

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



ANNUAL BUDGET SUBMISSION

FY 83

NICARAGUA

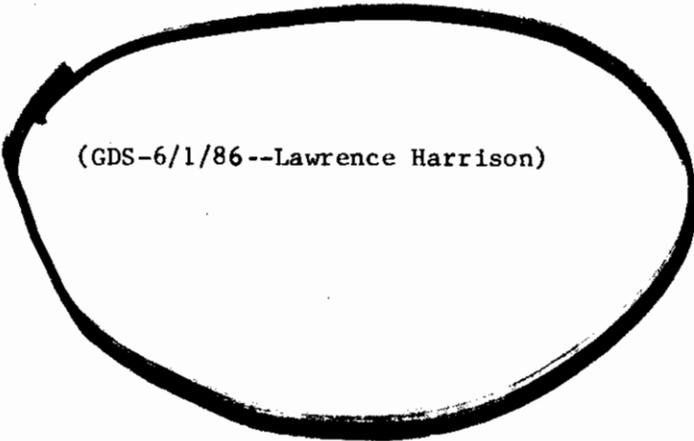
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(GDS-6/1/86--Lawrence Harrison)

TABLE I NARRATIVE AND PROPOSED PROGRAM RANKING

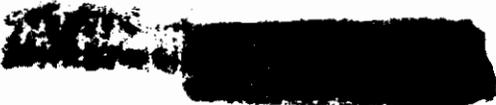
Assistance levels for Nicaragua over the next few years will depend upon the state of our bilateral relations. If the political environment permits us to channel resources to the GRN, we will probably be able to continue our assistance to the private sector. If there are not direct benefits to the GRN, our assistance will probably be viewed as a destabilizing technique and our AID Mission may be asked to leave.

We have developed three alternative packages: Minimum, Current and AAPL, to conform to ABS terminology. The Minimum decision package envisions an environment in which new assistance to the GRN is not possible and all assistance is channeled to the private sector. The Current decision package assumes that the political environment permits some assistance to the GRN. The APPL decision package assumes a major improvement in bilateral relations with a consequent significant increase in assistance to the GRN. The Mission is currently operating at the Minimum level.

Minimum Decision Package

- A. At the Minimum level, our objective is to strengthen the private sector and other forces for pluralism (e.g., the church, non-sandinista labor confederations). The FY 81-83 Program is limited to support for 25 to 30 private sector and people-to-people projects, the continuation of a few ongoing technical assistance and training programs with the GRN, and the final disbursements to the GRN from the earthquake reconstruction and small farmer development loans. It is not clear that this amount of assistance to the GRN will assure continuation of the USAID mission.
- B. Under this alternative, USDH workforce levels are reduced from the actual FY 81 level of seven (Director, Deputy Director, Program Officer, Capital Development Officer, Controller, Deputy Administrative Office and a Secretary) to six in FY 83 by eliminating the Deputy Director slot and substituting a General Development Officer for the Capital Development Officer. Reduction of FNDH staff is gradual because of procurement, technical backup, and monitoring needs of the program's many small support grants.
- C. Budget and workforce levels for FY 81-83 are as follows: (\$000)

	<u>FY 81</u>	<u>FY 82</u>	<u>FY 83</u>
DA	2,515	2,800	1,951
ESF			
Grant (Private Sector & PVO's)	8,575	10,000	10,000
Loan	40,000	-	-
Total	51,090	12,000	11,951
USDH	7	7	6
FNDH	38	36	31



Current Decision Package

- A. If there is modest improvement in the political environment, the USAID will support two objectives: (1) to strengthen the private sector and other forces for pluralism, and (2) encourage further moderation of GRN policies. Assistance for the latter objective will help assure continuation of assistance for the former objective.
- B. Under this alternative, we would sign the reprogrammed Education (033) and Health (032) loans in FY 81; sign PL 480 Title I agreements in FY 81, 82 and 83; and make available ESF resources to both the private sector and the GRN in FY 81, 82, and 83. (ESF assistance directly to the private sector would emphasize private sector beneficiaries.) There is a limited expansion of technical assistance to the public sector, principally in support of loan activities.
- C. USDH requirements increase from seven in FY 81 to 13 in FY 82 and 83. In comparison with the FY 83 Minimum package, the FY 83 Current level adds the Deputy Director, an Assistant Program Officer, a Capital Development Officer, a Health Officer, an Education Advisor, a Rural Development Officer and a Deputy Controller. FNDH staff increases by seven as compared to the Minimum package, principally for accounting and secretarial functions.
- D. Cumulative budget and workforce levels for FY 81-83 are as follows: (\$000)

	<u>FY 81</u>	<u>FY 82</u>	<u>FY 83</u>
DA			
Grant	2,715	3,310	2,126
Loan	(12,500)	-	-
ESF			
Grant	8,575	15,000	15,000
Loan	55,000	10,000	10,000
PL 480 Title	6,000	15,000	15,000
Total	72,290	43,310	42,126
USDH	7	13	13
FNDH	38	38	38

APPL Decision Package

- A. With a major improvement in the political environment, our principal objective would be to help underwrite a major reconstruction and development program while continuing assistance to the private sector and other forces for pluralism. New programs would include balance of payments support through ESF and Title I programs; new development assistance projects in agriculture, health, and education; and new technical assistance activities, principally in support of loan projects.
 - B. A program at the APPL level requires four additional USDH (an Assistant CDO, a Procurement Officer, a Health Assistant, and an Engineer), and two FNDH (an Education Advisor and an Agricultural Economist) over the FY 82-83 Current levels.
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C. Cumulative budget and workforce levels for FY 81-83 are as follows: (\$000)

	<u>FY 81</u>	<u>FY 82</u>	<u>FY 83</u>
DA			
Grant	2,765	4,710	5,676
Loan	-	25,000	30,000
ESF			
Grant	8,575	15,000	15,000
Loan	55,000	15,000	20,000
PL 480 Title I	6,000	20,000	15,000
Total	72,340	79,710	85,676
USDH	7	17	17
FSDH	38	40	40

