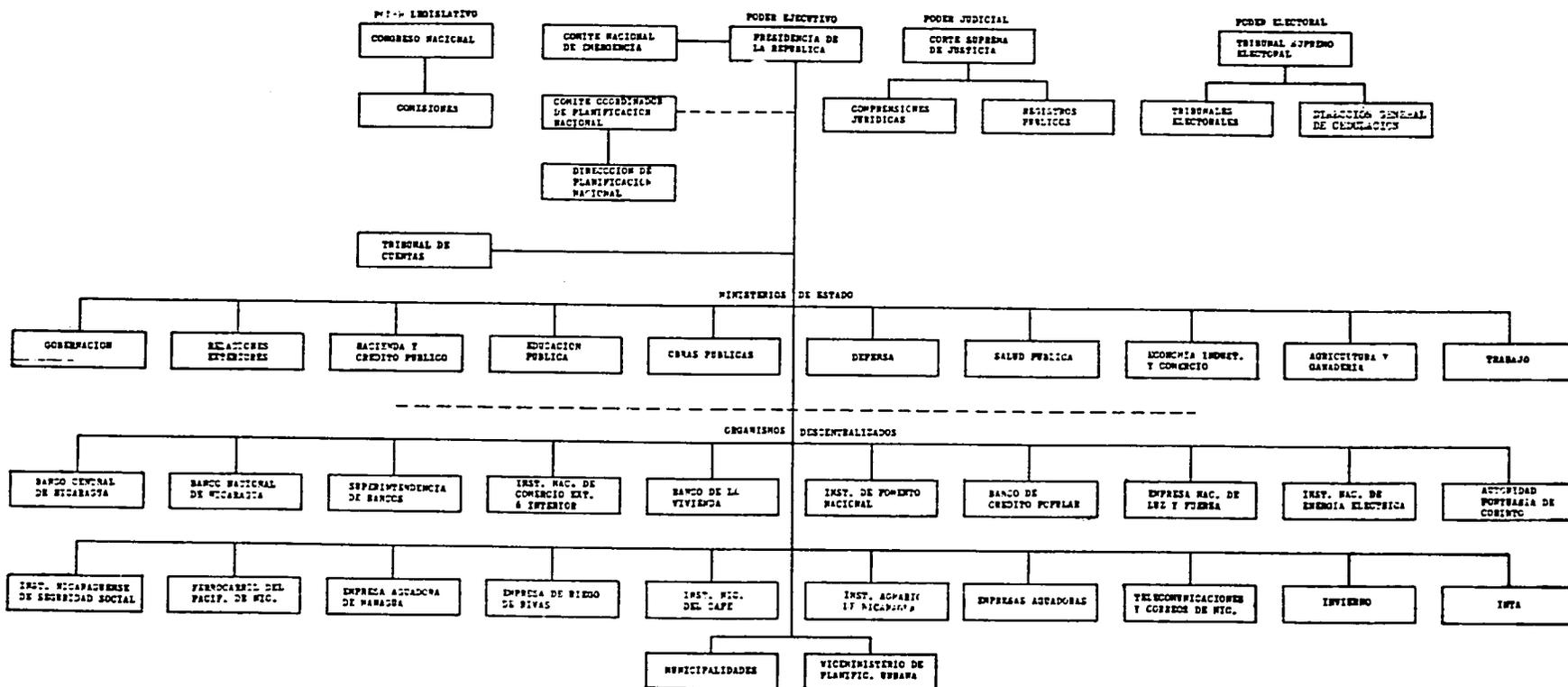
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ORGANIZATION CHARTS

This Annex contains the following:

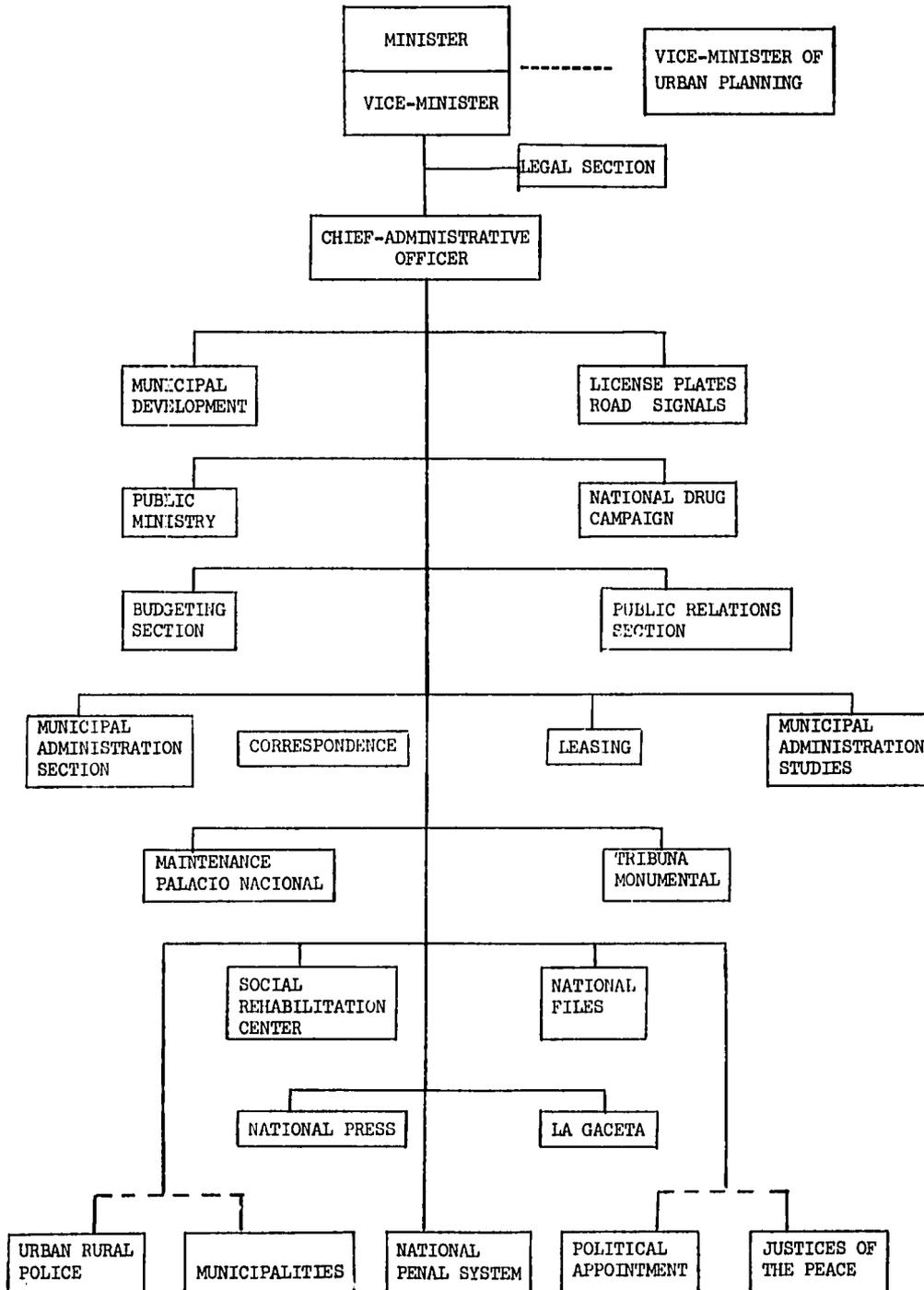
1. Organizational Structure of the Government of Nicaragua.
2. Organizational Chart of the Ministry of Government.
3. Organizational Chart of the Municipal Development Department - Ministry of Government.
4. Organizational Chart - INVIERNO

ORGANIGRAMA DEL GOBIERNO DE NICARAGUA

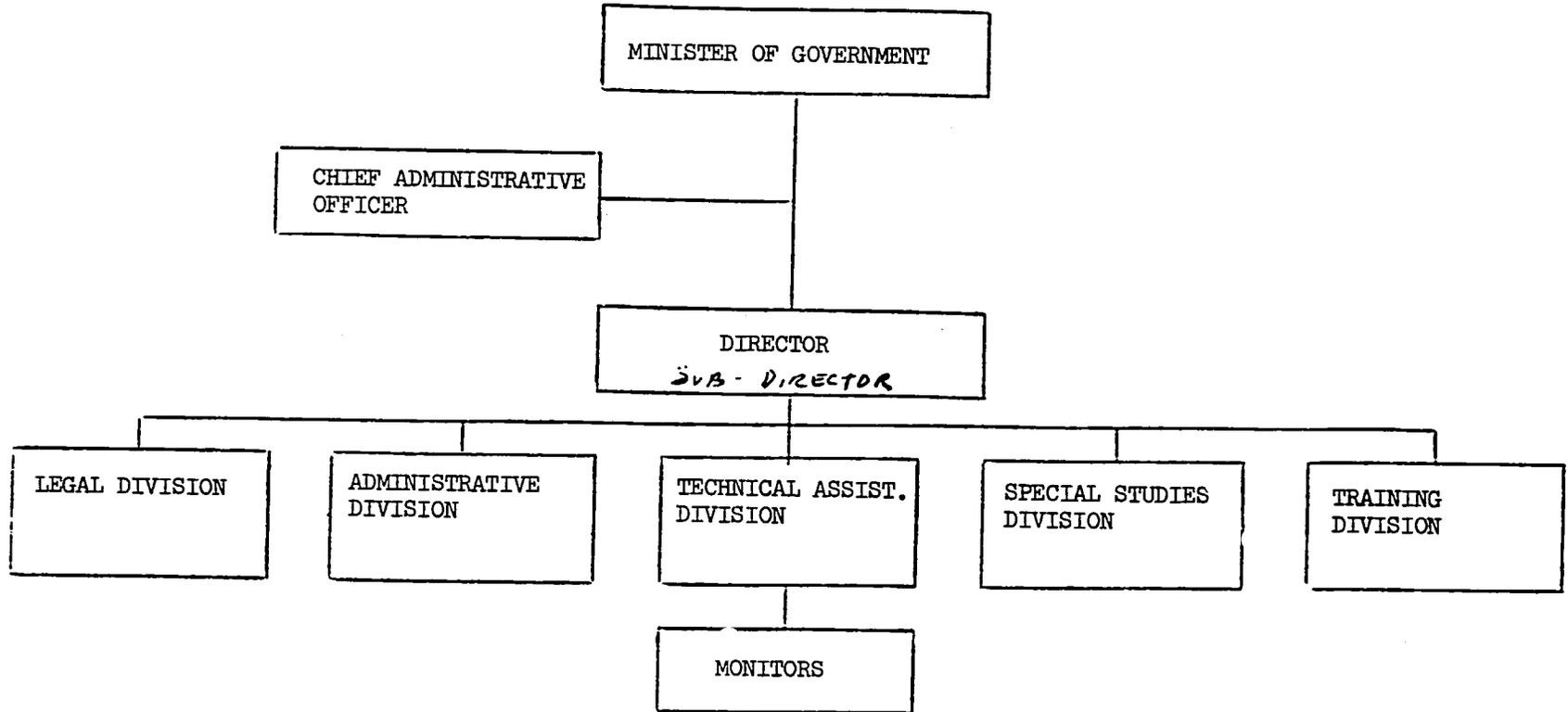


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ORGANIZATIONAL CHART
MINISTRY OF GOVERNMENT



ORGANIZATIONAL CHART OF MUNICIPAL DEVELOPMENT
DEPARTMENT - MINISTRY OF GOVERNMENT

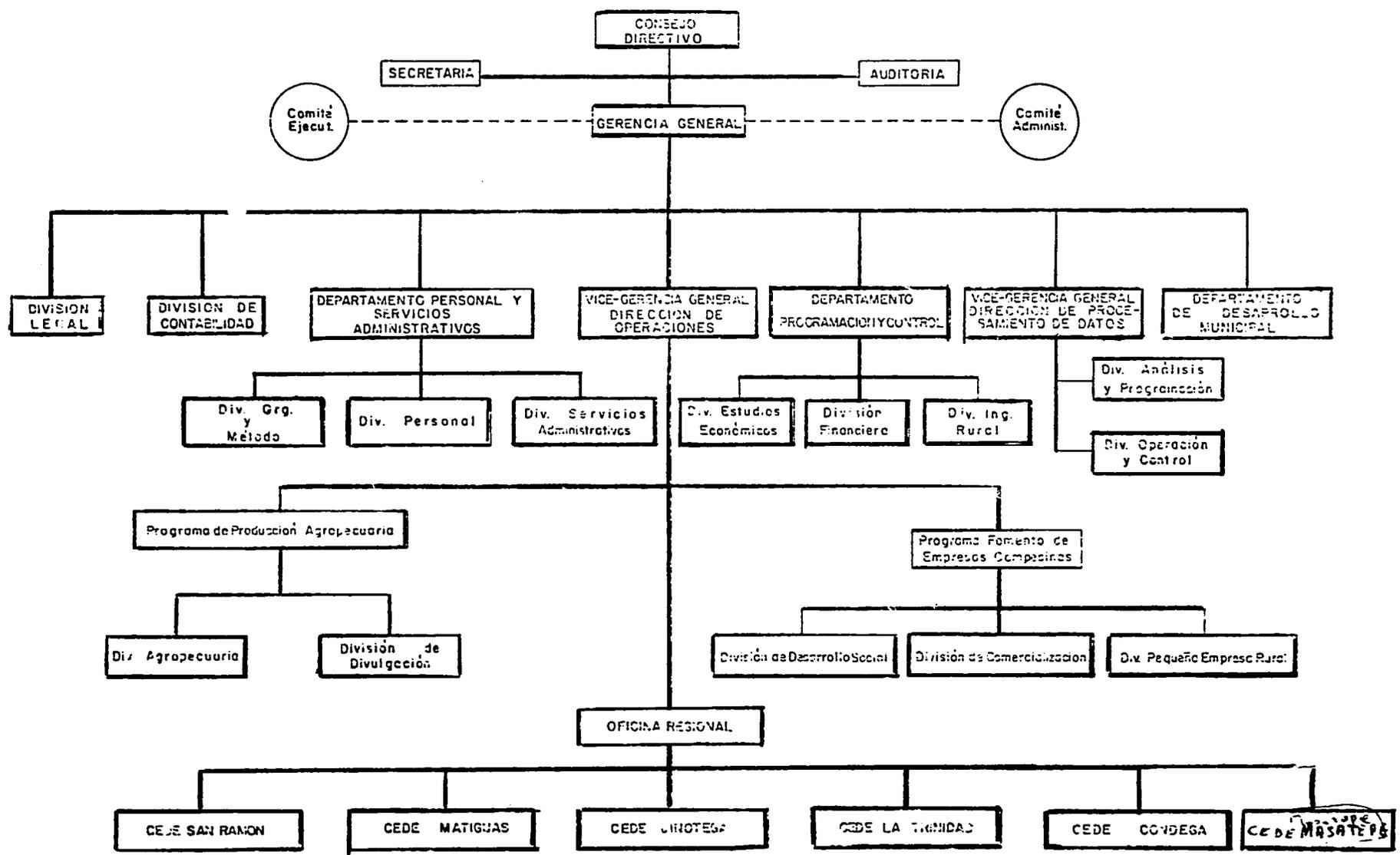


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INSTITUTO DE BIENESTAR CAMPESINO
ORGANIGRAMA

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Page 5 of 5
Annex R

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INSTITUTO DE BIENESTAR CAMPESINO
(INVIERNO)

MINISTERIO DE LA GOBERNACION

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ANEXO N° 9

CONVENIO ENTRE EL MINISTERIO DE LA GOBERNACION

Y EL

INSTITUTO DE BIENESTAR CAMPESINO

PARA LA

EJECUCION DEL PROGRAMA DE DESARROLLO MUNICIPAL

Managua, Nicaragua

Agosto 1976



Ministerio de la Gobernación
Managua, D. N.

CONVENIO ENTRE EL MINISTERIO DE LA GOBERNACION Y EL INSTITUTO
DE BIENESTAR CAMPESINO (INVIERNO) PARA LA EJECUCION DEL PROGRAMA
DE DESARROLLO MUNICIPAL.

JOSE ANTONIO MORA ROSTRAN, en su carácter de Ministro de la Gobernación y KLAUS SENGLMAN, en su calidad de Presidente del Consejo Directivo del Instituto de Bienestar Campesino (INVIERNO),

CONSIDERANDO:

- I.- Que de acuerdo con el Arto. 250 de la Constitución Política, de la Ley Creadora de Ministerios de Estado y otras Dependencias del Poder Ejecutivo y sus reformas, publicadas en "La Gaceta", Diario Oficial No. 249 del 31 de noviembre de 1948 y No. 94 del 30 de abril de 1963, y con la Ley Orgánica del Distrito Nacional y de Municipalidades, publicada en "La Gaceta", Diario Oficial No. 84 del 19 de abril de 1967, el Ministerio de la Gobernación tiene a su cargo la aprobación de los Planes de Arbitrio y Presupuestos, así como la vigilancia de las Municipalidades y la división política interdepartamental.
- II.- Que conforme Decreto No. 20, publicado en "La Gaceta", Diario Oficial del 5 de mayo de 1975, INVIERNO tiene como objetivo principal, el de servir a la población rural de menores ingresos y el de promover el mejoramiento de su nivel de vida; y le ha sido conferida la calidad de Banco.
- III.- Que el Ministerio de la Gobernación e INVIERNO llevarán a cabo, conjuntamente, un programa de desarrollo municipal encaminado a que las principales ciudades y cabeceras municipales del área rural, ofrezcan mayores incentivos de progreso que se traduzcan en bienestar colectivo de la población; y para tal fin INVIERNO ha creado dentro de su organización, un Departamento de Desarrollo Municipal; debiendo también



Ministerio de la Gobernación
Managua, D. N.

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Annex S

Convenio 2-

el Ministerio de la Gobernación crear dentro del propio Ministerio un Departamento de Desarrollo y Asesoría Municipal, ambos con el propósito de prestar asistencia técnica y crediticia a las Municipalidades, así como efectuar estudios de su administración, legislación y otras materias relacionadas con las Municipalidades.

Que para el desarrollo de este programa, el Gobierno de la República suscribió un contrato de préstamo con la Agencia Internacional de Desarrollo (AID), para financiar una parte del costo; y de acuerdo con la cláusula 3.07 (c) de dicho contrato de préstamo se establece la necesidad de suscribir un convenio entre el Ministerio de la Gobernación e INVIERNO.

En razón a las consideraciones anteriores, se conviene en suscribir el presente Convenio entre el Ministerio de la Gobernación y el Instituto de Bienestar Campesino (INVIERNO), sujeto a las siguientes bases:

OBJETIVOS:

El Convenio tendrá los siguientes objetivos:

- a) Mantener una estrecha colaboración y coordinación entre el Ministerio de la Gobernación e INVIERNO, con el fin de complementar sus actividades, para evitar duplicidad de esfuerzos y conflictos entre las partes;
- b) Encauzar los esfuerzos necesarios para la realización del programa de desarrollo municipal; y
- c) Establecer los mecanismos de coordinación inter-agenciales que requiera la ejecución del presente Convenio.

ADMINISTRACION:

El Ministro de la Gobernación y el Presidente del Consejo Directivo de INVIERNO serán los responsables de la administración y ejecución del presente Convenio, pudiendo delegar dicha responsabilidad en funciona-

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Ministerio de la Gobernación
Managua, D. N.

Convenio 3-

rios de sus respectivas dependencias, que estimaren convenientes.

MINISTERIO DE LA GOBERNACION

El Departamento de Desarrollo y Asesoría Municipal del Ministerio de la Gobernación, tendrá las siguientes funciones y obligaciones:

- 1) Hacer estudios socio-económicos y jurídicos conducentes al mejoramiento y ampliación de la gestión municipal, con las recomendaciones a las autoridades gubernamentales correspondientes;
- 2) Formular estudios sobre las características y problemas de las Municipalidades, con miras a determinar si la división política del país, a nivel municipal, es adecuada para el desarrollo de esas Municipalidades;
- 3) Investigar las posibilidades de asistencia técnica que el Gobierno pueda poner a disposición de las Municipalidades; y formular las bases de un sistema coordinado de asesoría y apoyo técnico;
- 4) Elaborar y desarrollar planes de capacitación para los funcionarios municipales, tendientes a mejorar la conducción administrativa de sus municipios;
- 5) Establecer servicios de consultoría a las municipalidades;
- 6) Capacitar al elemento humano ligado al funcionamiento del Gobierno local, en aquellas materias que permitan mejorar la función administrativa de los municipios;
- 7) Asesorar a las municipalidades en la contratación de asesores, firmas etc., para la elaboración de estudios, obras etc., y otras actividades relacionadas con el Desarrollo Municipal;
- 8) Promover y motivar, la cooperación intermunicipal;
- 9) Coordinarse con las otras autoridades relacionadas con el desarrollo regional y municipal;

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Annex S



Ministerio de la Gobernación
Managua, D. N.

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Annex S

Convenio 4-

- 10) La realización de los estudios técnicos, económicos y jurídicos para el desarrollo de los Municipios;
- 11) Preparar el material didáctico para los cursos, charlas, conferencias, seminarios etc., que será preciso dictar como parte del plan de entrenamiento a funcionarios y empleados de la administración pública a nivel de Gobiernos locales; y
- 12) Tener en cuenta prioritariamente al aprobar los Presupuestos de los Municipios las obligaciones que éstos pudieran tener con INVIERNO, especialmente en lo relativo al pago de las amortizaciones más intereses de los préstamos que se les hubieran concedido.

INVIERNO

INVIERNO tendrá las siguientes funciones y obligaciones:

- 1) Operar el Programa, en su primera etapa, en las Regiones II y V principalmente, y posteriormente ir extendiéndolo al resto del país;
- 2) Administrar un fondo de crédito e inversiones, para proyectos municipales de desarrollo;
- 3) Mantener informado al Ministerio de la Gobernación de todo lo que observe en relación con el estado de las inversiones financiadas;
- 4) Someter a la consideración del Ministerio de la Gobernación las recomendaciones y conclusiones de los estudios de factibilidades bancarias, relacionados con los Municipios; y
- 5) Resolver sobre las solicitudes de préstamos que hagan los municipios con la aprobación del Ministerio de la Gobernación. En ningún caso INVIERNO tramitará solicitudes de Municipios, que no hayan sido presentadas al Ministerio de la Gobernación u obtenida la aprobación

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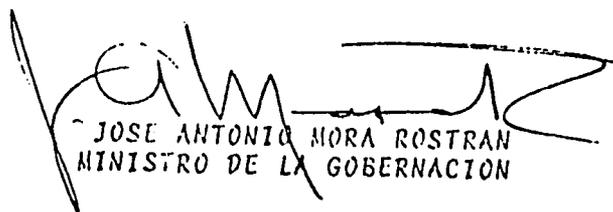
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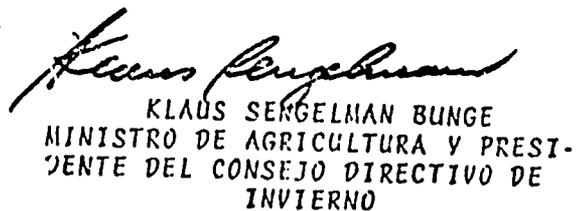
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Ministerio de la Gobernación
Managua, D. N.

Convenio 6-

a los veintián días del mes de mayo de mil novecientos setenta y seis.


JOSE ANTONIO MORA ROSTRAN
MINISTRO DE LA GOBERNACION


KLAUS SERGELMAN BUNGE
MINISTRO DE AGRICULTURA Y PRESI-
DENTE DEL CONSEJO DIRECTIVO DE
INVIERNO

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INSTITUTO DE BIENESTAR CAMPESINO
(INVIERNO)

MINISTERIO DE LA GOBERNACION

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ANEXO N° 10

EL CONSEJO ASESOR

DEL

DESARROLLO MUNICIPAL

Managua, Nicaragua

Agosto 1976



Ministerio de la Gobernación
Managua, N.

CONSEJO ASESOR DEL DESARROLLO MUNICIPAL

Nosotros, JOSE ANTONIO MORA ROSTRAN, Ministro de la Gobernación; RICARDO BARRALES SANCHEZ, Ministro-Director de la Dirección Nacional de Planificación; KLAUS SENGELMAN EUNCE, Presidente del Consejo Directivo del Instituto de Estudios Comunitarios y Ministro de Agricultura y Ganadería; GUSTAVO MONTIEL BERNARDEZ, Ministro de Hacienda y Crédito Público; ADAN CAJINA RIOS, Ministro de Salud Pública y GUSTAVO URMER CASCO, Corrente General de INVIERNO, actuando cada uno en representación de las instituciones mencionadas y dando cumplimiento a la cláusula 6.07 (b) del Convenio de Prórroga entre el Gobierno de la República y la Agencia Internacional de Desarrollo (A.I.D.), acordamos constituir el "CONSEJO ASESOR DEL DESARROLLO MUNICIPAL", bajo la organización siguiente:

- | | |
|-------------|---|
| Presidentes | Ministro de la Gobernación |
| Miembros: | Ministro-Director de la Dirección Nacional de Planificación; Ministro de Agricultura y Ganadería y Presidente del Consejo Directivo de INVIERNO; Ministro de Hacienda y Crédito Público; Ministro de Salud Pública y el Corrente General de INVIERNO. |

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Ministerio de la Gobernación
Managua, D. N.

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Suplentes:

El Vice-Ministro de la Gobernación
El Funcionario que el Señor Ministro
Director de Planificación Nacional, de-
signare; El Vice-Ministro de Agricultu-
ra y Ganadería; El Vice-Ministro de Ha-
cienda y Crédito Público; El Vice-Minis-
tro de Salud Pública y El Vice Gerente
de Operaciones de INVIERNO.

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El Consejo de Desarrollo Municipal se establece como un Organo Asesor del
Programa del Desarrollo Municipal, y tendrá las siguientes funciones:

- a) Orientar y estudiar las actividades que tengan que ser canalizadas y efectuadas a través de los Gobiernos Municipales y que consideren convenientes para la ejecución del Programa de Desarrollo Municipal, acorde con los planes nacionales de desarrollo, y los criterios y responsabilidades de las Instituciones representadas.
- b) Observar las políticas y procedimientos de los Departamentos de Desarrollo Municipal del Ministerio de la Gobernación y de INVIERNO, sean compatibles con las políticas y programas nacionales y municipales de desarrollo.
- c) Tratar de que se alcance el mayor grado de coordinación posible entre las metas, procedimientos y objetivos del Ministerio de la Gobernación, de INVIERNO y de la Dirección Nacional de Planificación, a fin de evitar duplicidad de esfuerzos o conflicto entre las

partes.

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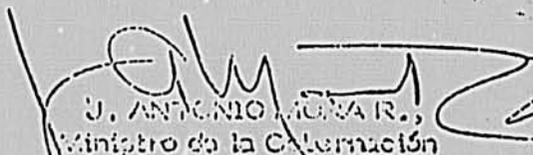
Ministerio de la Gobernación
Managua, D. N.

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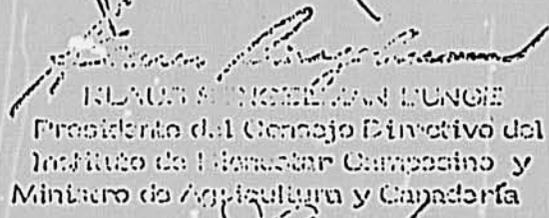
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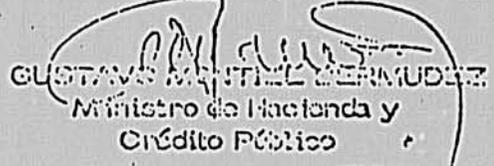
- d) Orientar, cuando fuere del caso, al Ministro de la Gobernación, sobre las solicitudes de asistencia técnica y/o financiera que las autoridades de los Municipios cometan a la consideración del Departamento de Desarrollo Municipal de dicho Ministerio.

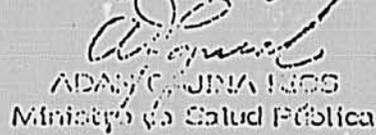
Managua, Distrito Nacional, 21 de Mayo de 1976.-

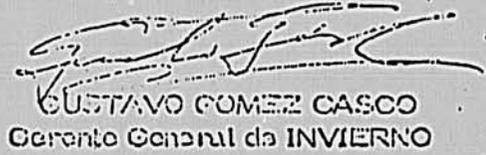

 J. ANTONIO MORA R.,
 Ministro de la Gobernación


 POR: RICARDO MARRALES SANCHEZ
 Ministro-Director de la
 Dirección Nacional de Planificación


 KLAUS NICOLAI LUNGE
 Presidente del Consejo Directivo del
 Instituto de Bienestar Campesino y
 Ministerio de Agricultura y Ganadería


 GUSTAVO MANTILLA BERMUDEZ
 Ministro de Hacienda y
 Crédito Público


 ADÁN CAJINA TORRES
 Ministro de Salud Pública


 GUSTAVO GOMEZ CASCO
 Gerente General de INVIERNO

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ANNEX U
Page 1 of 1

MUNICIPAL DEVELOPMENT DEPARTMENT STAFFING PATTERN (August 11, 1977)

Office of the Director

Director
Deputy Director
Secretary
Driver

Administrative Division

Administrator
2 Administrative Assistants
Bi-lingual secretary
2 Drivers
Mechanic
4 Secretaries
2 Messenger

Legal Division

2 Lawyers (Chief and Assistant)
Legal Assistant
Secretary

Special Studies Division

3 Economist (Chief plus two assistants)
Arquitect
2 Engineers
2 Draftsmen
Secretary

Training Division

Economist (Chief)
Assistant
Secretary

Technical Assistance Division

Economist (Chief)
4 Field Monitors

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