

**USAID/Nicaragua**

# **ACTION PLAN**

**FY-93 - FY-94**



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USAID/Nicaragua  
Action Plan

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## I. STATUS OF STRATEGIC OBJECTIVES

### A. Relationship of Mission Strategic Objectives to the LAC Bureau Objectives and the Country Strategy/Refinements in Performance Indicators

The USAID/Nicaragua strategy was outlined in detail in the CDSS submission approved just six months ago. No major revisions to the strategic objectives are currently envisioned and the strategy remains as outlined in the CDSS.

USAID/Nicaragua agreed to use this Action Plan to adjust the framework of its strategic objectives from that presented in the CDSS approved in July, 1991 to better represent the strong concurrence between the Mission's program and the LAC objectives. In addition, the Mission has made considerable progress in identifying indicators and establishing a Program Performance Assessment System with assistance from CDIE and its contracted consultants. This progress in articulating the Mission program is outlined in some detail in the tables accompanying this Action Plan. The relationship between Mission strategic objectives presented in the CDSS and the LAC Bureau objectives and how those objectives are being addressed by program and project initiatives is presented in Table 1 - Strategic Objective Program Overview. The relationship between Mission and Bureau objectives can be summarized as follows:

#### LAC Objectives

#### Mission Strategic Objectives

### **I. Support the achievement of broadly-based, sustainable economic growth.**

**A. Encourage economic policies that promote investment, productive employment, and outward-oriented diversification.**

**B. Encourage a vigorous private sector response.**

**C. Encourage increased economic opportunities for the disadvantaged.**

**D. Encourage preservation and sustainable use of the natural resource base.**

**Increased foreign and domestic investment.**

**Increased competitiveness and diversification in the economy.**

**Increased participation in the economy.**

**Improved basic education.**

**Improved maternal and child health.**

**Increased use of environmentally sound production and extraction practices.**

II. Support the evolution of stable, participatory democratic societies.

A. Strengthen civilian government institutions.

B. Strengthen public participation in Democratic Process

} Greater consensus on democratic values.

III. Respond to specific challenges

A. Foster regional integration and cooperation.

(Activities in these areas have not been articulated under a strategic objective)

B. Diminish participation in production, trafficking, and abuse of narcotics.

C. Respond to epidemics that threaten the region.

The strong relationship between Mission and Bureau objectives is more clearly apparent in the accompanying charts and tables where the Mission's work in identifying indicators demonstrates clear convergence with indicators proposed for the LAC objectives. In the following discussion of program progress it should also be more clear how activities in support of Mission strategic objectives promote the associated LAC Bureau objectives.

B. Program Performance

USAID/Nicaragua has undertaken one of the most rapid program start-ups in the world with most of the initial effort focused on initial economic stabilization and emergency social needs. The program outlined in the CDSS addresses the longer term objectives of broad-based, sustainable economic growth and democratic transition. The considerable success of Mission initiatives in addressing Nicaragua's immediate needs lays important groundwork for achievement of the Mission's strategic objectives.

The USAID/Nicaragua program is still less than two years from its inception and less than a year from completion of its first CDSS. Though considerable progress has been made in determining indicators for measuring progress, the Mission has been unable to take the next step in establishing baselines and targets for the CDSS period. Thus, Tables 1A and 1B depart from the format provided in the Action Plan guidance which focus on quantitative targets in order to discuss, in more general terms, progress related to the strategic objective and selected program outputs. The progress discussed in the narrative below is also a primarily qualitative assessment of progress toward strategic objectives since Mission activities were initiated in mid 1990.

1. Support the achievement of Broadly-Based Sustainable Economic Growth
  - a. Encourage economic policies that promote investment, productive employment, and outward-oriented diversification.
  - b. Encourage a vigorous private sector response.

#### **Mission Objectives**

- **Increased foreign and domestic investment.**
- **Increased competitiveness and diversification.**

Achieving the Mission's primary growth strategic objectives will require both policy reform and efforts to stimulate a private sector response. At this point the most dramatic progress has been seen in the establishment of a policy environment creating favorable conditions for private sector investment and an increasingly competitive economy. Over the past year, the Nicaraguan government has taken the following steps:

- *Instituted a strong and successful stabilization program that has reduced inflation from 45% per month to almost zero and stabilized exchange rates.* This has been a critical first step in restoring investor confidence and laying the groundwork for renewed economic activity by the private sector. A severe contraction of the economy was avoided by using USAID cash transfer backed local currency to cover the budget deficit and import requirements.
- *Reduced the size of the public sector to reduce budget deficits.* USAID support for the government's occupational conversion program has helped downsize the government workforce by over 22,000 through voluntary separations. Beginning in 1992, this will have significant impact in reducing government budget deficits and eliminating a major source of inflationary pressure.
- *Liberalized trade and opened up new markets and trade relations.* State trading monopolies have been eliminated and private sector competition has returned in both import and export sectors. Imports from the U.S., which had been non-existent due to the embargo, are estimated to reach \$140 million in 1991 or nearly 20% of all import activity. Exports to the U.S. under the newly acquired CBI status are increasing in such areas as seafood and melons. Elimination of state trading monopolies and trade liberalization were part of the U.S.-Nicaragua policy dialogue associated with cash transfer assistance.

- *Began the process of privatizing state-owned enterprises.* The structure for privatization of public sector enterprise has largely been established and 86 firms were privatized or placed under private management over the last year. The government has committed itself to privatizing about 50% of its total portfolio by March of 1992. The Mission has been providing advisory services to help establish a framework for privatization and in prospectus preparation for pending privatizations.
- *Established a Superintendency of Banks and the legal framework for operation of private banks.* The Superintendency of Banks began operation on July 30, 1991 and four private banks have opened since August 22, 1991. Improved regulation of the financial sector and the influence of market forces through private banks should dramatically improve financial services in Nicaragua and improve the management of financial resources in the nation. The licensing of private banks and establishment of a superintendency were a major part of U.S. policy dialogue.

These accomplishments represent a profound change in the policy framework and overall business climate for the private sector. However, a variety of other factors, including uncertainties over property rights and continuing political disruption on the part of opposition groups, have tended to slow the private sector response. Nonetheless, there is clear evidence that Nicaraguans who had left the country during the 1980's are beginning to return and intend to conduct business in Nicaragua. Figures are not yet available but it appears that there has been a significant increase in private investment beginning in July/August 1991, which is expected to produce three to four percent real growth in 1992 after eight years of decline.

At this point the evidence of improved competitiveness in the Nicaraguan economy is primarily anecdotal based on the opening of numerous retail firms in and around Managua. Nicaragua has not yet demonstrated renewed competitiveness in export markets but in areas with a natural comparative advantage such as coffee and bananas, exports are expanding. The first tentative steps toward increased non-traditional exports were reflected by the first shipments of melons and limes to a newly opened U.S. market in 1990. A large crop is currently being planted in late 1991 for 1992 harvest and export. Mission and ROCAP assistance through a local non-traditional export promotion association has been critical to achieving these first steps.

These economic growth objectives will continue to be the Mission's highest priority and the majority of mission resources will be concentrated on policy dialogue and activities to stimulate investment, competition and diversification. Much of the policy dialogue over the Action Plan period will focus on aspects of the investment climate. Cash transfer conditionality will also be focused on the allocation of credit resources to private financial institutions. The Private Agricultural Services and Private Sector Support projects, now getting underway, will focus on stimulating a private sector response that will be reflected in increased investment, competitiveness, and diversification in the economy.

- c. **Encourage Accelerated Opportunities for Increased Participation in the Economy by the Historically Disadvantaged**

**Mission Objective: Increased participation in the economy**

The vast majority of Nicaraguans will participate in the economy through wage employment. To address employment needs until increased private sector activity creates new long-term jobs, USAID has funded an employment generation program that has financed over 15,000 short-term jobs in Managua and more than 60 other municipalities throughout the country. In the process, private sector companies have received contracts which have helped them reactivate, and critical infrastructure (roads, schools, clinics) is being rehabilitated. On the Atlantic Coast, a region particularly affected by the war and natural disaster and historically neglected by Nicaraguan governments, more than 400 jobs have been created in efforts to improve management of up to 150,000 hectares of forest and rehabilitate up to 80 bridges, 250 kilometers of roads, and ten health centers.

Over 18,000 former resistance combatants have been demobilized through U.S. financing of the CIAV program, and 35,000 refugees have been repatriated. About 95,000 ex-resistance members, refugees, and members of their families have received immunizations, food supplies, clothing, seeds and basic tools for agriculture, and housing materials to assist in becoming self-sufficient.

Nearly 3300 students have received vocational training under a Salesian Missions program financed by USAID which will improve their prospects for obtaining meaningful employment. A \$2 million special scholarship program through Georgetown University has sent 75 Nicaraguans (including 42 women and 15 ex-members of the resistance) for 18 months of technical/vocational training at U.S. community colleges.

Efforts to assure that AID programs reach the Atlantic Coast and address particular needs of that region have provided a significant boost to the local economy. Nearly 15,000 Atlantic Coast farmers received rice seed provided by CIAV/OAS under an AID-financed emergency project. Approximately 750 tons of seed helped reestablish rice cultivation which had disappeared due to civil war, floods, and hurricane disasters. The harvest produced from this seed provides families in the Atlantic Coast with a key element of their diet as well as a surplus to sell and generate local commerce. A bumper crop of at least 30,000 tons has been a major stimulus to economic reactivation in the region; carry-over stocks will serve as the basis for next year's planting thus ensuring sustainability.

Over the Action Plan period USAID/Nicaragua expects to continue work in orienting the process of privatization to emphasize broad ownership and will begin to explore the possibilities of creating a Nicaraguan stock market. Activities to assist credit unions will also be investigated during the Action Plan period and funds will be made available for small enterprise PVO activities.

### **Mission Objective: Improved basic education**

The more than 7 million new textbooks provided nation-wide to elementary and secondary schools represent an important first step in improving the quality and reducing the political and military orientation of basic education in Nicaragua. The Mission's Basic Education project will begin during FY-92 and will address the critical institutional, policy, financial, and technical constraints which impede the improvement of the quality and efficiency of the primary education system. The Education Assessment undertaken as part of the process of project design has already served to orient the priorities of the Ministry of Education and served as the basis for initial AID-financed technical assistance to reorganize the Ministry, improve its management information system, reform the curriculum, and train teachers. Fifteen Ministry of Education employees sent for short-term training in the U.S. under the Development Training Project represent another step in a series of activities leading up to the Basic Education project.

### **Mission Objective: Improved maternal/child health**

In the health area, mission activities provided stop-gap medicines and have begun to address key elements of improved maternal child health.

Through the timely provision of pharmaceuticals, the Ministry of Health has been able to alleviate severe shortages and supply medicines to segments of the population most in need. Both mothers and children have been primary beneficiaries of this program.

AID's participation as the primary donor in a multi-donor immunization effort has helped improve coverage rates for major childhood diseases; coverage rates for some diseases have been increased from 35% to 75% over the last year and the rate for polio is over 90%. AID-financed PVO programs working with oral rehydration therapy, growth monitoring, and other child survival interventions have addressed the major causes of childhood sickness and death. Project Hope has provided assistance in strengthening basic services at maternal and infant departments of four community hospitals and has offered training courses in emergency pediatric care to over 75 Nicaraguan doctors and health professionals. The Adventist Development and Relief Agency (ADRA) has distributed over \$2 million in food assistance and is working in 340 rural communities on child survival, growth monitoring, and oral rehydration.

Expansion of Pro-Familia family planning activities is now underway under the Family Planning Expansion and Regionalization project.

During the Action Plan period the Mission will be designing a decentralized health project to address primary health care and will be considering PVO proposals in this area for funding under the PVO Co-Financing project. Non-project assistance related to health financing issues that will allow the Ministry of Health to focus greater resources on primary health needs will also be considered.

- d. **Encourage Preservation and Sustainable Use of the Natural Resource Base**

**Mission Objective: Increased use of environmentally sound production and extraction practices.**

The Mission's Natural Resource Management project is now starting up and will provide institutional support for Nicaragua's environmental protection organization (IRENA), protection of key natural areas, and support for policy changes and activities addressing critical resource/environmental problems in Nicaragua. These will include improved pest management programs designed to address problems of pesticide misuse, improved forest management policies and practices, and environmental education to improve understanding of environmental issues throughout the Nicaraguan population. In addition, the Mission is helping to finance protection of bio diversity in important ecological areas, along with economic development in border areas, in three geographic areas: the Bosawás tropical forest in the North, the Mosquito Keys, an important lobster breeding ground off the Atlantic Coast, and Chacocente, an important nesting ground for sea turtles on the Pacific Coast.

An area of emphasis under the PVO Co-Financing project will be programs in agro-forestry, watershed management, land conservation, and agricultural techniques aimed at land reclamation.

2. **Support the Evolution of Stable Participatory Democratic Societies**
  - a. **Strengthen civilian government institutions**
  - b. **Strengthen public participation in Democratic Process**

**Mission Objective: Greater consensus on democratic values**

The Mission's program is designed to promote a consensus on democratic values through 1) civic education in schools, through the media, and through grassroots organizations, and 2) efforts to promote a positive experience with democratic rule through strengthening of key institutions. The Strengthening Democratic Institutions project, now underway, funds civic education efforts and a range of technical assistance and support for institutions critical to democratic rule. Other efforts to improve operation of key institutions include the Public Sector Support project which has helped restore critical government services after an initial sacking of ministries by the previous government. An inventory and analysis of Nicaraguan laws and its constitution was completed which can serve as a useful reference for reform efforts of both the executive and legislature; the inventory of laws is now being printed and will be distributed to members of the National Assembly.

Initial efforts in civic education included nine seminars on organization of political parties, the role of parties in privatization, and municipal development conducted by a new political research group, FUNDEMOS. More than 1200 persons attended these seminars in Managua

and six other cities. The Salesian Missions, in efforts complementing to their vocational training, have also provided civic education materials to more than 4,900 young men and women.

American Institute for Free Labor Development (AIFLD) efforts have helped increase membership in independent unions by over 185,000; over 11,000 union members have received training and 674 new unions have been organized. Assistance through the America's Development Foundation is being provided to Nicaraguan human rights organizations.

Perhaps the most important effort undertaken to date to lay the groundwork for consolidation of a democratic society has been the largely successful demobilization of the Resistance and the general progress in reconciliation and peaceful resolution of conflict it represents for Nicaraguan society.

3. Respond to needs for international cooperation in addressing specific challenges to the attainment of broadly-based, sustainable economic growth and the evolution of stable, democratic societies.
  - a. Foster regional integration and cooperation

The most critical area for international cooperation during the past two years and continuing on into the Action Plan period has been the process of demobilizing the ex-resistance and assisting in repatriation and resettlement of the demobilized and refugees. USAID support for these efforts has been funneled through the International Commission for Verification and Support (CIAV) working with the Organization of American States (OAS) and United Nations High Commission on Refugees (UNHCR) and through the Central American Conference for Refugees, Returnees, and Displaced Persons (CIREFCA).

USAID/Nicaragua has also recognized that efforts in support of regional economic integration and Central American regional economic initiatives are important complements to bilateral efforts to bring economic growth. The Mission will continue to participate in these efforts and will fund the participation of key Nicaraguan counterparts in appropriate forums.

- b. Diminish participation in production, trafficking, and abuse of narcotics

The Mission has not highlighted narcotics programs as an area of mission involvement.

- c. Respond to epidemics that threaten the region

Mission efforts to improve maternal/child health care will generally support actions taken to confront a possible cholera epidemic in the region. Mission personnel have participated extensively in coordinated efforts to prepare for cholera in Nicaragua and USAID-supported PVO's working in certain regions have become part of efforts to combat cholera.

### C. Program Evaluation

A major task for USAID/Nicaragua over the next six months will be to move forward in establishing baseline information for the range of indicators that have been developed for the Mission's Program Performance Assessment System. The Mission has made significant progress in identifying and analyzing indicators and has established a database system for collecting and analyzing this information. The progress made and plans for developing the required information are presented in the modified format for Tables 1A and 1B. In the process of developing baseline information in these areas, the Mission will determine where special program level evaluations will be appropriate. Currently, a Mission workshop is planned for sometime during the second quarter of FY-1992 to focus on data collection and reporting functions. By mid-1992 the Mission will have clarified plans and funding mechanisms for on-going and special program evaluation activities.

Among the activities that will be undertaken to establish baselines and targets will be initial survey work and focal group analysis related to the Mission's efforts in promoting democracy in Nicaragua. The Mission will also draw from a planned World Bank socio-demographic study and planned IDB surveys in the social sectors. Project activities and monitoring and reporting built into project design will be a primary source of data for program level evaluation.

The Mission has just completed an evaluation of its Economic Stabilization and Recovery programs for FY-90/91 and is in the process of reviewing the final Evaluation Report. A special evaluation of privatization efforts funded from a variety of sources is anticipated for late in the second quarter of 1992. As the USAID/Nicaragua portfolio begins to mature, interim project evaluations will become an important management tool for project implementation and will contribute to overall program evaluation.

## II. COUNTRY PERFORMANCE RELATED TO BUREAU OBJECTIVES

As of the submission date of this Action Plan, USAID/Nicaragua had not received final country performance rankings to be used for budget allocations. However, the previous rankings sent in August placed Nicaragua next to the bottom of all LAC countries. A ranking at this level for Nicaragua penalized the new government for the sins of the old. The substantial progress made over the past year in Nicaragua is recounted above. The Mission finds it difficult to believe that any other country in the region can match the scope and extent of actions taken by the Nicaraguan government to liberalize the economy and stabilize the economic situation. If Nicaragua is not rated at or near the top after a period in which economic policy has been essentially revamped and totally re-oriented in line with free-market principles, the utility of the performance budgeting system needs to be questioned. The Mission believes that the government has taken bold and dramatic action to the maximum extent possible within considerable political constraints. Much of what has been accomplished over the past year in the economic realm far surpasses what most analysts expected. While the Mission will grant that there is a great deal yet to be done and key

areas in both the political and economic spheres have yet to be addressed, the country should not be penalized because it still has a long way to go but rather rewarded for the significant progress it has made and encouraged to make further efforts to move forward.

### **III. PORTFOLIO ANALYSIS: NEW AND TERMINATING PROJECT/NON-PROJECT INITIATIVES**

USAID/Nicaragua has addressed many of the immediate needs of the Nicaraguan economy and responded to urgent requests from the Chamorro administration through one of the fastest program start-ups in the Agency's history. With this initial period essentially over, the Mission anticipates a program focused increasingly on long-term development activities.

#### **A. New Project/Program Initiatives**

The USAID/Nicaragua project/non-project portfolio developed in FY-90/92 generally incorporates the activities outlined in the CDSS strategy. As a new portfolio with the bulk of the design work already completed, new project initiatives are generally elaborations on existing project design based on a continuing process of assessment and study in areas identified in the CDSS and original project designs. The Mission also expects to be able to build on experience in project implementation in expanding activities that appear to be effective in reaching project and program objectives. Thus, the new designs the Mission is considering maintain a strong focus on areas identified in the CDSS and represent spin-off projects, expansion to existing projects, and complementary activities to projects now underway or in development. At this point, the Mission plans relatively few design activities for FY-94 with the intention of buying down the mortgage and focusing on implementation. The new activities now being considered through FY-94 which have not yet been provided to AID/W for review are summarized below and their relationship to Mission strategic objectives is outlined in Table 5.

#### **FY-1992**

The FY-92 cash transfer program, **Economic Stabilization and Recovery IV**, will provide balance of payments assistance in support of liberalized exchange rate policy, elimination of restrictions on private import and export of key agricultural commodities, and allocations of medium term credit resources to the private banks.

A new **PL-480 Title I** program is being developed for FY-1992 to provide continued balance of payments assistance in support of economic stabilization. This program will provide foreign exchange savings to the government as well as a stable supply of basic commodities that will help to stabilize prices. Foreign currency will be used to reduce the government budget deficit in order to eliminate inflationary pressure.

A **PL-480 Title II** program for FY-92 will provide resources for the Adventist Development and Relief Agency's child survival programs in rural Nicaragua and for CARE's ongoing employment generation program in Managua.

The Mission's **Basic Education** project is expected to be signed during the second quarter of FY-92 and will address the critical institutional, policy, financial, and technical constraints which impede the improvement of the quality and efficiency of the primary education system.

The **Public Sector Financial Management** project will provide assistance to the Nicaraguan Comptroller General and will support the development of financial and management systems in government agencies that will improve accountability. This ESF-funded project will play an important role in developing public confidence in key institutions of democratic government.

A **Decentralized Health Services** project is currently being developed to address primary health services focused on maternal and child health needs in priority regions of the country. The project will work to strengthen the capacity of municipal and regional primary health services. The project will also address questions of health financing and private sector involvement in health care delivery and financing which will be critical to improved services at all levels.

A planned amendment to the **Employment Generation** project will extend project activities through March of 1993. This project addresses Nicaragua's short-term employment needs, helps to revitalize private sector construction firms, and repairs and rehabilitates urban infrastructure and the amendment will allow continued funding for FISE employment generation activities in the absence of expected levels of IDB funding for this program during FY-92. USAID plans to discuss allocation mechanisms for transferring resources to municipalities as part of the **Economic Recovery and Development I** cash transfer program for FY-93. Such allocations of resources to municipalities, expected to begin in March, 1993, would provide an alternative source of funding for local infrastructure repair and rehabilitation projects.

#### FY-1993

A cash transfer program, **Economic Recovery and Development I**, will be developed for FY-1993 which will focus on policy constraints to growth and will encourage policy actions that will improve the investment climate in Nicaragua and create conditions for improved productivity in various sectors. As noted above, policy dialogue associated with this cash transfer will also address resource allocations to municipalities which will foster local decision making processes. The program will also provide medium term credit to stimulate a vigorous private sector response and resources for transfer to the municipal level.

A two-year **PL-480 Title III - Food for Development** program is being developed to provide stable supplies of basic food commodities and address critical policy constraints related to strengthening of private agricultural marketing systems, food security, and the environment. Local currency will be programmed for areas in the GON budget consistent with the Title III legislation.

An amendment to the **Private Sector Support** project is anticipated for FY-1993 to expand activities under that project based on the findings of studies and surveys conducted under the project and on the experience of early project implementation. The primary focus of the project extension and expansion will be on trade and investment activities.

An **Administration of Justice** project will be developed in FY-1993 emphasizing the legal and regulatory framework affecting business development and other judicial reform needs oriented toward civil law. The project will draw from an assessment being carried out under the **Strengthening Democratic Institutions** project.

A **Strengthening Municipal Institutions** project will incorporate findings from a study being conducted under the **Strengthening Democratic Institutions** project and will focus on efforts to change the policy framework governing municipal operations, particularly revenue authority and provision of basic services. The project will complement policy dialogue efforts to transfer resources to municipalities by providing training in strategic planning and administration of basic services and will provide assistance to Nicaraguan organization that provide technical assistance to municipalities. The project will also promote democratic decision-making processes related to allocation of community resources.

A **Economic Policy Analysis** project is proposed for FY-1993 as a follow-on to the **Technical Assistance and Training** project with INCAE. The project would utilize a consortium of leading U.S. universities and consulting firms to provide short-term expertise in specialized areas of economic policy. As currently contemplated, the consortium would be assisted by a small core of long-term advisors situated in Nicaragua.

Non-project assistance in support of policy reform for **Sustainable Use of Natural Resources** will be considered in FY-1993 based on analysis of resource policies undertaken under the **Natural Resources Management** project. The non-project assistance would leverage policy reform which provides incentives for sustainable management and conservation of natural resources. The funds would be allocated to the investment and/or current budget for natural resource and environmental protection activities.

#### FY-1994

A cash transfer program for FY-94, **Economic Recovery and Development II**, will continue to focus on policy constraints to growth and will encourage policy actions that will improve the investment climate in Nicaragua and create conditions for improved productivity in various sectors.

An amendment to the **Private Agriculture Services** project will provide additional resources for technology transfer and technical assistance to agricultural producers through private sector associations. The amendment will attempt to forge a stronger link between producers and agriculture research and agribusiness.

Non-project assistance will be considered for FY-1994 to leverage **Health Financing Reform** and complement technical assistance work being done under the Decentralized Health Services project. The non-project assistance would likely be tied to progress in privatization of health services and/or cost recovery and the funds would be allocated to related privatization/cost recovery activities.

**B. Discussion of Terminating Activities**

Because the USAID/Nicaragua project portfolio is relatively new, the few projects terminating during the Action Plan period are generally short-term activities designed to meet emergency needs. These projects and the Mission's intentions related to their activities are summarized below:

The **Employment Generation** project is scheduled to end in March 1994 which generally reflects the conclusion of efforts in the Atlantic Coast region. Employment generation activities through the Social Emergency Fund (FISE) have been funded with the intention of terminating funding once Inter-American Development Bank (IDB) funds become available. Since IDB funds do not appear to be forthcoming at levels previously anticipated, the Mission intends to extend the project as outlined above and include a system of resource allocations from the central government to municipalities in its policy dialogue agenda. Such resource transfers would allow municipalities to finance local infrastructure improvements such as those funded by FISE and provide a local locus of control and decision-making. Technical assistance and training under the Strengthening Municipal Institutions project would assist communities in managing these resources.

The **Non-Formal Vocational Education** project, a cooperative agreement with the Salesian Missions to upgrade and expand their vocational education centers, will terminate in March, 1993. Any possible follow-on funding will be considered through the mechanism of the PVO Co-financing Project.

The **Technical Assistance and Training** project which provides technical expertise to key ministries and private sector entities through a mechanism managed by INCAE, will terminate in September, 1992. Under the project, INCAE also provides general policy analysis for the government and private sector and holds seminars on topics related to economic recovery and public administration. The proposed Strengthening Economic Policy Implementation and Analysis project would replace this project as a means of bringing technical assistance for economic policy analysis.

The **Private Sector Support** project has a current PACD of September, 1994; Mission plans to expand and extend this project are outlined above.

#### IV. RESOURCE REQUIREMENTS

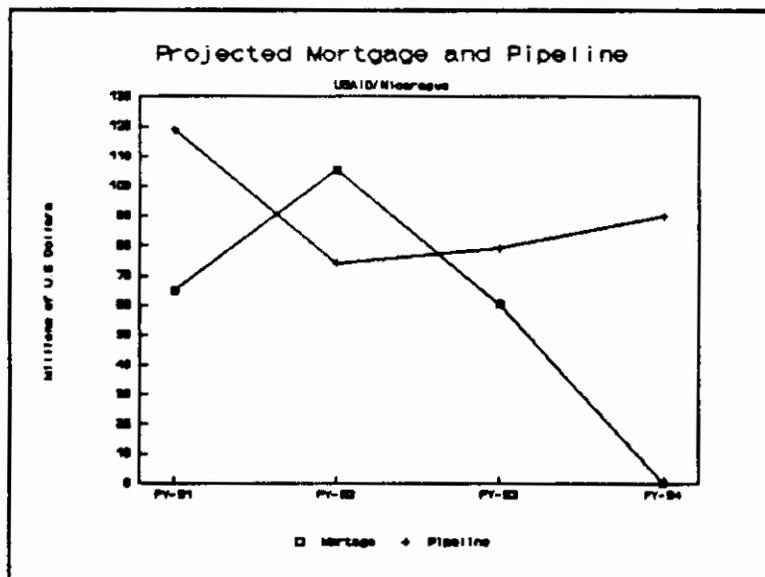
In line with plans to move increasingly from an initial program focus on short-term targets and responsiveness to urgent needs to an emphasis on critical long-term development progress, the Mission will need stable budget levels to establish its key projects and program activities and maintain adequate staffing and support levels to oversee them. The Mission has rapidly developed a sizeable program and adequate staff levels are critical to prudent management, proper accountability, and reduced vulnerability.

##### A. Program Levels and Mortgage Analysis

The program strategy outlined in the CDSS, including new initiatives identified in this Action Plan, will require program funding levels in the range of \$200 million in combined ESF and DA funding. As highlighted in the CDSS, requirements for ESF funding will remain in the range of \$150 million given the high priority of policy dialogue and balance of payments support and the emphasis on democratic initiatives. Though the designation of Nicaragua as a Relatively Less Developed Country (RLDC) will allow the Mission greater flexibility in the use of DA resources, the nature of the project portfolio still places strong emphasis on ESF funded activities. Budget reductions from current planning levels for ESF would severely constrain the Mission's planned program in key areas.

The Mission has programmed Food Assistance as an integral part of its balance of payments support and overall economic policy effort. The substantial levels of Food for Progress provided through FY-92 have been an important contribution to successful economic stabilization thus far. With the move to PL-480 Title III - Food for Development in FY-93, the planning levels represent a significant drop in the level of commodities available for programming in Nicaragua. The Mission feels that Title III levels in the range of \$25-30 million per year are essential to support the government economic program; higher levels become even more critical to the extent ESF or DA resources may be cut below current planning levels.

The Mission's design work through FY-92 has created a heavily mortgaged portfolio for the Action Plan period. The Mission has tried to limit the level of funding for new designs for the coming years and intends to use the Action Plan period to buy down its mortgage and focus on implementation. This should allow the



Mission to bring mortgage levels down to a sustainable level in the range of \$50 million. (See Figure 1).

The Mission's current high mortgage level leaves it vulnerable to any potential cuts below the planning level as there is little flexibility within the project portfolio - especially in relation to the ESF budget. It will be critical to maintain relatively high total programming levels over the Action Plan period. The early emphasis on meeting emergency needs and providing fast-disbursing assistance meant that many projects in the current portfolio were obligated at minimal levels. Thus, the high mortgage level of the portfolio is balanced by a relatively low pipeline (for a new portfolio of this size) of less than \$100 million which is expected to remain stable or decline over the next few years depending on overall OYB levels.

#### B. Program Uses of Local Currency

In FY 1992, the local currency counterpart to the ESF balance of payments program will be used to retire GON debt to the Central Bank, foreign exchange losses of the Central Bank and the Central Bank deficit. Future generations of local currency due to ESF cash transfers are expected to be programmed in the same manner. As the Mission begins to program P.L. 480 Title III assistance in FY-93, local currency generations will be used to fund activities in the GON consistent with the Title III mandate. Table 6 provides information regarding the sources and uses of the available local currency.

#### C. Operating Expenses

As noted in the FY 93 ABS, the new Nicaragua Mission continues in a growth period. Not all the USDH, USPSC and FSN personnel programmed for the USAID are at post or have been hired. The projected level of program funding will continue to require constant staff levels to effectively manage the projects, act on Regional Inspector General recommendations and ensure adequate project management needed for appropriate managerial oversight. The Internal Control Assessment has identified vulnerabilities directly related to the lack of sufficient professional administrative staff.

Mission staff moved to a newly leased building in May 1991. However, since the building required major renovation it continues to absorb additional OE funds to place the facilities into an adequate working condition. The Mission has needed to completely replace the air conditioning system, will probably have to overhaul the electrical wiring system throughout the building, and may be confronted with drilling a water well due to the numerous water shortages in country. Heavy use of diesel fuel for generators is anticipated because of projected (already frequent) power outages and renovation of the one fourth of the building not yet occupied by USAID will need to be completed. In addition, the Executive Office has a "fill" pipe project (piping to elevated water tanks) and anticipates the need to upgrade up to five additional residences prior to new staff arrivals. Non-expendable equipment is still required for the recently constructed warehouse (i.e. shelving, shop equipment, wall dividers, etc.). In short, the USAID will require at least an additional \$100,000 of OE funds beyond

that requested in the FY 93 ABS.

**Staffing Levels**

1. Staff Levels	Staff	FY 91 <small>(actual)</small>	FY 92	FY 93	FY 94
The Mission will complete its hiring in FY 92 and will require the minimum staffing levels indicated in the accompanying table.	USDH	20	24	24	24
	USPSC	8	8	8	8
	FNDH	2	2	2	2
	FNPSC	49	84	84	84
	TCN	2	3	3	3
	<b>TOTALS</b>		<b>81</b>	<b>121</b>	<b>121</b>

**2. OE Dollar Requirements**

Projected OE requirements for the Action Plan period are as follows (in \$000):

**Operating Expense Requirements**

Fiscal Year	91 <small>(actual)</small>	92	93	94
Dollar OE	\$4,175	\$ 3,900	\$ 3,528	\$ 3,643
Trust Fund OE	0	3,000**	1,000	1,000
<b>TOTALS</b>	<b>\$4,175</b>	<b>\$6,900</b>	<b>\$4,528</b>	<b>\$4,643</b>

\*\* Includes \$2.5 million to exercise a lease option to acquire the building now under lease to AID.

**3. OE Trust Funds**

The Trust Fund agreement signed with the GON in 1990 provided for \$5,000,000 in local currency to defray Mission operating expenses over three years. The Mission anticipated using \$500,000 in local currency in FY 1992 for operating expenses.

In November 1991 the Mission requested \$3,000,000 for the purpose of exercising a purchase option to the leased building and for operating expenses. This purchase option will require approximately \$2.5 million of REVERSE ACCOMMODATION since the owner of the building has indicated that he will accept payment in dollars only. The Mission feels that now is the appropriate time to exercise the option to acquire the building.

In the FY 93 ABS the USAID anticipated utilizing the \$5,000,000 OE Trust Funds for local procurements and contract services as follow: FY 92 - \$500,000, FY 93 - \$1,000,000 and

FY 93 - \$1,400,000. If the USAID's request to use Trust Funds to exercise the lease option is approved by AID/W, the OE local currency will be used as indicated in the table above. However, the USDO has been unable to open a local bank account in Nicaragua. We expect that the local bank account will be opened prior to the end of the fiscal year. Use of the \$500,000 OE local currency contributed by the GON will depend on the Mission's ability to utilize this account.

Based on the above information we are providing a Trust Fund availability table:

<b>LOCAL CURRENCY USE</b>				
<b>FY</b>	<b>Beginning Balance</b>	<b>Expected Deposits</b>	<b>Projected Usage</b>	<b>Ending Balance</b>
1992	0	3,000	3,000	0
1993	0	1,000	1,000	0
1994	0	1,000	1,000	0

#### 4. Internal Controls

The Mission's 1991 Internal Control Assessment disclosed four "Unsatisfactory-Material" control techniques. The vulnerabilities related to:

- Inadequate number of experienced staff to properly monitor Mission assistance activities.
- FSN personnel have not received training commensurate with their responsibilities.
- Clear procedures have not been developed to ensure that general support services are charged to their respective funding source.
- Inadequate protection provided against access to inventories by outsiders or unauthorized employees.

The weaknesses identified can be related directly to establishing a new Mission and the USAID's inability to quickly hire or contract for the required personnel to handle the large portfolio. The Mission is confident that the vulnerabilities will be resolved during this fiscal year. Again this may require additional resources for personnel and contract services.

## V. MISSION AND AID/W INITIATED ISSUES

**Country Performance:** As noted above, the Mission does not believe that the LAC Bureau ranking is an accurate reflection of the pace of policy change in Nicaragua. Holding back budget resources on the basis if this ranking would send the wrong signal to Nicaraguan policy makers.

**New Projects vs Project Amendments:** The Mission has proposed two new projects as part of its democratic initiatives program. These new project activities could also be rolled into a project amendment to the Strengthening Democratic Institutions project. While the design effort would be essentially the same, there would be some advantage to using the existing framework of the SDI project for early implementation. Does AID/W have a preference regarding the Mission's approach to these activities?

**PL-480 Title III--Food for Development Levels:** As noted above, the Mission feels that planning levels for Title III of \$17 million for FY-93 and FY-94 are insufficient to meet both the balance of payments and food security needs of Nicaragua over the Action Plan period. What can the Bureau do to help increase USAID/Nicaragua's budget levels for Title III to the range of \$25-30 million each year?

**PL-480 Title III--Food for Development Local Currency Use:** Regulations regarding use of local currency generations from Title III food commodities call for programming such resources to indigenous PVOs and cooperatives. Because of the politicized nature of such organizations in Nicaragua, the Mission would prefer to program Title III local currency in the same way it does generations from the cash transfer program. Can the bureau provide additional guidance regarding Title III local currency use?

**Support for INCAE:** With termination of the Technical Assistance and Training project, the Mission has proposed an alternative project vehicle for obtaining technical expertise in areas of economic policy. While this could involve INCAE in some coordinating role with some long-term advisors resident at INCAE, the Mission is also considering institutional arrangements that would not include INCAE. Does AID/W feel there are reasons we should maintain some institutional links to INCAE?

**Employment Generation Amendment:** The Mission is proposing a short-term extension of the Employment Generation project to cover an expected gap in financing of the FISE program and carry the project to a point where other Mission initiatives begin to address the continuing need for employment generation and infrastructure improvement. This would, however, be the third amendment of what was originally characterized as an "Immediate Impact Activity" and would extend the project beyond three years. The Mission believes this short-term amendment is the sensible response to the situation related to FISE but realizes this may put the Bureau in a difficult situation given information that has been provided to Congress.

**NEW**

**PROJECT AND PROGRAM**

**DESCRIPTIONS**

## PROJECT AMENDMENT DESCRIPTION

(FY 1992)

LAC Objective: Encouraging increased economic opportunities for the disadvantaged.

Mission Objective: Broad-based sustainable economic growth.

Project Title: Employment Generation Sub-Project

Project Number: 524-0301.03

Project Funding:	<u>Original</u>	<u>FY 92</u>	<u>FY 93</u>	<u>LOP</u>
(\$000)	30,400	2,000	4,000	36,400

Funding Source: ESF

### **A. Consistency of Project with Mission Strategy:**

Mission objectives encourage broad-based sustainable economic growth. In order to ensure that economic growth is broad-based and the benefits of growth reach as many as possible, the CDSS states that until other donor financing takes over and/or the private sector can generate new employment opportunities, there will be a need to create short-term employment for Nicaraguans. This amendment will continue employment generating activities until other donor funding can supplant AID's.

### **B. Relationship to A.I.D. and Other Donors:**

The project amendment which will continue to address three major social and economic problems, unemployment, infrastructure disrepair and a weakened private sector, also complements A.I.D.'s efforts in other sectors. One of the major constraints facing the Nicaraguan Education and Health Sectors is the poor condition of schools and health facilities. The proposed project will provide for the repair and upgrading of schools and health facilities in the different municipalities, thus directly contributing to USAID's assistance in the education and health sectors. In addition, the project will provide through its use of local private sector contractors increased opportunities to the private sector, thereby supplementing USAID's other private sector projects.

The Inter-American Development Bank (IDB) is expected to be the main other donor to provide substantial assistance for short-term employment generation through the repair of infrastructure. The IDB and the UNDP have provided \$1.0 million for the staffing and provision of equipment for the recently created Social Emergency Investment Fund (FISE), the Nicaraguan Governmental agency responsible for the implementation of the repair and upgrading of the country's economic and social infrastructure. Implementation has just begun on a \$4.0 million IDB program for the repair and renovation of infrastructure projects designed to create approximately 7,000 short-term jobs.

Discussions with the IDB and other donors indicate that Nicaragua needs approximately \$12 to \$15 million annually for employment generation/infrastructure repair activities. The IDB and other donors are expected to provide major assistance for employment generation activities. However, this funding will in all probability will not be available until some time in 1993. The proposed amendment will provide additional funding for employment generation activities, until other major donor funding is available.

### **C. Relationship of Project to Overall A.I.D. Policy Objectives:**

The project is consistent with the LAC objectives of encouraging increased economic opportunities for the disadvantaged.

### **D. Project Description:**

#### **1. Background and Rationale:**

Years of economic mismanagement during the last decade, combined with the civil war and the economic embargo, led to the near collapse of the Nicaraguan economy. The new Chamorro Government inherited an economy beset with problems among which were hyperinflation, a staggering debt, high levels of unemployment, a collapsed private sector and an infrastructure system in a state of complete disrepair.

As a first step in assisting the Government of Nicaragua in alleviating some of these problems, A.I.D. initiated the Immediate Impact Activities Project. One component, the Employment Generation Sub-Project, authorized on September 19, 1990, provided \$10.0 million for the generation of employment via the use of private sector entities to repair and rehabilitate the country's infrastructure. Subsequent amendments to the project increased funding to a total of \$30.4 million. The project was intended as a stop gap measure until other donors would provide substantial resources to create short-term jobs and/or economic reactivation would begin to produce long-term stable employment.

Unemployment (estimates range from 25% to 40%) still continues to be a serious problem, exacerbated by reductions in the armed forces and the repatriation of resistance forces. In addition, following years of neglect, lack of maintenance, and unavailability of spare parts, the physical condition of the majority of the country's roads, water, sewer and drainage systems, schools and health facilities is deplorable. The existing infrastructure system is incapable of providing adequate service to the public and thus continues to be a constraint to development. The private sector having suffered from a negative bias on the part of the previous Government and from the effects of preferential treatment for state enterprises, has yet to regain its former vigor and play an important role in economic recovery.

Although the Nicaraguan Government has initiated efforts to privatize public sector entities and attract investment, it will take time for private sector development to generate new employment opportunities. In the meantime, to ensure that the burden of its stabilization and structural adjustment does not fall most heavily on the poorest of the poor, the Nicaraguan

Government needs to implement programs that will generate short-term employment. Existing funds under the Employment Generation Sub-Project will run out by the end of 1992; this amendment will provide additional funding necessary to allow the Sub-Project to continue with its employment generation and infrastructure repair activities until local currency generations and/or other donor funds become available.

## **2. Description:**

The amendment will increase the amount of project funding by \$6.0 million and extend the PACD by six months (July 31, 1993 to January, 1994) to finance additional employment generating activities.

**Goal:** To assist the Government of Nicaragua in beginning to renew economic growth and meeting development needs by the generation of employment, reactivation of the moribund construction and associated industries and the repair, maintenance, rehabilitation or replacement of the Nation's deteriorated infrastructure.

**Purpose:** To utilize a portion of Nicaragua's unemployed to work on the repair of basic infrastructure.

## **3. Budget in Millions (For the Amendment):**

	<u>Amount (\$000)</u>
- Employment generation activities	5,600
- Technical Assistance/management (includes Audit and Evaluation)	<u>400</u>
Total	6,000

## **E. Planned Implementation Arrangement:**

FISE the Nicaraguan implementing agency for the Sub-Project will continue to be responsible for the implementation and management of this amendment. A local Architectural & Engineering (A&E) firm will continue to provide assistance to FISE in the selection, contracting, award and supervision of the infrastructure rehabilitation works.

## **F. Sustainability of Proposed Activities:**

The amendment will be designed to allow phase over of funding to the Government of Nicaragua and or other donor organizations or to permit termination of activities at the end of A.I.D. funding.

## **G. Mission Management Role:**

Within USAID/Nicaragua, the project will continue to be managed by a PSC project manager who will report directly to the Supervisory Project Development Officer.

**H. Potential Issues and/or Innovative Programs Approaches:**

This amendment will extend one component of an Immediate Impact Activity beyond three years. It is necessary as bridge financing until local currencies and other donor resources become available.

**I. AID/W Action Requested:**

USAID/Nicaragua requests LAC Program concurrence to proceed with PP amendment and approval in the field.

## NEW PROJECT DESCRIPTION

(FY 1992)

**LAC OBJECTIVE:** Encourage increased economic opportunities for the disadvantaged.

**MISSION OBJECTIVE:** Improved maternal and child health.

**TITLE:** Decentralized Health Services Project

**NUMBER:** 524-0327

**FUNDING:** \$22,000,000

**ACCOUNT:** Health

### **A. Consistency of project with Mission strategy:**

This project will directly address the objectives, priorities and activities for health identified in the Mission's recent CDSS. The CDSS signals four areas for aid support - maternal and child health activities, water and sanitation, health care financing and increasing contraceptive prevalence. This project will strengthen three of these four areas - maternal and child health, health care financing and increasing contraceptive prevalence. The recently initiated family planning expansion and regionalization project will also contribute in improving contraceptive prevalence, while water and sanitation efforts will depend upon the lead taken by the Government of Nicaragua (GON) and other donors, as mentioned in the CDSS.

The proposed project will support child survival interventions in priority regional areas and municipalities and health care financing reform, including options for financing health care at various levels in Nicaragua, as called for in the CDSS.

### **B. Relationship to host country and other donor activities:**

This project will directly support the health and management priorities established by the Ministry of Health (MINSa) as articulated in two key planning documents that will orient and guide the development of the Nicaraguan health sector over the next five years. These are the comprehensive five year Health Master Plan and the Local Integrated Health Systems Document. The Master Plan identifies policies, strategic guidelines, programmatic openings and specific project proposals within those guidelines. The Local Health Systems Document addresses the management of and financing strategies for the public health system.

The priorities identified in the Master Plan most relevant to AID's own strategies and to be

supported under the proposed project are:

- (1) ~~Primary health care~~ will be the basis for the organization of the health sector.
- (2) Services will be organized at the municipal level while maintaining regional ~~guidance and policy making~~.
- (3) As part of the development of local services, the process of the ~~decentralization~~ of budgeting, administration, planning, implementation and evaluation will be strengthened and consolidated ~~at the municipal level~~.
- (4) Special emphasis will be given to ~~priority health problems~~ (diarrhea, acute respiratory disease, malnutrition and pregnancy), populations at the highest risk (mothers, infants and children), and regions and municipalities with the greatest vulnerability (regions Vi, II and I, in that order).
- (5) MINSA will identify and implement ~~alternative sources of income~~ for decreasing its budget deficit.
- (6) An institutional development program aimed at ~~increasing management capacity~~ at the local, regional and central levels and improving the efficiency, effectiveness and equity of services will be established.

These policies, strategies and guidelines find expression in eight MINSA programs, of which ~~two are of special interest in the aid strategy - integrated maternal-child health care and health services development~~.

#### C. Conformance with A.I.D. policy objectives:

The basic objective of A.I.D.'s health programs as articulated in the health policy paper is to ~~assist developing countries to become self-sufficient in providing broad access to cost-effective preventive and curative health services with an emphasis on improving the effectiveness of health programs through improved program design, management and implementation and promoting self-financing of health programs~~". These will be major objectives of the proposed project. The third area of activity mentioned in the policy paper, ~~"increasing biomedical research and field testing in LDC settings"~~, will not be a focus of this project nor is it an objective of USAID/Nicaragua's current CDSS.

This project will also directly implement three of the ten principles of AID's strategy in the 1990's for Central America as articulated in the economic assistance strategy for Central America, 1991-2000. These are:

- (1) AID will assist the Central Americans to ~~strengthen democratically elected~~ local and municipal governments through ~~decentralization of real authority and resources~~ and;

(2) AID will help Central American Governments and the private sector improve the effectiveness, efficiency, financing and local control of basic social services, thus increasing access to them and assuring their sustainability. Further improvements in the social service sectors will require increased national financing of public sector programs (in contrast to donor-funded service delivery) and broadening of private sector financing of quality health and other social service delivery wherever feasible.

(3) AID will assist the Central Americans in improving their reproductive health options through the adoption of contraception which promotes safe motherhood through the proper spacing and management of planned pregnancies.

**D. Project background and description:**

**1. Background**

This project will be a key assistance effort toward achieving the healthy and literate population that is one of the three overall goals of the Mission's CDSS. The health sector faces problems of an enormous magnitude -- problems of high visibility and immediacy because they affect people in the most fundamental way.

Acute diarrheal diseases and respiratory illness/pneumonia are the leading causes of death and illness among both children and adults in Nicaragua. Significant levels of malnutrition exacerbate these and other health problems. Malnutrition among school-aged children may range as high as 20-30%, and a recent study concluded that the principal factor influencing pediatric mortality was the nutritional state of the child. Breast-feeding levels are relatively low in Nicaragua. Maternal health problems are a major cause of high rates of neonatal and perinatal deaths. Nicaragua still experiences periodic measles outbreaks. While the immediate and obvious problems include lack of equipment, spare parts, operating expenses for maintenance of equipment, medicines, and trained health care providers, there are also major management, financial and structural weaknesses within the overall health care system that must be addressed over the near future if Nicaragua is to move beyond its current predicament. The Government's assumption of monopoly status and free universal medical care simply makes no sense from a financial or efficiency point of view. The Government also needs to increase their investment in cost effective preventive care (a public good) and while decreasing their expenditures for costly services (curative care). It needs to recover, renew and expand the process of decentralization. It needs to look at new sources of financing, especially at the local level.

Nicaragua, wants to establish a health care system which puts the highest priority on preventive and primary health care and addresses the principal causes of infant, child, and maternal mortality. The system wants to reactivate high levels of community participation, extended coverage, and administrative decentralization compared to its central american neighbors. In this manner the oral rehydration programs and immunization interventions can be assured of even better coverage. Community participation will center around

brigadistas" who work as health promoters in local communities. What the system lacks is sufficient resources to organize an efficient and effective effort in primary health care which supervises personnel, rationalizes human resources decentralizes information systems , financial control and service delivery.

**(2) Project description:**

~~The goal of the project is to improve the health of the most disadvantaged sectors of the Nicaraguan population - children, mothers, rural and urban poor.~~

The purpose is to:

- (a) ~~Improve~~ and maximize impact of the severely constrained Nicaraguan public health resources and,
- (b) ~~Increase effectiveness and coverage of child survival and maternal health programs, with special emphasis on regions with the most severe health problems.~~
- (c) ~~Explore and encourage alternative financing to the sector through studies and technical assistance.~~

The project will have three major components, each addressing a major goal articulated in the CDSS. The ~~components are~~ (a) ~~Management and Financial Decentralization~~, (b) ~~Maternal and Child Health Care~~, and (c) ~~Private Sector Alternatives to Health Care~~.

**(a) Management and Financial Decentralization**

The Management and Financial Decentralization component will assist MINSA in the implementation of decentralized management processes designed to improve the efficiency, effectiveness and coverage of the health system. To accomplish this, the project will work on removing the obstacles to decentralization and improved primary care by ~~improving/re-designing systems in supervision, management information and human resources and cost recovery~~. Specifically, the project will assist in implementing new and appropriate management decentralization: norms and procedures, training programs, supervision systems, ~~goal setting, information systems, vital statistics, program monitoring and integrated management~~. It will assist in identifying and developing alternative financing mechanisms at the local level. This component will work with MINSA particularly at the local and municipal level starting in the three priority regions - Region I (~~Estado~~), Region II (~~León~~) and Region VI (~~Matagalpa~~). ~~AID financed inputs will include technical assistance, training and commodities, especially those related to the needs of the management information system.~~

### **(b) Maternal and Child Health Care**

The Maternal and Child Health (MCH) component will provide vital support to the implementation of MINSA's primary health care program in the same three priority regions. Programmatic areas to be supported are control of diarrheal disease, acute respiratory infections, prenatal and perinatal care, birth spacing, expanded immunization program and nutrition (growth monitoring, breast feeding, weaning and appropriate feeding during illness episodes). AID will finance training, per diem and materials for community outreach activities, design, pretesting, publication and broadcast costs for health education, operations research, basic critical supplies and equipment and technical assistance.

### **(c) Private Sector Alternatives to Health Care**

The MINSA will be assisted in exploring private alternatives through studies in cost recovery and increased private participation in the Nicaraguan Health Care Sector. Research examining a cost recovery in the MINSA system and which provides direction and alternatives outside this system will be analyzed and discussed in policy dialogue. In those opportunities where an expression of interest exists, pilot projects may test the alternatives to public subsidized health care. Alternatives worth testing are private wings on larger hospitals that can charge for patients that can pay. Establishing hospital fees for service without sacrificing subsidized health care for the most needy.

## **3. Major Outputs:**

### **(a) Management Development**

- Management analysis performed,
- Local health systems generating a minimum of 10% of non-personnel operating costs,
- Management information system developed and operating in target regions,
- Management supervision system with norms, procedures, etc. designed and implemented in target regions.
- Management of human resources aligned and personnel appropriately trained for their level of responsibility and care.

### **(b) MCH Services**

- Diarrheal disease causing less than 20% of infant mortality in target regions,
- Immunization levels at least at 90% of under one year population in target regions by end of project,
- Community education shows impact on feeding practices,
- Nutrition surveillance system shows 10% decline in malnutrition in children in target regions.
- An increase in 10% of the contraceptive prevalence in the target areas
- Increase in preventive maternal and child health visits

~~(c) Private Sector Alternatives~~

- ~~Three studies accomplished in health care financing alternatives.~~
- ~~Three seminars~~ conducted to divulge, analyze the content of these studies.
- ~~Formulation of strategies~~ to provide efficient cost recovery.
- ~~A pilot project in one or more of the strategies for cost containment in the Ministry Health programs.~~

4. A.I.D.-Financed inputs (DOLS 000's):

(1) Technical Assistance:	7,000
(2) Operational Support:	3,000
(3) Information/training:	3,000
(4) Commodities:	7,000
(5) Research and studies	1,500
(6) Evaluation/audit:	<u>500</u>
Total	22,000

F. Sustainability

The project promotes private alternatives which are assumed to be more effective and efficient in health care with the intent of decreasing those cost centers which are far too expensive for the Ministry of Health to sustain. In addition, the project promotes local control of health systems which provides the basis for community participation and responsibility for primary health activities.

G. Mission Management

The project will be managed by the direct hire health officer and assisted by a Technical Advisor in Aids and Child Survival (TAACS) fellow and/or a project financed PSC liaison officer.

H. Issues for project development

During project development, special attention will be given to the legal and administrative obstacles to decentralization. The GON and MINSA's commitment to decentralization must be assured. The social soundness analysis will have to look at the impact of introducing cost recovery mechanisms (i.e. user fees). MINSA's ability to implement a major health sector project will also have to be analyzed in the light of major personnel reductions which have recently taken place. The MINSA will also have to examine its commitment to improve family planning delivery to its client population.

**J. AID/W Action Requested**

USAID/Nicaragua requests program concurrence to proceed directly to the development of a pp and to approve and authorize the project in the field.

**K. AID/W TDY support for project design:**

LAC/DR/HPN will be asked to provide one to two weeks TDY; and approximately twenty person weeks of technical services through a Buy-in to regional projects.

**L. Estimated approval and obligation dates:**

PID/PID approval is anticipated during the second quarter of FY 1992. The Project Paper is expected to be completed by the end of the third quarter of FY 1992.

**NEW PROJECT DESCRIPTION**  
**(FY-92)**

**LAC BUREAU OBJECTIVE:** Support the evolution of stable, participatory democratic societies.

**LAC BUREAU SUB-OBJECTIVE:** Strengthen civilian government institutions.

**MISSION STRATEGIC OBJECTIVE:** Greater consensus on democratic values.

**PROJECT TITLE:** Public Sector Financial Management Reform Project (PSFMRP).

**AMENDMENT OR NEW PROJECT:** New

**PROJECT NUMBER:** 524-0330

**FUNDING:** \$4.0 MILLION

**TYPE OF FUNDING:** ESF

**A. Consistency of Project with Mission Strategy:**

The Mission is working to strengthen key Government of Nicaragua (GON) institutions in order to foster confidence in such institutions and broader acceptance of democratic principles and values. Improved accountability is a critical element in restoring domestic and international confidence in the integrity and competence of the government to effectively plan, administer and control public resources.

**B. Relationship to A.I.D. and other Donor Activities:**

The Comptroller General of Nicaragua has requested A.I.D. assistance in assessing problems in the management of public finance and in the implementation of solutions which would make the public sector financial management systems and audit oversight functions more effective. The PSFMRP will assist in strengthening GON accountability over all A.I.D. and other potential donor project resources, thereby benefiting and strengthening all such activities in assuring that resources are properly used for intended purposes. Financial management has and continues to be a matter of major concern to A.I.D. in its development assistance efforts. These concerns have materialized into a Regional Financial Management Improvement Project (RFMIP) currently being implemented in the Latin America and Caribbean regions. The PSFMRP, although country specific, will be designed and implemented in a way to ensure maximum participation in RFMIP activities. Although other donors are not currently active in seeking to improve GON financial management, they have expressed much interest in improved accountability.

### C. Relationship of Project to Overall A.I.D. Policy Objectives:

The Public Sector Financial Management Reform Project (PSFMRP) is supportive of both agency and LAC Bureau Policies/Guidelines regarding financial accountability. Specifically, the PSFMRP supports the Agency's democracy initiative which contemplates efforts to strengthen accountability and combat corruption and inefficiency in government, including the development of integrated financial management systems to encourage accountability in executive and legislative branches of government. Also, the PSFMRP fully supports the LAC Bureau's accountability guidelines which seek to implement and clarify the long-standing agency and bureau policies with respect to accountability and fulfill congressional expectations in this regard. These guidelines stress that A.I.D.'s own accountability depends upon the host countries and others who are involved in the financial management process.

### D. Project Goal, Purpose and Description:

**1. Goal:** To promote the financial management capability of the government of Nicaragua (GON) to help restore domestic and international confidence in the integrity and competence of the government to effectively plan, administer and control public resources.

**2. Purpose:** To provide technical assistance, equipment and training to strengthen the GON's financial management, procurement and audit oversight functions, and to promote accountability of government officials in managing public resources.

**3. Description:** The project will be designed to improve and integrate the GON financial management and auditing systems and provide professional development, equipment and training for the persons who operate them. In addition, the project will provide for an analysis of all existing legal provisions and regulations for procurement activities in order to create a procurement system responsive to the GON's current needs. The extent and nature of technical assistance and training to be provided under this component will depend upon the results of the preceding analysis.

The project consists of four components. The first is the creation of a financial management system for the government. The second, which is largely dependent upon the quality of the first, is the implementation of a government auditing system based on the existing Organic Law of the Comptroller General's office. The financial management and auditing systems will be designed to comply fully with AID/LAC guidelines No. 1 through NO. 6 which call for the establishment of a realistic budgeting system, an accounting system which produces timely annual and interim financial statements and other pertinent interim financial data, a reliable system of cash management, practices and procedures for debt management, a reliable internal control structure, and establishment and implementation of an independent audit function. The third component consists of the necessary training and professional development to permit the success of the first two project components. The last component will focus on analyzing the existing legal/regulatory framework for all government procurement activities. Based on this analysis, the project will provide technical assistance, training and equipment as necessary to strengthen the procurement function.

### **a. Integrated Financial Management System (IFMS)**

The project will provide for the design, testing and implementation of an IFMS for the national government based in the Ministry of Finance, with the function of Chief Financial Officer of Nicaragua vested in a specific office of that Ministry who reports directly to the Minister of Finance. The IFMS will be based upon integrated microcomputer and manual systems which are easily operable and learnable by persons without university level training. The project will also focus on designing and installing adequate internal controls over all central government systems, including the establishment of an appropriate internal control environment based upon principles of ethical conduct. As considered necessary, ethics promotion and anti-corruption mechanisms will be included in the project. The IFMS will be based upon a law of integrated financial management to be drafted as a part of the project which must be compatible with the existing Organic Law of the Comptroller General's Office and will include the following subsystems:

#### **- Integrated Government Accounting System (IGAS)**

The IGAS will consist of a single unitary subsystem for identifying, classifying, recording and reporting financial transactions of all public entities which comprise the financial reporting entity of the GON including both budgetary projections and financial transactions involving all changes in quantifiable resources. The sub-system will include the central government financial data produced by the various agencies and consolidated by the Finance Ministry and the financial statements of those decentralized entities which operate autonomously. The aim is to produce consolidated financial statements for the public sector to be presented in the form of an annual financial report. The IGA's will be designed within the existing pertinent prevailing legal provisions relative to accounting contained in the organic law of the Office of the Comptroller General.

#### **- Integrated System of Cash, Credit and Debt Management (ISCCDM)**

The ISCCDM will include all resources handled by public entities in the form of cash and deposits with financial institutions, the process of planning the flow of such resources and mechanisms of internal and external financing, credit management and the control and service of debt.

#### **- Integrated Government Budgeting System (IGBS)**

The IGBS will include all public entities and all revenues and expenditures. Budget and accounting classifications will be fully integrated. Treatment of off-budget revenues and expenditures and those of autonomous entities will be determined to assure that all resources are controlled through the central budget or in some other acceptable manner.

### **b. Comprehensive Auditing System (CAS)**

The CAS will implement the prevailing provisions of the Organic Law of the Comptroller

General's Office which relate to the audit function, including both internal and external auditing in the government whether performed by government employees or private auditing firms. The existing law is considered adequate, provided all of its provisions for policies, standards, procedures, manuals, etc., are fully implemented. The project will provide for such implementation.

#### **c. Training in Professional Financial Management and Auditing**

The project will include the necessary training courses and professional development events and opportunities to assure that staff assigned to financial management and audit functions have the opportunity to develop their potential skills and abilities.

#### **d. Procurement function.**

-- Analysis of legal and regulatory framework. The project will focus on analyzing the existing legal framework for procurement activities to facilitate development of an improvement plan which will define the policies, procedures, standards, principles, manuals, and methods that would provide standardized technical and conceptual guidelines for the implementation of a procurement system responsive to the GON's needs.

-- Implementation of Improvement Plan. The project will provide technical assistance, training, and equipment to implement the procurement improvement plan. Technical assistance will be provided as necessary to develop and promulgate secondary provisions and technical standards, define staffing patterns and profiles of qualified persons, qualitatively assess the human resources currently assigned to the procurement function, and to design and install adequate internal controls over the procurement system, including the establishment of an appropriate internal control environment based upon principles of ethical conduct. The project will develop and implement a training plan which will provide for seminars, workshops, courses, and conferences as needed to assure that staff assigned to the procurement function have the opportunity to develop potential skills and abilities.

#### **e. Anticipated Results**

-- Adoption of Integrated Financial Management legislation

-- Installation of an Integrated Financial Management system with sub-systems for integrated accounting, integrated cash, credit and debt management, and integrated budgeting

-- Implementation of a comprehensive auditing system providing audit coverage for all significant public sector entities

-- Implementation of organizational improvements in the procurement system, including better documentation of key procurement functions and improvements in procurement standards, policies, regulations and procedures.

**f. Budget (in U.S. dollar millions)**

Technical assistance	3.0
Training	.4
Equipment and supplies	.2
Project administration	.2
Evaluation/audit	<u>.2</u>
Total	<u>\$4.0</u>

**E. Planned Implementation Arrangements:**

The USAID Mission in Nicaragua presently envisions to obligate funds through a Project Grant Agreement with the Government of Nicaragua acting through its Comptroller General. Implementation of the project will be the responsibility of the Comptroller General of the Republic who will designate a Project Director. The Minister of Finance, and other GON agencies involved and/or benefiting from the project will also appoint key project officials as necessary to assure smooth and effective project management and inter-agency coordination and cooperation. The project will provide all necessary technical assistance, training and equipment necessary to the attainment of the project goal and purpose. These inputs may be provided through buy-ins to the RFMIP II project or through direct procurement by the Mission. Project implementation arrangements will be further developed, evaluated and refined during final project design.

**F. Sustainability of Proposed Activities:**

Although most project activities and systems when installed will become part of the GON's routine operations, and as such not requiring additional resources for their continuation, there will be some benefits of the project i.e. training and computerization, which will be sustained only if the GON is willing to continue to fund such activities after A.I.D.'s assistance is ended. Appropriate compensation for well-trained personnel will also be essential to project success. These and other project funding issues will be properly addressed during final project design.

**G. Mission Management Role:**

A personal services contract will be let as soon as possible after project authorization for an A.I.D. project manager who is technically qualified in government financial management systems, fully familiar with A.I.D. regulation and procedures, and competent in the Spanish language. This individual, in addition to serving as the project manager, will serve as the Mission's "Accountability Officer" responsible for monitoring project execution, and for the coordination and reporting on all other public and private sector financial management improvement activities being carried out by the Host Government with A.I.D., other donor and/or GON resources.

**H. Potential Issues and/or Innovative Program Approaches:**

During final project design the following issues will be properly addressed:

1. The GON's financial capability to attract and retain qualified personnel in key financial management and auditing positions, and for the continuation of critical project-funded activities after A.I.D.'s assistance ends.
2. The establishment of an effective management and coordination function within the GON which will ensure the efficient utilization of project inputs and the timely accomplishment of anticipated outputs.

**I. A.I.D./W Action Requested:**

USAID/Nicaragua requests LAC Program concurrence allowing the Mission to proceed directly from the NPD to the final design of a project paper to be reviewed and approved in the field.

## **NEW PROJECT DESCRIPTION**

(FY 1993)

**LAC Bureau Objective:** Support the achievement of broadly-based, sustainable, economic growth

**Sub-Objective:** Encourage economic policies that promote investment, productive employment, and outward oriented diversification

**Project Title:** Economic Recovery and Development I

**Funding:** \$125 million

**Type of Funding:** ESF

**Consistency with Mission Strategy:** Continued policy dialogue, supported by cash transfer conditionality, is a major element of USAID/Nicaragua's efforts to promote both private investment and increased competitiveness and diversification. Both the foreign exchange made available for import needs and local currency use in reducing the government budget deficit play important roles in the Mission's strategy in support of continued economic stabilization and an expansion of the resource base of the financial system.

**Relationship to AID and Other Donors:** USAID's policy dialogue is carried out in coordination with other major donors addressing a policy agenda - primarily the IMF, World Bank, and Inter-American Development Bank. Policy targets are generally consistent with other programs and address areas of broad agreement among these donors. The policy orientation of this program will be informed by the technical assistance provided under the Strengthening Economic Policy implementation and Analysis Project and will be complemented by project activities under the Private Sector Support and Private Agriculture Services projects which work to encourage a vigorous private sector response to the policy reforms addressed through cash transfer conditionality.

**Relationship of project to overall A.I.D. policy objectives:** The project supports the goal of building a foundation for long-term growth and of the Agency initiative in Business and Development Partnership.

**Purpose:** The purpose will be to create favorable conditions for increased investment and diversified exports in support of sustainable broad-based growth.

**Project Description:** The cash transfer program for FY-1993 will provide balance of payments assistance that will provide Nicaragua the foreign exchange necessary to obtain imports critical to economic recovery. Disbursements will be conditioned on continued meeting of demand management targets and policy actions designed to improve conditions for both foreign and domestic private sector investment. Areas of focus for the policy dialogue

will include, exchange market management, financial market broadening and deepening, elimination of remaining trade barriers, labor market regulation, tax policy, and other policy areas developed through the EPA Project, as well as agricultural sector policies identified under agricultural sector studies. The Mission's own economic analysis, special studies, and discussion with GON policy makers and private sector representatives. The disbursement schedule will be determined with the government based on foreign exchange requirements over the course of the year.

**Beneficiaries:** The program is designed to benefit the entire population through its contribution to real economic growth. The structural changes and use of local currency generations should particularly benefit industrial and agricultural workers as a result of the increased employment generated through increased investment and the higher wages which will result from improved productivity throughout the economy.

**Major Outputs:**

All Years

Increased Private Investment  
Higher Labor Productivity

X  
X

**A.I.D.-Financed Inputs**

Life of Project (\$000's)

Cash Assistance

125,000

## **NEW PROJECT DESCRIPTION**

(FY 1993)

LAC Bureau Objective: Support the achievement of broadly-based, sustainable, economic growth

Sub-Objective: Encourage economic policies that promote investment, productive employment, and outward oriented diversification

Project Title: Economic Policy Analysis (EPA)

Funding: \$8 million - ESF

**Relationship of Project to A.I.D. Country Strategy:** By contributing to an improved investment climate, the project will contribute to the achievement of the USAID/Nicaragua strategic objectives of increased foreign and domestic investment and increased competitiveness and diversification in the economy.

**Host Country and Other Donors:** The project will build upon and complement the policy assistance being provided to the Central Bank and Ministry of Economy and Economic Development by the IMF, World Bank, and IDB. The Mission has been and will continue to coordinate closely with these institutions in order to maximize the synergism among technical assistance efforts.

**Relationship of project to overall A.I.D. policy objectives:** The project supports the goal of building a foundation for long-term growth and of the Agency initiative in Business and Development Partnership.

**Purpose:** To Improve the capability of the Government of Nicaragua to develop and implement policies which will promote outward-looking, broad-based, and sustainable economic growth.

**Project Description:** This five year project will be a follow on to the current Technical Assistance and Training Project implemented through INCAE. The current project has concentrated on providing highly qualified long-term advisors, chiefly Nicaraguans, into public and private sector institutions dealing with economic policy. As the GON moves from stabilization and basic economic liberalization to more complex structural and sectoral issues, there is an increasing need for world-class economic talent with expertise in specific problem areas faced by the government.

The project will be implemented by a consortium of a leading U.S. universities and consulting firms and will provide primarily short-term but continuing assistance in such areas as exchange market policy, interest rate and credit policy, agricultural marketing policy, and the complex of policies related to the development and expansion of enclave manufacturing.

The consortium will be assisted by a small core of long term advisors. These advisors will provide day to day advice and will coordinate the activities of short-term advisors who will be provided by the consortium.

Economic policy in Nicaragua is implemented through an economic cabinet which includes the Ministries of Economy, Finance, External Cooperation, Agriculture, and the Presidency, as well as the Central Bank whose President holds the rank of Minister. The counterpart organization will be the Ministry of Economy, who will coordinate project activities closely with other concerned Ministries and local agencies.

**Sustainability:** Since this project will be implemented through existing institutions to enhance their policy analysis activities, there will be no requirement for additional funding beyond the life-of-project funding. Capacity will be developed in these institutions and can be used in the future by A.I.D. or other donors to support additional policy making initiatives.

**Beneficiaries:** Beneficiaries of the project will include those receiving employment as a result of the increased and more efficient investment expected to be generated as a result of the project, as well as those smallholders who will have broadened production and export opportunities.

**Major Outputs:**

- Improved foreign exchange system.
- Streamlined tax system providing adequate funding to government activities while minimizing distortions in economic incentives.
- A financial system providing a full range of financial services to a broad range of clients at minimum cost.
- An agricultural production and marketing system which provides to producers the full range of opportunities available in the world market.

**A.I.D.-Financed Inputs:**

	LOP TOTAL (\$000)
Technical Assistance	\$5,700
Training and Education	500
Equipment and Supplies	700
Project Management	1,000
Audit and Evaluation	<u>100</u>
Total	8,000

## NEW PROJECT DESCRIPTION

(FY 1993)

LAC Bureau Objective: Support the achievement of broadly-based, sustainable, economic growth

Sub-Objective: Support a vigorous private sector response to an improve policy environment

Project Title: Private Sector Support (Amendment)

Funding (\$000)	<u>Original</u>	<u>Amendment</u>	<u>New Total</u>
FY-94:		\$ 5,000	\$ 5,000
LOP:	\$5,500	\$10,500	\$10,500

Type of Funding ESF/DA (PSEE, ARDN)

**Consistency with Mission Strategy:** Expansion of this project is consistent with the Mission's priority focus on economic growth and strongly supports its strategic objectives of increased foreign and domestic investment and increased competitiveness and diversification.

**Relationship to A.I.D. and Other Donors:** The project amendment will expand USAID/Nicaragua efforts to promote a vigorous private sector response to the improved policy environment promoted through the ESR and ERD programs, as well as the technical assistance in economic policy formulation to be provided under the Strengthening Economic Policy Implementation and Analysis Project. The project also complements work being done to promote investment and non-traditional exports in the agriculture sector under the Private Agricultural Services project. Both the World Bank and the IDB are heavily involved in providing assistance related to the improvement of the investment climate. The IDB is expected to assume the major role by late 1992 in assistance to the Superintendency of Banks, while UNDP and World Bank assistance will supplement the current high level of assistance being provided in the privatization of the CORNAP properties. The IDB will be providing assistance to the Ministry of Economy in its activities related to microenterprise promotion. USAID will, however, be the principal donor involved in trade and investment promotion activities.

**Relationship of project to overall AID policy objectives:** The project supports the goal of building a foundation for long-term sustainable growth and of the Agency Partnership for Business and Development.

**Purpose:** The project will promote a vigorous private sector response to an improved policy environment in the area of increased export and import activity and outward-oriented private investment.

**Project Description:** The project amendment builds upon the ongoing Private Sector Support project, primarily in the area of trade and investment promotion. The amendment will extend the

life of project by two years and expand activities in all project components, but with an increasing focus on trade and investment promotion. The amendment will assist the Ministry of Economy and Development and other government agencies in efforts to facilitate and promote private foreign investment through a "one-stop shop". It will support an effort to focus the trade promotion efforts of Nicaraguan commercial attaches abroad, as well as provide a convenient "on-line" service to enable Nicaraguan buyers to identify potential suppliers abroad, particularly in the United States. The amendment will also provide customized, firm-level trade and investment consultation through COSEP. Studies carried out under the project will identify specific areas of opportunity for investment and trade and identify specific policy, institutional, and infrastructure constraints impeding specific trade and investment opportunities. Finally, the project will tailor specific approaches addressing the unique needs of small and microenterprises for technical and other assistance.

**Sustainability:** Investment and trade promotion will be ongoing activities which will require continued support after the life of this project. While trade promotion activities should generate user fees, investment promotion will, in all likelihood, not operate on a cost recovery basis. As in most countries, investment promotion will be publicly funded. The project will be designed to permit transition to funding to the GON or other funding sources.

**Host Country and Other Donor Participation:** The project builds on the GON's investment and development and diversification plans. The Government of Nicaragua will support efforts to streamline investment and trade processing through the Ministry of Economy and Development and the appropriate responsible autonomous institutions in these areas.

**Beneficiaries:** Trade promotion and assistance to a range of competitive industries outside the agricultural sector sectors should provide substantial employment opportunities for new employment, especially for women and semi-skilled labor.

**Major Outputs:**

	<u>All Years</u>
Increase in export earnings	X
Export-oriented investment	X
Jobs Created	X
Companies shifting to export markets	X
Viable Investment and Export Institutions	X

**A.I.D. Financed Inputs:**

	<u>LOP</u> <u>(\$000)</u>
Commodities	1,600
Technical Assistance	3,300
Evaluations/Audits	<u>100</u>
Total	5,000

## **NEW PROJECT DESCRIPTION**

(FY 1993)

LAC Objective: Support the evolution of stable and democratic societies.

Mission Objective: Greater consensus on democratic values.

Project Title: Legal and Regulatory Judicial Reform

Project No.: 524-0340

Project funding: \$4,000  
(\$000s)

Type of funding: ESF

**A. Consistency of Project with Mission Strategy:** The project responds to the objectives, priorities, and activities of the Democratic Initiatives Sector, as outlined in the Mission's CDSS.

**B. Relationship to A.I.D. and other donor activities:** The project amendment will expand assistance to the GON legal system by strengthening the foundation on which a favorable regulatory system for business, commerce and property rights rests. This project will be closely coordinated with other USAID-sponsored efforts which seek to help the GON in developing and implementing a wide range of economic and social development policies. The project will provide technical assistance to complement resource transfer programs addressed under the Economic Recovery and Development I project.

**C. Project description:** The project will contribute to the consolidation of democracy and improve the investment climate, through a legal and regulatory reform which improves the social and economic conditions of Nicaragua by: establishing property rights, protecting industry and trade, and fostering new regulations which encourage and protect private sector investment.

The purpose of the project is to put in place those elements which promote the successful implementation of a new regulatory atmosphere. This project seeks to address the constraints and underlying systemic problems under which the Nicaraguan judicial system has traditionally operated. The system is presently characterized as arbitrary and without independent credibility.

Specifically, the project will assist the Government of Nicaragua in establishing systems for legal regulatory and judicial systems that promote an improved environment for commerce, trade and property rights in Nicaragua.

An assessment of the Judiciary System will be carried out in the second quarter of FY 92 and will be followed by policy dialogue and project design. It is expected that all levels of the judicial system throughout the country will be covered by this project.

It is planned to finance the following activities under this project:

1. Policy research and formulation as the first step determine areas where investment of development assistance resources can make the greatest impact. A study will be carried out to select laws which will remove bottlenecks, attitudes and opinions that can be changed through public information and education and program priorities. The result will be a plan to facilitate administration of justice through case identification, expeditious management, and training of personnel.
2. Modernization and professionalization of the court system to include introduction of new court administrative procedures; improved management procedures; merit selection of judges; and in-service training. These activities will require a combination of technical assistance, training, and some operational support.
3. Strengthening of the Parliamentary committees dealing with commerce, trade and property rights. By providing training and technical assistance to these committee members, the laws can be drafted, discussed and enacted to improve the legal framework for economic growth and development. This will provide the basis upon which the cases in property rights and free trade and commerce can be judged in Nicaragua under the new GON.
4. Strengthen and/or establish an effective arbitration system to handle quickly disputes which normally do not require full fledged judicial procedures. Situations which the arbitration office could handle would include: free trade, commerce, property, etc.
5. Community information, education and training for rights and responsibilities in property, labor, trade and commerce. Nicaraguans must become familiar with their rights and responsibilities under the law to improve their access to economic opportunity. How newly enacted or existing laws can help them and where to seek help to support them in their individual and collective efforts to improve commerce, trade and property issues and resolve disputes will be accomplished under this project

**D. Planned implementation arrangements:**

AID-Financed inputs:

Technical Assistance	\$2,000,000
Training	500,000
Commodities and Educational Materials	1,200,000
Evaluations and audits	<u>300,000</u>
<b>Total</b>	<b>\$4,000,000</b>

Implementing Agency:

To be determined

**E. Sustainability:** Since this project expects to promote change to a system which already is run and operated by the GON, it is not expected to incur recurrent costs beyond the PACD.

**F. Mission Management role:** The project will be managed by the GDO chief and a USPSC Democratic Initiatives Coordinator.

**G. AID/W action requested.** USAID/Nicaragua requests LAC program concurrence allowing the Mission to proceed with the PP amendment and approval in the field.

## **NEW PROJECT DESCRIPTION**

(FY 1993)

**LAC Objective:** Support the evolution of stable and democratic societies - strengthen civilian government institutions.

**Mission Objective:** Greater consensus on democratic values.

**Project Title:** Strengthening Municipal Institutions (SMI)

**Project No.:** 524-0341

**Funding:** \$4,000,000 (ESF)

**A. Consistency of Project with Mission Strategy:** The project is consistent with the objectives and priorities of the USAID strategy which seeks, among other objectives in Nicaragua, to develop strong democratic institutions.

**B. Relationship to A.I.D. and other donor policies:** The GON has placed emphasis on the implementation of the USAID-sponsored Emergency Employment Project which is attempting to revitalize the linkages between the Central Government and the municipal governments of Nicaragua. The UNDP, the German Technical Assistance Agency, INCAE, and the Spanish Government are providing technical assistance to improve municipal administrative and management capacity. The proposed project will be complementary to these limited efforts.

**C. Project Description:** The problems of municipal governments in Nicaragua are profound and complicated. Based on a Municipal Sector Assessment which will be conducted in early FY-92, the Mission will seek to implement a five-year, \$4,000,000 project to assist Nicaraguan municipalities in decentralizing finance and planning functions. Through this decentralization process, the project will accelerate the democratic and participatory systems in Nicaragua.

The purpose of the project will be to enhance the operational capacity of municipalities to respond to the land, infrastructure, and public service needs of their people.

For the past several years, USAID has supported efforts to strengthen democracy in Nicaragua at both the national and local levels. The latter has focused primarily on improving the skills of elected municipal officials and supporting locally-identified infrastructure projects.

The proposed project will:

-- Effect changes in the policy framework governing the decentralization of GON budgeting through the creation of a Municipal allotment system. This will be accomplished through technical assistance and policy dialogue with the GON and by working intensively with the association of mayors.

-- Initiate changes in municipal operations, especially those related to revenue enhancement, provision of basic services such as water, and increased popular participation. This will be accomplished through technical assistance and through block grants to be provided by the GON from local currencies generated by other USAID-ESF sponsored programs. Priority will be given to projects which generate income and promote local control of social services (schools, water supply and sanitation).

-- Train municipal officials in the planning and administration of basic services and the formation of community support organizations. International training will also be included as part of this project. Technical assistance and training in management local resources will be provided to the mayors.

-- The establishment of open town meetings will be an important part of this project. The open town meeting will be the main communication and operation vehicle between the citizenry and the mayors office. This meetings will be held monthly to sort out community needs and the allocation of community resources (both human and material) in resolution of the needs.

-- Educate citizens on the role and responsibilities of their locally elected officials and themselves, especially regarding open town meetings and the application of resources in promotion of democratic decision-making.

**D. Implementation arrangements:**

-- AID financed inputs:

Technical Assistance	\$2,000,000
Training	\$1,000,000
Commodities and Educational Materials	<u>\$1,000,000</u>
Total:	\$4,000,000

-- GON local currency transfers (to be negotiated).

**E. Sustainability:**

By the end of the project, it is expected that the capability of local governments will be sufficiently enhanced so they will be able to provide a wider range of services on a self-sustaining basis. Citizens will be active participants in the decision process leading to such services.

**F: Mission Management:**

The Mission will manage this project through a USDH, the Chief of the General Development Office and a USPSC, the Democratic Initiatives Coordinator.

## NEW PROGRAM DESCRIPTION

FY-1993

LAC BUREAU OBJECTIVE : Encourage Economic Policies that promote investment, productive employment, etc.

SUB-OBJECTIVE : Encourage preservation and sustainable use of the natural resource base.

PROGRAM TITLE : Natural Resources Non-Project Assistance

PROGRAM FUNDING : \$10,000,000

TYPE OF FUNDING : DA (PSEE)

### Consistency of Program with Mission Strategy:

Natural resources management is an integral part of the Mission's strategy for achieving broadly based sustainable economic growth. The Mission encourages the adoption of policies, incentives, regulatory frameworks, and management practices to protect the natural resources base and promote sustainable development. There is a clear link between economic performance in Nicaragua and its underlying natural resources base. The CDSS highlights the increased use of environmentally sound productive and extractive practices as one of the Mission's strategic objectives.

### Relationship to A.I.D. and other donor activities:

A number of bilateral donors, including Norway, Sweden, Finland, Germany and USAID are assisting the GON in the area of resource management, especially in the area of forests and fisheries and the establishment of natural parks or protected areas. However, the Nicaraguan government's approach continues to emphasize enforcement rather than establishment of economic incentives for sound resource practices. The Mission's Natural Resource Management (NRM) project provides technical assistance for analyzing existing resource use patterns, valuing resources at their full economic cost, and proposing policy changes to encourage sustainable resource use practices and conservation. This program complements this effort by providing additional incentives for enacting and implementing policies along these lines.

### Relationship of Program to Overall AID policy objectives:

The Program will support AID's policy dialogue for improving natural resources management and sustainable development. Specifically it will contribute to the conservation and wise use of tropical forests and protection of bio-diversity.

Purpose: To encourage enactment and implementation of policies which provide incentives for sustainable management and conservation of natural resources

**Program Description:** In a country that is seeking rapid economic growth, exploitation of the natural resource base is a potential means of obtaining access to foreign exchange and investment capital. The temptation to follow a "growth at all costs" strategy in relation to natural resources must be countered by policies that look toward long-term economic benefits from the natural resource base. This program assistance is designed to provide additional incentives for enacting and implementing policies with such a long-term view.

Technical assistance through Natural Resources Management project is targeted to evaluating natural resource policies and identifying areas where the government of Nicaragua (GON) can institute policies that maximize the sustainability of the natural resource base and conserve non-renewable resources. Such policies will seek to extract maximum benefit from natural resources based on a true market value for their use which includes the cost of environmental services. Since soils, water, forest, and fisheries are exhaustible resources and are being used up, a depletion charge or user cost should be levied on the income from natural resources use.

The program provides cash resources to the government for investment or current budget expenses related to natural resources management and protection. Disbursement would be performance-based in relation to specific actions which reflect GON efforts to value resources in such a way as to incorporate resource depletion and to take into account the sustainability of resource use in economic terms. These will be identified in more detail based on work accomplished under the NRM project, but an illustrative list might include:

- **Forestry legislation.** Formulate and implement a new, rational forestry law and related regulations which, among other actions, would redefine the roles of the government and the private sector with regard to forest ownership and forest management. Such regulation would establish a schedule of stumpage prices and user fees and, possibly, a set of economic incentives for private landowners to engage in forest management and reforestation.
- **Land taxation:** Implement a rational land taxation policy so that tax rates reflect land use capability and actual land use. The implementation process could also include mechanisms for making tax collection more effective.
- **Land tenure and property rights:** Revision and implementation of a rational policy of land titling and land registry of rural properties in a way that assures a decent livelihood for people in designated areas and the long-term sustainability of natural resources.
- **Land use:** Implementation of a national system to determine and designate land use capability in accordance with the ecological characteristics of the land.
- **Watershed Management:** Implementation of policies and programs which encourage soil and water conservation combined with action to promote reforestation and appropriate management of forest resources.

In recognition of the importance in regulating and policing activity in relation to natural resources and the environment the cash resources under the program will be allocated to GON enforcement and management activities and for use in making investments in land to be brought under protection or public management.

**Sustainability of Proposed Activities:**

Reforms in pricing policy likely to be introduced under this program will be revenue generating. Consequently, an enhanced level of services in the affected areas will be feasible even after the termination of the program. The purpose of this program is to allow the GON to overcome initial resistance to the introduction and implementation of appropriate resource management policies. Once such policies are in place, further policy-based assistance will not be necessary.

**Mission management role:**

This program will be managed by the office of Agriculture and Rural Development, in concert with the Mission's Economics Office.

**Major outputs:**

- Enactment and implementation of natural resource policies which encourage sustainable resource management and conservation.

**AID-Financed Inputs:**

LOP Total (\$000)

Cash Transfer

\$10,000

## NEW PROGRAM DESCRIPTION

(FY 1993)

LAC BUREAU OBJECTIVE : Support the achievement of broadly based, sustainable economic growth.

SUB-OBJECTIVE : Encourage a vigorous response by the private sector to a favorable policy environment.

PROGRAM TITLE : Title III - Food for Development

PROGRAM FUNDING (\$000) : FY-93 \$25,000  
FY-94 \$25,000  
LOP \$50,000

TYPE OF FUNDING : P.L. 480 Title III

AMENDMENT OR NEW : New

**A. Consistency of Program with Mission Strategy:** Food assistance programs are integral to the Mission strategy. The Mission plans to use the Title III program, together with its Economic Recovery and Development Program, to negotiate closely related measures that underscore A.I.D.'s interest in improving sector performance. When it does diverge because of timing or other program factors, the Title III program will emphasize a more detailed agricultural, natural resource management, and nutritional policy focus.

Nicaragua qualifies for a Title III program. It recently acquired status as a Relatively Least Developed Country (RLDC). Its per capita income of under \$400 makes it the second poorest country in the hemisphere after Haiti.

Because of its precarious foreign exchange situation and its inability to assume new debt, Nicaragua was the only country in the world that received in FY 1990 and FY 1991 a grant Title I program under Food for Progress. Over 138,000 MT of basic grains were imported in 1990. This level of import is expected to grow as increased domestic food production is unable to keep up with population growth.

**B. Relationship to A.I.D. and other Donor Activities:** Several other countries (Canada, Italy, France, and the EEC) provide limited amounts of wheat, vegetable oil, and tallow on a grant or soft credit basis. The size of these donations are very limited and not enough to cover the very large deficit for these commodities. The Mission also has a limited Title II vegetable oil monetization program.

**C. Relationship of Program to Overall A.I.D. Policy Objectives:** The program will support A.I.D.'s policy dialogue on GON actions leading to increased private investment in agriculture, increased agricultural productivity, and improved natural resource management practices.

**D. Program Description:** The Program will be used as a mechanism to encourage the GON to continue the development of policies (such as pricing) to reactivate the agricultural sector. The program will assist the GON sustain policy measures already in place, including decontrolled agricultural commodity prices, elimination of barriers to exports, and the maintenance of an adequate exchange rate. The program will move forward with, (a) the control and eventual privatization or closure of the State Basic Food Marketing Company (ENABAS), (b) preservation of the environment through implementation of GON actions that will stabilize the agricultural frontier (the expansion of the agricultural frontier into forests is the single most serious threat to tropical forests and bio-diversity), and (c) development and implementation of a food security plan designed to identify, monitor, and target activities for specific groups at nutritional risk, and developing non-distorting measures to assure the adequacy of their food supply. Specific policy measures and benchmark targets will be established for each of the areas.

**E. Planned implementation arrangements:** Commodities requested are wheat (120,000 MT), vegetable oil (32,000 MT), and tallow (36,000 MT) over the two year life of the Program. Current import requirements are 90,000 MT, 24,000 MT, and 22,000 MT, respectively, well above the total requested value of this Program. There will be exclusive private management of commodity purchases, storage, and distribution. Sales of the commodities will be negotiated with the private sector with shares based upon sales and throughput rather than simple installed plant capacity. This represents a marked change in management of previous programs and will reward business efficiency. Ownership of the commodities will be transferred to private industry upon arrival at the port of entry with immediate payment required.

Local currency programming will support GON development efforts, consistent with the USAID/Nicaragua development strategy and continuing limitations on USAID's capacity to monitor projectized local currency. In accordance with the Title III legislation, every effort will be made to have the GON make available local currency generations to indigenous nongovernmental organizations and cooperatives to undertake activities supportive of GON development priorities for the sector. This will probably take the form of a program to fund efficient, market directed credit unions, if suitable implementation organizations can be identified.

**F. Mission management role:** This program will be managed by the Office of Agriculture and Rural Development (ARDO) with strong participation by the Program, Economics and Private Sector Office (PEPS) and the General Development Office (GDO).

**G. Potential Issues and/or Innovative Program Approaches:**

The Mission would like to explore with AID/W the possibility of allowing the Nicaraguan private sector to handle the procurement of the commodities by themselves directly in the U.S.

## NEW PROJECT DESCRIPTION

(FY 1994)

LAC Bureau Objective: Support the achievement of broadly-based, sustainable, economic growth

Sub-Objective: Encourage economic policies that promote investment, productive employment, and outward oriented diversification

Project Title: Economic Recovery and Development II

Funding: \$115 million

Type of Funding: ESF

**Consistency with Mission Strategy:** Continued policy dialogue, supported by cash transfer conditionality, is a major element of USAID/Nicaragua's efforts to promote both private investment and increased competitiveness and diversification. The Economic Recovery and Development II program (ERD) will build on the improved policy environment fostered under the ESR programs and ERD I. By FY 94, it is anticipated that demand management stabilization will be well established and that the investment climate, including security of property rights, will be substantially improved. ERD will round out the structural and sectoral reforms, especially in agriculture, and will provide resources to enable an expansion of private sector investment.

**Relationship to A.I.D. and Other Donors:** USAID's policy dialogue is carried out in coordination with other major donors addressing a policy agenda - primarily the IMF, World Bank, and Inter-American Development Bank. Policy targets are generally consistent with other programs and address areas of broad agreement among these donors. The policy orientation of this program will be informed by the technical assistance provided under the Economic Policy Analysis Project and will be complemented by project activities under the Private Sector Support and Private Agriculture Services projects. ERD will particularly consider sector-specific obstacles to investment in both manufacturing and agriculture.

**Relationship of project to overall A.I.D. policy objectives:** The project supports the goal of building a foundation for long-term growth and of the Agency initiative in Business and Development Partnership.

**Purpose:** The purpose will be to create favorable conditions for increased investment and diversified exports in support of sustainable broad-based growth.

**Project Description:** The cash transfer program for FY-1994 will provide balance of payments assistance that will provide Nicaragua the foreign exchange necessary to obtain imports critical to economic recovery and expanded investment. Disbursements will be conditioned on continued adherence to demand management targets, as well as policy actions designed to improve conditions for private sector investment with a particular focus on sector-specific obstacles in export-oriented

manufacturing and agriculture. Areas of policy dialogue will build on those developed in ERD I and will depend largely on constraints to private investment, and export diversification identified through the Economic Policy Analysis, Private Sector Support, and Private Agricultural Services Projects, ongoing Mission economic analysis, special studies, and discussion with GON policy makers and private sector representatives. Sector specific structural reform areas, including positive implementation measures required to achieve a vigorous private sector response, are areas of emphasis depending on progress to date in each area. The disbursement schedule will be determined with the government based on foreign exchange requirements over the course of the year.

**Beneficiaries:** The program is designed to benefit the entire population through its contribution to real economic growth. The structural changes and use of local currency generations should particularly benefit industrial and agricultural workers as a result of the increased employment generated through increased investment and the higher wages which will result from improved productivity throughout the economy.

**Major Outputs:**

All Years

Increased Private Investment  
Higher Labor Productivity

X  
X

**A.I.D.-Financed Inputs**

Life of Project (\$000's)

Cash Assistance

115,000

## AMENDMENT PROJECT DESCRIPTION

(FY 1994)

LAC BUREAU OBJECTIVE: Support the achievement of broadly-based sustainable economic growth

SUB-OBJECTIVE : Encourage a vigorous private sector response

PROJECT TITLE : Private Agricultural Services (FY 94 Amendment)

PROJECT NUMBER : 524-0315

PROJECT FUNDING : Amendment Planned LOP  
(\$000s) \$5,000 \$12,000

TYPE OF FUNDING	<u>Authorized LOP</u>	<u>Amendment</u>	<u>Planned LOP</u>
ESF	\$7,000		\$7,000
ARDN	<u>      </u>	<u>\$5,000</u>	<u>\$5,000</u>
	\$7,000	\$5,000	\$12,000

A. Consistency with Mission Strategy: As stated in the Mission's 1991-1996 CDSS, the greatest potential for productivity increases during the early stages of the CDSS period is in the agricultural and agribusiness sector. Agriculture still serves as the foundation of the Nicaraguan economy and is the primary source of exports to meet foreign exchange needs. This amendment will build on the ongoing project which is, and will continue to be, the Mission's major activity in support of increased agricultural productivity, and its only planned project in the agricultural sector. It will also complement the GON's planned medium-term credit program, to facilitate and expand linkages between agricultural production and agribusiness development and expansion.

B. Relationship to host country and other donor activities: This amendment is directly responsive to the GON's policies and programs in support of increased agricultural production and privatization of state-owned enterprises. It will serve as the mechanism for constructing commercial linkages between producers of primary agricultural commodities and the agribusiness processing sector. It will also help develop and strengthen linkages between the current public sector research organizations and emerging private sector technology transfer mechanisms. The amendment complements the activities and programs of other donors such as the IBRD, IDB, and several bilateral donors, including A.I.D., which are or will be providing financing (credit) for both production and agribusiness enterprises.

C. Relationship of Amendment to Overall A.I.D. Policy Objectives: The amendment is fully consistent with the Central American Strategy as it will emphasize the broad-based, sustainable economic growth by encouraging greater opportunities for increased participation by the private sector in the economy. It directly relates to the need expressed in the strategy to stimulate agricultural production and trade by promoting technology improvement, agribusiness development, increased agribusiness inputs and by supporting the privatization of state-owned

enterprises. In addition, the amendment is in accord with Agency policy on local organizations in development which encourages the use of local groups such as private producers groups in private sector development and technology transfer.

**D. Amendment Description:** The goal of the project is to promote broad-based sustainable economic growth, by increasing agricultural productivity and employment and to generate foreign exchange. The purpose of the amendment is to increase participation in the economy by the private sector through the efficient delivery of agricultural inputs, processing, marketing and technology transfer services to farmers and agribusiness.

The major problems that the project will address are the very low levels of productivity in the agricultural sector, and the lack of solid commercial and service provision linkages between the producers of agricultural products and the agribusiness processing firms. The major focus of the project will be that of expanding access to production and processing technologies by the private sector through the private sector. This will be accomplished by supporting the ongoing restructuring of the national agricultural research programs which are currently the responsibility of the quasi-public/private sector National Commodity Commissions, to make them more responsive to the technology needs of the private sector producers. The project will also seek to expand and improve the linkages between agricultural producers and agribusiness processors as part of the GON's policy in support of privatization.

The amendment will enhance the ability of private producers associations and their leadership organizations such as: (a) the Union of Nicaraguan Agricultural Producers (UPANIC) and the Association of Nicaraguan Producers and Exporters of Non-traditional Products (APENN) and (b) agribusiness firms. The enhanced capacity will help these organizations and firms to provide the technical and management services required to increase productivity and build both commercial and technology transfer and other service provision linkages between producers and processors of agricultural products as the economy recovers and the GON's privatization program begins to have an impact.

**E. Financing (in \$000s):**

	<u>AID</u>	<u>GON</u>	<u>Total</u>
Technical Assistance	1,000	0	1,000
Training	200	0	200
Productivity Sub-Grants	3,500	5,000	8,500
Evaluation & Audit	300	0	300
<b>Total</b>	<u>5,000</u>	<u>5,000</u>	<u>10,000</u>

**F. Planned Implementation Arrangements:** The amendment will follow the implementation arrangements currently in place under the project. This entails amendments to the bilateral agreement, the cooperative agreements, and perhaps the technical assistance contract.

G. Sustainability of Proposed Activities: It is anticipated that the types of services provided will be the type for which a demand exists and for which fees can be charged and collected.

H. Mission Management Role: The project amendment will be managed by a USDH employee in the Mission Office of Agriculture and Rural Development.

I. Principal Issues: The primary issues will depend on an evaluation of progress under the project prior to the amendment as well as progress by the GON in terms of both its privatization programs and the restructuring of agricultural research.

J. AID/W Action Requested: USAID/Nicaragua requests LAC program concurrence allowing the Mission to develop and approve the Project Paper Amendment.

## NEW PROGRAM DESCRIPTION

(FY 1994)

LAC OBJECTIVE: Encourage increased economic opportunities for the disadvantaged.

MISSION OBJECTIVE: Improved maternal and child health.

TITLE: Health Care Financing (Non-Project Assistance)

NUMBER: 524-9999

FUNDING: \$10,000,000

ACCOUNT: Health

### **A. Consistency of Project with Mission Strategy:**

The program is consistent with the approved CDSS which specifically cites health care financing as one the objectives for the planning period. This Non-Project Assistance respond directly to this CDSS objective and complements the CDSS focus on maternal child health to the extent that improved health financing allows for greater resources to be focused in the area of primary health.

### **B. Relationship to the Host country and other donors:**

The project will support the reform of the health care finance system through the establishment of formal cost recovery mechanisms. This responds to what the MINSA is calling "The functional Ministry Program" in which the Ministry will phase down its direct involvement in those areas which are too costly for the GON to maintain. Hospitals are targets since they are a major drain of resources accounting for 50% of the MINSA service budget.

A recent visit from the World Bank and the Inter-American Development Bank revealed that cost recovery was one of the main issues for sustainability of MINSA programs. Neither agency however, will provide assistance other than research for the next few years to remedy the health care finance system.

### **C. Conformance with the Agency and Bureau policy:**

The basic objective of AID's health programs as articulated in the Health Policy Paper is to assist developing countries to become self-sufficient in providing broad access to cost effective preventive and curative care with an emphasis on improving the effectiveness of health programs through improved design, and management as well as the implementation and promotion of self-financing of health programs. The project is consistent with this strategy.

The project will also directly implement one of the ten principles of AID's strategy in the 1990's

for Central America as articulated in the Economic Assistance Strategy for Central America, 1991-2000 which states that:

AID will help Central American Governments and the Private Sector improve the effectiveness, efficiency, financing and local control of basic health services, thus, increasing access to them and assuring their sustainability. Financing public sector programs in contrast to donor funded service delivery and broadening of private sector financing of quality health and other social service delivery wherever feasible.

#### **D. Project Description:**

The purpose of the project is to improve the quality and type of care offered to the Nicaraguans through their Health Care System by providing a legal, policy and service basis for improved cost recovery.

In essence, the project will:

- (1) Remove the legal constraints to cost recovery in the Ministry of Health System so that there is a decrease in the amount of funding that is apportioned to hospital care for the MINSAs budget.
- (2) Establish the policies which norm the cost recovery system in the hospitals of the MINSAs.
- (3) Establish a greater role for private and local participation in the delivery of health services in Nicaragua.

The project will tranche its funds against policy reforms by the GON and will require that a new legal policy and service framework be set up and implemented which responds to the demand for private run and operated health services in Nicaragua. The project will specifically allow for increased private control over cost recovery in Ministry of Health Hospitals. This means that policy reform measures are intended to decrease public health expenditures in costly services and keep the Ministry of Health focused on less expensive and more cost effective preventive care.

The project will allow the utilization of funds for those activities related to the implementation of the set-up and implementation of the health care finance program. The project will provide funds that support the development of the needed systems, the promotion of the community involvement in those systems, and finally the service implementation of the system.

#### **E. Planned implementation arrangements:**

AID financing will be trached against the completion of the following policy measures.

<u>POLICY MEASURE</u>	<u>Amount</u>
1. Legal Reform	\$1,000,000
2. MINSA resolutions	\$2,000,000
3. Formation of Local Health Boards	\$1,000,000
4. New Fee Structure	\$2,000,000
5. Establishment of private partnerships to create fee-for-service hospital wings and clinics	\$4,000,000

During the project development process, special attention will be given to the legal and administrative obstacles to privatization and the introduction of cost recovery mechanisms. GON and MINSA support for private participation in the sector will be assured.

A feasibility study will be conducted to examine the impact of introducing cost recovery measures such as fee for service consultations and hospitalization and the introduction of partnerships with the private sector for the provision of cost effective and efficient health care.

The GON and the MINSA will enact the laws necessary to remove obstacles and to provide the resolutions for establishing fee schedules and local health boards that would be in charge of generating, controlling and investing funds to maintain their local health facilities.

The MINSA will also pursue private partnerships to privatize some their services and would entertain proposals to receive increased private participation in the provision of services.

**F. Sustainability:** Since the project seeks to improve the provision of health services through cost recovery and privatization of public services, self-sustaining mechanisms will be built-in into the project design.

**G. Mission Management role:** The Project will be managed by the Mission's Health Development Officer.

# TABLES

Tables 1A and 1B:	Monitoring the Achievement of Strategic Objectives Monitoring the Achievement of Program Outputs
Table 5	Role of New Initiatives in Achieving USAID Program Level Objectives
Table 6	Local Currency Utilization
Table 7	Summary Program Funding Table

**Table 1A: MONITORING THE ACHEIVEMENT OF STRATEGIC OBJECTIVES (modified)**

Mission Strategic Objective: Increased foreign and domestic investment

LAC Bureau Objective and Sub-Objective: Support broadly-based, sustainable economic growth - Encourage economic policies that promote investment, employment and outward-oriented diversification; Encourage private sector response

- Progress to Date: Over the past year, the Nicaraguan government has taken the following steps:
- *Instituted a strong and successful stabilization program that has reduced inflation from 45% per month to almost zero and stabilized exchange rates.* This has been a critical first step in restoring investor confidence and laying the groundwork for renewed economic activity by the private sector.
  - *Reduced the size of the public sector to reduce budget deficits.* USAID support for the government's occupational conversion program has helped downsize the government workforce by over 22,000 through voluntary retirement. This will have significant impact in reducing government budget deficits and eliminating inflationary pressure.
  - *Established a Superintendency of Banks and the legal framework for operation of private banks.* Improved regulation of the financial sector and the influence of market forces through private banks should dramatically improve financial services in Nicaragua and improve the management of financial resources in the nation.

These accomplishments represent a profound change in the policy framework and overall business climate for the private sector. Figures are not yet available but it appears that there has been a significant increase in private investment beginning in July/August 1991, which is expected to produce three to four percent real growth in 1992.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Private sector investment - foreign - domestic	BCN, COSEP	Evaluate BCN data on the basis of consultant work being done on national accounts; settle on accurate baseline and develop targets during second quarter FY-92. Economics Office, PEPS.
Licensed businesses - gender - foreign - domestic	MEDE	Determine status of MEDE data base and evaluate utility of their data, determine baselines and develop targets during 2nd quarter, FY-92 if data appears to be in good shape. Private Sector Office, PEPS.

**Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS (modified)**

Mission Strategic Objective: Increased foreign and domestic investment

LAC Bureau Objective and Sub-Objective: Support broadly-based, sustainable economic growth - Encourage economic policies that promote investment, employment and outward-oriented diversification; Encourage private sector response

Program Output: Favorable investment policy framework: investment codes, licensing requirements, enforceable property rights, labor codes

Progress to Date: An investment law was passed in late 1990 that governs the process; while it could be improved, it serves as useful framework for investment activity. Property issues remain a divisive political issue and a workable resolution does not appear imminent. Numerous new retail outlets suggest that some investors are willing to place confidence in the Nicaraguan economy—Radio Shack & Dominos are the first U.S. franchises.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Registering for investment under the foreign investment laws (time & cost)	MEDE, USAID, Special Studies	Develop scope of work for sample surveys through PSS institutional contractors. Carry out studies in 3rd or 4th quarter of FY-92.
Business property disputes outstanding	US Embassy Asociacion de Confiscados	Coordinate with Embassy regarding database of U.S. disputes. Determine if Asociacion has reliable data base. Determine baseline & targets by end of FY-92.
US Franchises	USAID	Baseline is zero. Targets will be refined during 2nd quarter, FY-92.

Program Output: Stable Economic Environment

Progress to Date: The economic stabilization program put into effect in March, 1991 has virtually eliminated inflationary expectations in lowering monthly inflation from 45% to almost zero over the last eight months of 1991. Exchange rates have been stabilized at 5 cordobas to the dollar. The very successful occupational conversion program has reduced the public sector workforce by 22,000, reducing a primary source of inflationary pressure.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Inflation Rate	BCN	Baseline will be 1990 rate. Targets will likely be ceiling to be determined during early FY-92.
Real foreign exchange rate fluctuations	BCN	Economics office, PEPS, will develop methodology to calculate real effective exchange rates and apply a measure of dispersion as basis for baseline & targets

**Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS (modified)**

Mission Strategic Objective: Increased foreign and domestic investment

LAC Bureau Objective and Sub-Objective: Support broadly-based, sustainable economic growth - Encourage economic policies that promote investment, employment and outward-oriented diversification; Encourage private sector response

Program Output: Revitalized banking and financial markets

Progress to Date: A Superintendency of Banks began operation on July 30, 1991. The legal framework for licensing private banks was established and four private banks are in operation as of the end of 1991.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Demand and Saving deposit base of private commercial banks	BCN	Data availability and reliability will be determined by Economics Office, PEPS with an eye to establishing baselines and targets during the 2nd quarter, FY-92.
Medium-term lending by private commercial banks - original maturity of greater than 3 years	BCN	Data availability and reliability will be determined by Economics Office, PEPS with an eye to establishing baselines and targets during the 2nd quarter, FY-92.
Share of private banks and exchange houses in the foreign exchange market	BCN	Data availability and reliability will be determined by Economics Office, PEPS with an eye to establishing baselines and targets during the 2nd quarter, FY-92.
Cost of financial intermediation - spread between lending and borrowing interest rates	BCN	Selection of interest rates to be compared determined by Economics Office, PEPS with an eye to establishing baselines and targets during the 2nd quarter, FY-92.
Private commercial bank branch offices outside Managua	BCN	Baseline is zero. Targets will be established during the 2nd quarter, FY-92.

Program Output: Increased investment support services

Progress to Date: The primary offices to serve as the focal point for investment promotion have yet to be established.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Investment leads developed and consummated - number            - value	MEDE	Determination of baselines and targets will await establishment of relevant institutions - probably late FY-92 or early FY-93.

Mission Strategic Objective: Increased foreign and domestic investment

LAC Bureau Objective and Sub-Objective: Support broadly-based, sustainable economic growth - Encourage economic policies that promote investment, employment and outward-oriented diversification; Encourage private sector response

Program Output: Increased investment support services

<p>Progress to Date: The primary offices to serve as the focal point for investment promotion have yet to be established.</p>		
Performance Indicator	Data Source	Plans for Determining Baseline/Targets
<p>Investment leads developed and consummated - number - value</p>	<p>MEDE</p>	<p>Determination of baselines and targets will await establishment of relevant institutions - probably late FY-92 or early FY-93.</p>

**Table 1A: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES** (modified)

Mission Strategic Objective: Increased competitiveness and diversification in the economy

LAC Bureau Objective and Sub-Objective: Support broadly-based, sustainable economic growth - Encourage economic policies that promote investment, employment and outward-oriented diversification; Encourage private sector response

Progress to Date:

The Nicaraguan government has:

- *Liberalized trade and opened up new markets and trade relations.* State trading monopolies have been eliminated and private sector competition has returned in both import and export sectors. Imports from the U.S., which had been non-existent due to the embargo, are estimated to reach \$140 million in 1991 or nearly 20% of all import activity.
- *Began the process of privatizing state-owned enterprises.* The structure for privatization of public sector enterprise has largely been established and 86 firms were privatized or placed under private management over the last year. The government has committed itself to privatizing about 50% of its total portfolio by March of 1992.

At this point the evidence of improved competitiveness in the Nicaraguan economy is primarily anecdotal based on the opening of numerous retail firms in and around Managua. Nicaragua has not yet demonstrated renewed competitiveness in export markets but in areas with a natural comparative advantage such as coffee and bananas, exports are expanding. The first tentative steps toward increased non-traditional exports were reflected by the first shipments of melons and limes to a newly opened U.S. market in 1990. A large crop is currently being planted in late 1991 for 1992 harvest and export. Mission and ROCAP assistance through a local non-traditional export promotion association has been critical to achieving these first steps.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Commodities Exported - value - volume	BCN	Economics office, PEPS, will targets during 2nd & 3rd quarter, FY-92
Value of non-traditional exports	BCN	Economics office, PEPS, will evaluate data and develop baselines and targets during 2nd & 3rd quarter, FY-92
Value-added in manufacturing and processing	BCN	An assessment of industry and manufacturing sectors in Nicaragua will be conducted as a part of a study of National Income Accounts. Baselines and targets determined based on the assessment - PEPS/PS

**Table 1B: MONITORING THE ACHEIVEMENT OF PROGRAM OUTPUTS (modified)**

Mission Strategic Objective: Increased competitiveness and diversification in the economy

LAC Bureau Objective and Sub-Objective: Support broadly-based, sustainable economic growth - Encourage economic policies that promote investment, employment and outward-oriented diversification; Encourage private sector response

Program Output: Barriers to competition removed

Progress to Date: State trading monopolies have been eliminated and tariff rates have been lowered. Private sector activity has returned in both import and export sectors. Exports to the U.S. under a newly acquired CBI status are increasing; U.S. imports have moved from practically zero during the embargo to nearly 20% of all import activity.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Commodities facing non-tariff barriers - imports - exports	MEDE	Economics Office, PEPS, will determine baseline and targets as part of contract with outside consultant work. - expected late FY-92.
Range of taxes on imports	MEDE, Special Studies	Economics Office, PEPS, will determine baseline and targets as part of contract with outside consultant work. - expected late FY-92.

Program Output: Reduced state enterprise monopolies

Progress to Date: State trading monopolies have been eliminated. The structure for privatization has been established and 86 firms were privatized or placed under private management over the last year.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Government firms divested	CORNAP	Baseline will be zero. Private sector office, PEPS, will establish targets based on discussions with CORNAP and U.S. financed TA contractors working there - 0-3
Share of ENABAS imports of key commodities	CORNAP	Economics Office, PEPS, and ARDO will develop targets by 4th quarter, FY-92.

**Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS (modified)**

Mission Strategic Objective: Increased competitiveness and diversification in the economy

LAC Bureau Objective and Sub-Objective: Support broadly-based, sustainable economic growth - Encourage economic policies that promote investment, employment and outward-oriented diversification; Encourage private sector response

Program Output: Improved private sector technology transfer: agricultural technology (coffee, livestock, meat processing, etc), Processing and manufacturing technology

Progress to Date: First exports of non-traditional crops (melons and limes) to U.S. occurred in 1990; a second large crop is being planted for harvest and export in 1992.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Productivity of selected commodities: - coffee - rice - corn -sesame -bananas	MOA	ARDO and Economics Office, PEPS, will determine appropriate selection and methodology and determine baselines and targets by end of FY-92.
Value of non-traditional agricultural exports	MOA	ARDO and Economics Office, PEPS, will evaluate data and determine targets prior to end of FY-92.
Value of manufactured exports	BCN	Targets will be derived from assessment expected to be conducted during FY-92 - Private Sector Office, PEPS.

Program Output: Increased trained and skilled human capital

Progress to Date: The Mission's Development Training project is underway and 90 participant trainees departed for training under various Mission programs as of the end of FY-1991. 3,300 men and women have graduated from Salesian Missions vocational training centers supported by USAID.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Average real wages and salaries for selected occupations	US Embassy Wage Survey	Economics Office, PEPS, will coordinate with Embassy in determining baselines and targets by 3rd quarter, FY-92.

**Table 1A: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES (modified)**

Mission Strategic Objective: Increased participation in the economy

LAC Bureau Objective and Sub-Objective: Support the achievement of broadly-based, sustainable economic growth - Encourage increased economic opportunities for the disadvantaged

**Progress to Date:**  
 The vast majority of Nicaraguans will participate in the economy through wage employment. To address employment needs until increased private sector activity creates new long-term jobs, USAID has funded an employment generation program that has financed over 15,000 short-term jobs in Managua and more than 60 other municipalities throughout the country; on the Atlantic Coast, more than 400 jobs have been created.

Over 18,000 former resistance combatants have been demobilized through U.S. financing of the CIAV program, and 35,000 refugees have been repatriated. About 95,000 ex-resistance members, refugees, and members of their families have received immunizations, food supplies, clothing, seeds and basic tools for agriculture, and housing materials to assist in becoming self-sufficient.

Nearly 3300 students have received vocational training under a Salesian Missions program financed by USAID which will improve their prospects for obtaining meaningful employment. A \$2 million special scholarship program through Georgetown University has sent 75 Nicaraguans (including 42 women and 15 ex-members of the resistance) for 18 months of technical/vocational training at U.S. community colleges.

Nearly 15,000 Atlantic Coast farmers received rice seed provided by CIAV/OAS under an AID-financed emergency project. Approximately 750 tons of seed helped reestablish rice cultivation on the Atlantic Coast: a bumper crop of at least 30,000 tons has been a major stimulus to economic reactivation in the region. carry-over stocks will serve as the basis for next year's planting.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Total employment	MEDE	Economics Office, PEPS, will evaluate data sources and establish targets by 3rd quarter, FY-92.
Registered businesses - total - women-owned	MEDE	Private Sector Office, PEPS, will evaluate data and determine appropriate means of tracking. Baselines and targets expected by end of FY-92.

**Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS (modified)**

Mission Strategic Objective: Increased participation in the economy

LAC Bureau Objective and Sub-Objective: Support the achievement of broadly-based, sustainable economic growth - Encourage increased economic opportunities for the disadvantaged

Program Output: Broad-based technology transfer: low agricultural technologies, cottage industry type technologies, extension services through PVOs

Progress to Date: The Private Agricultural Services project, which will be the primary Mission program in this area, is still in its initial start-up phase.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Small producers receiving technical assistance - agricultural - nonagricultural	UPANIC	ARDO will establish baselines and targets in conjunction with project institutional contractors by the end of FY-92.

Program Output: Increased short-term employment opportunities

Progress to Date: USAID's Employment Generation projects have created more than 15,000 short-term jobs repairing and rehabilitating urban infrastructure in Managua and over 60 other municipalities through the country. More than 400 jobs have been created on the Atlantic Coast.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Short-term employment	FISE, CARE	PDIS will determine appropriate targets in developing the follow-on Employment Generation project for obligation in FY-92.

**Table 1B: MONITORING THE ACHEIVEMENT OF PROGRAM OUTPUTS (modified)**

Mission Strategic Objective: Increased participation in the economy

LAC Bureau Objective and Sub-Objective: Support the achievement of broadly-based, sustainable economic growth - Encourage increased economic opportunities for the disadvantaged

Program Output: Strengthened micro-enterprises

Progress to Date: Mission currently has no micro-enterprise programs underway.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Average income of micro-enterprises receiving assistance	USAID	A microenterprise study will be conducted under the Private Sector Support project which will serve as the basic data orienting USAID micro-enterprise work

Program Output: Increased trained and skilled human capital

Progress to Date: Mission development training efforts have just gotten underway. Salesion Missions vocational training centers supported by USAID have graduated more than 3,300 students over the last year. Broader indicators of the availability of trained and skilled human capital are undavailable but anecdotal evidence suggests that educated and skilled Nicaraguans are returning to settle in Nicaragua.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Employment - males - females	MINITRAB	Economics Office, PEPS, will evaluate data sources and develop baselines and targets prior to the end of FY-92.

Mission Strategic Objective: Increased participation in the economy

LAC Bureau Objective and Sub-Objective: Support the achievement of broadly-based, sustainable economic growth - Encourage increased economic opportunities for the disadvantaged

Program Output: Increased opportunity for ownership of businesses

Progress to Date:		
Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Business Owners	CORNAP	Private Sector Office, PEPS, will evaluate data sources and develop baseline and initial targets by end of FY-92.
Public firms sold through distribution of shares to a broad segment of the population	CORNAP	Private Sector Office, PEPS, will determine criteria and means of tracking such data. Baselines and targets to be developed by end of FY-92.

Program Output: Credit available to broad range of producers

Progress to Date:		
Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Deposit base of credit unions	Credit Unions Association	Private Sector Office, PEPS, will work with Credit Union Associations to develop data sources and establish baseline and targets by early FY-93.
Membership in credit unions	Credit Unions Association	Private Sector Office, PEPS, will work with Credit Union Associations to develop data sources and establish baseline and targets by early FY-93

**Table 1A: MONITORING THE ACHEIVEMENT OF STRATEGIC OBJECTIVES (modified)**

Mission Strategic Objective: Improved Quality and Efficiency of Basic Education

LAC Bureau Objective and Sub-Objective:(IC) Support the achievement of broadly-based, sustainable economic growth - Encourage increased economic opportunities for the disadvantaged

**Progress to Date:**

The more than 7 million new textbooks provided nation-wide to elementary and secondary schools represent an important first step in improving the quality and reducing the political and military orientation of basic education in Nicaragua. The Mission's Basic Education project will begin during FY-92 and will address the critical institutional, policy, financial, and technical constraints which impede the improvement of the quality and efficiency of the primary education system. The Education Assessment undertaken as part of the process of project design has already served to orient the priorities of the Ministry of Education and served as the basis for initial AID-financed technical assistance to reorganize the Ministry, improve its management information system, reform the curriculum, and train teachers. Fifteen Ministry of Education employees sent for short-term training in the U.S. under the Development Training Project represent another step in a series of activities leading up to the Basic Education project.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Children entering first grade graduating from sixth grade	World Bank Socio-Demo Survey; Basic Ed Sector Rpt	GDO/Ed will develop baselines and targets based on findings of World Bank socio-demographic study planned for sometime during FY-92 in conjunction the Basic Education project institutional contractor.

**Table 1B: MONITORING THE ACHEIVEMENT OF PROGRAM OUTPUTS (modified)**

Mission Strategic Objective: Improved Quality and Efficiency of Basic Education

LAC Bureau Objective and Sub-Objective:(IC) Support the achievement of broadly-based, sustainable economic growth - Encourage increased economic opportunities for the disadvantaged

Program Output:Efficiency of primary school system improved

Progress to Date: USAID financed technical assistance has played an important role in Ministry of Education reorganization and establishment of management systems.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Non-salary expenditure/number of students	MOE	GDO/Ed will develop baselines and targets in conjunction the Basic Education project institutional contractor by early FY-93.

Program Output:Increased number of children who attain skills in basic literacy and numeracy

Progress to Date: Delivery of over 7 million new USAID-financed textbooks represented an important first step in improving the Basic Education curriculum.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
National achievement tests - males - females	MOE	GDO/Ed will develop baselines and targets in conjunction the Basic Education project institutional contractor by early FY-93.

Mission Strategic Objective: Improved maternal and child care

LAC Bureau Objective and Sub-Objective:(IC) Support the achievement of broadly-based, sustainable economic growth - Encourage increased opportunities for the disadvantaged

Progress to Date:

In the health area, mission activities provided stop-gap medicines and have begun to address key elements of improved maternal child health. Through the timely provision of pharmaceuticals, the Ministry of Health has been able to alleviate severe shortages and supply medicines to segments of the population most in need.

Both mothers and children have been primary beneficiaries of this program.

AID's participation as the primary donor in a multi-donor immunization effort has helped improve coverage rates for major childhood diseases; coverage rates for some diseases have been increased from 35% to 75% over the last year and the rate for polio is over 90%. AID-financed PVO programs working with oral rehydration therapy, growth monitoring, and other child survival interventions have addressed the major causes of childhood sickness and death. Project Hope has provided assistance in strengthening basic services at maternal and infant departments of four community hospitals and has offered training courses in emergency pediatric care to over 75 Nicaraguan doctors and health professionals. The Adventist Development and Relief Agency (ADRA) has distributed over \$2 million in food assistance and is working in 340 rural communities on child survival, growth monitoring, and oral rehydration.

Expansion of Pro-Familia family planning activities is now underway under the Family Planning Expansion and Regionalization project.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Infant mortality - gender - areas	MCH survey	GDO will develop baselines and targets based on findings of World Bank socio-demographic study planned for sometime during FY-92.
Contraceptive prevalence rates (increased by 10% by 1996)	DHS	GDO will develop baselines and targets based on findings of World Bank socio-demographic study planned for sometime during FY-92.

**Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS (modified)**

Mission Strategic Objective: Improved maternal and child care

LAC Bureau Objective and Sub-Objective:(IC) Support the achievement of broadly-based, sustainable economic growth - Encourage increased opportunities for the disadvantaged

Program Output: Primary health care coverage increased

Progress to Date: The Ministry of Health and various donors and PVO's working in primary health in Nicaragua have developed a coordinated plan to confront cholera which addresses key areas of primary health care.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Improved coverage for child survival interventions	DHS (1992) PROFAMILIA'S Baseline	GDO will develop baselines and targets based on findings of World Bank socio-demographic study and a Profamilai study planned for sometime during FY-92.
Well-baby visits	World Bank D.S. (1992); Population Council (1992)	GDO will develop baselines and targets based on findings of World Bank and Population Council socio-demographic studies planned for 1992.

Program Output: Quality of primary/preventative health care improved

Progress to Date: Immunization coverage rates for some childhood diseases have increased from 35% to over 70% due to nation-wide campaigns funded by USAID and other donors. USAID-financed PVO programs have helped establish ORT centers in rural areas and improve pediatric services.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Pediatric and obstetric services coverage	DHS	GDO will develop baselines and targets based on findings of World Bank socio-demographic study planned for sometime during FY-92.
Immunization Coverage	DHS	GDO will develop baselines and targets based on findings of World Bank socio-demographic study planned for sometime during FY-92.
ORT Coverage	DHS	GDO will develop baselines and targets based on findings of World Bank socio-demographic study planned for sometime during FY-92.

Mission Strategic Objective: Improved maternal and child care

LAC Bureau Objective and Sub-Objective:(IC) Support the achievement of broadly-based, sustainable economic growth - Encourage increased opportunities for the disadvantaged

Program Output: Increased couple years of protection

Progress to Date: Initial activities to expand Pro-Familia's family planning services have begun.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Couples using contraceptives by methods	DHS	GDO will develop baselines and targets based on findings of World Bank socio-demographic study planned for sometime during FY-92.

**Table 1A: MONITORING THE ACHEIVEMENT OF STRATEGIC OBJECTIVES (modified)**

Mission Strategic Objective: Increased use of environmentally sound production and extractive processes

LAC Bureau Objective and Sub-Objective:(ID) Support the achievement of broadly-based, sustainable economic growth - Encourage preservation and sustainable use of the natural resource base

**Progress to Date:**

The Mission's Natural Resource Management project is now starting up and will provide institutional support for Nicaragua's environmental protection organization (IRENA), protection of key natural areas, and support for policy changes and activities addressing critical resource/environmental problems in Nicaragua. These will include improved pest management programs designed to address problems of pesticide misuse, improved forest management policies and practices, and environmental education to improve understanding of environmental issues throughout the Nicaraguan population. In addition, the Mission is helping to finance protection of biodiversity in important ecological areas, along with economic development in border areas, in three geographic areas: the Bosawás tropical forest in the North, the Mosquito Keys, an important lobster breeding ground off the Atlantic Coast, and Chacocente, an important nesting ground for sea turtles on the Pacific Coast.

An area of emphasis under the PVO Co-Financing project will be programs in agro-forestry, watershed management, land conservation, and agricultural techniques aimed at land reclamation.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Rate of Deforestation in protected areas	IRENA, MAG	ARDO will evaluate data sources & establish appropriate baseline and targets in conjunction with the NRM project institutional contractor by early FY-93.
Degree of pesticide residue related to export production.	IRENA, MAG	ARDO will evaluate data sources & establish appropriate baseline and targets in conjunction with the NRM project institutional contractor by early FY-93.

**Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS (modified)**

Mission Strategic Objective: Increased use of environmentally sound production and extractive processes

LAC Bureau Objective and Sub-Objective:(ID) Support the achievement of broadly-based, sustainable economic growth - Encourage preservation and sustainable use of the natural resource base

Program Output: Improved use policies and regulations implemented and enforced: new forest law, new national plan for watershed management and conservation

Progress to Date: The Mission's Natural Resource Management project is just getting underway.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Resource use policies and regulations	IRENA, MAG	ARDO will evaluate data sources & establish appropriate baseline and targets in conjunction with the NRM project institutional contractor by early FY-93.

Program Output: Strengthened HC institutional (IRENA) capacity re: resource use and environmental protection

Progress to Date: The Mission's Natural Resource Management Project is just getting underway.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
People trained in management and administration	IRENA	ARDO will evaluate data sources & establish appropriate baseline and targets in conjunction with the NRM project institutional contractor by early FY-93.

**Table 1B: MONITORING THE ACHEIVEMENT OF PROGRAM OUTPUTS (modified)**

Mission Strategic Objective: Increased use of environmentally sound production and extractive processes

LAC Bureau Objective and Sub-Objective:(ID) Support the achievement of broadly-based, sustainable economic growth - Encourage preservation and sustainable use of the natural resource base

Program Output: Sustainable economic practices related to protected areas

Progress to Date: The Mission's Natural Resource Management project, which funds PVO's working to reorient economic activity in and around selected protected areas, is just getting underway.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Commercial fuelwood, saw lumber and saw timber processors using environmentally sound methods	NOGs, PVOs	ARDO will evaluate data sources & establish appropriate baseline and targets in conjunction with the NRM project institutional contractor by early FY-93.

Program Output: Stronger non-governmental and private voluntary environmental and NR conservation and advocacy groups

Progress to Date: The Mission's Natural Resource Management project, which funds PVO's working to reorient economic activity in and around selected protected areas, is just getting underway.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Public awareness of environmental and NR concerns	IRENA, NGOs, PVOs, MOE	ARDO will evaluate data sources & establish appropriate baseline and targets in conjunction with the NRM project institutional contractor by early FY-93.

Mission Strategic Objective: Increased use of environmentally sound production and extractive processes

LAC Bureau Objective and Sub-Objective: (ID) Support the achievement of broadly-based, sustainable economic growth - Encourage preservation and sustainable use of the natural resource base

Program Output: Improved environmental and NR conservation technology transfer

Progress to Date: The Mission's Natural Resource Management project, which funds a pesticide use program, and the Private Agriculture Support project which will finance broader technology transfer in agriculture, are just getting underway.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Adoptions of sustainable agricultural/agro-forestry practices	IRENA, MAG, NGOs, PVOs	ARDO will evaluate data sources establish appropriate baseline and targets in conjunction with the NRM & PAS project institutional contractors by early FY-93.

Program Output:

Progress to Date:		
Performance Indicator	Data Source	Plans for Determining Baseline/Targets

**Table 1A: MONITORING THE ACHEIVEMENT OF STRATEGIC OBJECTIVES (modified)**

Mission Strategic Objective: Greater consensus on Democratic Values

LAC Bureau Objective and Sub-Objective: Support the evolution of stable, participatory democratic societies - Strengthen civilian government institutions; Strengthen public participation in democratic process

**Progress to Date:**

The Mission's program is designed to promote a consensus on democratic values through 1) civic education in schools, through the media, and through grassroots organizations, and 2) efforts to promote a positive experience with democratic rule through strengthening of key institutions. The Strengthening Democratic Institutions project, now underway, funds civic education efforts and a range of technical assistance and support for institutions critical to democratic rule. Other efforts to improve operation of key institutions include the Public Sector Support project which has helped restore critical government services after an initial sacking of ministries by the previous government. An inventory and analysis of Nicaraguan laws and its constitution was completed which can serve as a useful reference for reform efforts of both the executive and legislature; the inventory of laws is now being printed and will be distributed to members of the National Assembly. Initial efforts in civic education are represented by nine seminars on organization of political parties, the role of parties in privatization, and municipal development conducted by a new political research group, FUNDEMOS. These seminars were attended by over 1200 persons in Managua and six other cities. The Salesian Missions, in efforts complementing to their vocational training, have also provided civic education materials to more than 4,900 young men and women. American Institute for Free Labor Development (AIFLD) efforts have helped increase union membership in independent unions by over 185,000; over 11,000 union members have received training and 674 new unions have been organized. Assistance through the ADF is being provided to Nicaraguan human rights organizations.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Acceptance of democratic values	SDI, Opinion Polls, Embassy Political Analysis, Freedom Hse	GDO/DI will work to contract surveys and focal group analysis to serve as baseline data and serve as the basis for development of targets by the end of FY-92; baseline and targets developed early FY-93.

Mission Strategic Objective: Greater consensus on Democratic Values

LAC Bureau Objective and Sub-Objective: Support the evolution of stable, participatory democratic societies - Strengthen civilian government institutions; Strengthen public participation in democratic process

Program Output: Wider Promulgation and understanding of democratic values

Progress to Date: Initial seminars on the organization of political parties, the role of parties in privatization, and municipal development conducted by FUNDEMOS were attended by over 1200 persons. The Salesian Missions have provided civic education materials to more than 4,900 young men and women.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
People receiving information	SDI, Listener/radio surveys	GDO/DI will work to contract surveys and focal group analysis to serve as baseline data and serve as the basis for development of targets by the end of FY-92

Program Output: Increased confidence in democratic institutions and processes

Progress to Date: Initial support to the National Assembly has included an inventory of laws which is being distributed to all Assembly members and other government officials. Free union membership has increased by over 185,000 and 674 new unions have been organized. Assistance is being provided to strengthen Nicaraguan human rights organizations.

Performance Indicator	Data Source	Plans for Determining Baseline/Targets
Sense that citizens are better served by the institutions of a democratic society	SDI, Political opinion polls, Embassy pol. analysis	GDO/DI will work to contract surveys and focal group analysis to serve as baseline data and serve as the basis for development of targets by the end of FY-92

# Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: NICARAGUA

Title: Employment Generation (Amendment)

Proposed New Project and Program

Number: 524-0301.03

Activities	Program Outputs	Strategic Objective
Create jobs through repair and rehabilitation of urban infrastructure using private sector contractors	Increased short-term employment opportunities	Increased participation in the economy

# Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: NICARAGUA

Title: Decentralized Health Services

Proposed New Project and Program

Number: 524-0327

Activities	Program Outputs	Strategic Objective
Support for management and financial decentralization	Increased primary health care coverage Improved quality of primary care Increased couple years of protection	Improved maternal and child care
Strengthening of maternal and child health programs in selected regions, nation-wide immunization campaigns	Increased primary health care coverage Improved quality of primary care Increased couple years of protection	Improved maternal and child care
Assistance in exploring private sector alternatives for health care and health financing	Increased primary health care coverage Improved quality of primary care Increased couple years of protection	Improved maternal and child care

# Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: NICARAGUA

Title: Public Sector Financial Management

Proposed New Project and Program

Number: 524-0330

Activities	Program Outputs	Strategic Objective
Technical assistance in establishment of integrated financial management, auditing, budgeting, and accounting systems	Increased confidence in democratic institutions and processes	Greater consensus on democratic values
Training in professional financial management and auditing	Increased confidence in democratic institutions and processes	Greater consensus on democratic values
Improvement of government procurement system	Increased confidence in democratic institutions and processes	Greater consensus on democratic values

# Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: NICARAGUA

Title: Economic Recovery and Development I

Proposed New Project and Program

Number: 524-0333

Activities	Program Outputs	Strategic Objective
Balance of payments assistance in support of economic policy reform	Favorable investment policy framework, stable economic environment, revitalized financial markets, reduced barriers, etc.	Increased foreign and domestic investment Increased competitiveness and diversity in the economy

# Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: NICARAGUA

Title: Economic Policy Analysis

Proposed New Project and Program

Number: 524-0339

Activities	Program Outputs	Strategic Objective
Undertake economic analysis of specific macro and sector issues	Favorable investment policy framework Stable economic environment Barriers to competition removed	Increased foreign and domestic investment Increased competitiveness and diversification in the economy

# Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: NICARAGUA

Title: Private Sector Support (Amendment)

Proposed New Project and Program

Number: 524-0317

Activities	Program Outputs	Strategic Objective
Investment and trade promotion	Increased investment support services Improved private sector technology transfer	Increased foreign and domestic investment Increased competitiveness and diversification
Studies to determine constraints to investment and trade	Increased investment support services Barriers to competition removed	Increased foreign and domestic investment Increased competitiveness and diversification
Assistance to small and micro-enterprise	Strengthened micro-enterprises	Increased participation in the economy

# Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: NICARAGUA

Title: Legal and Regulatory Judicial Reform

Proposed New Project and Program

Number: 524-0340

Activities	Program Outputs	Strategic Objective
Support for modernization and professionalization of the court system	Increased confidence in democratic institutions and processes Favorable investment policy framework	Greater consensus on democratic values Increased foreign and domestic investment
Support to National Assembly committees dealing with commerce, trade, and property rights	Increased confidence in democratic institutions and processes Favorable investment policy framework	Greater consensus on democratic values Increased foreign and domestic investment
Strengthening of administrative capacity in areas of civil law	Increased confidence in democratic institutions and processes Favorable investment policy framework	Greater consensus on democratic values Increased foreign and domestic investment
Education and training regarding rights and responsibilities related to property, labor, trade, and commerce	Promulgation and understanding of democratic values	Greater consensus on democratic values

# Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: NICARAGUA

Title: Strengthening Municipal Institutions

Proposed New Project and Program

Number: 524-0341

Activities	Program Outputs	Strategic Objective
Support decentralization of budget authority and creation of a municipal allotment system	Increased confidence in democratic institutions and processes	Greater consensus on democratic values
Improve municipal operations related to revenue enhancement, provision of basic services, & community decision-making	Increased confidence in democratic institutions and processes	Greater consensus on democratic values
Train municipal officials in planning and administration of basic services & formation of community support organizations	Increased confidence in democratic institutions and processes	Greater consensus on democratic values
Establish system of town meetings for community decision-making	Increased confidence in democratic institutions and processes	Greater consensus on democratic values
Educate citizens on the role and responsibilities of locally elected officials and civic responsibility of local citizens	Promulgation and understanding of democratic values	Greater consensus on democratic values

# Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: NICARAGUA

Title: PL-480 Title III - Food for Development

Proposed New Project and Program

Number

Activities	Program Outputs	Strategic Objective
Provide food commodities on a grant basis in support of economic policy reforms related to the agricultural sector	Favorable investment policy framework Stable economic environment, barriers to competition removed, better use policies	Increased foreign and domestic investment Increased competitiveness and diversity in the economy Increased use of environmentally sound production and extraction practices

# Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: NICARAGUA

Title: Natural Resources Policy Reform (Non-Project Assistance)

Proposed New Project and Program

Number: 524-0336

Activities	Program Outputs	Strategic Objective
Cash transfer in support of policy reform to improve management and sustainability of key natural resources	Improved use policies and regulations implemented and enforced, sustainable economic practices in protected areas	Increased use of environmentally sound productive and extractive practices

# Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: NICARAGUA

Title: Economic Recovery and Development II

Proposed New Project and Program

Number: 524-0342

Activities	Program Outputs	Strategic Objective
Balance of payments assistance in support of economic policy reform	Favorable investment policy framework, stable economic environment, revitalized financial markets, reduced barriers, etc.	Increased foreign and domestic investment Increased competitiveness and diversification in the economy

# Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: NICARAGUA

Title: Private Agricultural Services

Proposed New Project and Program

Number: 524-0315

Activities	Program Outputs	Strategic Objective
Support restructuring of national agriculture research programs	Improved private sector technology transfer: agricultural technology (coffee, livestock, meat processing, etc.)	Increased competitiveness and diversification in the economy
Expand linkages between agricultural producers and agribusiness processors	Improved private sector technology transfer: agricultural technology (coffee, livestock, meat processing, etc.)	Increased competitiveness and diversification in the economy
Strengthen agriculture producer associations to provide services and technology transfer	Improved private sector technology transfer: agricultural technology Broad-based technology transfer	Increased competitiveness and diversification in the economy Increased participation in the economy

# Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: NICARAGUA

Title: Health Care Financing (Non-Project Assistance)

Proposed New Project and Program

Number: 524-0337

Activities	Program Outputs	Strategic Objective
Cash transfer in support of reforms to bring greater cost recovery and private sector involvement in health services	Increased primary health care coverage Improved quality of primary health care	Improved maternal and child care

TABLE 6  
 USAID/NICARAGUA  
 LOCAL CURRENCY UTILIZATION - FY 1992  
 (\$000)

<u>A. USES</u>	<u>ESF</u>	<u>PL 480 III</u>	<u>OTHER</u>	<u>TOTAL</u>
HG BUDGET GEN.	142,948		3,000*	145,948
HG BUDGET SEC.				
HG MGT. L/C PROJ. (GOVT. OR PRIVATE)				
AID PROGRAM TRUST FUND				
AID OE TRUST FUND				
OTHER				
<b>TOTALS</b>	<b>142,948</b>		<b>3,000*</b>	<b>145,948</b>
<b>B. CHANNEL FOR ASSISTANCE</b>				
PUBLIC SECTOR	142,948		3,000	145,948
PRIVATE SECTOR				
<b>TOTALS</b>	<b>142,948</b>		<b>3,000</b>	<b>145,948</b>

\* Pursuant to a Trust Fund Agreement wherein the GON agreed to contribute \$5 million for the Mission's local currency expenses over a three year period.

TABLE 6  
 USAID/NICARAGUA  
 LOCAL CURRENCY UTILIZATION - FY 1993  
 (\$000)

<u>A. USES</u>	<u>ESF</u>	<u>PL 480 III</u>	<u>OTHER</u>	<u>T O T A L</u>
HG BUDGET GEN	125,000	17,000	1,000	143,000
HG BUDGET SEC.				
HG MGT. L/C PROJ. (GOVT. OR PRIVATE)				
AID PROGRAM TRUST FUND				
AID OE TRUST FUND				
OTHER				
TOTALS	125,000	17,000	1,000	143,000
 B. CHANNEL FOR ASSISTANCE				
PUBLIC SECTOR	125,000	17,000	1,000	143,000
PRIVATE SECTOR				
TOTALS	125,000	25,000	1,000	143,000

TABLE 6  
 USAID/NICARAGUA  
 LOCAL CURRENCY UTILIZATION - FY 1994  
 (\$000)

<u>A. USES</u>	<u>ESF</u>	<u>PL 480 III</u>	<u>OTHER</u>	<u>TOTAL</u>
HG BUDGET GEN.	115,000	25,000	1,000	140,000
HG BUDGET SEC.				
HG MGT. L/C PROJ. (GOVT. OR PRIVATE)				
AID PROGRAM TRUST FUND				
AID OE TRUST FUND				
OTHER				
TOTALS	115,000	25,000	1,000	141,000
 B. CHANNEL FOR ASSISTANCE				
PUBLIC SECTOR	115,000	25,000	1,000	141,000
PRIVATE SECTOR				
TOTALS	115,000	25,000	1,000	141,000

TABLE 7

## SUMMARY PROGRAM FUNDING TABLE

Dollar Program

<u>Project Title and Number</u>	<u>FY-92</u>	<u>FY-93</u>	<u>FY-94</u>	<u>Mission Strategic Objective</u>
<b>DEVELOPMENT ASSISTANCE</b>				
<i>Bureau Sub-Objective 1.B: Encourage a vigorous private sector response</i>				
<b>Agriculture Rural Development and Nutrition</b>				
524-0315 Private Ag Services	1,500	4,000	5,000	Competitive/Diversity
<b>Private Sector, Energy, &amp; Environment</b>				
524-0313 PVO Co-Financing	4,000	3,000		Particip & NR Practice Investment & Diversity
524-0317 Private Sector Support	200	5,500		
<i>Bureau Sub-Objective 1.C: Encourage increased economic opportunities for the disadvantaged</i>				
<b>Population</b>				
524-0312 Family Planning Expansion	2,000	2,000		Maternal Child Health
<b>Health</b>				
524-0327 Decentralized Health Services	3,000	3,000	10,000	Maternal Child Health
524-0313 PVO Co-Financing		1,000		
524-0337 Health Financing NPA			10,000	Maternal Child Health
<b>Child Survival</b>				
524-0321 Expanded Immunization	1,300			Maternal Child Health
524-0327 Decentralized Health Services		3,000	4,000	Maternal Child Health
524-0313 PVO Co-Financing	2,000	1,000		Maternal Child Health
<b>Education and Human Resources</b>				
524-0329 Basic Education	4,000	12,500	13,500	Basic Education
524-0318 Development Training	4,000	5,000	7,500	Democratic Inst/Values
<i>Bureau Sub-Objective 1.B: Encourage preservation and sustainable use of the natural resource base</i>				
<b>Private Sector, Energy, &amp; Environment</b>				
524-0336 Natural Resource Use NPA		10,000		Prod/Extract Practices
<b>SUBTOTAL - DEVELOPMENT ASSISTANCE</b>	<b>22,000</b>	<b>50,000</b>	<b>50,000</b>	

**ECONOMIC SUPPORT FUNDS**

	<u>FY-92</u>	<u>FY-93</u>	<u>FY-94</u>	<u>Mission Strategic Objective</u>
<i>Bureau Sub-Objective 1.A: Encourage economic policies that promote investment, productive employment &amp; outward-oriented diversification</i>				
524-0325 Econ Stabiliz/Recover III	33,000			Invest & Compet/Divers
524-0325 Econ Stabiliz/Recovery IV	100,000			Invest & Compet/Divers
524-0333 Econ Recovery & Dev. I		130,000		Invest & Compet/Divers
524-0342 Econ Recovery & Dev. II			124,000	Invest & Compet/Divers
524-0339 Economic Policy Analysis		2,000	6,000	Invest & Compet/Divers
<i>Bureau Sub-Objective 1.B: Encourage a vigorous private sector response</i>				
524-0315 Private Ag Services				Competitive/Diversity
524-0317 Private Sector Support	3,500			Invest & Compet/Divers
<i>Bureau Sub-Objective 1.C: Encourage increased economic opportunities for the disadvantaged</i>				
524-0301.03 Employment Generation	11,000	4,000		Economic Participation
524-0307 Repatriation/Resettlement	5,200			
524-0318 Development Training		2,000		Economic Participation
<i>Bureau Sub-Objective 1.B: Encourage preservation and sustainable use of the natural resource base</i>				
524-0314 Natural Resource Mgmt			1,000	Prod/Extract Practices
524-0336 Natural Resource Use NPA			8,000	Prod/Extract Practices
<i>Bureau Sub-Objective 2.A: Strengthen civilian government institutions</i>				
524-0330 Public Sect Financ. Mgmt	1,000	2,000	1,000	Democratic Inst/Values
524-0341 Strength Municipal Institutions		2,000	2,000	Democratic Inst/Values
524-0340 Legal & Regulatory Reform		2,000	1,000	Democratic Inst/Values
<i>Bureau Sub-Objective 2.B: Strengthen public participation in Democratic Process</i>				
524-0316 Strengthen Dem. Institut.	3,000	4,000	4,000	Democratic Inst/Values
Program Development and Support				
524-0000 Program Dev. & Support	2,000	2,000	3,000	
<b>SUB-TOTAL ECONOMIC SUPPORT FUNDS</b>	<b>158,700</b>	<b>150,000</b>	<b>150,000</b>	
<b>SUB-TOTAL - ESF AND DA</b>	<b>180,700</b>	<b>200,000</b>	<b>200,000</b>	

<u>Project Title and Number</u>	<u>FY-92</u>	<u>FY-93</u>	<u>FY-94</u>	<u>Mission Strategic Objective</u>
<b>P.L.-480 FOOD ASSISTANCE</b>				
PL-480 Title I - Food for Progress	25,000			Invest & Compet/Divers
PL-480 Title II - PVO Programs	4,276	5,236		Invest & Compet/Divers
PL-480 Title III - Food for Development		17,000	17,000	Invest & Compet/Divers
<b>SUB-TOTAL - FOOD ASSISTANCE</b>	<b>29,276</b>	<b>22,236</b>	<b>17,000</b>	
<b>SUBTOTAL - DEVELOPMENT ASSISTANCE</b>	<b>22,000</b>	<b>50,000</b>	<b>50,000</b>	
<b>SUB-TOTAL ECONOMIC SUPPORT FUNDS</b>	<b>158,700</b>	<b>150,000</b>	<b>150,000</b>	
<b>TOTAL ASSISTANCE TO NICARAGUA</b>	<b>209,976</b>	<b>222,236</b>	<b>217,000</b>	

# **MISSION WORK PLAN**

## **FOR 1992**

## MISSION WORK PLAN FOR CALENDAR YEAR 1992

### LAC Objectives & Sub-Objectives

1. Support the achievement of broad-based and sustainable economic growth.

a. Encourage economic policies that promote investment productive employment and outward-oriented diversification

**Mission Objective: Increased foreign and domestic investment.**

### Mission Actions

Participate in Consultative Group meeting discussing economic development over the medium term. (March)

Further progress in stabilization through reduction of public sector workforce by 12,500 (January)

Policy Actions as agreed to in the Agreement for Economic Stabilization and Recovery IV:

- Government meets macro-economic targets agreed to with the IMF (quarterly)
- Elimination of legal requirement for compulsory surrender by private sector exporters of foreign exchange earnings to the Central Bank (April)
- Elimination of all requirement for Central Bank approval of purchase of foreign exchange for imports (except those involving the Central Banks own or donor resources) (April)
- Clarification of the right of all investors to purchase foreign exchange and repatriate earnings and capital through purchase on the private foreign exchange market (April)

**Mission Objective: Increased competitiveness and diversification in the economy.**

**Privatization of 50% of CORNAP state enterprises (March)**

**Undertake comparison study of Nicaragua business environment with that of its competitors (August)**

**Policy Actions as agreed to in the Agreement for Economic Stabilization and Recovery IV:**

- **Assurance that total financing available to ENABAS for 1992 will not exceed the amount available in 1991 (September)**
- **Elimination of the monopoly position of INISER and permission for foreign and domestic insurance companies to operate on the same basis as the state firm without unrealistic capital requirements (September)**
- **Elimination of restrictions on the private import and export of corn, sorghum, and rice (April)**
- **Elimination of the private import and export of beans (September)**
- **Equal access provided for private banks to Central Bank discount facilities and other resources on the basis of full equality with the state bank (April)**
- **Provision by the Central Bank of no less than \$50 million in discount resources to privately-owned banks through instruments with an original maturity of no less than five years and no restrictions on their further use (September)**

b. Encourage a vigorous private sector response

**Mission Objective: Increased foreign and domestic investment.**

Contract the primary institutional contractor managing the Private Sector Support project (January)

Establish a "one-stop shop" for investment processing (December)

Support development of standardized information for potential investors for "one-stop shops" (December)

Support COSEP establishment of program of support for potential investors (July)

Undertake assessment of Nicaragua's industry and manufacturing sectors (June)

Contract study on the role of Nicaraguan private sector associations in fostering market-led economic growth completed (June)

**Mission Objective: Increased competitiveness and diversification in the economy.**

One-stop shops operational to streamline processing for exports. (December)

Support second full season of melon exports to the U.S. (Jan-April)

Oversee procure and installation of USDA certified meat lab (March) required for resumption of beef exports resume to U.S. (June)

Complete USDA certification of hot-water treatment for mangos for export to U.S. (June)

Complete registration of UPANIC as a local PVO and sign Cooperative Agreement sign for implementation of PAS project (June)