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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

NICARAGUA

PROJECT PAPER

EMERGENCY EMPLOYMENT GENERATION
AMENDMENT NUMBER 1

AID/LAC/P-722
CR-589

PROJECT NUMBER: 524-0301.03

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APPENDIX 3A, Attachment 1
Chapter 3, Handbook 3 (TM 3:43)

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT DATA SHEET

1. TRANSACTION CODE
 A = Add
 C = Change
 D = Delete
 Amendment Number: 1
 DOCUMENT CODE: 3

COUNTRY/ENTITY: Nicaragua
 3. PROJECT NUMBER: 524-0301.03

4. BUREAU/OFFICE: LAC
 5. PROJECT TITLE (maximum 40 characters): Emergency Employment Generation

6. PROJECT ASSISTANCE COMPLETION DATE (PACD):
 MM DD YY: 07/31/93

7. ESTIMATED DATE OF OBLIGATION (Under "B." below, enter 1, 2, 3, or 4)
 A. Initial FY: 90 B. Quarter: 3 C. Final FY: 93

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY <u>90</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	460	9,540	10,000	1,083	13,317	15,400
(Grant)	(460)	(9,540)	(10,000)	(1,083)	(13,317)	(15,400)
(Loan)	()	()	()	()	()	()
Other						
U.S.						
Host Country						
Other Donor(s)						
TOTALS	460	9,540	10,000	1,083	13,317	15,400

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE	D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
			1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ESF	B930		10,000		4,400		15,400	
(2)								
(3)								
(4)								
TOTALS			10,000		4,400		15,400	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

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

14. SCHEDULED EVALUATIONS

Interim MM YY: 09/91 Final MM YY: 04/93

15. SOURCE/ORIGIN OF GOODS AND SERVICES
 000 941 Local Other (Specify) Central American Common Market

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of 1 page PP Amendments)

This amendment extends the Project's geographical coverage to rural areas of the Atlantic Coast of Nicaragua.

17. APPROVED BY: Kenneth G. Schofield
 Title: MISSION DIRECTOR (a.i.) USAID NICARAGUA
 Date Signed: 05/21/91

18. DATE DOCUMENT RECEIVED IN AID/W. OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
 MM DD YY:

PROJECT AMENDMENT AUTHORIZATION NO. 1

Name of Country: Nicaragua
Name of Project: Emergency Employment
Generation Sub-Project
of the Economic Growth
and Development Program
Number of Project: 524-0301.03

1. Pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, I hereby amend the authorization of the Emergency Employment Generation Sub-Project of the Economic Growth and Development Program involving a planned obligation of Five Million Four Hundred Thousand United States Dollars (\$5,400,000) in ESF Grant funds with total funds to be obligated not to exceed Fifteen Million Four Hundred Thousand United States Dollars (\$15,400,000) for a Project life of two years ten months and thirteen days, subject to the availability of funds in accordance with the A.I.D. OYB allotment process.

2. The Project Amendment consists of adding \$5.4 million over a two year period to the Emergency Employment Generation Sub-Project (EEG) which will concentrate on employment generation for the East Coast of Nicaragua involving both economic and social infrastructure rehabilitation. The goal and purpose of the Sub-Project remain unchanged. The primary Components of the Amendment are road, bridge and waterway rehabilitation, environmental management, and rehabilitation of health clinics.

3. All other provisions of the original Project Authorization shall remain in full force and effect.

 May 21, 1991

Ken Schofield
Acting Mission Director
USAID/Nicaragua

Drafted: DLieberman, PDIS
Clearance: JCloutier, PDIS
MVelazquez, LA
RBurke, PROG
JAVila, OFIN
JCorley, CO

ACTION: AID INFO: AMB DCM ECON

VZCZCMU0028
PP RUEHMU
DE RUEHC #3906 1222114
ZNR UUUUU ZZH
P 022113Z MAY 91
FM SECSTATE WASHDC
TO AMEMBASSY MANAGUA PRIORITY 6614
BT
UNCLAS STATE 143906

02-MAY-91 TOR: 21:14
CN: 35780
CHRG: AID
DIST: AID
ADD:

AIDAC JCLOUTIER

E.O. 12356: N/A

TAGS:

SUBJECT: EMERGENCY EMPLOYMENT GENERATION SUBPROJECT-
AMENDMENT TO PROJECT 524-0301.03

REF: MANAGUA 02448

1. REFTEL PROPOSED A DOLS. 5.4 MILLION AMENDMENT TO THE EXISTING ACTIVITY IN ORDER TO INCREASE THE GEOGRAPHICAL FOCUS OF THE EMERGENCY EMPLOYMENT GENERATION SUB-PROJECT TO THE ATLANTIC COAST OF NICARAGUA. LAC HEREBY GRANTS PROGRAM CONCURRENCE FOR THE MISSION TO MOVE FORWARD WITH THIS ACTIVITY.

2. TECHNICAL NOTIFICATION 140 FOR THE ECONOMIC GROWTH AND DEVELOPMENT PROJECT WAS SENT TO THE HILL ON MARCH 4, 1991 AND EXPIRED ON MARCH 18, 1991. BAKER

BT

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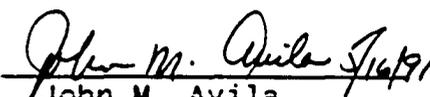
Due Date: 5/6/91
Action Taken:
Priority:

C

REF: AMENDMENT NO. 1 TO THE EMERGENCY EMPLOYMENT GENERATION PROJECT

Project 524-0301.03

This PP-Like document complies with current Agency Guidance on methods of financing and has provided for adequate audit coverage in accordance with the Payment Verification Policy Implementation Guidance.


John M. Avila
ACTING CONTROLLER
USAID/NICARAGUA.

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Project Paper Amendment
to the
Emergency Employment Generation Sub-Project
of the
Economic Growth and Development Program
524-0301.03

Atlantic Coast Economic Reactivation

0299A OIS

PROJECT AMENDMENT DESCRIPTIONI Executive Summary

This document recommends the approval of a \$5.4 million, two year amendment to the Emergency Employment Generation (EEG) Sub-Project of the Economic Growth and Development Program. The project area for this activity is the Atlantic Coast region of Nicaragua. The basis for this project amendment is a thorough 40 day assessment which involved discussions with hundreds of Atlantic Coast residents and field visits to more than 35 communities. This assessment made apparent the scope of the economic and social problems in the Atlantic Coast region and provides a framework for what will be a rapid implementation of this development effort.

The goal to which this project amendment contributes is that of the repair, maintenance, rehabilitation or replacement of the nation's deteriorated social and economic infrastructure. This is one of the three original complementary project goals of the Emergency Employment Generation Sub-Project. The purpose to which this project amendment contributes remains unchanged from the original project: to utilize a portion of Nicaragua's unemployed to work on the repair of basic infrastructure. As such, this amendment in no way changes the policy focus or activities of the originally authorized project. It will, however, increase funding for the EEG and enhance the geographic focus of that project.

Employment generation activities will be focused primarily on road maintenance and repair, forestry management, and rehabilitation of health centers and health posts. A Management and Supervision component is also added by this amendment which will provide funding for two USAID contractors who will implement this Project in the field. This will allow the project to significantly expand its activities without diluting INIFOM's current management and oversight capacities.

The implementation of an employment generation component in the Atlantic Coast Region will allow the GON to respond to the social and economic problems of this traditionally neglected area. The activities implemented under this amendment will lead to a number of tangible outputs including the creation of up to an average of 1,000 jobs (24,000 person-months) for unskilled laborers. During the two years of the project, a total of up to 3,000 workers will participate in these jobs. The jobs will address maintenance and repair of up to 250 kilometers of roads, proper management of up to 150,000 hectares of forest, and the

rehabilitation and repair of up to ten health centers and health posts.

This project amendment will be obligated through an amendment to the project grant agreement for the EEG with the Ministry of the Presidency. The National Institute for Municipal Development (INIFOM) is the implementing entity. The National Development Bank (BND) will have fiduciary responsibility for disbursements. This organization provides a sound financial framework for the project as well as a wide geographic reach with branch offices throughout the Atlantic Coast.

The Nicaraguan Institute of the Environment (IRENA) will be responsible for much of the employment generation component, while the Ministry of Health (MINSA) will assist in the rehabilitation of health centers and health posts. Various PVOs (such as the British Red Cross) with long-standing presence in the Atlantic Coast region will also assist the above mentioned organizations during project implementation, particularly in the areas of transportation and logistical support.

The summary project budget is as follows. (US\$000)

Employment Generation/Economic Infrastructure	\$3,980
Employment Generation/Social Infrastructure	420
Management & Supervision (with audit & evaluation)	<u>1,000</u>
Total	\$5,400

II Background and Problem Statement for the Amendment

During the 1980s, the Nicaraguan economy deteriorated significantly. Nicaragua, which a decade ago ranked in the middle of the countries of Central America in terms of per capita income, is now the third poorest country in the Western Hemisphere, only slightly better off than Guyana or Haiti. Demobilization and a reduction in the size of the Armed Forces of Nicaragua has removed the military as an absorber of unemployment. With the arrival of the Chamorro government, thousands of additional Nicaraguans are returning home, adding to further competition for scarce resources. Added to this is some inevitable short term negative impact on employment from the recently announced GON economic recovery program. At present, existing vital infrastructure such as roads and communications as well as social services infrastructure are in such disrepair that immediate interventions are required.

Nowhere perhaps are these national problems more evident than in the Atlantic Coast region of Nicaragua. Representing about half of Nicaragua's land mass, the Atlantic Coast region is more than twice the size of El Salvador. It is estimated that the northern coastal region (called the RAAN) has about 150,000 - 160,000 residents, of whom about 20% live in the regional capital

of Puerto Cabezas. The smaller southern region (called the RAAS) has about 60,000 - 70,000 residents, of whom half live in the regional capital of Bluefields. Together, the Atlantic Coast's 210,000 - 230,000 residents represent about 5% of the national population.

Historically, the Atlantic Coast region has been neglected by the National Government due to geographic isolation, significant ethnic and cultural differences with the mainstream population and the wide dispersion of the region's population. Presently, the region is recovering from the protracted civil conflict which generated mass displacement, the hurricane of 1988 which inflicted severe damage on the southern portion of the region and severe flooding throughout 1990 which destroyed the area's main crops, such as rice.

The limited National Government involvement in the region in the past was focused on the extraction of the area's three principal resources: gold, lumber and seafood. Little was provided to the coast in the form of basic services in health, education and infrastructure development or economic investments. The more recent problems associated with the civil war, hurricane and floods, have exacerbated the traditionally precarious economic and health situation in the Atlantic Coast region in a country which already faces monumental economic and social difficulties.

The current situation is all the more disturbing since before the civil war, the Atlantic Coast Region was self-sufficient in almost all of the major food crops and often exported rice, the foundation of the local economy, to the Pacific side of Nicaragua. There has been virtually no significant rice production in the region for years, and much of the rice for consumption is now imported at great cost from the Pacific side. The vast majority of small farmers have no access to rice or vegetable seed for planting, and the local stocks of chickens, pigs and cattle were virtually all consumed or destroyed during the war, as were thousands of economically important fruit trees. The key fishing, resin extraction and chicle industries, are largely paralyzed or operating at a fraction of their previous levels. Sustainable management of the forest resources came to a halt several years ago. Roads and health infrastructure are severely deteriorated.

According to residents of the local communities, during normal times -- before the civil conflict which engulfed the region in the 1980s -- the coastal economy was based principally on agriculture, in which rice was the most important commercial crop. Small rural commercial rice farmers, who accounted for the great majority of the population, kept a part of their crop for their own consumption and sold the balance to traders who in turn sold the rice in the regional capitals and, at times, outside the

region.

These farmers also commonly produced beans, corn, bananas, plantains, yucca, tomato, cabbage and watermelon. Coconut, citrus, cashew, avocado, breadfruit and other fruit trees were plentiful and productive. Some villages produced specialty crops, like pineapple and sugar cane, which was processed near Bluefields. The region was at least self-sufficient and sometimes had surpluses in all important foods.

With the income from their rice and other crops, the farmers bought and accumulated livestock. Local residents indicate that the average family had 30 - 90 chickens and that most had pigs. Some 30% were said to have 5 - 7 head of cattle, while a prosperous minority had up to 100 head.

River residents fished only for their own consumption; fish were plentiful, especially when the rivers were low during the drier periods. Residents of the Pearl Lagoon, Wounta and other lake basins participated en masse in the shrimp harvest in March, April and May each year, and sold their shrimp to the many commercial boats which came to the area. They also fished in the lake year-round for their own consumption and to produce dried fish for sale throughout Nicaragua during the Easter holiday season. According to the local communities, between their agriculture and their fishing, they were becoming increasingly prosperous, and nutrition was reported to have been very good. The population was concentrated to an even greater extent than it is today in the north. The RAAS region was even more sparsely settled than it is today, and population expansion at that time was attributed to the migration of mestizo families from the west to the Atlantic Coast in search of land.

Industry, most of which was U.S. managed, played less of a role in the 1970s than may have been thought. The Wrigley's plant in Waspam on the Coco River, employed about 30 people, while 200 or more men up-river harvested the chicle which it processed.

It appears that during the mid-1970s the major logging operations which had been widespread and economically dominant in earlier years, such as those of NIPCO and other U.S. firms, were phased out, both in pine forest activities and in the harvesting of the mahogany, rosewood and other valuable hardwoods. But the Louisiana-based ACHEMCO company, with about 500 employees, maintained the resin processing plant at La Tronquera, just south of Waspam. It extracted pine trunks and processed them into resin and other paint industry products. ACHEMCO built and maintained the roads over which its equipment carried the pine trunks.

Firms like Neptune Mining Company and Rosita Mining Company

operated gold mines in the three municipalities (Bonanza, Rosita and Siuna) which comprise the 'Las Minas' area in the northwestern part of the region. The mining companies maintained the streets, hospitals and other municipal services. The miners still describe the specialty items available to them at low cost at company commissaries as a major fringe benefit. The mines maintained the major trunk roads of the region.

In addition to the employees of the sugar processing plant at Kukra Hill, the RAAS region was said to have had 270 fishing boats which worked out of Bluefields harbor. Supporting these boats was a major lobster, shrimp and fish processing plant in Bluefields, located adjacent to a bustling shipyard, which between them provided hundreds of jobs.

With the outbreak of the war, all of this changed. Much of the Atlantic Coast population was displaced or forced to flee to Honduras or Costa Rica during the early eighties, effectively stopping most economic activity. The Coco river area (the border between Nicaragua and Honduras) was virtually abandoned for many years. People who lived in highly dispersed rural areas farther from the international border tended to voluntarily displace themselves to the nearest community for safety. People from small communities tended to relocate to larger communities for the same reason. Residents of larger communities tended to relocate to Bluefields and Puerto Cabezas, and some in turn fled to Costa Rica, Corn Island and San Andres. It appears that there were frequent fire fights in and near the villages. When this occurred, people fled to the bush, usually for days -- sometimes for weeks -- until it was safe to return. Upon their return, they often found their homes had been looted.

The agricultural sector was thus acutely constricted. The same was true of the industrial sector. The Wrigley's plant in Waspam was destroyed. Resin plant operations were severely curtailed and the work force reduced from 500 to 160 because of security problems. Lack of capital and spare parts forced the plant to close in April 1990. The government took over the three mines, closed the Rosita mine and increased employment at the other two. It also took over the fish processing and boat yard industries in Bluefields, and increased employment there as well, but only with significant international assistance.

In the industrial sector, the Wrigley's plant was irreparably destroyed during the war. The La Tronquera resin plant is at a standstill. An INPESCA lobster and shrimp processing plant in Puerto Cabezas which was built but never opened has been taken over by a Nicaraguan-U.S. joint venture known as ATLANOR. However, it has only 27 employees and it appears that a year or more will be needed before it becomes a meaningful source of employment. While Bonanza and Siuna mines remain open, their personnel rosters are being gradually reduced

by new management. Many of those who lost their jobs when the Rosita mine closed have formed cooperative artisan gold panning groups.

There is no significant lumbering activity in either the north or the south. In fact, at least 300,000 hectares of forest were destroyed by Hurricane Juana (22-23 October 1988). The sugar mill at Kukra Hill remains active. Only 30 of the 270 ships which were based in Bluefields harbor before the war are said to have returned, and many fishermen prefer to sell their lobster to Honduran and Panamanian boats on the high seas, limiting production capacity in Bluefields, where the two state-owned processing and shipyard businesses have many more employees than they can economically sustain. In short, the modest industrial economy which existed before the war is virtually stagnant, with extremely high open unemployment.

III. Project Amendment Description

In order to begin to address these problems in a meaningful manner, USAID Nicaragua Mission proposes to implement a 2 year, \$5.4 million amendment to the EEG which will concentrate on employment generation in both economic and social infrastructure rehabilitation. The goal to which this effort will contribute is one of three complementary project goals of the EEG: namely the repair, maintenance, rehabilitation or replacement of the nation's deteriorated social and economic infrastructure. The purpose of this amendment is the same as that of the EEG, namely, to utilize a portion of Nicaragua's unemployed to work on the repair of basic infrastructure. The implementation of an employment generation component in the project area will accelerate the pace of economic reactivation in the Atlantic Coast region. The goal and purpose of this project amendment will be accomplished by the implementation of the following employment generation activities and their required management support.

A. Employment Generation, Economic Infrastructure

The objective of this component is to generate employment activity and income for unskilled labor during the transition period between the current stagnation and the economic activation which will follow, and to contribute substantively to that economic reactivation. The project's effort would maintain economically important transportation routes, invest in environmental management and future economic productivity of the region's forest land, and help to recover the previously abundant fruit tree population, for both consumption and commercial purposes.

1. ROADS, BRIDGES, WATERWAYS

The basis for beginning the economic reactivation of the Atlantic Coast Region will be activities directed towards rehabilitating the transportation infrastructure.

The main roads in the north, well maintained by the Sandinista army during the war, have had no systematic maintenance for at least three years. This includes the Puerto Cabezas - Waspam, Waspam - Bismona, La Tronquera - Leimus, and Puerto Cabezas - Rosita roads. The La Tronquera and forestry authority (IRENA) groups, although they still have a small amount of equipment and some trained supervisors, have no funds to maintain them. The gold mines are apparently without the means to maintain the roads which they previously assisted. There are very few roads in the southern region.

Drainages require replacement or repair (they are built of wood in this region), small wooden bridges need to be rehabilitated, the potholes need to be filled (by the side of some roads are large piles of rock/sand balastre, left there specifically for this purpose). A relatively small number of major deteriorated spots simply require heavy equipment to repair. The waterways which are the main transportation routes in much of the Coast are increasingly clogged with debris, especially heavy tree trunks, which fell into the rivers and were not cleared. About 300 workers will be employed to repair, rehabilitate or clean out drains, fill potholes, and otherwise improve the roads. The dozens of small wooden bridges built with manual labor before the war should be repaired and rehabilitated. Debris which is blocking and silting up waterways should be removed. IRENA (forestry agency) will provide additional technical assistance. To the degree possible, the La Tronquera resin plant equipment (dump trucks, front end loaders, graders, sawmill, maintenance shop, fuel tanks, truck scales) and experienced road maintenance supervisors and mechanics may be re-activated for this project. Spare parts for IRENA as well as La Tronquera equipment will be bought on a case by case basis by USAID. Lumber for the drains may be procured from the IRENA or La Tronquera sawmills, whichever is more economical and closer to the area of work. Picks, shovels, wheelbarrows, spare parts, hammers, saws, nails and other materials will be procured by USAID with funds from this amendment.

2. AGROFORESTRY ACTIVITIES

Although many forests affected by Hurricane Juana in the south are naturally regenerating, the new trees are being smothered and twisted by brush, and without assistance are estimated to require 75 years to recover. Other areas are not regenerating and require reforestation. In the north, the reforestation plan in which so much was invested in the 1970s and 1980s is not continuing because IRENA does not have the funds for the thinning of approximately 100,000 hectares. Tree nurseries

are operating at a small fraction of their capacity; as a result, reforestation and planting of new fruit trees has been slow to begin.

About 400 workers will be employed to assist IRENA in providing for the continuation of its forestry management program. Most would work at thinning the reforested and other pine areas to permit the trees to grow to a size of economic value. In the RAAS, most would work in the hurricane affected belt in which mahogany, rosewood and other valuable trees used to grow. They would clear away the brush which is smothering and twisting the natural regeneration of these trees and may participate in planting more of these valuable trees. Some workers would provide support functions, for example in tree nurseries and special projects. Workers will be provided with machetes, metal sharpening files, rain and other gear, purchased by USAID with funds from this amendment. These activities will be implemented under the technical guidance of IRENA, which will designate the forested areas which will be worked on. Reforestation activities will take place under IRENA's direction, with input from the local communities. Reforestation activities will be done using only native species. In the Southern part of the Atlantic Coast Region any trees to be cut are those that blew down in the hurricane of 1988. Two other potential areas are in the Mosquitia (Northwest) where management plans have been written for the native pine forests. IRENA is also responsible for this area.

Finally, there are a number of PVO's which have undertaken long-term technically-assisted projects to produce fruit trees throughout the Coast. They are concentrating on the grapefruit, orange, breadfruit, avocado, cashew and other trees which were well known in the communities before the war, and on decorative and shade trees for the regional capital cities. Their progress is constrained, in part, by the amount of labor which they can hire. At the local level, the project would evaluate such projects and, if merited, would provide support for a small number of workers who could assist in accelerating such programs. In addition, the project will include small community-based improvement projects which will be managed directly by project staff.

B. Employment Generation, Social Infrastructure

The objective of this activity is to assist principally the Ministry of Health (MINSAs), to reestablish its presence in the project area through the rehabilitation of a number of health centers and health posts thereby allowing this GON Ministry to attend to the recent significant influx of returnees from Honduras, Costa Rica and various parts of Nicaragua. In addition, this activity will provide for a slight temporary increase in contract health workers to permit greater health

coverage and to provide a recognizable, confidence-building point of contact between the returnees and their families and the MINSA staff. The establishment of this recognizable point of contact is important in an area where sensitivities are still acute between the populace and the government, given the only recently ended civil conflict.

Accordingly, the activities related to social infrastructure will concentrate on the rehabilitation and repair of up to 10 mainly GON health centers and health posts in the project area. Facilities which have been identified as requiring some type of rehabilitation are located in villages such as Tortuguero, Tasbapauni, Karawala, Laguna de Perlas and Orinoco. Major construction is not contemplated for these facilities, nor will any new health centers be established. Rehabilitation will include but not be limited to painting, replacement of doors, windows and roofs, plastering and replacement of concrete floors and steps. Local materials will be used wherever possible.

The project will also provide the means to contract on a temporary basis up to ten health professionals to be selected and supervised by MINSA/RAAS, from among the recent returnees, provided that such workers are generally assigned to different health centers, health posts and hospital facilities in the region to participate in its primary care and extension programs. These personnel will assist the MINSA to reinforce its services during the period when former displaced families and refugees are returning to their homes, when health assistance will be critical, and will not be required or sustained thereafter.

MINSA staff, principally in the Southern part of the Atlantic Coast (MINSA/RAAS) will supervise this work, providing logistical and transportation support for the implementation of this activity. They in turn will be assisted by local community leaders and the British Red Cross, which has worked closely with MINSA in the past. Accordingly, and due to both the desire to begin this work quickly as well as the need to provide MINSA with logistical support, fuel will be purchased to enable their employees to cover the project area. The fuel will enable MINSA's health center workers to use its boats and motors to provide supervision for the rehabilitation of their health centers and in some cases to provide more efficient primary health care. This fuel would not be used for the emergency ambulance service which the British Red Cross provides or for movement of health workers between Bluefields and the health centers. Finally, the social infrastructure activities will be concentrated principally in the Southern part of the Atlantic Coast region which, unlike its Northern counterpart, is not benefitting from a multi-year, \$5 million European funded primary and preventive health package.

Finally, labor will be provided in coordination with the

Catholic Diocese and the Moravian Church to assist in accelerating repair and reconstruction of some of their own regional health structures.

The outputs proceeding from the implementation of the employment generation component will be the creation of up to 1,000 jobs for unskilled laborers for 24 months on mainly economically important tasks (24,000 person months of employment in jobs to be shared in by an estimated 3,000 families). Work projects will include road maintenance, reforestation and environmental management, acceleration of development of fruit tree nurseries and rehabilitation and repair of up to 10 health centers and health posts throughout the project area. These outputs will result in useful work opportunities through which people can earn the money they need to purchase basic necessities; address the urgent road maintenance problems in the project area; accelerate the development of one of the region's most important economic resources -- its food trees and forests, and strengthen the presence of the Ministry of Health in the project area.

IV. Beneficiaries

Residents of communities where the employment generation activities described above take place as well as recent returnees to these same communities will be the direct beneficiaries of this development effort. To the degree that they possess relevant skills and the ability to work, civilians and former combatants disabled during the civil conflict will participate in work opportunities.

V. Implementation Arrangements

An amended Project Agreement obligating \$5.4 million will be signed with the Ministry of the Presidency, and will describe the roles of the National Institute for Municipal Development (INIFOM) and the Banco Nacional de Desarrollo (BND). Funds for these employment generation activities will be deposited in a special account in the Central Bank, which upon request from INIFOM will make advances in local currency to the BND to be used for approved project related expenses.

Within INIFOM, this project will be managed by the INIFOM Atlantic Coast Project Unit (ACPU). The Project Manager and Deputy Project Manager of this unit will approve on behalf of INIFOM in advance in writing all BND disbursements. They will draft and BND will execute Letters of Agreement with other participating 'Technical Supervision Organizations' (TSOs) such as IRENA, MINSA, the British Red Cross and other local PVO's. These Letters of Agreement shall be the basis upon which BND may disburse resources to these TSOs.

The INIFOM Atlantic Coast Project Unit will also identify local administrative and supervisory personnel for the Unit. It will review and approve BND documents in writing in advance to be submitted to INIFOM and USAID for advance requests or liquidation. It will be responsible for the management of the Atlantic Coast project. The unit will be headed by a Project Manager and a Deputy Project Manager who will be professional AID management specialists contracted with projects funds by USAID. The specific procedures governing financial management of this project by INIFOM and the BND are set forth in the attached Annex.

VI. Financial Plan

The funds obligated under this amendment will be used for the employment generation activities described above. Because of Nicaragua's present economic crisis, host country contributions are not being requested under this amended sub-project. Such a contribution is not required, since, when ESF funds are used, Section 531 of the Foreign Assistance Act states that the standard 25% contribution is not applicable.

The funding period for these activities will be from May 1, 1991 through July 31, 1993. Obligation of the \$5,400,000 Amendment will be as follows:

FISCAL YEAR:	FY 91	FY 92
OBLIGATION:	\$4,400,000 ESF	\$1,000,000 ESF

The following is the original subproject budget, and does not reflect the new activities contemplated under the amendment.

<u>Project Elements</u>	<u>AID Contribution in US\$000</u>		
	<u>FX</u>	<u>LC</u>	<u>TOTAL</u>
Employ. Gen. Activities	-0-	9,100	9,100
Technical Assistance			
A&E	300	-0-	300
Proj. Coordin. and Mgt.	150	-0-	150
Financial and Contracting	50	-0-	50
Municipal Development	40	-0-	40
Subtotal	540	-0-	540
Evaluation	60	-0-	60
Audit	100	-0-	100
Sub-Total	700	9,100	9,800
Contingency	60	140	200
Sub-Project Total	760	9,240	10,000

This amendment will provide \$5.4 million for the following items.

A.	Employment Generation/ Economic Infrastructure	
1.	1,000 Persons x 24 months x \$120/month	2,880,000
2.	30 persons x 24 months x \$200/months and travel costs for second level (skilled supv)	200,000
3.	Tools, supplies, fuel, equipment rental and support, lumber and related costs	900,000
4.	Subtotal employment generation	3,980,000
B.	Employment Generation/Social Infrastructure	
1.	Rehabilitation and Logistics Support	420,000
C.	Management and Supervision	945,000
D.	Evaluation	25,000
	Audit	30,000
Total (Program Costs)		5,400,000

The revised LOP budget (000's) is as follows:

<u>Project</u>	<u>Original</u>	<u>Reprogramming</u>	<u>Amendment</u>	<u>Amended</u>
<u>Project Elements</u>				
Empl. Gen. Activ.	9,100	(400)	4,400	13,100
Technical Asst.				
A+E	300	400	-0-	700*
"Proj. Coord/Mgt	150	(50)	945	1,045
Financial/Contrac.	50	50	-0-	100
Municipal Dev.	40		-0-	40
Evaluation	60		25	85
Audit	100		30	130
Contingency	<u>200</u>		<u>-0-</u>	<u>200</u>
Total	10,000		5,400	15,400

* Includes reprogramming of \$ 400,000 in original budget from employment generation activities to A+E to extend the A+E contract by 6 months and an extension of the financial contract for two months (\$50,000).

The following is the new breakdown between foreign exchange and local currency costs:

<u>Project Elements</u>	<u>AID Contribution in US\$000</u>		
	<u>FX</u>	<u>LC</u>	
<u>TOTAL</u>			
Employ. Gen. Activities	400	12,700	13,100
Technical Assistance			
A&E	700	-0-	700
Proj. Coordin. and Mgt.	800	245	1,045
Financial and Contracting	100	-0-	100
Municipal Development	40	-0-	40
Evaluation	85	-0-	85
Audit	130	-0-	130
Contingency	<u>60</u>	<u>140</u>	<u>200</u>
Sub-Project Total	2,315	13,085	15,400

The amended sub-project will thus now provide up to \$13.1 million for employment generation activities. The cost of each employment generation project under the EEG sub-project is estimated to range between \$3,000 and \$100,000. For activities in the Atlantic Coast region, projects of over \$100,000 are not anticipated. Therefore, activities on the Atlantic Coast will not be subject to the \$50,000 minimum contract amount for all other INIFOM activities as described in Project Implementation Letter No. 5.

Under a subagreement that INIFOM will sign with the BND, the BND, with assistance from the ACPU will ensure sound procedures and practices for cash management and fiscal control over all employment generation funds. These requirements include but are not limited to detailed accounting and reporting on cash receipts, cash outlays and expenditures. Forms to be used and procedures to be followed will be those established in Annex 4. The methods of Implementation and Financing for this sub-project amendment are the following:

<u>Project Element</u>	<u>Implement</u>	<u>Method Financing</u>	<u>in US\$000 Total</u>
Employ. Gen. Activities	HC/Cont AID/DIR	HC Reimb DIR/PAY	\$ 13,000 100
Technical Assistance			
A&E	AID/Dir	Dir-Pay	\$ 700
Proj. Coordin/Mgt.	AID/Dir	Dir/Pay	\$ 800
AID Direct Procurement	HC/Cont	HC/Reimb	295
Financial/Contracting	AID/Dir	Dir/Pay	\$ 50
Municipal Development	AID/Dir	Dir/Pay	\$ 40
Evaluation	AID/Dir	Dir/Pay	\$ 85
Audit	AID/Dir	Dir/Pay	\$ 130

Sub-Total			\$ 15,200
Contingency	N/A	N/A	\$ 200
Sub-Project Total			\$ 15,400

Section VII

Although this Amendment deals mainly with activities in the Atlantic Coast region, certain sections of the original Employment Generation Sub-Project require change to better reflect current project conditions. The changes are based on project implementation experience to date.

One of these changes is the reduction in the 40% labor/total cost ratio of the project's works to a minimum (floor) depending on the type and location of the proposed works. The Sub-Project shall continue with its emphasis of maximizing the projects' labor content. However, given the recent GON currency devaluation on March 3, 1991 which decreased labor costs and increased equipment and material costs, it is evident that the 40% for all works is unrealistic but an overall target of 30% will be aimed at.

Another change is the decrease in the estimated amount of temporary jobs to be created under the Sub-Project from 20,000 to 10,000. This change reflects a more realistic estimate based on the number of jobs actually created under the Sub-Project to date.

The last change is a modification in the Sub-Project budget to extend the A&E firm's contract for an additional six months in order to continue its support and assistance to INIFOM in the implementation of the project.

The following are the changes to be made to the original Sub-Project:

- a) Section II. Summary Project Description, Page 7, Replace first paragraph with the following:

Although the total number of temporary jobs created will not be precisely known, it is estimated that at least 10,000 jobs will be created under this project component. The average municipal project will employ approximately 40 to 90 workers over 8 to 12 weeks, although projects in Managua are likely often to be larger. Projects will range from \$50,000 to \$100,000 as a rule, with larger projects (likely only in Managua) requiring USAID approval.

- b) Section III, Sub-section C. IMPLEMENTATION ARRANGEMENTS, Project Selection Criteria, replace first paragraph with the following:

1) In general, only work projects with more than 30 percent labor/total cost ratio will be financed. However, since the nature of some projects, particularly the repair of drainage facilities, require a labor content below 30%, municipalities will be able to submit projects that do not meet the 30% criterion. Project selection will be made on a case by case method with work projects with highest labor content generally given priority.

- c) Section V, Institutional Arrangements, Subsection F. Architectural and Engineering (A&E) firm, add the following at the end of the paragraph:

The project's A&E contract will be extended for another six months to allow the A&E firm to continue to support INIFOM in the selection, bidding, award and supervision of the works. This extension will be made on a non-competitive basis (full and open competition will be waived so that project implementation progress will not be affected). A revised budget reallocating the project line items to add \$400,000 to the A&E budgeted amount and \$50,000 for financial management assistance is included in Financial Plan.

- d) VI B. Covenants, replace item 1 with the following:

1) The GON will use its best efforts to ensure that at least 30% of the total Sub-Project resources targeted for employment generation activities will be used for costs of skilled or unskilled labor.

VIII. Environmental Considerations

Based on the nature of the employment generation activities to be implemented under this amendment, the IEE for the EEG subproject will be amended (see attached Annex 2 in order to reflect both the new activities contemplated and their rural focus. It should be noted however, that the relatively simple interventions which will take place will most likely have a positive environmental effect. Nevertheless, the amended IEE will include mitigative measures that will ensure that these activities do not have a significant effect on the environment. The procedures to be developed will stipulate that all employment generation activities funded under this amendment receive an environmental review that evaluates the site specific circumstances of each activity and recommends any necessary mitigative measures. These measures will be implemented under the technical guidance of IRENA and reviewed by the Mission Environmental Officer, thereby establishing accountability and a means of evaluating the success of these measures.

IX. Procurement

Some commodities needed for the implementation of this amendment will be procured directly by USAID. Hand tools, vehicles, three motor cycles, SSB and hand-held communications equipment, FAX, Xerox machines, typewriters, word processors are the principal items. Local procurement will be undertaken by the END under the procedures set forth in Annex 4.

Agency for International Development
Washington, D.C. 20523

ANNEX 2

LAC-IEE-91-45

ENVIRONMENTAL THRESHOLD DECISION

Project Location : Nicaragua

Project Title : Nicaragua Emergency Employment
Generation Sub-Project (Amendment)

Project Number : 524-0301.03

Funding : \$5.4 million (Amendment)

Life of Project : Two years

IEE Prepared by : Richard L. Owens
USAID/Nicaragua

Recommended Threshold Decision : Negative Determination

Bureau Threshold Decision : Concur with Recommendation

Comments : Negative Determination subject to
implementation of recommendations
in the Initial Environmental
Examination. These call for an
environmental review of
sub-project activities that
evaluates the particular site
specific circumstances for each
grant, develops mitigation
measures addressing the
environmental concerns arising
from the review, and establishes
accountability and responsibility
for ensuring that proper
environmental procedures are
implemented. Project evaluations
will examine the success of the
environmental review process in
terms of minimizing any negative
environmental impacts that may
occur during project
implementation.

Copy to : Janet C. Ballantyne, Director
USAID/Nicaragua

Copy to : John Cloutier, PDD
USAID/Nicaragua

- 2 -

Copy to : Richard L. Owens, USAID/Nicaragua
Copy to : Mark Silverman, LAC/DR/CEN
Copy to : Wayne Williams, REA/CEN
Copy to : IEE File

John O. Wilson Date MAY 17 1991

John O. Wilson
Deputy Chief Environmental Officer
Bureau for Latin America
and the Caribbean

LOGICAL FRAME-05X

Project Title & Number: EMERGENCY EMPLOYMENT GENERATION SUB-PROJECT NO. 524-0301-1

Date of Project: _____
 From FY 90 to FY 93
 Total US Funding \$15.4
 Date Prepared April 22, 1991

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS										
<p>Program or Sector Goal: The broader objective to which this project contributes: (A-1)</p> <p>To assist Nicaragua in renewing economic growth and meeting development needs.</p>	<p>Measures of Goal Achievement: (A-2)</p> <ol style="list-style-type: none"> 1) New Economic growth program in place. 2) Reduced Inflation. 3) Increased real GDP per capita. 	<p>(A-3)</p> <p>CON progress reports on Economic program as well as reports by USAID and other donors.</p>	<p>Assumptions for achieving goal targets: (A-4)</p> <ol style="list-style-type: none"> 1) The GON's commitment to the transformation of the national economy and the adoption of the new economic policy. 2) Other financial resources are available to the GON. 										
<p>Project Purpose: (B-1)</p> <p>To utilize a portion of Nicaragua's unemployed to work on the repair of basic infrastructure.</p>	<p>Conditions that will indicate purpose has been achieved: End-of-Project status. (B-2)</p> <ol style="list-style-type: none"> 1) Reduction in Unemployment. 2) Improved economic and social infrastructure. 	<p>(B-3)</p> <p>GON reports, USAID reports and other donor reports.</p>	<p>Assumptions for achieving purpose: (B-4)</p> <p>Employment Generation continues to be a GON priority.</p>										
<p>Project Outputs: (C-1)</p> <p>Jobs created; roads, streets, drainage, and sewage facilities repaired. Reforestation of forests and rehabilitation of health center, schools, markets and recreation facilities.</p>	<p>Magnitude of Outputs: (C-2)</p> <ol style="list-style-type: none"> 1) 13,000 jobs. 2) 80 urban streets repaired consisting of more than 300,000 sq.mt. of paving. 3) 250 Kms of roads in Atlantic coast repaired. 4) 25 drainage, water and sewage systems repaired. 5) 150,000 hectares of forest reforested. 6) Up to 20 health centers, schools, markets, etc., rehabilitated. 	<p>(C-3)</p> <ol style="list-style-type: none"> 1) Progress reports by consultants. 2) Periodic meetings with INIFOM and consultants. 3) Field trips. 	<p>Assumptions for achieving outputs: (C-4)</p> <ol style="list-style-type: none"> 1) Consultants perform work satisfactorily. 2) INIFOM provides personnel and other support. 3) Contractors perform per the contract terms and schedules. 										
<p>Project Inputs: (D-1)</p> <ol style="list-style-type: none"> 1) Contracts for setting up INIFOM's administrative and financial procedures and monitoring systems. 2) Contract for providing assistance to INIFOM in the evaluation, selection, award, administration, monitoring and supervision of projects. 3) Contract for providing assistance to the INIFOM Atlantic Coast Project Unit in the management and supervision of the Atlantic Coast Activities. 	<p>Implementation Target (Type and Quantity) (D-2)</p> <table border="0"> <tr> <td>1) AID financed inputs (Doll. 000)</td> <td></td> </tr> <tr> <td>a) Empl. Gen. Activ.</td> <td>\$13,100</td> </tr> <tr> <td>b) Tech. Assit.</td> <td>\$ 1,885</td> </tr> <tr> <td>c) Other</td> <td>\$ 415</td> </tr> <tr> <td>Total</td> <td>\$15,400</td> </tr> </table>	1) AID financed inputs (Doll. 000)		a) Empl. Gen. Activ.	\$13,100	b) Tech. Assit.	\$ 1,885	c) Other	\$ 415	Total	\$15,400	<p>(D-3)</p> <ol style="list-style-type: none"> 1) Review of contracts. 2) Progress reports. 3) Visual inspection. 4) Evaluations and project completion reports. 	<p>Assumptions for providing inputs: (D-4)</p> <ol style="list-style-type: none"> 1) Conditions precedent of Grant Agreement will be met in a timely manner. 2) Review and approval of repair project, contracts, invoices and other project documentation will be expeditiously performed by INIFOM
1) AID financed inputs (Doll. 000)													
a) Empl. Gen. Activ.	\$13,100												
b) Tech. Assit.	\$ 1,885												
c) Other	\$ 415												
Total	\$15,400												

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IV

AGREEMENT AND PROJECT DESCRIPTION

INIFOM ATLANTIC COAST EMPLOYMENT GENERATION PROJECT

BETWEEN THE PARTICIPATING ORGANIZATIONS

National Institute for Municipal Development (INIFOM)

and

National Development Bank of Nicaragua (BND)

April 1991

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disbursement organization for this project. It will receive from INIFOM in-kind resources and project funds required for local costs of the program which it will use and disburse strictly in accordance with the procedures and rules set forth in this agreement. Its functions shall include local disbursements for individuals employed in the employment generation project, for local procurement, for contracting local personnel, for warehousing and safeguarding project property and other related roles.

1. Advance Establishment of Financial Control Procedures

As part of the advance preparation for the program, USAID technical assistance personnel, including financial management specialists, will work together with the individual bank branches and BND/Managua to establish at each branch simple but effective program control and reporting procedures to insure proper financial management. This will include a system of accounting which will disaggregate by categories to be established project disbursements.

2. Advances and Reimbursements

Upon execution of this agreement, USAID will transfer to an INIFOM separate account in the Central Bank of Nicaragua an initial advance of funds equal to projected local cost disbursements for the first three months of the project. The 90 day advance is justified on the basis of time required for reporting by the BND (50 days), consolidation by ACPU, processing by INIFOM and USAID (20 days), and issuance by Mexico of the check. Funds in this account will be transferred on recommendation by the ACPU and on instructions by INIFOM to separate accounts in the BND branches in Bluefields and Puerto Cabezas in local currency to cover the project's local currency costs. Each month the BND shall submit through the ACPU and INIFOM/Managua to USAID a request for advance liquidation. This request shall set forth by category each individual disbursement. Documentation in the form of receipts, invoices, vouchers and payroll lists for each disbursement shall accompany the request. These documents shall be reviewed and approved in advance by the ACPU prior to consolidation and submission by INIFOM to USAID for processing.

3. Disbursement Procedures

To qualify as an allowable expense, each individual disbursement by the BND shall require the advance written approval of the ACPU. Payments which are disbursed without such advance written approval shall be the sole responsibility of the BND and will not be subject to reimbursement by USAID.

4. Disbursement Purposes

Section I

This detailed description sets forth the fiscal management policies, rules and procedures for the INIFOM Atlantic Coast Employment Generation Project which is the basis under which this program shall be carried out during the 24-month period beginning May 1, 1991 and ending April 30, 1993. It is an Annex 2 to the Project Amendment Description.

Section II

The policies, rules and procedures set forth in this document may be elaborated or modified by mutual agreement among INIFOM, the BND and USAID. Such modifications will be confirmed through the issuance by USAID of Implementation Letters and will form a binding part of the overall agreement under which this program shall be conducted.

Section III: Project Summary

The INIFOM Atlantic Coast Employment Generation Project will:

(A) Create up to an average of 1,000 jobs for a period of 24 months for unskilled laborers and about thirty jobs for immediate supervisors (capataces). These jobs will address urgent maintenance and repair requirements for roads, bridges and waterways; forestry activities; fruit tree nursery and planting projects; and other similar productive and useful activities. To the degree feasible, about 70% of the funds under this activity will be disbursed for compensation and benefits for those employed under the project.

(B) Rehabilitate and repair up to about ten health centers, health centers and health posts, to the degree feasible with a goal of about 40% of the funds disbursed for compensation and benefits for those employed on these projects, while providing for a slight temporary increase in contract health workers and fuel which will enable health workers to provide more efficient primary health care and in some cases to provide supervision for the rehabilitation and repair of the health infrastructure.

INIFOM, through its INIFOM Atlantic Coast Project Unit (ACPU), will implement this project. Fiduciary responsibility for local currency disbursements will be vested in the National Development Bank through its Atlantic Coast branches. Individual employment projects will be selected by the ACPU and will be organized and supervised by Technical Supervision Organizations which the ACPU shall select. The relationships between these groups and their roles are specified in the following section.

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Section III: Project Administration

The following Nicaraguan and U. S. agencies will play key roles in the implementation of this project:

A. National Institute for Municipal Development (INIFOM)

INIFOM will implement the Atlantic Coast Employment Generation Project. It will maintain management and fiscal oversight of the program, for which it will be responsible.

1. INIFOM Atlantic Coast Program Unit (ACPU)

Within INIFOM, a discrete Atlantic Coast Project Unit, hereinafter referred to as the ACPU, will be established. It will consist of a Project Manager, a Deputy Project Manager and an Assistant Project Manager and support staff.

The ACPU will be responsible for the identification of specific activities to be undertaken under this project in accordance with the Project Amendment Description to which this document is an annex and for their implementation, financial administration, management and supervision.

The ACPU will identify and BND will hire such local administrative, audit and supervisory personnel as are deemed necessary for the implementation of the project. These personnel will serve as members of the ACPU. Their salaries and benefits will be disbursed by the National Development Bank (BND) in accordance with the procedures set forth later in this agreement.

2. Monthly Reports

The ACPU will prepare and submit to the Director of INIFOM and the Director of USAID a concise and comprehensive monthly report setting forth the progress of the Atlantic Coast program. It should include specific statistical progress indicators and highlight problems which have been encountered. To this report shall be attached the BND respective monthly financial report (described later) covering the same period. This report shall be submitted by the 20th day following the last day of the month which is the subject of the report.

The ACPU Program Manager will also brief personally the designated representative of INIFOM for project activities and the Director of USAID each six weeks during the conduct of the program.

B. National Development Bank (BND)

In return for a fixed monthly payment of 1% of disbursements, the BND will serve as the local fiduciary and

Subject to such advance written approval, the BND may disburse funds for:

(a) Compensation and benefits, and transportation-related costs, for workers employed under the employment generation component of the project. These disbursements shall be made through a system of payment vouchers similar to the sample payment voucher which is attached. A waterseal bearing the USAID logo will be imprinted on each form. Each form will have a pre-printed consecutive serial number. To authorize BND payment of these vouchers, each must be individually signed by the immediate project supervisor (capataz), a technical supervisor from the Technical Supervision Organization (described later), and an ACFU field local supervisor or auditor duly authorized for this purpose.

The voucher is to be completed in triplicate, based on the control of work completed maintained by the capataz and TSO. The original (white perforated) will be given to the worker and will be redeemed for cash at full value by the BND. The worker may choose to redeem this voucher at a bank branch, or may endorse the voucher for redemption by another individual of his choice. Where feasible, the BND will arrange for delivery of cash for such redemption to points close to the location of project workers. BND will insure that accurate payment of vouchers is disbursed and for security of all funds.

The original copy of the voucher receipted in writing by the beneficiary will be the BND's documentary evidence of its disbursement to the worker. The duplicate (pink perforated) copy will remain with the Technical Supervision Organization (described later). The third copy (yellow, non-perforated, permanently bound in the voucher book), will be turned over to the BND for the permanent project records.

Compensation for workers will be paid on the basis of completed tasks (por tarea), as opposed to a salaried basis (by day, week or month), except in cases in which the ACFU Program Manager determines that such a payment structure is not feasible or appropriate for a particular project. Rates of compensation reflecting market rates for comparable work shall be established jointly by the ACFU and the Technical Supervision Organizations (TSO's).

Proportionate social benefits, as appropriate, applicable to the amount of each voucher, such as but not limited to vacation, Christmas payment (aguinaldo) and severance due to the worker as required under Nicaraguan law, shall be paid simultaneously and at once with each individual voucher for each payment period. No cumulative financial obligations shall be carried forward past each

pay period.

(b) In-country land, sea, air and vehicle transportation related costs to ACPU, BND and Technical Supervision Organization personnel and materials, and handling, secure storage, control, distribution and accountability of expendable (\$500 and over) and non-expendable tools and property to be used for this project. Such purchases will follow the guidelines for local procurement set forth below.

(c) Purchase and transportation of supplies including local building and road maintenance, forestry, tree nursery, fuel, lumber and other supplies directly related to the implementation and administration of this project. Such purchases will follow the guidelines for local procurement set forth below.

(d) Salaries, benefits, per diem (viáticos) and transportation at rates equal to Ministry of Health prevailing standards and disbursed with procedures similar to those of the Ministry of Health for up to an average of ten qualified health professionals on a temporary basis.

MINSA/RAAS shall conduct a search for and evaluation of candidates for these positions. The ACPU will approve the final list of candidates to insure that they conform with the requirements set forth in the respective Letter of Agreement. BND shall contract these personnel who will be compensated and receive travel and other allowances equal to those established for individuals of similar position by the MINSA/RAAS.

(e) Salaries, benefits, per diem, travel and other costs for ACPU local personnel involved in the administration, secure warehousing, audit, supervision, technical assistance, management and other costs related to this project.

ACPU will search for and evaluate qualified candidates for each position and will make the final selection. They will request the BND to contract with such personnel in accordance with a sample contract format to be provided to the BND at rates of compensation to be determined on a case by case basis by the ACPU. These will be temporary positions.

For such personnel described in (d) and (e), above, proportionate social benefits, as appropriate, applicable to the amount of each voucher, such as but not limited to vacation, Christmas payment (aguinaldo) and severance due to the worker as required under under Nicaraguan law, shall be paid simultaneously and at once with each individual voucher for each payment period. No cumulative

financial obligations shall be carried forward past each pay period.

(f) Logistical support for the project, to include office and warehouse rental, maintenance and security, office supplies, printing and reproduction, electrical and other energy costs, provision of water, and other costs related to the administration of the program. Such procurement shall follow the procedures set forth below.

(g) Costs incurred by technical organizations which are stipulated and provided for in Letters of Agreement described above. Where possible, established fixed-costs shall be utilized in the payment of such expenses.

Local Procurement

All local purchases to be paid for with funds disbursed by the BND will require advance written authority from the ACPU. Local purchases of over US\$1,000 will require a written memorandum by the ACPU Project Manager or Deputy Project Manager setting forth at least three quotations for the purchase, or in the absence of three quotations, an explanation of why three quotations could not be obtained. (For example, it is known that fuel may be purchased on the Atlantic Coast from only one source - PETRONIC. A blanket memorandum in such a case, attached to the each fuel invoice, will suffice.) Quotations for purchases over \$2,000 should be in writing. The maximum amount of a purchase under this system may be \$10,000. The memorandum shall be attached to the invoice against which the BND will make payment.

5. Accountability of Tools and Supplies

All tools, fuel, building materials and other expendable supplies purchased with project funds by USAID or BND itself shall be turned over directly to the BND, which shall be responsible for their storage, security and accountability. The BND warehouseman will issue a written receipt, from a book of consecutively numbered receipts, for all resources so turned over. BND may provide these resources to Technical Support Organizations or others only in accordance with advance written instructions by the ACPU. A written receipt for items so transferred must be maintained by the BND to establish proper accountability.

For this purpose, a sample pre-printed consecutively-numbered receipt form will be used and is attached. These forms will be printed in triplicate in bound books. The original (white, perforated) will be retained by the warehouseman as evidence of distribution of the materials. The duplicate (pink perforated) will be provided to the recipient of the tools. The triplicate (yellow, bound in book) will be kept as a suspense file and as a permanent record by the BND.

Once tools, equipment, forms and other program materials so transferred are no longer required for a particular activity, they shall be returned within ten days by the recipient directly to the BND. To the degree feasible, expendable tools which are no longer serviceable should be returned to the BND for disposal.

Accountable, non-expendable property, such as vehicles, office equipment (photocopier, FAX, typewriters, ADP equipment), communications equipment and other items procured by USAID shall be registered in the name of INIFOM, which shall be turned over to the respective BND branches which shall be responsible for their storage, security and maintenance, and which shall place them at the exclusive disposition of the ACPU. The BND shall maintain at the branch level a permanent accountable inventory of such items including their description, serial number(s) and location. The disposition of this equipment shall be determined by USAID at the conclusion of the program.

6. Locus of Program Management

At the outset of the program, separate and non-comingled program accounts will be established by the BND in the BND branches at Puerto Cabezas and Bluefields. At a later date, similar accounts may be established at other BND branches on the Atlantic Coast, such as Waspam, Rosita, Bonanza and Siuna. These bank accounts will function under the supervision of the responsible regional BND Bank Manager in each case. The ACPU will approve in advance the allocation of funds among the BND Atlantic Coast branches and the BND reports of liquidation of advances prior to their submission by BND to INIFOM.

Official records will be maintained by BND and INIFOM/Managua for all transactions pertaining to their respective functions.

7. Monthly Reports

The BND will submit to the ACPU a monthly report of disbursements and all other transactions, including receipt of funds, pertaining to this project, by category and purpose, in a format set forth attached, which will be elaborated upon further prior to initiation of the project.

C. Technical Supervision Organizations

1. Roles and Responsibilities

The ACPU will identify organizations currently active on the Atlantic Coast which have the capacity to organize and technically supervise individual employment projects contemplated under this project. Such organizations will be known as Technical Supervision Organizations (TSOs). Such TSO's could

include but not be limited to such groups as:

- Institute for Natural Resource Management (IRENA)
- Ministry of Health (MINSA)
- British Red Cross (BRC), RAAS
- Burlington Sister Cities Project, RAAN
- Catholic, Moravian and other church community development organizations and other local private voluntary and civic organizations

2. Letters of Agreement

When such organizations have been identified and evaluated, the ACPU Project Manager will prepare Letters of Agreement between the BND (as delegate of INIFOM) and individual TSO's which agree to provide for organization and technical supervision of such projects. These letters will set forth the responsibilities to be assumed by the TSO's, the nature and amount of resources to be provided by the project in-kind and for goods and services to be acquired through reimbursement by the BND, and the manner in which these will be administered and safeguarded. These letters of agreement must be executed before resources can be distributed or costs paid or reimbursed to these organizations.

D. USAID

1. Provision of Resources

In support of this program, USAID shall provide for this project to INIFOM US\$5.4 million in materials, international technical assistance, and local cost resources. No budget restrictions as to line items shall apply.

INIFOM Atlantic Coast Program Unit (ACPU) Personnel

USAID shall contract using project funds for the services of up to three experienced professional staff who will assume the roles and responsibilities of Project Manager, Deputy Project Manager and Assistant Project Manager in the ACPU. These individuals shall act as agents for INIFOM for the implementation purposes specifically described herein.

Banco Nacional de Desarrollo

Monthly Report

Disbursements by Activity

1 Economic Infrastructure

a Roads

b Bridges

c Waterways

d Forestry

(1) Thinning

(2) Nurseries

(3) Reforestation

e Agro-forestry

(1) Fruit tree nurseries

f Others

(1) Specify

(2) Specify

2 Social Infrastructure

a Health Infrastructure

(1) MINSA Infrastructure

(2) Church PVO Health Infrastructure

b MINSA Health workers

c MINSA Fuel

3 Management and Supervision

Notes

Expenses for each individual project activity will be listed separately.

Subtotals by individual project activity are required.

Compensation and benefits per individual project may be summarized, with number of vouchers redeemed, aggregate value and average value of each voucher.

Otherwise, each individual expense with its purpose is to be listed by project.

Attached to the report will be original documentation (invoices, payrolls, vouchers, receipts) for every single project disbursement. The BND will maintain books and records on all reported transactions and copies of all documentation for its files for future audit.

A separate report showing expenses by general categories will also be attached (i.e, workers compensation/benefits, fuel, transportation, etc., without reference to individual project).

Each report will state the amount remaining under the current advance.

Each summary page of this report must be initialed by the INIFOM Atlantic Coast Project Unit supervisor (Deputy or Assistant Project Manager) responsible for the region and by the Project Manager. A cover letter from the ACPU Project Manager will accompany this package of materials to the designated representative of INIFOM for project activities with recommendations concerning liquidations and requests for new advances.

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INIFOM
LOGOTIPO
A COLORES

USAID
LOGOTIPO
A COLORES

BANCO NACIONAL DE DESARROLLO

AID/INIFOM Programa de Reactivación Económica
para la Costa Atlántica

ORDEN DE PAGO

Número C-00001

1. Nombre del Trabajador _____
2. Residente de _____ Municipio _____
3. Nombre del Proyecto _____
4. Org. Técnica de Supervisión _____
5. Descripción de Tarea:
 - A Ubicación exacta de tarea: _____
 - B Tarea: ____ hect/metro de ____ camino ____ raleo ____
limpieza
Otro: _____ de _____
 - C Sistema: _____ individual _____ por
cuadrilla
 - D Compensación por unidad: ____ Cord/Oro por _____
 - E Total de compensación: Cord/Oro _____
6. FIRMADO:

23

CERTIFICO BAJO MI RESPONSABILIDAD QUE EL TRABAJADOR HA TERMINADO SATISFACTORIAMENTE LA(A) TAREA(S) ARIIBA DESCRITA(S) Y QUE EL PROGRAMA LE DEBE LA CANTIDAD DE COMPENSACION ARIIBA INDICADA.

Firma: _____

Nombre: _____

Capataz

Técnico Encargado

Firma: _____

Nombre: _____

Representante de Programa

7. FECHA: Mes _____ Día _____ Año 199__

BANCO NACIONAL DE DESARROLLO

RECIBO

POR FORMULARIOS Y EQUIPO CONTABLES DEL PROGRAMA

MAX No. 00001

etc.

Formularios

_____ Formularios de pago No. C-_____ a No. C-_____

Equipo

_____ Picos _____ Carretillas

_____ Palas _____ de Tipo _____
_____ de Tipo _____
_____ de Tipo _____

_____ Machetes de _____" y _____ Limas de _____"

_____ Martillos _____ Capotes

_____ Serruchos _____ de tipo _____
_____ de tipo _____

_____ Clavos _____ libras de tipo _____
_____ libras de tipo _____
_____ libras de tipo _____

_____ piezas de madera de _____ x _____ x _____
_____ piezas de madera de _____ x _____ x _____
_____ piezas de madera de _____ x _____ x _____
_____ piezas de madera de _____ x _____ x _____
_____ piezas de madera de _____ x _____ x _____
_____ piezas de madera de _____ x _____ x _____

_____ galones combustible _____ puro _____
pre-mixto

_____ drones de 55 galones

_____ vidones de _____ galones

36

Otro: _____

CERTIFICO bajo mi responsabilidad que la organización que represento se responsabilizará por el buen cuidado, control, seguridad y uso de los recursos arriba descritos. Cuando sea factible, recursos no usados o que todavía pueden servir serán devuelto al BND dentro de diez días luego de terminarse el proyecto. Materiales gastados que ya no pueden servir, serán devueltos dentro del mismo período para su conteo y disposición final.

FIRMA: _____

Nombre: _____

Organización: _____

B N D
L O G O T I P O

37'