PD-ABH-945

USAID/Nicaragua

ACTION PLAN

FY 95 - FY 96

March, 1994

USAID/Nicaragua FY 95-96 Action Plan
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I. Introduction and Summary

The situation in Nicaragua at this time provides some reason for cautious optimism regarding the potential for development. The National Assembly has ended 16 months of stalemate and is now operating as a representative institution, opposing political forces have also reached preliminary agreements on constitutional reforms, and the last major armed group, Frente 3-80, has signed a disarmament agreement with the GON which should lead to a cessation of hostilities with this group. A newly elected Controller General has filled a position that had been vacant for over a year. While resolution of property issues has been slow, there has been progress. On the economic front, GDP growth was stagnant in 1993 but a number of indicators point the way for growth potential over the next few years. Exports were up dramatically and key parts of the agriculture sector are reviving. Important initial steps are being taken to improve management of natural resources and protect key ecological zones. Major steps have been taken to decentralize key elements of the health and education systems to bring decision-making closer to the people who use these services.

The USAID/Nicaragua program has played an important role in many of these areas and they serve as an important backdrop for the continued evolution and impact of USAID-sponsored initiatives. Policy-based balance of payments assistance has encouraged progress on property and accountability issues along with continued stabilization and liberalization of the economy. Project-funded assistance is helping producers in the leading economic sectors, focusing attention on natural resource issues, and promoting decentralization in both social sectors.

But any optimism must be accompanied by caution. Though Nicaragua has been categorized as a "sustainable development" country it is still a country "emerging from strife". Very little has happened yet to improve the quality of life for the vast majority of Nicaraguans who are still looking for the benefits of democratic government and a free market economic system. Many of the improvements are in their incipient stages; Nicaragua remains a highly polarized country with overwhelming political, economic, and social problems. These factors provide an important context for critical aspects of the USAID strategy and program as presented in this Action Plan.

Accordingly, USAID/Nicaragua's Action Plan for FY-95/96 articulates some of the Mission's goals, objectives, and plans differently than in the CDSS and previous Action Plans. This further evolution of the program moves it strongly toward an emphasis on poverty alleviation and broader participation in the process of development. Changes to the program are oriented by the following factors:

- **Inclusiveness and Broader Reach** - The Mission's program will reach out more aggressively to those among Nicaragua's poorest sectors to provide them with economic opportunities and a voice in a democratic system. The Mission's strategic objectives in support of economic growth have been revised to reflect this emphasis through greater focus on increased economic access and opportunities and through improved market efficiency and performance. Ongoing support for major basic education, health, and family planning initiatives also helps meet the needs of Nicaragua's poor.

The Mission will also be looking to expand its work with groups across the political spectrum in carrying out its work in all sectors while maintaining critical requirements for accountability and commitment toward democratic change. These efforts will help bring groups that have not looked to AID for assistance in the past into an important dialogue and partnership in helping to bridge the political polarization and economic isolation of key groups in Nicaraguan society.

- **Budget Constraints** - While the Mission's approach and direction can be responsive to changing needs in Nicaragua, budget realities mean that the Mission can undertake very few new activities. The important major initiatives launched over the past few years created a mortgage on budget resources that leaves little room for new project designs given the budget levels that appear to be forthcoming.

- **Decentralization** - In nearly every aspect of the program, the Mission is promoting efforts to bring decision-making and management authority to local levels: municipalities, primary schools, regional health service units, protected areas, and local private sector financial institutions. This process promotes greater participation by local people and improved responsiveness from institutions and improves democratic decisionmaking.

- **Focus on Formerly Conflictive Zones** - USAID/Nicaragua will focus additional resources in all areas of its program toward priority development activities in Regions I and VI which have been most heavily affected by the war and its aftermath in order to support reconciliation in these areas and accelerated economic development. An estimated $23 million in dollar and local currency resources will be dedicated for human rights monitoring, health, employment, agriculture, and natural resource programs in these regions over the next several years.

During the Action Plan timeframe Nicaragua faces a critical period for the consolidation of its nascent democracy as it undertakes the first national elections since 1990. It also faces a period during which economic revitalization is critical in order to address the needs of the vast majority of its people and to reduce poverty. Much of the design work and mobilization has been completed for projects in all sectors and the Mission will be heavily focused on implementation during the Action Plan period. Thus, USAID has a major opportunity to contribute to Nicaragua's long-term development and demonstrate the impact of U.S.-supported projects. With adequate resources to carry out these projects as designed, the Mission is confident that U.S. foreign assistance to Nicaragua will be a major force for positive change in Nicaragua.

II. Strategy Overview

A. Building Democracy

As it has become clear that building consensus and strengthening democratic institutions and processes are critical to progress in other areas, USAID/Nicaragua has placed increased emphasis on democratic initiatives. The strategic objective *Greater consensus on democratic values* helps focus the Mission program. Though a number of important democracy activities are still under development or are in initial stages of implementation, Mission programs already in place are making an important contribution to a process that allows people to participate in decisions that affect their lives.

1. Political Progress

Much of the basis for renewed hope that real progress can be made in Nicaragua rests on recent changes in the political scene that offer the possibility that Nicaragua's leaders will begin to build consensus and seriously address key political issues facing the country. The last few months have seen progress in the following areas:

- ***Functioning National Assembly*** - After 16 months of paralysis and political posturing, the National Assembly is now meeting as a representative body and is serving as a vehicle for debate and compromise on key issues facing the country.

- ***Agreement on Constitutional reforms*** - Leaders of opposing political groups reached initial agreement on a series of Constitutional reforms; they plan to take formal action on these reforms during the current legislative session.

- ***Controller General position filled*** - After 15 months without a Controller General, the National Assembly elected a new Controller General from the President's nominees.

- ***Greater balance on Supreme Court*** - The election of four new Supreme Court justices helped provide a greater political balance on the Court.

- ***Establishment of a system to resolve property disputes*** - Though the government's pace in handling property disputes has been slow, it has picked up significantly in recent months. The establishment of a system for dealing with such disputes has helped defuse the property issue to some extent. Acceptance of bonds issued for compensation as payment in privatization offerings has helped improve their value.

- ***Atlantic Coast elections*** - A massive registration campaign on the Atlantic Coast and successful regional elections in February contributed to confidence in the Supreme Electoral Council and demonstrated support for democratic selection of leaders.

A major factor contributing to these positive developments has been the consistent policy message from the U.S. that Nicaragua's problems must be resolved by Nicaraguans at home and not in Washington. Progress on property issues and naming a Controller General was also promoted by conditionality associated with balance of payments assistance.

2. Mission Response to Continuing Challenges

These changes can help alter the generally negative perceptions of Nicaragua that have kept investors on the sidelines and contributed to donor fatigue. Nonetheless, there are continuing political challenges that must be faced if Nicaragua is to make significant progress in consolidating democracy and changing perceptions about the country's political stability:

- ***Addressing the roots of violence and human rights violations*** - While disarmament agreements have been reached with key armed groups, tension still exists in the countryside and recent transportation strikes have included incidents of violence. The government has not demonstrated that it will fully investigate and prosecute human rights violations. There is a continuing need both to address the underlying issues that lead to conflict and channel political differences into institutional fora for discussion and resolution.

  The Mission's continued support to CIAV/OAS has allowed it to play a critical role in defusing conflict and mediating disputes among former combatants. USAID funds support a CIAV program focusing on human rights monitoring and mediation for all ex-combatants and their families that is part of an expanded mandate requested last year by the GON. This includes support for the Tripartite Commission's work on human rights abuses. Under the *Strengthening Democratic Institutions* (SDI) project, USAID supports independent human rights organizations that are playing an important role in identifying human rights abuses, educating the public, and pressuring for government action to address human rights issues. This support will be broadened in the FY-95 amendment to SDI.

- ***Professionalizing the judicial system*** - Widespread public concern over perceived corruption, ineffectiveness, and political bias at all levels of the judicial system reduces the effectiveness of legal mechanisms in resolving the rising level of social and legal conflict. The Mission is supporting training for judicial staff, including judges and prosecutors, through a technical assistance program with the Supreme Court and Attorney General through ILANUD. The recently signed Administration of Justice amendment to the SDI project has begun a longer-term process of professionalizing the judiciary and provides support for reforms within the legal system that would make it more responsive and impartial.

- ***Establishing civilian control over a professionalized police force*** - There is continuing concern that the police force, which still has Sandinista leadership, is too politicized to serve as a non-partisan security force. Depoliticization of the police is particularly important in guaranteeing security of property and personal safety. Should conditions and budgetary resources allow, the Mission would consider supporting an ICITAP program to promote professionalization of police forces and effective civilian control of the police within the Ministry of Government.

- ***Establishing civilian control over the military*** - To address perceptions that the military is not fully independent and assure that it operates in the interest of elected governments, Nicaragua must clearly establish civilian control over the security

forces. AID-sponsored dialogue with key civilian groups and military, legislative, and government officials helps focus all interested parties on this critical issue. The GON has stated the draft military reform law will soon be submitted to the National Assembly for approval. Within the legal parameters faced by USAID, the Mission will continue to support a program in this area.

- ***Increasing transparency in government*** - With a Controller General in place, there is a great need to increase transparency of GON financial operations, promote ethics in the public sector, and establish a strong and responsible controller audit function. The *Financial Management Reform* project (which will include collaboration from the IDB and IBRD) reduces the potential for corruption and improves the transparency and accountability of government operations by instituting an integrated financial management system in government and strengthening government audit functions.

- ***Greater responsiveness of key institutions*** - Among the democratic institutions that play a critical role in linking people to decision-making are political parties, the legislature, and local government. Mission-sponsored survey and focus group work indicates Nicaraguans are frustrated with these institutions and their leaders and do not consider them to be responsive to their interests and needs. Under the SDI project, assistance will continue to be focused on strengthening political parties and other important interest groups. Assistance to the National Assembly will help develop an information system and improve its administrative and management capacity. The *Municipal Decentralization and Development* (MDD) project, now being designed, will work to improve the capacity and responsiveness of municipalities in meeting the needs of their citizenry and promote increased participation in local government.

These activities contribute to one of the Mission's key program outputs in support of its strategic objective of "*Greater consensus on democratic values*" in that they help build positive experience with democratic government and thus, "greater confidence in democratic institutions and processes".

Program Emphasis: The Mission's evaluation work has provided a solid base of data on democratic values in Nicaragua that will orient the direction of Mission activities over the Action Plan period. The following themes will be emphasized:

- **Expansion of Civic Education** - Focus group analysis has shown that while many Nicaraguans have a high regard for democracy as an abstract concept, they have very little understanding of how it works and few know much about human rights and other basic democratic values. The Mission's democratic initiatives address this need for greater understanding of the concepts and institutions of democracy through civic education efforts through the school system and through grassroots NGOs. These efforts will be expanded to include outreach efforts focused on key democratic concepts, events such as the 1996 elections, and the role of citizens in a democracy.

- **Inclusiveness** - Consistent with its emphasis on democratic principles and values, the Mission will make a greater effort to work with groups who in the past have not looked to AID for assistance because of perceived ideological or political differences.

In responsibly considering assistance to groups from a broader political spectrum, the Mission will look for a solid commitment to democracy and accountability.

- **Decentralization** - In an effort to bring decision-making closer to those affected and provide greater opportunity for involvement and participation in democratic processes, the Mission will be promoting decentralization in various forms. Progress has already been made in decentralizing the health and public education systems (see pages 14 and 21). The MDD project will provide technical assistance to promote greater citizen participation, municipal autonomy, and local control over resources.

- **Mediation** - Public lack of confidence in judicial institutions and the need for alternatives to violence for resolving interpersonal and institutional conflicts point to the important potential for mediation efforts. Pilot efforts under the SDI project may serve as the basis for a broader mediation program during the Action Plan period.

- **Electoral Support** - The first national elections since 1990 will be a watershed event during the Action Plan period. Design work has begun for Mission support of fair and open elections in 1996 that will focus on selected administrative needs required to successfully implement the elections and a civic education effort to promote active participation by citizenry. Successful 1996 elections will be a major contribution to strengthening the democratic tradition in Nicaragua.

The Mission has taken the lead in addressing critical political issues and coordinating closely with other key donors. Spain is working to professionalize the police. The Swedes have provided significant financing in conjunction with UNDP to fund construction of "houses of justice" in support of improved judicial performance. Spain and Denmark provided equipment for registration and identity cards in preparation for on the Atlantic Coast elections. The Danes are also providing funds for infrastructure projects in support of municipal development and the Germans are financing technical assistance to promote discussion of municipal development issues. USAID is coordinating closely with the IDB and World Bank and based on these discussions, both banks have redesigned their democracy efforts to complement activities being implemented by USAID. They, along with Germany, have expressed interest in financing critical parts of the overall integrated financial system to be put in place under the *Financial Management Reform* project.

B. Economic Growth

Because economic growth is essential to reduce poverty, create employment, and build support for democracy, efforts to promote economic growth have been a central part of USAID/Nicaragua's strategy. The Mission's program has made important contributions to improving the potential for improved incomes through its efforts to leverage policy change and by providing essential balance of payments assistance. Project assistance has complemented a policy dialogue designed to establish a framework for revitalizing the private sector as a means of generating employment and increasing incomes.

With lower budget levels and legislative restrictions on investment promotion activities, the Mission cannot continue to pursue the ambitious strategic objective of *increased foreign and domestic investment* any longer. Therefore, the Mission has refocused its objectives in support of economic growth on participation and productive processes that will contribute to poverty alleviation. The revised strategy incorporates aspects of the Mission's other initial economic growth strategic objective (*Increased competitiveness, diversification, and participation in the economy*) but focuses more specifically on key issues of equity and opportunity in revitalizing the private sector. The revised strategic objectives are:

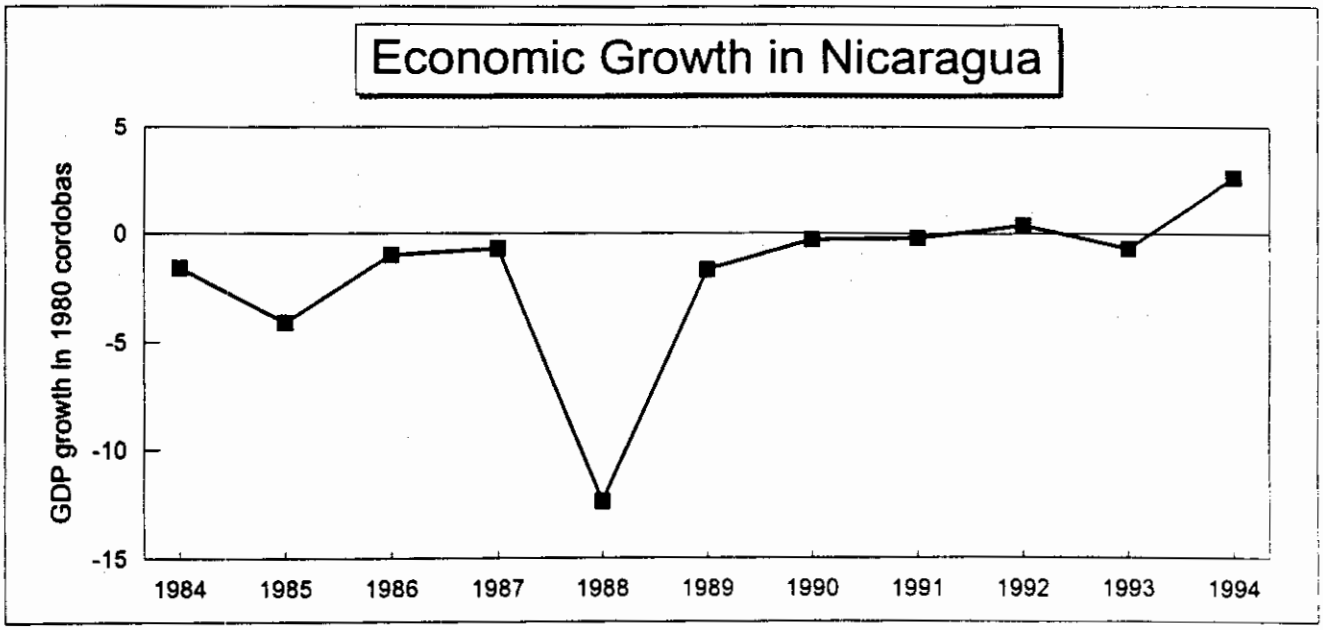
- **Increased economic access and opportunities**, and
- **Improved market efficiency and performance.**

The Mission continues to address the need for a skilled and educated labor force to fuel economic growth by focusing on:

- **Improved quality and efficiency of basic education.**

1. Economic Growth Trends

The GDP growth figures for 1993 were slightly below 0% (Central Bank figures show a figure of -.07%), which represents relatively little change from the previous year when GDP was just above 0%. The failure to produce positive growth is disappointing, though the country was able to keep GDP virtually unchanged despite a significant drop in the level of external financial assistance (a loss of resources equivalent to 5% of national output) that had helped Nicaragua eliminate hyperinflation and arrest the long-term decline in output experienced since the 1980s. Though strong positive growth has not yet appeared, these figures suggest some stability and resilience in the economy given the negative impact of political events over the past year, the major transformation that has taken place in the Nicaraguan economy, and measures that were taken in response to declining aid levels.



Positive Economic Developments - A series of indicators suggest the potential for higher growth rates in the future. Agricultural production is up sharply in some key areas—beef, coffee, corn, and beans—and world prices for these commodities are improving. A well balanced policy package stimulated exports which grew by about 20% after years of decline and increases in non-traditional exports at an even greater rate indicate some diversification is taking place. Evidence suggests that agricultural producers have shifted into more productive crops and that some medium-term investment is beginning to take place.

These developments are taking place in part because of continued macro-economic stability and the creation of a generally favorable economic policy environment for private investment. Price inflation was held to the 20-25% range in 1993 and accelerated but still gradual adjustment of the exchange rate led to improvement in the real exchange rate of approximately 10% over the last year. This combined with improved agricultural conditions gives hope for higher growth in 1994 despite a likely continued decline in foreign aid levels.

Economic Challenges - Despite these positive signs, the reality of the Nicaraguan economic situation is that living standards are still declining. Many Nicaraguans are getting poorer, job creation is not keeping up with new entrants to the workforce, and caloric intake has declined. With a growth rate that continues to lag below the rate of population growth there is little short-term potential for major improvement in the quality of life for most Nicaraguans.

Based on recent surveys, the World Bank estimates that over 50 percent of the Nicaraguan population lives below the poverty line. Close to one fifth of the population (19.4%) lives below the extreme poverty line, which is the line below which a individual can not obtain the minimum daily caloric requirements even if all expenditures go for food. Rural populations in Nicaragua are the group most likely to be at risk of poverty and the depth and severity of their poverty is greater than for their urban counterparts. Rural residents, for example, account for 63 percent of the population living below the poverty line and for 78 percent of the population living in extreme poverty.

Nevertheless, USAID-promoted policy changes are contributing to poverty alleviation in Nicaragua. Price improvements in basic grains such as corn and beans, largely the result of policy dialogue liberalizing trade in these commodities with neighboring countries that was a part of *Title III* conditionality, have helped improve rural incomes and increased local supplies of these staple elements of the Nicaraguan diet. Continuing low levels of inflation have helped eliminate the "inflation tax" whose effects were felt most on the lower classes during the late 1980's. In addition, social "safety net" programs such as the ongoing program of employment generation through the Emergency Social Investment Fund have provided a total of 78,000 person-months of short-term employment in more than 300 communities and improved local infrastructure. Atlantic Coast employment generation activities on the Atlantic Coast have created short-term employment for over 2,300 persons.

The breadth and magnitude of poverty in Nicaragua, however, overwhelms what can be accomplished in "safety net" programs alone. **The challenge, therefore, is to assure both that growth occurs and that it reaches the majority of Nicaraguans who live under conditions of poverty**. The Mission's strategy directly addresses this challenge.

2. Mission Strategy

USAID/Nicaragua has revised its strategic objectives in support of economic growth to address the most critical economic needs in Nicaragua. The shift in focus toward productivity and participation in the revised objectives represents the Mission's recognition that people are both the agents and beneficiaries of economic growth and that the key constraints to growth and poverty reduction involve their access to critical inputs - especially credit and up-to-date technology. Proper functioning of markets to efficiently and equitably distribute and allocate economic resources to a broad spectrum of Nicaraguans and clearly delineate price incentives for production is also critical. The strategy encompasses efforts to help Nicaragua deal with issues related to expansion of NAFTA, broaden the range of groups that receive USAID assistance, and meet the needs of those in conflictive zones.

a. Increased economic access and opportunity

The Mission's emphasis in pursuing this objective will be on 1) transfer of technology to help modernize production in Nicaragua, especially among small and medium-sized producers, 2) broadened access to credit so that those technological changes can be financed and productive enterprise initiated by a broad range of producers, and 3) broadened ownership of land and other assets to avoid narrow concentrations of wealth. These efforts should help improve productivity in areas that have always been Nicaragua's comparative advantage as well as expand non-traditional production in both agriculture and industry. They should help activate previously underutilized factors of production and have the additional benefit of lessening Nicaragua's dependence on a narrow productive base.

The themes of *inclusiveness* and *decentralization* run through the Mission's program in relation to this strategic objective. The range of groups that receive assistance from USAID-funded programs is being expanded, especially in the agricultural sector. The program also works to bring services to the people, especially in rural areas, through work with local associations and efforts to strengthen local financial institutions to promote a more decentralized system.

USAID/Nicaragua's program in support of this objective includes project activities designed to produce the following program outputs:

- ***Improved Private Sector Transfer of Technology*** - Efforts to improve the transfer of productivity-enhancing technology to farmers and business owners are supported through USAID assistance to private agricultural and business organizations, and through the efforts of U.S. PVOs and local NGOs.

  The Mission's focus in this area is through private agricultural organizations assisted under the *Private Agricultural Services* (PAS) project which provide their membership with extension services for productivity-enhancing technology. In 1994, these efforts will be expanded to increase the productivity of basic grains and traditional export commodities, as well as to increase the production of non-traditional agricultural export commodities and industry through a broader range of groups. The project is currently working through private associations that reach more than 10,000 small to

medium farmers and will expand its outreach during the Action Plan period to other associations and the cooperative sector. The cooperative sector is large and active in Nicaragua and encompasses a high percentage of small farmers. In its outreach to small farmers the project is working in Regions I and VI to improve production potential among those most affected by the war and its aftermath.

The project also helps associations work with members to access credit through the formal financial system. With other donors establishing large credit lines targeted toward particular geographic regions or specific types of intermediaries and loan sizes, the Mission can concentrate its resources on helping the less-advantaged access these programs by increasing their productivity. The potential of this approach is demonstrated by PAS project experience where a project-assisted coffee producers association was able to obtain agreement from the National Development Bank to provide credit to small farmers reached through the association extension program. The Bank is willing to work with every coffee producer association that receives such assistance.

The *Private Sector Support* project provides businesses with exposure to new technologies and specialized assistance through the International Executive Service Corps (IESC). The *Development Training* project provides training in new competitive technologies in a variety of fields to scholarship recipients that include participants from socially disadvantaged groups.

- ***Efficient and Equitable Financial System*** - To the extent that credit institutions are concentrated in Managua and other major cities and unable to manage their operations efficiently, small and medium producers will find it more difficult to obtain credit. Studies show that community-based NGOs such as credit unions are much more effective at financial intermediation than the State banks despite their higher interest rates. Therefore, the Mission proposes to provide financial intermediation technology to community-based financial institutions such as credit unions and promote broader lending by private financial institutions. Under the proposed FY-95 *Rural Savings Mobilization* project the Mission will work closely with the IDB in revitalizing the community-based credit union system and the *PVO Co-Financing* project will continue to promote local small and micro-enterprise lending programs to work with marginalized populations. The *Private Sector Support* project will continue to work with private banks in order for them to provide expanded services to new clients and develop branches to serve a broader population outside of Managua. It will also continue to support the Superintendency of Banks to ensure an effective, transparent financial system and open up new financial markets.

- ***Increased Opportunity for Employment and Ownership of Productive Assets*** - USAID programs will promote greater ownership of productive assets and increased opportunity for employment. Short-term employment through the Emergency Social Investment Fund and Ministry of Social Action related to infrastructure rehabilitation will be supported over the next two years with approximately $10.5 million in local currencies generated by *Title III* food assistance. Within that level, funds totalling $5

million will be targeted to employment generation activities in Regions I and VI primarily aimed at addressing agricultural infrastructure constraints.

Longer term employment opportunities are created through Mission stimulus of non-traditional agricultural export production and improvement in basic grain production. Small farmer income will increase through USAID-assisted productivity improvements in basic grains, coffee, and livestock, as well as through the promotion of non-traditional agricultural exports being carried out by local NGOs. Support through U.S. PVOs and local NGOs for microenterprise development and poverty lending activities helps stabilize employment opportunities and create opportunities for thousands outside of the cash economy to hold stable jobs and consider new productive activities. The *Mission's Private Sector Support* project will provide assistance and monitor the growth of the new stock market which is another avenue for Nicaraguans to own productive assets. Finally, the *Development Training* project provides participants from socially marginalized groups with new skills that significantly increase their employment potential.

Donor Coordination and Property Issues - The Mission's program to promote access to productive opportunities is dependent on the GON's continued effective management of the macroeconomy and significant balance of payments support from other donors including cash transfers from the IMF and structural adjustment loans from the World Bank. Mission support of the financial sector is complementary to larger-scale credit programs of the IDB, CABEI, IFAD, and various bilateral donors totalling $87-95 million.

The World Bank has initiated a $39 million effort to issue titles for the 2.1 million hectares of agrarian reform land that was distributed under the Somoza, Sandinista, and Chamorro regimes. Their effort excludes the Atlantic Coast where the Mission's *Natural Resource Management* project will be working with indigenous groups in communal land titling. With the World Bank taking the lead in a nation-wide effort, AID's role is primarily to provide complementary assistance where appropriate. Mission financing of the microfiching of specific property records, for example, is an important contribution in support of the World Bank effort. The Mission will make funds available for specific technical assistance needs related to resolution of property issues as appropriate to complement other donor efforts.

b. Improved market efficiency and performance

A Mission focus on improved market efficiency is essential because Nicaragua continues to suffer from high costs of production and must make more efficient use of its domestic resources in the face of reduced foreign aid levels. Improved performance would be demonstrated by Nicaragua's ability to compete favorably in world markets and generate increased economic activity domestically. **Properly functioning markets offer one of the best means of assuring that the benefits of growth reach the broadest number of Nicaraguans.** Improvements in key markets—labor, foreign exchange, exports, non-traditional exports, basic grains, financial services, etc.—will open up the potential for broader opportunities and investments in both physical and human capital. The program outputs that embody this strategy are as follows:

- ***Increased Role of Private Sector in Economy*** - Expansion of the private sector is dependent on reduced state involvement in the economy through privatization that provides assurances of a competitive free market. The Mission will continue the privatization work currently underway through the *Private Sector Support* project. Support for the privatization of TELCOR, the state-owned telecommunications monopoly, is moving forward and assistance in divesting the ports and privatizing the state petroleum company is being considered. The TELCOR privatization will represent the largest GON privatization to date and will provide dollars to the GON to back up the bond program in place for compensating owners who have had their properties confiscated.

- ***Policy Framework Oriented toward Broad-based Growth*** - Important conditions for the proper functioning of markets are low levels of inflation, stable currency markets, and policies that assure that price structures reflect market forces. As trade discussions become increasingly focused on the expansion of NAFTA, Nicaragua has attempted to align itself with the "northern tier" of Central American countries that are closest to achieving the conditions for inclusion in NAFTA. These countries' perception that Nicaragua's economic situation represents a potential drag on their potential for integrated inclusion in NAFTA must be overcome.

  The Mission's technical assistance role in promoting the stability of the economic environment will complement the financial support provided by the international financial institutions. Under the *Economic Policy Analysis and Implementation* (EPAI) project, technical assistance is provided to the Economic Cabinet to develop and implement sound economic policies that promote broad-based sustainable growth. The *PL-480 Title III* policy dialogue has focused on price liberalization of agricultural goods that has improved prices for basic grains and contributed to increased agricultural incomes. These policy efforts can also provide assistance in developing world-class intellectual property rights legislation, international dispute arbitration, and addressing other issues that are central to accession to NAFTA terms.

- ***Reduced Transaction Costs*** - Efforts will be undertaken to eliminate barriers to entering markets that often keep small and medium producers from participating. These include lack of information on prices and buyers or brokers, bureaucratic red tape such as registration and documentation requirements, and lack of access to transport and other infrastructure. The policy dialogue associated with *PL-480 Title III Food Assistance* has focused on improving market information for rural agricultural producers. Through its *Private Sector Support* Project, USAID/Nicaragua is helping to develop a one-stop shop to make the process of exporting easier and facilitate small producer entry into export markets; new activities to reduce regulations impeding registration of new businesses may also be considered. Potential assistance through the *Private Sector Support* project for privatization of the ports will help to improve market access for Nicaraguan producers.

Donor Coordination - Because of USAID/Nicaragua's early and active involvement in key policy issues, the Mission has played a leadership role in developing a broad consensus among other donors on critical issues that form part of an ongoing policy dialogue between

donors and the government. The Mission has helped other donors focus on the critical importance of resolving property issues and restructuring and establishing prudential oversight of the state banks. The Mission continues to provide important input into the content of structural adjustment and project design of the major international financial institutions working in Nicaragua.

c. Improved quality and efficiency of basic education

Perhaps the most important long-term contribution to increased employment, incomes, and growth will be Mission efforts focused on ***Improved quality and efficiency of basic education***. Mission assessments and studies have shown that the Nicaragua primary school system lags far behind other countries in the region in its ability to produce sixth grade graduates due to high repetition and drop-out rates. This clearly suggests that reforms to the system need to be implemented that include teacher training and improvement in the quality of instructional materials and methodologies. Improved primary education provides Nicaraguans a foundation for education at other levels, enhances income potential, increases the likelihood that nutrition, health, and family planning practices will improve, and improves their ability to participate in the political system. Though the Agency has chosen to place educational efforts under the rubric of economic growth, basic education makes important contributions to democracy, health, and population efforts. For all of these reasons, the $30 million Basic Education project is the Mission's single largest investment.

Provision of Textbooks - USAID/Nicaragua's first initiative in support of improved basic education has been the purchase and distribution of over 11 million textbooks for Nicaragua's primary schools out of a total of more than 13 million provided to the overall public school system (both primary and secondary). Texts have been provided for mathematics, reading, writing, social sciences, history, and language arts and represent a major improvement from the outdated texts used prior to 1990. The textbook purchases have also helped assure that textbooks are available for all students. Textbook purchases are being phased out as assistance is provided to help the MED develop their own textbooks and curriculum.

Organizational Decentralization - The *Basic Education* project's support for organizational restructuring of the Ministry of Education (MED) has helped it reorganize and restructure the central Ministry to clarify and redefine areas of responsibility, resource allocations, and other appropriate Ministry functions. This effort has already provided a framework to improve various functions of the Ministry through enhanced lines of authority at lower organization levels and streamlined personnel operations. Ultimately, training will be provided to at least 600 MED employees in management and supervision of schools, and assistance will be provided to help the MED review its educational policy framework and implement key policy decisions, develop personnel policy and procedure manuals, establish managerial information systems, strengthen its operations at the departmental level, and increase the level of inputs for primary school students. Decentralization of decision-making as a model for Nicaraguan primary schools is being tested in three municipalities. Decentralization that encourages greater involvement of parents in local educational efforts will create additional demand for greater efficiency and quality in local schools.

Teacher Training - Mission programs have already trained 30 national-level teacher trainers who then trained an additional 60 teacher trainers in Nicaragua prior to the beginning of the school year. Over 1800 teachers throughout the country have now received practical training and resource kits. With the project team now mobilized and in place, this effort will be evaluated, refined, and replicated while a long-term teacher training strategy is developed. The project will provide teacher training in 40 observation schools designed to develop a "master teacher" program to serve as classroom models for other teachers and provide in-service training programs for 12,000 primary school teachers.

Curriculum Development - The project supports the development, production, and distribution of teacher's guides and instructional materials for language arts, mathematics, and civic education, and improves the capacity to produce new books and other learning materials locally to minimize the need for external assistance to meet these needs. These efforts will promote the adoption of child-centered teaching methodologies, modern learning theory, and improved student assessment techniques that are appropriate to Nicaraguan needs. Environmental education will be incorporated into the new curriculum.

Donor Coordination - The Mission is working closely with the World Bank which is currently designing a major education initiative that will complement the Mission's work in basic education. The project is expected to focus primarily on educational infrastructure, decentralization, and textbook procurement.

C. Protecting the Environment

In Nicaragua pressure from growing populations combined with large numbers of people below the poverty line is causing people, industries, and government to over-exploit the natural resource base to satisfy immediate needs. The result is depletion of forests, soils, fisheries, and other natural resources faster than they are being renewed.

USAID's strategy to promote sustainable management of natural resources targets people and the way they use resources through the specific objective of *Increased use of environmentally sound productive and extractive practices*. It is focused on policies, technologies, and partnerships among governments, communities, and industry that offer new approaches to preserving biological diversity, ensuring property rights, and safeguarding food security.

Under the Mission's *Natural Resources Management* and *PVO Co-Financing* projects, concerns about environmental sustainability and food security yield an attempt to manage biological resources for conservation, income generation, and food in fragile tropical environments.

1. Environmental and Natural Resource Policy Development

Significant progress on the policy front over the last year lays a solid foundation for improved management of natural resources over the long-term:

- ***Approval of a Tropical Forestry Action Plan*** - This first comprehensive analysis of the forest sector in Nicaragua was developed within the framework of a Conservation Strategy for Sustainable Development. It consists of an assessment of the economic and social situation related to the forest sector and a plan to promote actions to remove obstacles to sustainable development of the sector that addresses land use, management of natural forests, industrial development, firewood and energy, conservation of forest ecosystems and biological diversity, and institutional needs.

- ***Development and Approval of an Environmental Action Plan*** - This Action Plan represents a serious analysis of environmental and resource issues and a workable plan to address these issues. The plan sets targets in such critical areas as control and regulation of importation and sales of chemical pesticides, solid and industrial waste disposal, water resources, fisheries, and protection of rights of indigenous peoples.

- ***Steps Toward Comprehensive Forestry Legislation*** - Forestry legislation has become a high priority as evidenced by the issuance of a decree that consolidated previous laws and regulations, established procedures for regulating use of forest resources,and established the concept of private ownership of forests. However, a controversial aspect of this decree involves the ending of a moratorium on timber concessions. A more comprehensive package of forest legislation in being developed with USAID assistance that would more clearly address these issues including defining the requirements for commercial exploitation of both private and national lands.

- ***New Pesticide Law in Place-*** A new law regulating the use of pesticides and prohibiting the use of certain products that have been either manufactured in or imported into Nicaragua was issued. This law should have a significant impact in reducing toxicity in the environment over the long term.

The Mission, in cooperation with other donors, has played an important role in many of these developments. Technical assistance was provided to help address forestry issues. Close coordination among major donors provided important input to the development of the Environment and Tropical Forest Action Plans and to pesticide legislation. The NRM project technical assistance team is providing direct assistance to the reorganization of the Ministry of Environment and Natural Resources (MARENA) in order to strengthen its capabilities to develop, promote, implement, and enforce appropriate policies.

2. Protected Areas

The key to progress made in improving management of major protected areas has been the significant efforts to involve local people in the process of developing plans for the areas and establishing their rights and responsibilities. U.S. PVOs working under the NRM project provide important support for this process:

- ***Bosawas Protected Area*** - A communal land titling seminar for residents of the Bosawas area was one of the first activities undertaken by The Nature Conservancy as part of their work to help the government improve the management of the Bosawas protected area. The seminar provided an explanation of the benefits associated with

such titling in providing local communities with an economic stake in preserving the area and managing it sustainably. It brought together various representatives of local Indian communities to explore concerns and questions about the titling process. This important first step has demonstrated to local residents that their needs and concerns will be considered and heeded in managing and protecting the largest expanse of humid-tropical forest in the region. The Nature Conservancy has also begun a series of biological surveys to serve as a baseline for long-term management of the area.

- ***Miskito Keys*** - The Caribbean Conservation Corps is conducting biological surveys and creating a geographic information database for planners and researchers that includes mapping, inventory, and analysis of natural resources, cultural characteristics, and physiography of the Miskito Coast Protected Area. This work forms the basis for a management plan for the area that involves the active participation of 34 communities on the Atlantic Coast. The plan establishes the roles and responsibilities of the national and local government and indigenous communities in the sustainable management of a multiple use protected area.

- ***Volcán Masaya National Park*** - USAID, working closely with Peace Corps Nicaragua, will soon provide assistance to help improve park infrastructure so that it can serve as a center for environmental education programs that is easily accessible from major urban centers and protects this important reserve.

3. Sustainable Agriculture and Reforestation

The first real tangible results of USAID's work in the environmental area have come from efforts to reduce pesticide use and increase the use of sustainable agricultural practices:

- ***Integrated Pest Management Program*** - Under the NRM project, assistance has been provided to Nicaraguan agricultural producers in integrated pest management through cooperative agreements with the Pan American Agricultural School, El Zamarano, in Honduras and the CATIE research center in Costa Rica. Zamarano works with integrated pest management for melons while CATIE is working with coffee producers. A Mission-supported cotton pest management expert is providing technical assistance to the Ministry of Agriculture. These efforts will help reduce levels of pesticide residue in the environment, reduce costs and health risks, and strengthen the capability of the Ministry of Agriculture and MARENA to monitor and regulate the importation and use of agro-chemicals, especially pesticides. Important results have already been achieved related to cotton where pesticide applications have now been reduced by over 50% from 14 per cycle to six; applications for coffee have also dropped.

- ***PVO Sustainable Agriculture Projects*** - Under the *PVO Co-Financing* project, *World Relief Corporation's* agroforestry project in Nueva Guinea and Río San Juan has established 81 producer unions among farmers in the region. Over 1,100 individual farmers have received training and assistance in soil conservation and improved agricultural techniques. *Technoserve's* agroforestry project with 14 communities near Jinotega and Matagalpa in Region I helps ex-combatants establish nurseries for reforestation and develop their land for improved and sustainable agricultural production.

- ***Atlantic Coast*** - Employment generation activities under the *Atlantic Coast Economic Reactivation* project have resulted in the planting of eight million new trees, including pine, mahogany, rosewood, and royal cedar, in both the North and South Atlantic Coast and reforestation of 12,000 hectares of pine forests and hardwood forests destroyed by Hurricane Joan in October 1988. These activities will continue through December, 1994 when there is hope they will receive financing from other donors.

4. Environmental Education

The NRM project is helping MARENA develop a national strategy for environmental education and an amendment to the project will provide additional funds for important education efforts. This strategy will include components to achieve the following outputs:

- Design and implementation of public awareness campaigns, public sector seminars, and school visitation programs. A targeted program of education and assistance will focus on alternatives to fuelwood that will help reduce pressure for deforestation.

- Workshops on effective conservation and management programs carried out by MARENA in collaboration with local community and private voluntary organizations.

"Brown" Issues - The Mission's strategy emphasizes the "green" issues of protection of bio-diversity, sustainable agriculture, and forestry management because they focus on conserving the productive base of the Nicaraguan economy. Though Nicaragua has needs related to the "brown" issues of pollution and waste management, the Mission cannot address them within its budgetary and personnel resources. Mission focus on pesticide management is the most effective way of reducing the major source of pollution in most inland waterways and lakes.

Donor Coordination - USAID participates in an active donor group that closely coordinates its efforts and works to reinforce key aspects of an ongoing policy dialogue on environmental and resource issues. The Nordic countries which have been involved for some time in forestry and other resource issues have generally taken the lead in this policy dialogue. The donor group was instrumental in the development of the Environmental and Tropical Forest Action Plans and will closely coordinate assistance to carry out key elements of these plans.

D. Stabilizing Population Growth and Promoting Health

Nicaragua has the highest population growth rate in the region and one of the highest in the hemisphere. It also has the health problems that are associated with poverty—which means that mothers and children are particularly at risk. For these reasons, USAID/Nicaragua's strategy has focused on the strategic objective of ***Improved maternal and child health*** which includes a strong family planning emphasis and also efforts at the policy level to promote reforms that will improve health care for mothers and children. The Mission's strategy to address health and population issues in Nicaragua encompasses both the public and private sector and focuses primarily on primary and preventive health care. The emphasis is on child survival interventions that address the most common causes of sickness and death among mothers and children.

As in other areas of the portfolio, in carrying out these programs, the Mission has also promoted decentralization as an important means of assuring that local needs are taken into consideration and services are delivered most efficiently. In its continued involvement in health care and family planning the Mission is broadening the spectrum of groups that receive USAID assistance. Mission efforts in the health and population fields have benefited from strong, innovative, and committed counterparts in the Ministry of Health, within PVOs and NGOs working in health and population projects, and among other donors. This has facilitated the process of participation in developing and implementing the Mission's health and population projects and programs.

1. Health and Population Achievements

Though many health and population activities are still in early stages of implementation, the Mission has been associated with a number of notable successes that will be a foundation for significant improvement in health and family planning indicators:

- ***Immunization Coverage*** - The Mission has been the largest contributor to a multi-donor effort managed by the Pan American Health Organization (PAHO) to improve immunization coverage. As of 1993, coverage rates had reached program goals, bringing coverage rates to over 88% for most immuno-preventable diseases.

- ***Increase in Family Planning*** - As measured by various indicators, contraceptive use has increased in Nicaragua over the past few years. This has not made a significant impact on total fertility or population growth rate because voluntary sterilization is the preferred method of contraception and most women opt for it after they have had four or five children. Thus the challenge is to promote the use of temporary methods and encourage women to seek surgical contraception sooner. USAID assistance to the International Planned Parenthood Foundation affiliate, Profamilia, has allowed it to open regional and satellite clinics outside of Managua and expand its Managua base. Contraceptives have also been procured for public health family planning programs.

- ***Decentralization of Health Services*** - The Nicaraguan government has established 19 decentralized units for health service delivery known as Local Integrated Health Care Systems or SILAIS and has designated 20% of the health care budget to be controlled by these decentralized units. USAID supports decentralization through the *Decentralized Health Services* (DHS) project and the *Title III* program under which the GON committed itself to providing each SILAIS with increasingly independent budget authority.

- ***Increased Emphasis on Primary Health Care*** - As part of the *Title III* agreement the government committed itself to increase the percentage of its total health budget designated for primary and preventive health care. The percentage of the health budget for primary health has increased 25% over the last two years to 40% in 1994.

- ***Completion of Family Health Survey*** - The completion of the USAID-financed Family Health Survey and dissemination of its results, along with RAPID IV presentations, has helped focus counterparts and donors on critical issues and raise these

issues to the attention of policy makers and the press. It has formed the basis of a healthy debate about health and population policy in Nicaragua in addition to serving as a baseline for evaluating activities undertaken by the government and donors.

- ***PVO Child Survival Activities Underway*** - Under USAID's *PVO Co-Financing* project, the *Adventist Development Relief Association (ADRA)* is carrying out a project in Estelí and Nueva Segovia which trains mothers in improved health practices such as oral rehydration therapy, early detection of respiratory infections, and breast-feeding techniques. *World Relief Corporation* is providing child survival training to seven health promoters and 42 community volunteers in Tipitapa and surrounding communities. *Save the Children* has set up an office in León and has begun training of community health promoters. *Catholic Relief Services* has initiated a child survival project in the departments of Managua and Masaya and will also address the need for potable water in five communities. Centrally-funded child survival projects undertaken by *Project Concern* in the Acahualinca neighborhood of Managua, *World Relief Corporation* in the Rio San Juan area, *ADRA* in Somoto, and *Project Hope* in Boaco area also making an important impact on maternal and child health in these areas.

2. Mission Response to Continuing Challenges

Though there is positive movement in addressing the health care needs of mothers and children in Nicaragua, the magnitude of those needs continues to require concerted effort. USAID assistance will be provided to help:

- ***Maintain immunization rates*** - To help increase and then maintain immunization coverage rates at acceptable levels, financing for the multi-donor supported immunization program will be provided to PAHO through the DHS project and *Title III* local currency. The strategy will de-emphasize campaigns and integrate immunization efforts into overall maternal-child health services to comprehensively address the health needs of mothers and children.

- ***Actively promote family planning*** - Mission analysis of contraceptive use and results from the Family Health Survey indicate a need for more aggressive promotion of both temporary and permanent family planning methods and services. An expansion of the *Family Planning Expansion and Regionalization* project with Profamilia will include a major information-education-communications effort.

- ***Expand family planning services*** - Results of the Family Health Survey indicate that women of low socio-economic status and low educational levels who live in rural and especially mountainous areas have the highest fertility and lowest couple protection rate. Therefore, additional USAID support to Profamilia will help it expand from six to eleven clinics that will allow it to reach rural women with low-cost services. Through an agreement with Profamilia, the Mission will also be providing contraceptives to Ixchen, a local family planning organization, and, with *Title III* local currency funding, will help it expand its services to the peri-urban areas of Managua.

- ***Enhance decentralization*** - With completion of initial administrative steps, the decentralization process needs to move toward providing increased budget authority to the SILAIS and improving administrative capabilities of these decentralized units. Policy dialogue associated with the *Title III* programs encourage greater devolution of budget authority to the SILAIS and the DHS project helps establish information services and provide financial and management training for each SILAIS in the country.

- ***Explore alternative health financing mechanisms*** - Under the DHS project, technical assistance will be provided to the Ministry of Health to help analyze options for health financing such as fee for services, special taxes etc. that will help increase the sustainability of the health system and improve the quality and availability of services. *Title III* conditionality supports these efforts.

- ***Expand child survival programs*** - The DHS project has initiated efforts to improve community health outreach in five SILAIS encompassing 48% of the population. Child survival projects managed by U.S. PVOs with local communities will continue to be supported under the *PVO Co-Financing* project and local NGOs with maternal and child health programs are supported with *Title III* local currency funds.

Areas of Mission Emphasis - In its health and population programs, the Mission will be echoing many of the same themes as in other parts of the portfolio:

- ***Inclusiveness*** - As with the example of Ixchen, the Mission is looking to broaden the range of groups that it can support to include those that have not traditionally looked to USAID for assistance.

- ***Decentralization*** - As noted above, a central part of the Mission strategy to promote maternal and child health is to encourage decentralization of services that helps to assure that such services are appropriate, responsive, and efficient.

- ***Attention to Conflictive Zones*** - Coordination with other donors concerning help to the SILAIS has meant that USAID assistance through the DHS project is concentrated in the conflictive zone of Region VI and the three SILAIS of the Managua region. A number of PVO child survival programs are working in Regions I and VI and Profamilia's expansion will reach these areas. The Mission will encourage additional health and family planning programs in these regions through use of local currencies.

AIDS - The Mission intends to develop a shelf project that would allow it to join other donors in addressing a nascent AIDs problem in Nicaragua at a time when timely preventive activities could help avoid a major epidemic. Project funding would depend on availability of budget resources and a clearer understanding of other donor involvement. A PD&S-funded study will define the AIDS problem and propose actions to be considered by donors.

Donor Coordination - The Mission was instrumental in creation of a Donor Commission under the DHS project to coordinate donor efforts in health and population that has helped avoid duplication of effort and assure that key issues are addressed. PAHO takes the lead in immunization efforts and UNFPA and IPPF are active in family planning activities.

III. Achievement of Agency Goals

A. Building Democracy

Strategic Objective in Support of Agency Democracy Goal

Nicaragua's lack of experience with democracy and the polarization of society in the aftermath of years of war has led the Mission to focus on activities oriented toward:

Greater consensus on democratic values.

This objective highlights the importance of activities which encourage Nicaraguans to come to agreement on the basic rules that govern a democratic society and find institutional ways of resolving conflict and making policy decisions that reflect the will of the majority. The objective also serves to focus USAID involvement on those institutions whose functions contribute to consensus building and positive experience with democracy. Consensus on democratic values is critical if democracy is to flourish over the long term.

Key Program Outputs

A wide range of project activities are focused on two major program outputs. The first incorporates civic education activities through the school system, grassroots organizations, and the media which are designed to achieve:

Wider promulgation and understanding of democratic values.

The second is focused on strengthening key institutions both within and outside of government that are critical to the functioning of a democratic society.

Greater confidence in democratic institutions and processes.

Mechanisms to measure progress utilize survey data focused on key questions designed to elicit knowledge and attitudes concerning democracy in relation to actual practice.

Progress Toward Objectives

A survey of democratic knowledge, attitudes, and practice is currently in the field and will provide baseline data and comparative data with similar earlier surveys conducted in Nicaragua. Though the primary means of determining progress is not yet fully available, there has been movement toward greater consensus as noted in the Strategy Overview:

- A functioning legislature and preliminary agreement on constitutional reforms indicate that political factions from both ends of the political spectrum are finding areas of agreement and compromise that can form the basis for a stronger political system.

- The high degree of participation in Atlantic Coast elections indicates strong support for elections as a means of choosing leaders and confidence in electoral institutions.

- A continuing debate over issues such as the need for more effective civilian control of the military has raised citizen consciousness as well as political leaders' desire to make changes to the status quo.

- Acceptance of the system in place for resolving property disputes may be a first step in defusing this critical issue.

- The foundation for expanded civic education efforts is in place. Twenty-five master civics teachers have been trained and have, in turn, trained an additional 350 teachers in how to teach civic education. Curriculum efforts are underway. Seminars by civic groups have promoted an important dialogue on key issues in civil society. Forty-one mayors and council members have received an orientation to decentralized management of selective U.S. municipalities.

Nonetheless, focus group analysis undertaken as part of the Mission's evaluation and monitoring effort confirms evidence that the general situation in Nicaragua remains one of polarization and lack of consensus on such key issues as property rights, and there is general lack of confidence in the major institutions of democratic society and the full spectrum of political leaders. Significant progress toward this objective will take time and continued commitment by Nicaragua and the donors including significant efforts by the Mission.

Project Effects on Poverty Reduction, Access, and Participation

USAID/Nicaragua's Democratic Initiatives are oriented heavily toward increasing citizen access to government and improving political participation as a means of promoting consensus on the key values of democracy. This orientation is most evident in the following areas:

- *Institutional Strengthening* - Support through the SDI project to institutions such as the National Assembly, the judicial system, human rights groups, political parties, and interest groups is designed to make them more responsive to constituents and citizens.

- *Civic Education* - A major objective of civic education efforts under the SDI project is to increase awareness of the rights and responsibilities of citizenship and improve the ability of Nicaraguans to participate actively in the system.

- *Electoral Support* - The overriding objective of the *Electoral Support* project will be to increase access to decisionmaking and improve participation by ensuring free and fair elections in 1996.

- *Decentralization* - The *Municipal Decentralization and Development* project has as a primary purpose the increased participation of Nicaraguans in local government decisionmaking and projects.

- *Accountability and Transparency* - The multi-donor supported *Financial Management Reform* project will help reduce the potential for corruption and misuse of resources that is contrary to effective citizen participation.

Agency Goal: Building Democracy

Strategic Objective #1: Greater consensus on democratic values

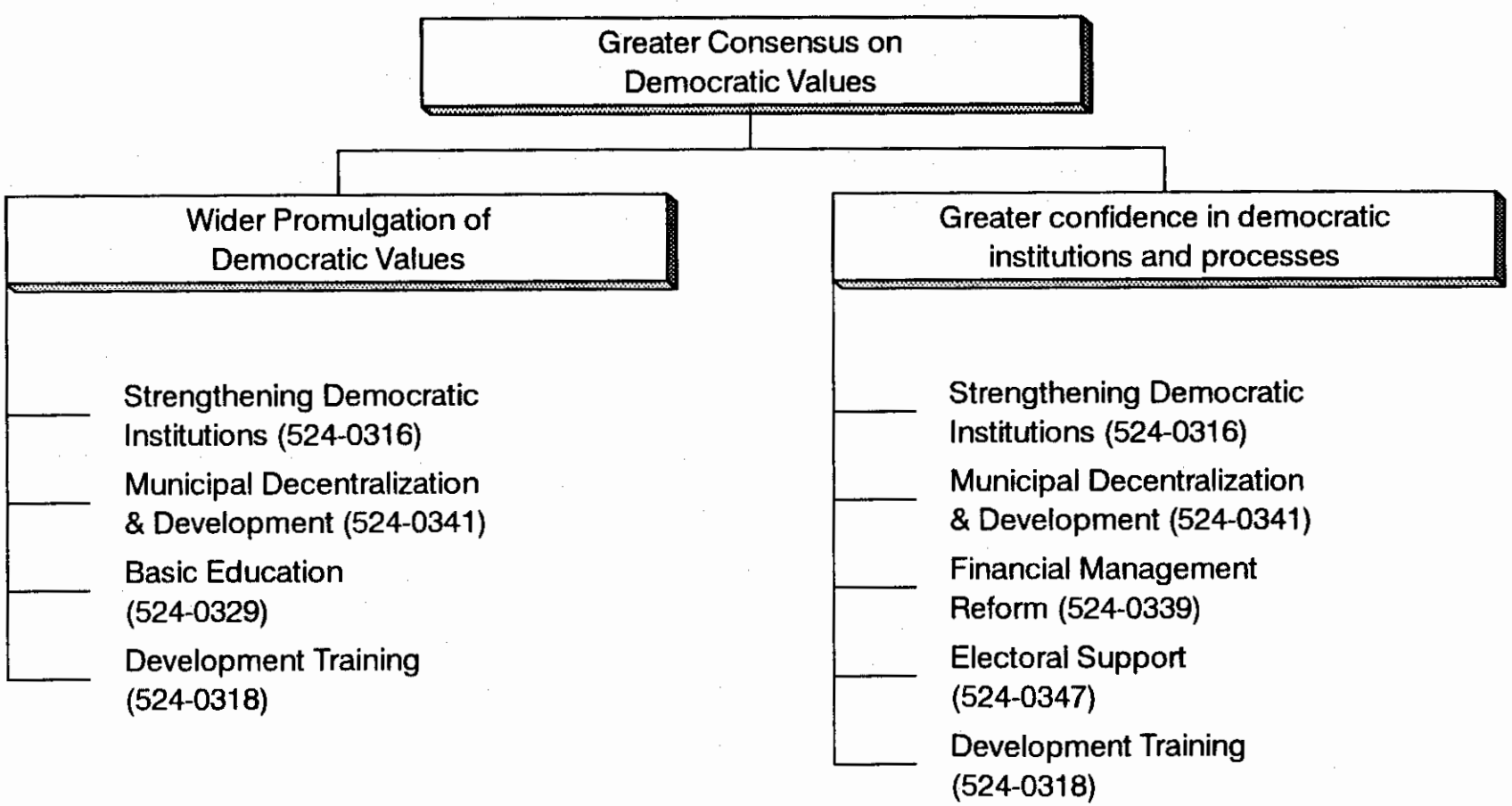


Table 1.1: Strategic Objective Program "Tree"

STRATEGIC OBJECTIVE: Greater consensus on democratic values

STRATEGIC OBJECTIVE: Greater consensus on democratic values				
INDICATOR: Support for Civil Liberties				
UNIT: Percentage of population (survey data)		YEAR	PLANNED	ACTUAL
SOURCE: Univ. Pittsburgh Cenl Am Public Opinion Proj	BASELINE	1992	----------	58-62-45-49
		1993		
COMMENTS: Willingness of survey respondents to extend civil liberties of right to 1) vote, 2) demonstrate, 3) run for office, and 4) exercise free speech . Indicators to be updated and targets developed after Mission survey wil l be completed.		1994		
		1995		
		1996		
		1997		
		1998		

INDICATOR: Support for competition between parties				
UNIT: Percentage of survey respondents (pretest data)		YEAR	PLANNED	ACTUAL
SOURCE: USAID/Nicaragua democracy survey	BASELINE	1994	----------	57
		1995		
COMMENTS: Data comes from survey question scaling how favorably respondents view the competition between parties in Nicaragua. This is all based on pretest data.		1996		
		1997		
		1998		
		1999		
		2000		

INDICATOR: Support for democracy over revolutionary or military government				
UNIT: Percentage of survey respondents		YEAR	PLANNED	ACTUAL
SOURCE: USAID/Nicaragua Democracy Survey	BASELINE	1994	----------	80
		1995		
COMMENTS: Survey field work completed in March. This is all based on pretest data. Targets will be developed based on survey.		1996		
		1997		
		1998		
		1999		
		2000		

PROGRAM OUTPUT: Wider promulgation and understanding of democratic values				
INDICATOR: Percentage of population reached by civic education efforts				
		YEAR	PLANNED	ACTUAL
SOURCE: USAID/Nicaragua Democracy Survey	BASELINE		----------	
COMMENTS: USAID/Nicaragua survey asks whether respondents have received information on democracy through the media or civic groups. Survey field work to be completed in March.				

STRATEGIC OBJECTIVE: Greater consensus on democratic values				
PROGRAM OUTPUT: Wider promulgation and understanding of democratic values				
INDICATOR: Union members receiving training				
UNIT: Number of trained union members		YEAR	PLANNED	ACTUAL
SOURCE: AIFLD	BASELINE	1991	----------	
		1992	4,200	4,660
		1993	6,400	7,620
	TARGET	1994	12,800	
		1995		
		1996		
		1997		

PROGRAM OUTPUT: Wider promulgation and understanding of democratic values				
INDICATOR: Teachers trained in civic education curriculum & methods				
UNIT: Number of teachers trained		YEAR	PLANNED	ACTUAL
SOURCE: American Federation of Teachers	BASELINE	1993	----------	350
	TARGET	1994	3,000	
COMMENTS: The number includes 25 master teachers who have trained other teachers to utilize a new civic education curriculum. Further training beyond 1994 will depend on the proposed SDI Amendment.		1995		
		1996		
		1997		
		1998		
		1999		

PROGRAM OUTPUT: Greater confidence in democratic institutions and processes				
INDICATOR: Confidence in key government institutions				
UNIT: Percentage expressing trust in key institutions		YEAR	PLANNED	ACTUAL
SOURCE: Univ Pittsburgh Cent Am Public Opinion Proj.	BASELINE	1992	----------	48-52-57-69
		1993		
COMMENTS: Initial data represents percent of survey respondents expressing trust in 1) protection of basic rights, 2) courts guaranteeing a fair trial, 3) the legislature, 4) the Electoral Tribunal. Indicator to be revised and targets developed based on survey.		1994		
		1995		
		1996		
		1997		
		1998		

PROGRAM OUTPUT: Greater confidence in democratic institutions and processes				
INDICATOR: Support for democratic Nicaraguan political system				
UNIT: Percentage Supporting Nicaraguan Political System		YEAR	PLANNED	ACTUAL
SOURCE: Univ Pittsburgh Cent Am Public Opinion Proj.	BASELINE	1992	----------	55-64
		1993		
COMMENTS: Data represents the percentage of survey respondents expressing 1) pride in the Nicaraguan political system and 2) support for the political system. Data will be updated based on results of USAID/Nicaragua survey completed in March.		1994		
		1995		
		1996		
		1997		
		1998		

PROGRAM OUTPUT: Greater confidence in democratic institutions and processes				
INDICATOR: Belief in efficacy of democracy compared to alternatives				
UNIT: Percentage of survey respondents		YEAR	PLANNED	ACTUAL
SOURCE: USAID/Nicaragua Democracy Survey	BASELINE		----------	
COMMENTS: Indicator represents an index of responses to questions asking what type of government could deal most effectively with a range of policy issues: democratic, revolutionary, or military/dictatorship. Index to be calculated when Baseline data available.				

B. Broad-Based Economic Growth with Equity

Strategic Objectives in Support of Agency Economic Growth Goal

As outlined in the Strategy Overview, the Mission has modified its strategic objectives to concentrate on activities that clearly support the Agency's strategic focus and improve participation and productivity through:

Increased economic access and opportunities.

Complementing this objective in promoting the most effective means of assuring that opportunities and benefits are widely distributed while also creating the conditions for economic revitalization is the objective:

Improved market efficiency and performance.

Perhaps the most important contribution to long-term growth potential is the investment in human capital that will, over time, produce a skilled and educated workforce and entrepreneurial talent in Nicaragua:

Improved quality and efficiency of basic education.

Key Program Outputs

Outputs in support of ***Improved economic access and opportunity*** include efforts to assure that Nicaraguan producers are able to obtain the inputs to production necessary to be more productive and put them to use in increase their productivity.

Improved Private Sector Transfer of Technology

This program output highlights efforts to provide Nicaraguan producers, especially small farmers and micro-enterprises, with access to up-to-date and more productive technology through sustainable mechanisms outside of government. This access to technology makes producers more creditworthy and contributes to their ability to access capital for increased production.

Efficient and Equitable Financial System

Access to capital is also promoted through a financial system which allocates resources broadly throughout the economy and toward those activities with the most potential for increased productivity.

Increased Opportunity for Employment and Ownership of Productive Assets

Mission programs promote broader participation in economic activity also focus and work to assure that jobs are created widely throughout society, especially in rural areas and among the urban poor, and that wealth becomes less concentrated in Nicaraguan society.

Program outputs in support of ***Improved market efficiency and performance*** include:

Increased Role of the Private Sector in the Economy

Activities include assistance to privatization efforts that reduce state involvement and efforts to revitalize private sector associations and business services.

Policy Framework Promoting Broad-based Growth

Critical factors in the proper functioning of markets are overall macro-economic stability and a proper policy framework. Policy dialogue efforts and coordination with the major international financial institutions will focus on developing and maintaining such policies.

Reduced Transaction Costs

The Mission will work to eliminate barriers that often keep small producers from entering markets by assuring adequate market information, eliminating unnecessary bureaucratic red-tape for business activity, and improving access to transport and other infrastructure.

Program outputs associated with ***Improved quality and efficiency of basic education*** fall within the two general areas of the objective itself:

Nicaraguan schools producing increased numbers of children who attain skills in basic literacy and numeracy

Contributions to increased quality will involve improved teacher training and curriculum reform and will be measured using standardized testing.

Improved efficiency of the primary school system

Efficiency will be improved through administrative reforms, decentralization, and will be measured by the reductions in repetition and school leavers.

Progress Toward Objectives

The progress that has occurred in support of broad-based economic growth has been primarily concentrated in the establishment of many of the necessary conditions for growth, including:

- **A stable macro-economic situation and a favorable policy environment** - Ending hyperinflation, liberalizing and stabilizing exchange markets, eliminating state monopolies, and lowering trade barriers are major accomplishments that have accompanied a transformation of the Nicaraguan economy to a free market system conducive to private sector growth. These changes have helped position the GON to receive significant support from the IMF and the IBRD.

- ***Increased agricultural production*** - The key to economic growth in Nicaragua is agriculture and indicators show that both yields and overall production are up. These increases combined with price improvements for key crops should fuel growth. The increases in basic grains will help assure supplies of the Nicaraguan staple diet and improve incomes for small farmers. Broadening the benefits will mean having more farmers participating in an active cash economy.

- ***Creation of short-term employment opportunities*** - *Employment Generation* project activities through the Emergency Social Investment Fund (FISE) and on the Atlantic Coast have provided important short-term employment while also repairing social and economic infrastructure. Additional jobs have been created and maintained through Mission-supported PVO activities and agricultural projects.

- ***Improvement in both traditional and non-traditional exports*** - An indication of increased production and market competitiveness is the dramatic increase in exports over the last year. The more striking increase in non-traditional exports indicates the beginning of greater diversification in the export economy.

- ***Privatization*** - The government has now privatized over 300 of the planned 351 companies held by the state holding company CORNAP and, with USAID assistance, is in the process of privatizing the state telecommunications entity, TELCOR, with proceeds to support bonds used for property compensation. The GON has also largely liquidated the state agricultural marketing agency and has proposed privatization of the petroleum company and divestiture of the ports.

- ***Financial sector improvements*** - A sector once totally dominated by the state now has eight private banks operating and two more that are approved but not yet opened. State banks have been restructured and reduced in size to operate on the same basis as private banks and an active Superintendency of Banks monitors the banking system. Private banks now hold 30% of total deposits and provided 22% of total loans in 1993. The opening of a stock market represents a means of broadening ownership of economic assets. Important steps were made to open the insurance industry to private sector competition.

- ***Expansion of technology transfer efforts*** - Over the past year and a half, over 7,500 farmers have received assistance through associations, pest management activities, and PVOs supported by USAID projects to improve their productivity and production.

- ***Textbooks updated*** - New textbooks were provided to school children throughout the country as a first step to improving the quality of primary education.

- ***First stage of teacher training completed*** - The training of trainers who will form the basis for a nation-wide in-service training effort has been competed and 1800 teachers have been trained.

- ***MED administrative reforms and decentralization pilot*** - The Ministry of Education (MED) has reorganized and restructured the central Ministry with and redefined areas of responsibility, resource allocations, and other appropriate Ministry functions. A pilot decentralization program has focused on schools in three municipalities.

Project Effects on Poverty Reduction, Access, and Participation

The most significant safety net program has been the *Employment Generation* project which has provided 78,000 person months of short-term employment around the country. Employment generation activities will continue to be funded using *Title III* local currency with increased focus on the conflictive zones of Regions I and VI.

Efforts to target small producers are expanding in technology transfer programs supported by the *Private Agricultural Services* and *Private Sector Support* projects along with micro-enterprise projects funded by the *PVO Co-Financing* project and contribute to reduction of poverty over the medium to longer term. These projects are generally oriented toward providing producers with greater access to technology and training that also serves to make them more creditworthy and able to access financial resources. The focus on private sector associations and cooperatives provides a means of improved participation in the economy by creating networks of producers who can access brokers and new markets. The associations also represent a means of mobilizing to represent members before the banking system, thereby enhancing access to credit services. Efforts to promote improved market information services through *Title III* conditionality also serve to improve access by small producers to price information to make informed production decisions. PVO projects address the needs of micro-enterprises to access credit and help sustain and create jobs in the informal sector. The first two programs to be approved are through the PVOs Opportunity International and Finca International.

Activities through the *Private Sector Support* project to improve the financial system focus on improving the efficiency and equity of the system to assure that credit and services are available to producers throughout the country.

Improvements in the quality and efficiency of basic education supported through the *Basic Education* project will allow more children to be adequately schooled in public primary schools and reduce the number of students who drop out. Improved educational levels will contribute to increased economic and political participation.

Agency Goal: Broad-based Economic Growth with Equity

Strategic Objective 2: Increased Economic Access and Opportunity

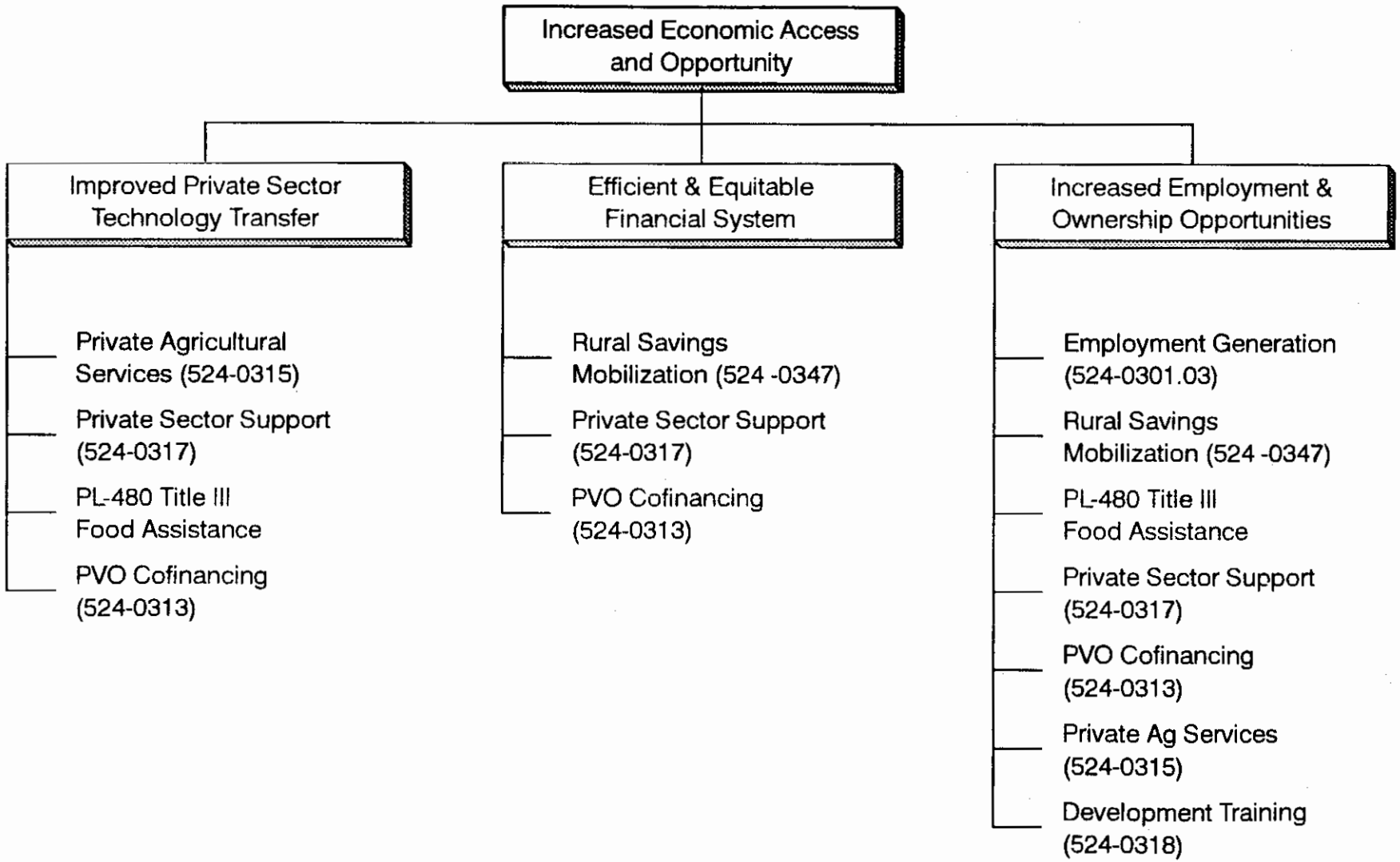


Table 1.2: Strategic Objective Program "Tree"

Agency Goal: Broad-based Economic Growth with Equity

Strategic Objective 3: Improved Market Efficiency and Performance

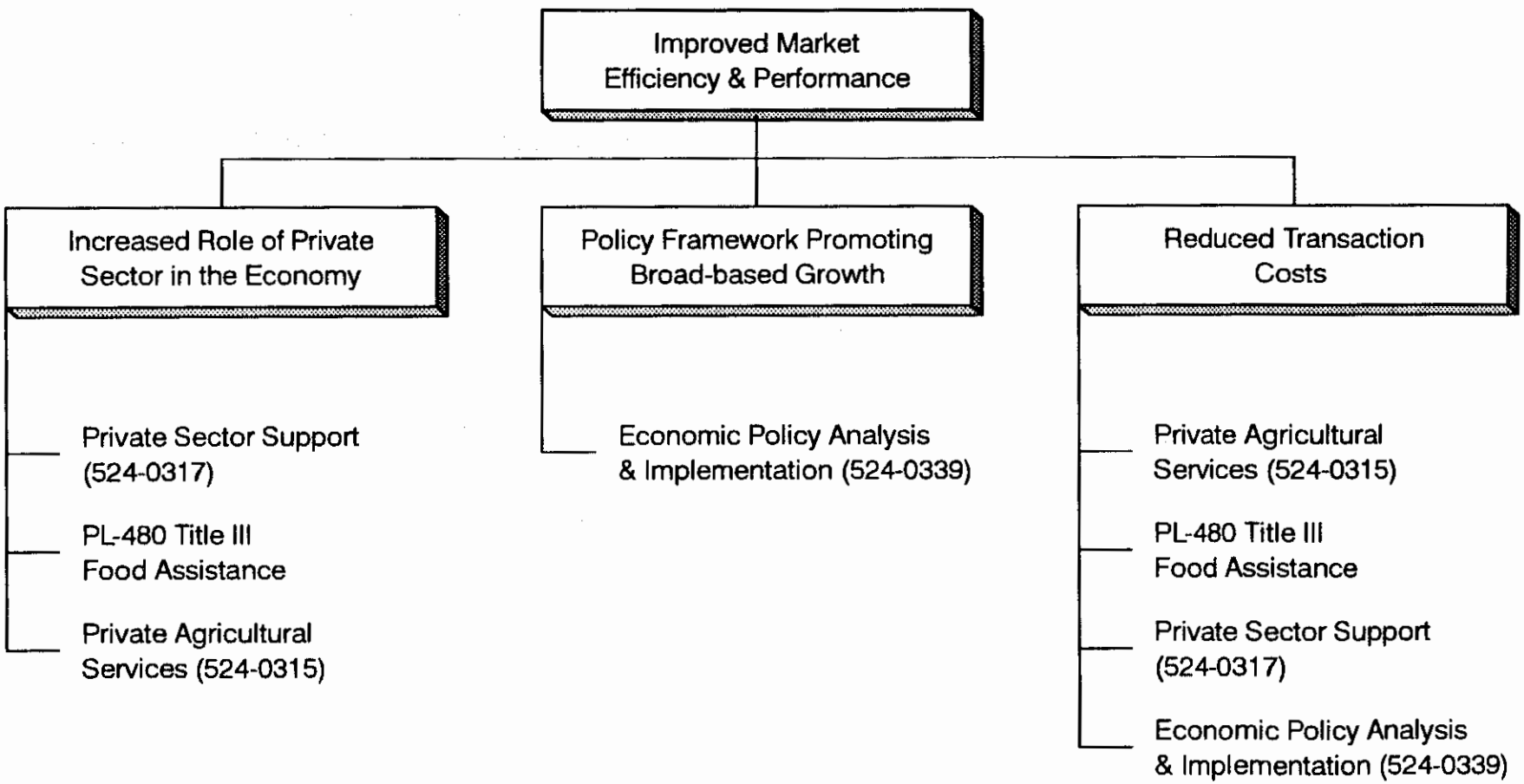


Table 1.3: Strategic Objective Program "Tree"

Agency Goal: Broad-based Economic Growth with Equity

Strategic Objective #4: Improved quality and efficiency of basic education

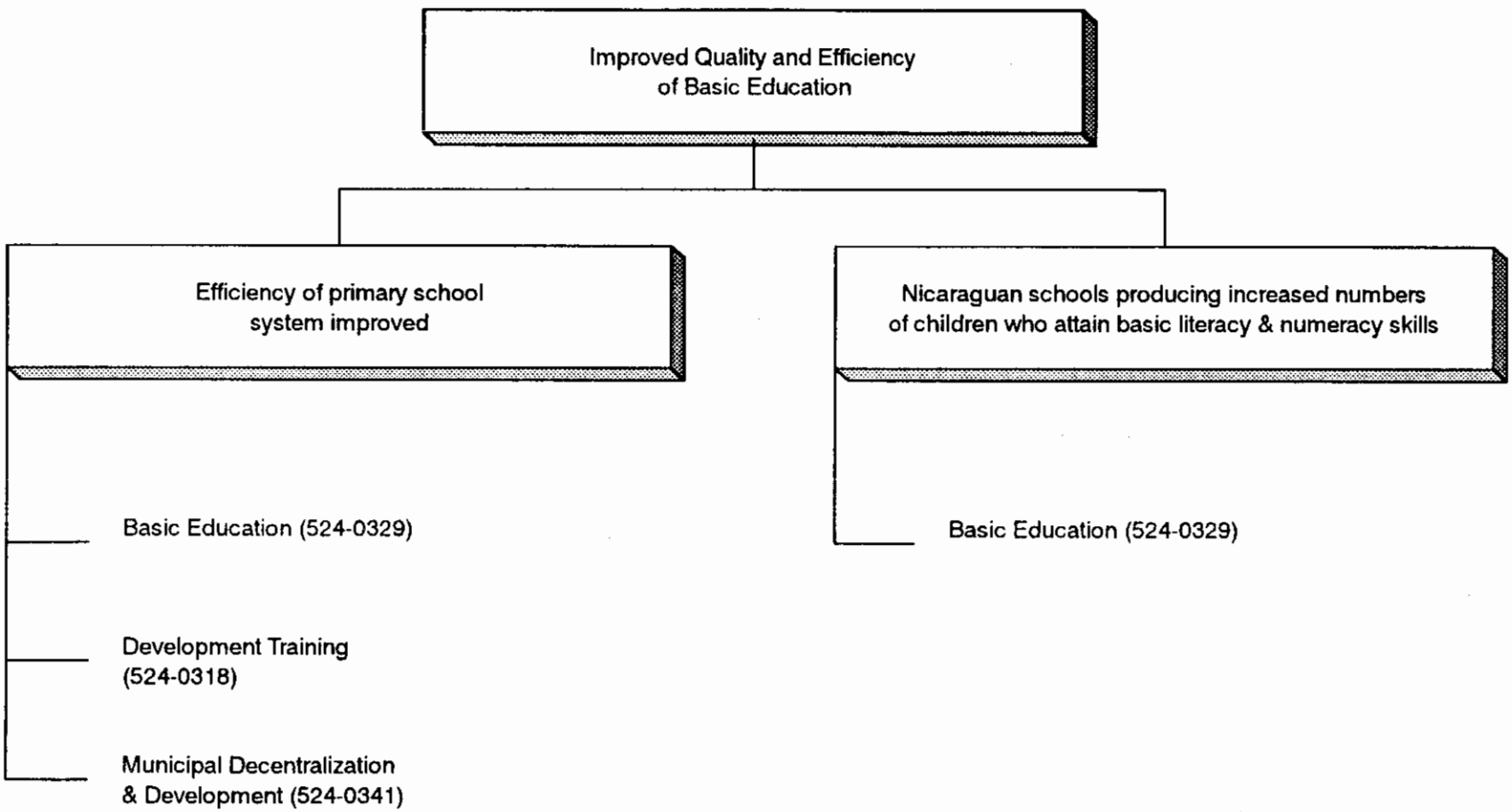


Table 1.4: Strategic Objective Program "Tree"

STRATEGIC OBJECTIVE: Increased economic access and opportunity

STRATEGIC OBJECTIVE: Increased economic access and opportunity				
INDICATOR: Agriculture Productivity-Average Yield for Non-Traditional Crops				
UNIT: Cantaloupe/honeydew/onion		YEAR	PLANNED	ACTUAL
SOURCE: Central Bank of Nicaragua	BASELINE	1993	----------	350/600/400
		1994	400/650/450	500/800/550
COMMENTS: Cantaloupe and honeydew productivity are measured by boxes per hectare. Onion productivity is measured by quintales per manazana.		1995	550/850/600	
	TARGET	1996	550/900/625	
		1997		
		1998		
		1999		

PROGRAM OUTPUT: Improved private sector transfer of technology				
INDICATOR: Net new members in business organizations				
		YEAR	PLANNED	ACTUAL
SOURCE: COSEP, UPANIC, APENN	BASELINE	93	----------	11,075
		94	12,100	
COMMENTS: Prior indicator used only data for CADIN; the Chamber of Industry. New indicator includes all private sector associations.		95	12,300	
	TARGET	96	13,000	
		97		
		98		
		99		

PROGRAM OUTPUT: Improved private sector transfer of technology				
INDICATOR: Number of Farmers Using Improved Technologies				
UNIT: # of farmers (cumulative)		YEAR	PLANNED	ACTUAL
SOURCE: PAS Records	BASELINE	1994	----------	7,500
		1995		
COMMENTS: Includes farmers receiving assistance through the Private Ag. Services Project, intergrated pest management activities, and PVO projects. Targets will be developed based on a survey of potentiall beneficiaies later this year.		1996		
		1997		
		1998		
		1999		
		2000		

PROGRAM OUTPUT: Efficient and equitable financial system				
INDICATOR: Number of Loans to microenterprises or individuals associated with AID projects				
UNIT: #		YEAR	PLANNED	ACTUAL
SOURCE: PVO- Co-Financing	BASELINE	1993	----------	------
		1994	2,525	
		1995	5,200	
	TARGET	1996	6200	
		1997		
		1998		
		1999		

STRATEGIC OBJECTIVE: Increased economic access and opportunity				
PROGRAM OUTPUT: Efficient and equitable financial system				
INDICATOR: Number of Private Financial Institutions/Branches Outside of Managua				
UNIT: #		YEAR	PLANNED	ACTUAL
SOURCE: Superintendency of Banks/ASOBAN	BASELINE	1993	————	4
		1994	10	
		1995	20	
	TARGET	1996	35	
		1997		
		1998		
		1999		

PROGRAM OUTPUT: Efficient and equitable financial system				
INDICATOR: Private bank share of total bank assets				
UNIT: Percentage of total bank assets		YEAR	PLANNED	ACTUAL
SOURCE: Superintendency of Banks	BASELINE	1990	————	0
		1991		——
		1992		25
		1993	32.5	30
		1994	40.0	
		1995	47.5	
	TARGET	1996	55.0	

PROGRAM OUTPUT: Increased opportunity for employment and ownership of productive assets				
INDICATOR: Long-term Employment Generated in Non-Traditional Agriculture				
UNIT: # of persons employed		YEAR	PLANNED	ACTUAL
SOURCE: APENN	BASELINE	1993	————	1,200
		1994	1,500	
COMMENTS: These figures are based on new employment in melons and onions only.		1995	2,000	
	TARGET	1996	2,500	
		1997		
		1998		
		1999		

PROGRAM OUTPUT: Increased opportunity for employment and ownership of productive assets				
INDICATOR: Short-term Employment Under AID-assisted Projects				
UNIT: # of persons-months		YEAR	PLANNED	ACTUAL
SOURCE: USAID/Nicaragua	BASELINE	1992	————	39,500
		1993		48,200
COMMENTS: To date since 1991, 78,000 person-months of employment have been created through the Employment Generation project. Title III funding for employment generation activities will continue through FY-95; targets will be developed based on funding.	TARGET	1994	88,000	
		1995		
		1996		
		1997		
		1998		

PROGRAM OUTPUT: Increased opportunity for employment and ownership of productive assets				
INDICATOR: Establishment of capital markets				
		YEAR	PLANNED	ACTUAL
SOURCE: Superintendency of Banks	BASELINE	1992	————	
		1993	stock market	stock market
COMMENTS: Medium-term objectives are to develop 1) a stock market, 2) a private sector insurance industry, and 3) a market-oriented pension fund system. By end of 1993, a stock market was established.		1994	insurance	
	TARGET	1995	pension fund	
		1996		
		1997		
		1998		

STRATEGIC OBJECTIVE: Improved market efficiency and performance

STRATEGIC OBJECTIVE: Improved market efficiency and performance				
INDICATOR: Agricultural productivity - Average yield				
UNIT: Kilograms per hectare for coffee/rice/beans		YEAR	PLANNED	ACTUAL
SOURCE: Central Bank of Nicaragua	BASELINE	1993	————	449/1898/617
		1994	546/1917/617	
		1995	650/1970/650	
	TARGET	1996	715/2047/715	
		1997		
		1998		
		1999		

INDICATOR: Exports				
UNIT: Dollar value of all exports (millions)		YEAR	PLANNED	ACTUAL
SOURCE: Central Bank of Nicaragua	BASELINE	1990	————	330.60
		1991		268.10
		1992		224.00
		1993	260.0	262.00
		1994	304.0	
		1995	363.0	
	TARGET	1996	433.0	

PROGRAM OUTPUT: Increased role of private sector in the economy				
INDICATOR: Lending Through Private Sector Banks as Share of Total Bank Lending				
UNIT: %		YEAR	PLANNED	ACTUAL
SOURCE: Central Bank of Nicaragua & Superintendency of Ban	BASELINE	1993	————	22.3%
		1994	30%	
		1995	40%	
	TARGET	1996	50%	
		1997		
		1998		
		1999		

PROGRAM OUTPUT: Increased role of private sector in the economy				
INDICATOR: Divestiture of state-owned entities				
UNIT: Number of firms divested		YEAR	PLANNED	ACTUAL
SOURCE: CORNAP Report	BASELINE	1990	————	0
		1991		160
COMMENTS: Though the gov't is planning to privatize other state-owned entities, figures through FY94 refer only to the 351 firms in the GON's state-holding corps (CORNAP). Targets will be revised as the GON commits to additional privatization efforts. Cumulative.		1992		233
		1993	——	300
	TARGET	1994	351	
		1995		
		1996		

STRATEGIC OBJECTIVE: Improved market efficiency and performance				
PROGRAM OUTPUT: Policy framework promoting broad-based growth				
INDICATOR: Fiscal deficit before foreign aid grants				
UNIT: Percentage of Gross Domestic Product (GDP)		YEAR	PLANNED	ACTUAL
SOURCE: Central Bank of Nicaragua	BASELINE	1990	----------	28.4
		1991		8.3
COMMENTS: Fiscal deficits in 1991 and 1992 were virtually entirely financed by foreign aid grants. This situation is not sustainable over the next few years. Deficit growth in 1992 was due to extraordinary expenditures (e.g. disarmament purchases).		1992	9.6	8.7
		1993	7.8	7.6
		1994	6	
		1995	4	
	TARGET	1996	2	

PROGRAM OUTPUT: Policy framework promoting broad-based growth				
INDICATOR: Inflation rate as a % of the Consumer Price Index				
UNIT: Percentage change in CPI		YEAR	PLANNED	ACTUAL
SOURCE: Central Bank of Nicaragua, IMF	BASELINE	1990	----------	13,490.00
		1991		775.35
COMMENTS: Administered devaluation 10 days after close of books on calendar 1992 biases comparison between 1992 and 1993. Other sources estimate that the inflation rate was closer to 25.0%.		1992		3.5
		1993	23.0	19.5
		1994	10.0	
		1995	5.0	
	TARGET	1996	5.0	

PROGRAM OUTPUT: Reduced transaction costs				
INDICATOR: Improved marketing margins for nontraditional agricultural exports.				
UNIT: Freight costs and sales comm. for melons/onions.		YEAR	PLANNED	ACTUAL
SOURCE: APENN	BASELINE	1994	----------	$2.85/11%-$5.90/10%
		1995		
COMMENTS: Figures represents freight costs/sales commissions per box for 1) melons (cantaloupes, honeydew) and 2) onions. Targets will be developed on the basis of further analysis of the potential to reduce marketing margins.		1996		
		1997		
		1998		
		1999		
		2000		

PROGRAM OUTPUT: Reduced transaction costs				
INDICATOR: Export transactions processed through Ventanilla Unica				
UNIT: # of transactions		YEAR	PLANNED	ACTUAL
SOURCE: CENTRAMEX	BASELINE	1994	----------	
		1995		
COMMENTS: CENTRAMEX has only recently started operating; baseline figures will be available by the end of CY 1994.		1996		
		1997		
		1998		
		1999		
		2000		

STRATEGIC OBJECTIVE: Improved quality and efficiency of basic education

STRATEGIC OBJECTIVE: Improved quality and efficiency of basic education				
INDICATOR: Sixth grade graduates				
UNIT: Percentage, number of children		YEAR	PLANNED	ACTUAL
SOURCE: Ministry of Education	BASELINE	1992	----------	22/660,790
		1993		23/719,876
COMMENTS: Reflected as the percentage of first grade entrants eventually graduating from sixth grade with adequate test scores, and total number of students.		1994	25/696,969	
		1995	28/713,916	
	TARGET	1996	31/729,964	
		1997		
		1998		

PROGRAM OUTPUT: Efficiency of primary school system improved				
INDICATOR: Number of years to reach sixth grade				
UNIT: Average number of years for male/female		YEAR	PLANNED	ACTUAL
SOURCE: RTI Associates Survey Data	BASELINE	1990	----------	16.0/16.0
		1991		---
COMMENTS: Data not yet available for 1994.		1992		---
		1993		9.3
		1994	N/A	
		1995	8.8	
	TARGET	1996	7.8	

PROGRAM OUTPUT: Efficiency of primary school system improved				
INDICATOR: Expenditure on non-salary inputs to primary ed. (books,materials,etc.) w/out decrease in teachers salaries.				
UNIT: Non-salary expenditures per student in dollars		YEAR	PLANNED	ACTUAL
SOURCE: Ministry of Education	BASELINE	1991	----------	4.46
		1992		5.88
COMMENTS: Figures based on a 12.5 percent non-salary expenditure rate for 1990. Primary school expenditures in Nicaragua are overwhelmingly absorbed by salaries leaving insufficient funds for books and other materials necessary to provide quality education.		1993		9.8
		1994	11.00	
	TARGET	1995	12.00	
		1996		
		1997		

PROGRAM OUTPUT: Public primary schools producing increased number of children with basic literary and numeracy				
INDICATOR: Percentage of students with passing scores for age levels in achievement testing				
UNIT: Percentage with passing scores-Male/Female		YEAR	PLANNED	ACTUAL
	BASELINE	1994	----------	
		1995		
COMMENTS: A study will be conducted under the Basic Education project later this year and achievement tests will be administered to statistically determined sample groups to produce baseline data.		1996		
		1997		
		1998		
		1999		
		2000		

C. Protecting the Environment

Strategic Objective in Support of Agency Environment Goal

In trying to help Nicaragua manage its natural resources in a sustainable way so they form the basis for long-term growth, the Mission is focusing its work on the strategic objective of:

Increased use of environmentally sound productive and extractive practices.

Long-term success in conserving, protecting and improving the resource base depends on changing the productive and extractive practices which impede resource management. Damage to the resource base caused by inappropriate production and extractive techniques threatens long-term improvement in the quality of life for the people of Nicaragua. Mission programs are oriented toward changing the way individuals, government, and businesses use and extract resources for productive purposes in order to achieve sustainable resource use and include efforts to protect endangered ecological zones and conserve bio-diversity.

Key Program Outputs

USAID environment and natural resource activities are focused on three program outputs. Because incentives and disincentives can be the most important factors in changing behavior patterns and government policy is often a primary factor in establishing the structure of incentives and disincentives an important program output is:

Resource use policies and regulations passed and implemented.

Good policies help assure that market prices reflect externalities and encourage sound practices and policy action can often be the quickest and most effective means of addressing resource use patterns. But there must also be an strong institutional base for such policy efforts and the capacity to monitor, implement and enforce appropriate policies and manage protected areas. Therefore, the Mission has focused on the Ministry of Environment and Natural Resources (MARENA) and non-governmental organizations in working to create:

Strengthened institutional capability to manage resources and protect the environment.

To actually change practices that affect the environment, producers also need access to technologies that are environmentally sound and knowledge of how to use resources sustainably. Focusing especially on agriculture as the base of the Nicaraguan economy, Mission programs support:

Improved environmental and natural resource conservation technology transfer.

These program outputs come primarily from activities under the *Natural Resource Management* and *PVO Co-Financing* projects which are aimed at improving producer access to information and technology, especially in sustainable agriculture and integrated pest management.

Progress Toward Objectives

Though several project activities are still in initial implementation stages, progress toward these objectives can be seen in the following areas:

- ***Reduction in pesticide use*** - Pesticide applications on cotton have been cut by more than 50% from an average of 30 applications in 1990 to 14 in 1993. Applications for melon production have been reduced from 23 to 16 over the last year.

- ***Slowing of deforestation*** - Estimates of the rate of deforestation indicate a steady reduction from previous levels in the number of hectares deforested over the last year. The Mission has been actively involved in reforestation efforts on the Atlantic Coast.

- ***Foundation for improved natural resource policies*** - The recently developed Environmental Action Plan and a Tropical Forest Action Plan will serve as an important basis for developing natural resource policy addressing a number of key areas. A decree superseding a conflicting maze of laws and regulations in this area sets the stage for legislative action and new forestry legislation is being drafted to improve management of timber resources.

- ***Steps toward improved management of protected areas*** - A management plan has been developed for the Miskito Keys Protected Area with the active involvement of indigenous communities. Initial meetings with indigenous groups to establish plans for management of the Bosawas Tropical Forest Protected Area have also taken place.

- ***Technology transfer for sustainable agriculture*** - The Integrated Pest Management program has reached 2,200 farmers with information and training related to proper application and alternatives to chemical pesticides. Over 1,800 small farmers have been reached through two PVO agroforestry programs focused on sustainability.

Project Effects on Poverty Reduction, Access, and Participation

Sustainable agriculture programs undertaken by PVOs are oriented toward improving production and income for small farmers which contribute to poverty reduction. These projects work with producer organizations that also provide them with an avenue for improved participation in both the economic and political system.

Efforts to improve management of protected areas have been undertaken with the full participation of local residents. *Natural Resource Management* project activities will also focus on the communities in fringe sections of the protected areas to assure that their economic needs are being met in ways that do not threaten the ecology of the area.

Initiatives related to natural resource policies often focus on ownership rights and titling that gives residents (often indigenous groups) an economic incentive to use resources sustainably. This also gives local residents increased access to credit and improves their economic potential.

Progress and Follow-up Related to Bio-Diversity and Tropical Forests
(Analysis Required by Sections 118 and 119 of the Foreign Assistance Act)

The Mission has received technical assistance from AID Environmental and Natural Resources Advisors to further assess the situation in Nicaragua related to bio-diversity and tropical forests. Their report made numerous suggestions that the Mission is considering. In general, however, the draft report did not seem to clearly delineate the actions required to improve conservation of bio-diversity and tropical forests nor accurately reflect the Missions impact in relation to these areas. Since that draft report was issued, the Government of Nicaragua completed the development of its Environmental Action Plan and the Tropical Forest Action Plan with substantial donor assistance. The Mission believes that these plans represent a solid analysis of needs in relation to tropical forestry and bio-diversity and the best articulation of actions that need to be taken. Rather than contract for a new assessment, the Mission intends to use these documents as the basis for addressing the requirements of Sections 118 and 119.

The key actions to be taken to conserve bio-diversity and tropical forests are largely being addressed by the Mission's programs. Though there has been some progress, continued follow-up is required.

Status of Nicaragua's Tropical Forests and Bio-Diversity and Mission Activities to Conserve Them - The past year has been critical for Nicaragua's tropical forests and efforts to conserve bio-diversity. Most key events were of a regulatory or institutional nature and the following are the most salient:

- The GON elevated the status of its Natural Resource Management Institute (IRENA) to a ministerial level. This elevates the status of natural resource management and the environment within the GON power apparatus and strengthens the regulatory framework of MARENA.

- The GON issued an "emergency" forestry decree that brings order to the sustainable management of Nicaraguan forest resources and also lifts a moratorium on the issuance of forestry concessions. Efforts have started with AID assistance to follow up this decree with appropriate forestry legislation.

- The GON began a $39 million World Bank assisted effort to issue land titles for over 2.1 million hectares already distributed under the past 20 years of agrarian reform programs. This represents a major policy shift from bringing new lands into production and attempts to increase the intensity of use of land already distributed. This should result in a decline of the spread of the agricultural frontier.

- The GON formally issued a Tropical Forestry Action Plan and an Environmental Action Plan.

Despite these positive actions, the ability of the GON to implement an effective regulatory framework to manage sustainable resource use is still very limited. The continued moratorium on forestry concessions was unsustainable with strong pressure from different

interest groups to allow renewed logging and increased income to the government. The moratorium also did not stop deforestation and in fact resulted in increased wastage of valuable hardwood species because of reduced value.
However, the ability of the GON to effectively manage the concession process remains to be seen. The concessions to be granted are only for a maximum of one year which does not promote sustainable use. Since the moratorium has been lifted there has been a flurry of activity to request and grant forestry concessions, primarily on the Atlantic Coast. Conflicts have already arisen with indigenous groups with claims on lands that concessions have been applied for.

Key to sustainable forestry management will be the ability of the GON to clearly delineate indigenous group claims to lands and their rights to resource extraction. As much as half of the Atlantic Coast land is claimed by different indigenous groups. Definition of these rights will form an important part of future forestry legislation.

Mission Activities and Follow-up - The Mission has taken the lead in working with indigenous groups, the regional autonomous government, and the Central government on defining these rights. Under the Nature Conservancy Bosawas activity, a conference was held to discuss courses of action to define and legalize indigenous land rights in the Bosawas area. A participatory process has started that promises excellent results but will be difficult and lengthy to implement because these divergent groups are not used to working together.

Regarding protection of bio-diversity, more effective management of Nicaraguan protected areas is taking place. The management plan for the Miskito Cays Protect Area will be finalized shortly and is a model for participatory development. The plan fully incorporates over 35 coastal communities and diverse GON entities in the effective management of a world significant resource base.

Through the long-term technical assistance team under the NRM project, the Mission will continue to provide assistance in the development of new world-class forestry legislation and will help the GON implement portions of the Environmental and Tropical Forest Action Plans in coordination with other donors.

Institutional strengthening efforts with MARENA will continue as will the activities of PVOs working under the NRM project to bring protected areas under effective management.

Promotion of integrated pest management methods to reduce pesticide use will continue as will sustainable agricultural projects through PVOs.

With the proposed amendment to the *Natural Resource Management* project, the Mission will help increase environmental education through the school system and campaigns and will begin a program to reduce demand for firewood to help slow the rate of deforestation.

Recognizing that rapid population growth in Nicaragua creates additional pressure on natural resources and the environment, the Mission is expanding its support for family planning efforts in both the public and private sector.

Agency Goal: Protecting the Environment

Strategic Objective #5: Increased use of environmentally-sound productive & extractive practices

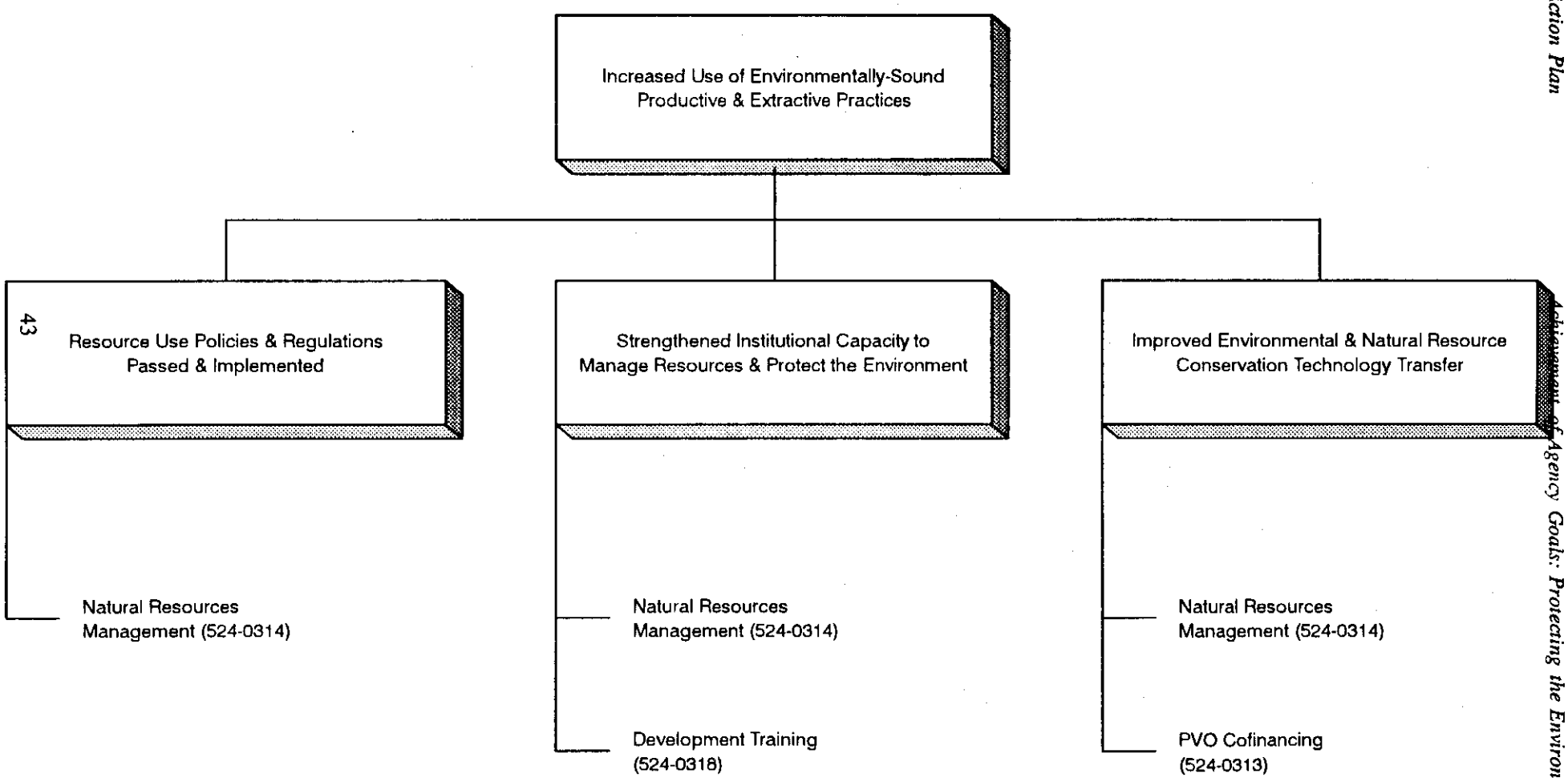


Table 1.5: Strategic Objective Program "Tree"

STRATEGIC OBJECTIVE: Environmentally sound productive and extractive practices

STRATEGIC OBJECTIVE: Environmentally sound productive and extractive practices				
INDICATOR: Reduced pesticide use on major crops (cotton, melons, coffee)				
UNIT: Number of applications per crop, per cycle		YEAR	PLANNED	ACTUAL
SOURCE: Nat'l Cotton Commission, APENN	BASELINE	1991	----------	30/NA/NA
		1992		18//23/8
COMMENTS: USAID/N assistance is focusing on cotton, melons, & coffee. Will be measured as number of pesticide applications per crop, per cycle. Data is not available on melons & coffee for 1991. Cotton figures for 1993 will be available until the end of the year		1993		14/16/NA
	TARGET	1994	14/8/8	
		1995		
		1996		
		1997		

INDICATOR: Rate of deforestation				
UNIT: Number of hectares deforested per year		YEAR	PLANNED	ACTUAL
SOURCE: IRENA, Servicio Forestal Nacional	BASELINE	1990	----------	100,000
		1991		150,000
		1992		100,000
		1993		75,000
		1994	75,000	
		1995	60,000	
	TARGET	1996	50,000	

PROGRAM OUTPUT: Resource use policies and regulations passed and implemented				
INDICATOR: Laws and regulations passed and implemented				
UNIT: Foresty Decrees/laws passed, policies implemented		YEAR	PLANNED	ACTUAL
	BASELINE	1992	----------	0
		1993	Decree	Issued
COMMENTS: A draft forestry law prepared and under GON review.		1994	Law	
		1995	Plan	
	TARGET	1996	Regulations	
		1997		
		1998		

PROGRAM OUTPUT: Strengthened institutional capacity to manage resources and protect environment				
INDICATOR: Protected area under effective management				
UNIT: Number of hectares under effective management		YEAR	PLANNED	ACTUAL
SOURCE: Plan de Accion Ambiental	BASELINE	1992	----------	0
	TARGET	1993		310,000
COMMENTS: The Plan de Accion Forestal projects approximately 500,000 hectares of land will be under effective management by 1998 in Protected Areas. No annual indicators have been set for the Plan de Accion Forestal.		1994		
		1995		
		1996		
		1997		
	TARGET	1998	500,000	

STRATEGIC OBJECTIVE: Environmentally sound productive and extractive practices				
PROGRAM OUTPUT: Improved environmental and natural resource conservation technology transfer				
INDICATOR: Farmers reached by environmentally focused extension programs				
UNIT: Number of farmers (cumulative)		YEAR	PLANNED	ACTUAL
	BASELINE	1993	———	4,000
		1994	4,500	
COMMENTS: Initial data will come from Natural Resource Management and PVO Co-Financing projects reporting related to soil conservation and integrated pest management programs.	TARGET	1995	5,000	
		1996		
		1997		
		1998		
		1999		

D. Health and Population

Strategic Objective in Support of Agency Health/Population Goal

To address the most critical health and family planning needs in Nicaragua, the Mission is focusing its programs on the following strategic objective:

Improved maternal and child health.

The Mission has chosen to focus on programs which assist women of child bearing age and children under five years of age because they constitute the most vulnerable sector of society in terms of the health risks that they face. Family planning for both birth spacing and limiting family size has been shown to reduce both maternal and infant morbidity and mortality and thus forms part of the strategy for improving maternal and child health. Progress toward improving maternal child health will be measured through reductions in fertility and infant mortality.

Key Program Outputs

Program outputs represent the most important requirements for improved maternal and child health over the long-term:

Increased primary health care coverage

This output refers not to geographic coverage, which has already been achieved, but to the capacity of the Ministry of Health (MINSA) to offer quality primary health care services such as immunizations, growth monitoring, oral rehydration therapy, nutrition and breastfeeding education, treatment of acute respiratory illness and family planning.

Increased use of primary/preventative health practices.

To ensure that the target population will use available health care services it is necessary to create demand for them through information, education and communication and reduce barriers to appropriate care seeking behavior. Mission efforts to increase the adoption of preventive health behaviors will be measured through increases in well child visits to MINSA facilities, immunization rates, couple years of protection for contraceptive methods, mothers seeking prenatal care in the first trimester and exclusive breastfeeding for four months.

Sustainable primary health care services

In order to maintain the supply of primary health care services over the long term, both the MINSA and AID must be concerned with the financial sustainability of the primary health care system. Two important initial steps toward fiscal sustainability will be to ensure that the government: 1) allocates an increasing portion of its health care budget to primary health care services as opposed to hospital services; and 2) decentralizes budgetary authority for an increasing share of the MINSA budget to the local (SILAIS) level.

Progress Toward Objectives

The Mission recently financed the first survey regarding family health in Nicaragua in 15 years. This survey was timely in that it has enabled the Mission to establish reliable baseline data for most of the indicators in the health/population sector.

- *Infant Mortality* - The Family Health Survey shows that the infant mortality rate in Nicaragua has dropped from 73/1000 live births in 1982 to 58/1000 in 1993.

- *Total Fertility Rate* - The TFR currently stands at 4.6 compared to 6.1 ten years ago, as measured by the Family Health Survey. According to survey findings, the decline in Nicaragua's fertility rate has been accomplished by increased use of modern methods of contraceptives for spacing births and especially for stopping child-bearing when desired family size has been reached or exceeded. Contraceptive use has increased in Nicaragua due to availability of contraceptive supplies in family planning programs. The Ministry of Health family planning program was strengthened after receiving contraceptive shipments from UNFPA and AID and Profamilia reversed a year's decline in sales of temporary methods. Since December, 1992 there has been a general upward trend in contraception dispensed to users.

- *Immunization rates* - Immunization rates for six immuno-preventable diseases have increased from 75% in 1992 to 88% in 1993. Immunization of women of child bearing age against tetanus has increased from 43% to 57%

- *Sustainable Primary Health Care*: Through *Title III* policy conditionality, the Mission and MINSA have made significant progress toward allocating an increasing percentage of the GON health budget toward primary health care and in decentralizing budgetary authority to the local level. The Mission exceeded its target of allocating 30% of the health budget to Primary care by 10% to reach 40% and succeeded in decentralizing 20% of the MINSA budget to the local level. This figure will server as a baseline for future progress in fiscal decentralization.

Project Effects on Poverty Reduction, Access, and Participation

USAID/Nicaragua's *Decentralized Health Services* (DHS) and *PVO Co-Financing* projects are directly oriented toward alleviating many of the most serious health consequences of poverty. Project activities are focused in geographic areas of particular need and are focused on low-income groups most at risk.

The DHS project also targets increasing access to health care services through its focus on improving the decentralized network of health care services and outreach. Decentralization of these functions also provides improved potential for participation by local populations in making these systems responsive to their particular needs. The heavy use of volunteer health and family planning promoters in both the DHS and various PVO projects also promotes participation.

Agency Goal: Stabilizing Population Growth and Protecting Human Health

Strategic Objective #6: Improved maternal and child health

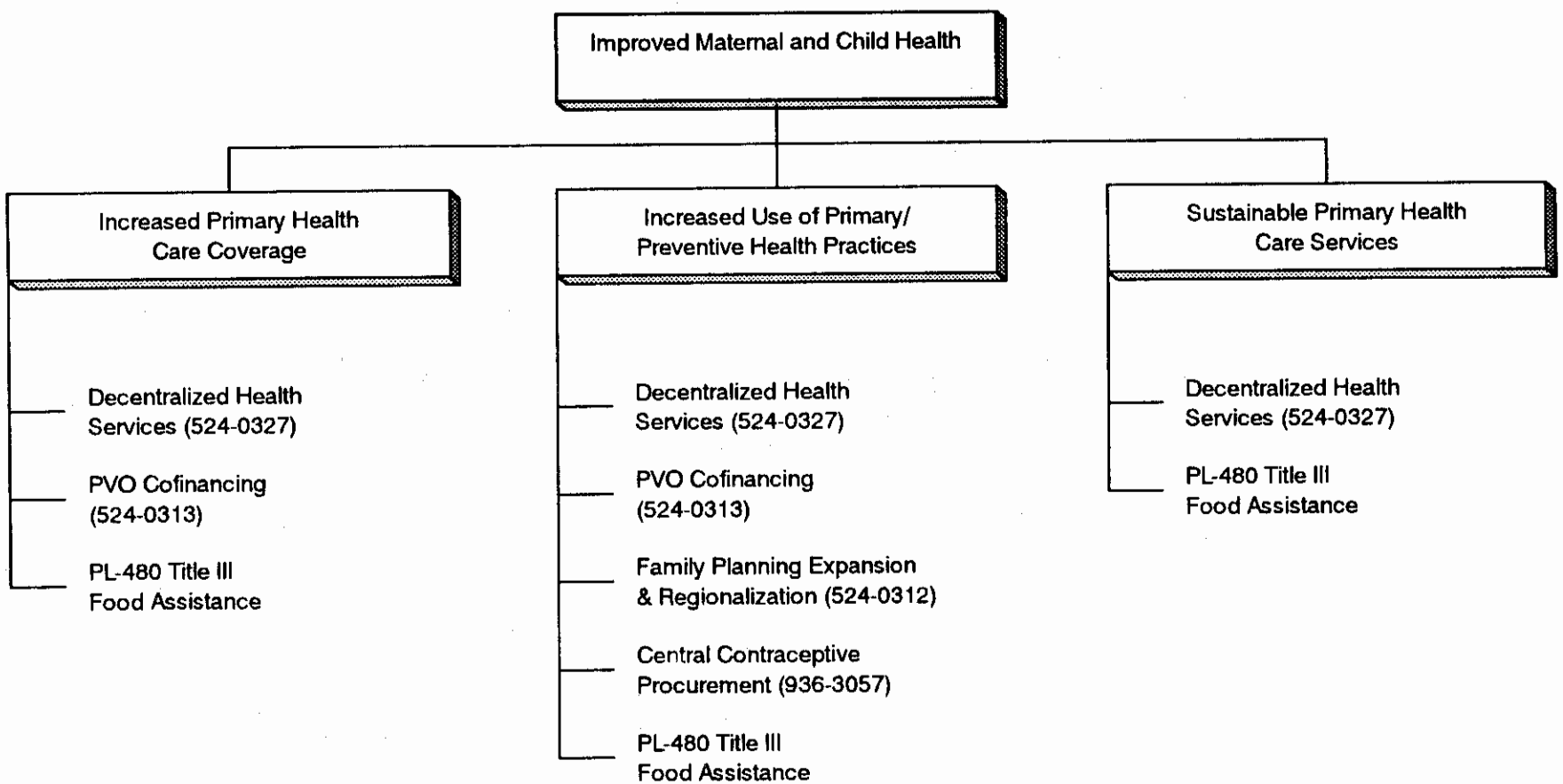


Table 1.6: Strategic Objective Program "Tree"

STRATEGIC OBJECTIVE: Improved maternal and child health

STRATEGIC OBJECTIVE: Improved maternal and child health				
INDICATOR: Total Fertility Rate				
UNIT: Average number of children per woman		YEAR	PLANNED	ACTUAL
SOURCE: Family Health Survey	BASELINE	1993	----------	4.6
		1994		
COMMENTS: Survey data will be needed to determine progress against TFR and will be collected again in 1997. (See CYP indicator for intervening years).		1995		
		1996		
	TARGET	1997	4.0	
		1998		
		1999		

INDICATOR: Infant Mortality				
UNIT: Deaths of <1 year old per 1,000 Live Births		YEAR	PLANNED	ACTUAL
SOURCE: Ministry of Health, 1989	BASELINE	1990	----------	72
		1991		
COMMENTS: Baseline data will be changed based on analysis from USAID-financed Family Health Survey which was completed in late 1993.		1992		
	TARGET	1993		58
		1994		
		1995		
	TARGET	1996	50	

PROGRAM OUTPUT: Increased primary health care coverage				
INDICATOR: Well-baby visits at Public Health Facilities				
UNIT: Number of visits		YEAR	PLANNED	ACTUAL
SOURCE: Ministry of Health	BASELINE	1993	----------	
		1994		
COMMENTS: Data will only include visits for acute diarreal disease and acute respiratory infections. Targets will be developed under the new Decentralized Health Services Project.		1995		
		1996		
		1997		
		1998		
		1999		

PROGRAM OUTPUT: Increased primary health care coverage				
INDICATOR: Immunization coverage of babies less than 12 mos. /women of fertile age				
UNIT: Percentage of target population immunized		YEAR	PLANNED	ACTUAL
SOURCE: Ministry of Health/PAHO-EPI	BASELINE	1992	----------	75/43
		1993	77/50	88/57
COMMENTS: Figures represents 1) average vaccination coverage for measles, polio, DPT, and tuberculosis and 2) tetanus toxoid vaccinations for women between 15-49 yrs. Vaccination coverage may drop next year as immunization is intergrated with other child survival		1994	85/60	
		1995	90/65	
		1996	90/70	
	TARGET	1997	90/70	
		1998		

STRATEGIC OBJECTIVE: Improved maternal and child health				
PROGRAM OUTPUT: Increased use of preventative/primary health practices				
INDICATOR: Contraceptive Use Prevalence				
UNIT: Contraceptive Use Prevalence/ CYP in off years		YEAR	PLANNED	ACTUAL
SOURCE: Family Health Survey	BASELINE	1993	————	48.7/120,000
		1994	145,000	
		1995	188,000	
		1996	250,000	
	TARGET	1997	53.0	
		1998		
		1999		

PROGRAM OUTPUT: Increased use of preventative/primary health practices				
INDICATOR: Prenatal consultations at public health facilities				
UNIT: Percent obtaining prenatal care in 1st trimester		YEAR	PLANNED	ACTUAL
SOURCE: Family Health Survey	BASELINE	1992	————	
		1993		36.7
		1994	40.0	
		1995	43.0	
		1996	46.0	
	TARGET	1997	49.0	
		1998		

PROGRAM OUTPUT: Increased use of preventative/primary health practices				
INDICATOR: Exclusive breastfeeding for the first four months of life				
UNIT: Percentage of women breastfeeding exclusively		YEAR	PLANNED	ACTUAL
SOURCE: Family Health Survey	BASELINE	1992	————	
		1993		11.5
		1994	13.5	
		1995	15.5	
		1996	17.5	
	TARGET	1997	19.5	
		1998		

PROGRAM OUTPUT: Sustainable primary health care services				
INDICATOR: Percentage of Ministry of Health budget decentralized				
UNIT: Percentage of budget		YEAR	PLANNED	ACTUAL
SOURCE: Ministry of Health	BASELINE	1993	————	20%
		1994	25	
		1995	30	
	TARGET	1996	35	
		1997		
		1998		
		1999		

PROGRAM OUTPUT: Sustainable primary health care services				
INDICATOR: Percentage of Ministry of Health budget designated towards primary health care				
UNIT: percentage of budget		YEAR	PLANNED	ACTUAL
SOURCE: Ministry of Health	BASELINE	1992	————	23.9
		1993	30.0	40.0
		1994	35.0	
	TARGET	1995	40.0	
		1996		
		1997		
		1998		

E. Other

The Mission's major activity outside the framework of its strategic objectives is the Atlantic Coast Electrification project in the Atlantic Coast. This project is scheduled to end this year but may be extended to resolve problems with generators purchased under the project by NRECA. Though the generators were installed they have not worked properly and project goals have not been reached. The Mission is pressing NRECA to take adequate action to resolve issues with the supplier and get the project back on track. These efforts appear to be moving the grantee toward resolving project problems and bringing a more stable supply of electricity to the Atlantic Coast.

The nature of the proposed AIFLD Home Improvement Lending project proposed in this Action Plan also places it outside the Mission's strategic framework though its purpose orients it toward the Mission's democracy objectives. The Mission has generally determined that housing would not be an area of involvement but has pursued the AIFLD project based on agreements reached in Washington between AIFLD, AID, and the Department of State.

IV. Portfolio Analysis: Status of Portfolio

A. New Activity Descriptions

The New Activity Descriptions for programs and projects to be initiated during the current year and the Action Plan period reflect the strategy emphases highlighted in previous sections. These include:

- **Inclusiveness and Broadening Outreach to Low-Income Nicaraguans** - The proposed amendment this year to the *Private Agricultural Services* project is being resubmitted for AID/W review because it now includes a larger expansion to include the cooperative sector that encompasses the largest percentage of small farmers. *Rural Savings Mobilization* activities are designed to improve community-based financial institutions that can provide rural producers access to credit. The *Title III* programs proposed for FY-95 and FY-96 offer major local currency support to employment generation efforts and the activities of local NGOs. An addition to the *Natural Resource Management* project proposes a fuelwood alternative program that offers economic benefits to low-income families. The amendment to the *Family Planning Expansion and Regionalization* project finances efforts to reach rural and mountainous areas where family planning services have not been available. The follow-on amendment to the *Strengthening Democratic Institutions* project will work with organizations across a broader range of the political spectrum to assure that institutions are responsive to all Nicaraguans. And the *AIFLD Home Improvement Lending* project provides low-income workers with access to financial resources for home ownership.

- **Decentralization** - New activities under the *Rural Savings Mobilization* and *Private Agricultural Services* project are decentralized in nature in providing access to financial resources and technology in rural areas. The *Family Planning Expansion and Regionalization* amendment focuses on establishing decentralized centers for family planning services and contraceptive distribution.

- **Participation** - New activities proposed here work largely through organizations with broad-based membership or through PVOs and NGOs that work at grassroots levels and are able to bring local people into the development process.

Thus the Mission's new activities move the Mission more strongly in line with Agency priorities and strategies and complement and build on the existing portfolio in important ways. These projects are currently proposed for design and initial obligation in FY-94 and FY-95; the proposed AIDS project is considered a shelf project that could be carried out if additional budget resources become available.

Following are descriptions of the proposed new activities, their relationships to Agency and Mission strategy, and issues for discussion during AID/W review.

New Activity Description (NAD)
(FY 94)

Activity/Project Title: Private Agricultural Services ($6 million Amendment)	
Activity Project Number: 524-0315	**Funding Source Identified:** DA and Local Currency Generations (Title III)
Duration (Fiscal Years): FY 91-FY 99	**Proposed LOP Funding:** DA - $13 million, Local Currency - $5.5 million

I. Strategic Fit with Agency/Bureau Goal:

The *Private Agricultural Services* project (PAS) directly supports the Agency goal of advancing broad-based economic growth. Agriculture in Nicaragua is the nation's major income earner and employer. Improvements will have a major impact on the nation's overall economy and its growth.

II. Consistency with Mission Strategy:

The Mission's overall strategy for enhancing economic growth in Nicaragua is focused on: (1) Increased economic access and opportunities (by means of improved private sector transfer of technology, efficient and equitable financial systems and increased opportunity for employment and ownership of productive assets); and (2) Improved market efficiency and performance (by increasing the role of the private sector in the economy and by reducing producer transaction costs). The PAS project is now at the end of the third of its five year life, and is being amended to reflect both the successful initial implementation and the changing institutional and economic environment in the agricultural sector. The Project has focused primarily on institutional strengthening of the Association of Non-Traditional Product Exporters and Nicaraguan Agricultural Producers Union (APENN and UPANIC). This effort, however laudable, excludes a segment of the agricultural sector. Production cooperatives in the Nicaraguan Union of Farmers and Cattlemen (UNAG) and other associations are not being reached by existing programs. The Project Amendment will expand its activities with small farmers, including cooperatives and promote improved markets for Nicaraguan products. Stability and improved income within the rural sector are the basic outcomes of the Mission's strategy and the project.

(a) Activity Goal:

The goal of the PAS is to increase the stability and incomes of private agricultural producers in Nicaragua. Rough percentages for productivity increases are 5-15% per year (depending on product), 15% increase annually in export revenues of agricultural products, and 10% annual increase in membership of selected representative agricultural organizations. During the first two years of PAS, these targets have been exceeded, except for increased membership (up only 5%). Under the amendment, member income of certain participating groups will be measured as indicators of progress.

(b) Project Purpose:

The purpose is to strengthen certain agricultural organizations and cooperatives, thereby increasing economic access and opportunity for producers through efficient delivery of agricultural inputs, processing, marketing, and technology. Verifiable indicators include 1) Increased participation by members of grantee organizations, cooperatives, and farmer groups in receipt of technical assistance; 2) Increased income, production, and exports of targeted key crops and products; 3) Improved capability of assisted organizations to provide continuing technical assistance and training to members and participating farmers/processors; and 4) Increased acreage under improved natural resource management practices.

(c) Description:

In less than three years, the Project has: 1) strengthened UPANIC and APENN services to members; 2) developed a subgrant selection process and monitoring system; 3) made 17 subgrants for over $2.5 million to livestock, coffee and basic grain local associations; 4) provided direct support to the development of a $10 million melon export industry; and 5) developed within Nicaragua the leading onion export industry in Central America. A $3 million NPD was approved in last year's Action Plan to expand the project to include the newly privatized agricultural commissions which provide support to all coffee and cattle producer groups regardless of political affiliation. A revised amendment is now proposed to include the cooperative sector. The amended Project will expand participation of small scale farmers and cooperatives in improved agricultural practices and will assist producers to diversify into viable agricultural products and to improve productivity on existing farms. As a large percentage of lands is held by cooperatives, a realistic broad-based approach must include the cooperative sector (including UNAG) in the Mission's program. The amended PAS will continue to support key agricultural organizations including the newly privatized Agricultural Commissions (Livestock and Coffee) in their efforts to provide productive services to farmers. The amendment calls for a 3-year extension to the PACD and an additional $6 million in DA (this includes the $3 million proposed in the approved NPD) and approximately $5.5 million in *Title III* local currency. Project components include:

1. **Cooperative Support** - The project will focus on helping associated small farmers that are currently classified as belonging to the cooperative sector. The emphasis will be on providing access to selected farm operations to improved technology and marketing opportunities. This will not be a traditional cooperative development type activity as groups will be allowed to seek the tenure and business management structure they so choose. The project will help these groups produce more at a lower cost and market it better. The focus will be on improving access to domestic and export markets for producers by assisting with consolidation of producers, creating contractual linkages with processors/exporters and foreign buyers/brokers. Close linkages will be made with APENN in the case of NTAEs, and UPANIC in the case of coffee and basic grains. ($2.2 million)

2. **Production and Marketing Services** - Assistance to community level producer associations, including where possible those associated with UNAG, through sub-grants administered by UPANIC and through technical support provided by APENN

and by UNICAFE, will be provided to enhance productivity and improve marketing for certain agricultural products. *Title III* subgrants will be made to selected groups for integrating productive services and income-earning capacity for their membership. Examples of possible subgrants are for improved small scale milk processing, seed production, integrated/ organic pest management, inoculant production, crop diversification trials, pasture improvement, and arid region water development. *Title III* local currency will also be used to finance productive grants to the newly privatized agricultural commissions to provide assistance to livestock and coffee producers. Technical assistance to APENN, UNICAFE and subgrantees will be provided through a consulting firm, as will appropriate training. Provision of farm equipment and limited processing facilities to promote new NTAE product lines and expand existing production/marketing of the successful products may be financed using *Title III* local currency. ($2.45 million and $5.5 million *Title III* local currency)

3. **Institutional Strengthening/Business Development:** Progress has been made in improving the support provided by UPANIC and APENN to members, but much still needs to be done with these two associations. Since the regional ROCAP Exitos project terminated its no-cost technical assistance in September, 1993, and due to the early success in designing innovative and participatory models of subgrant assistance to the field level, it is necessary to provide technical assistance to these two entities. Although these activities will be sustainable over time, original projections were too optimistic and additional assistance is needed to develop their income earning capacity and oversee their administration of AID resources. Additional institutions, including the Union of Coffee Growers (UNICAFE) and UNAG, will be provided assistance in improving communication and outreach capabilities. ($1.35 million)

(d) Anticipated Impact:

Members of UPANIC, current and potential sub-grantee organizations, APENN, UNICAFE, agricultural cooperatives, other farmers, and processors are all potential beneficiaries of assistance through PAS. Direct beneficiaries under the project, including this amendment, are estimated at 36,300 producers (including an estimated 10% women) which represents over 180,000 family members. By activity, beneficiaries are estimated as follows; Integrated Pest Management - 5000 farmers, 20,000 UNICAFE coffee producers, about 2,000 individual farmers and cooperative members, 300 APENN members, and an estimated 9,000 members of UPANIC subgrantees.

(e) Dialogue Agenda:

The first phase of PAS activities has enabled over a dozen producer associations to greatly expand services to their members. It has helped coffee and livestock producers to access credit by establishing themselves as more capable managers. Associations are being reactivated and cooperatives will be revitalized. The project will help strengthen producer access to credit facilities by bringing agents in the forward and backward linkages of the production/marketing sector together.

(f) Donor Coordination:

Swedish aid (ASDI), Swiss aid (COSUDE), and the UNDP actively support export promotion and improved production on a national level through the UNDP Export Promotion Project. The EEC, InterAmerican Development Bank, CABEI and other smaller institutions have designed programs to help with credit needs related to production working through local banking facilities and PVOs. USAID/N is engaged in dialogue with all these groups, seeking the most collaborative and complementary approaches to assistance that are feasible.

III. Policy Design Issues:

(a) Sustainability of Proposed Activities:

Once institutions are firmly reestablished, the need for institution strengthening support will decline significantly. With a larger membership of interested individuals who have increased their incomes, membership fees will grow as will the willingness to pay for services. Once production improvement technologies are established, they should be predominantly self-sustaining as the incentives will be clearly in place (i.e. increased efficiency, increased income). Once markets are established for selected products, they should stay in place and expand, as all participants (producers, processors/exporters, brokers/buyers) will have clear incentives to support them.

(b) Innovative Approaches and Potential Issues:

Many new approaches have been applied to improve production, access, and income during the first phase of activities. Most of the assistance provided has been "proven" elsewhere, but is certainly innovative in Nicaragua. The technology as well, in production systems, new crops, export market linkages, is all new to Nicaragua or has been moribund for the last 15 years. New approaches will include the "promotion to and integration of" the many small farmers and cooperatives previously left out of effective development assistance by government and donors.

Producers (associations) on confiscated U.S. citizen properties will not be assisted. This will require close scrutiny and cooperation with the Embassy and GON authorities.

(c) Linkages to and Utilization of Global Bureau Resources & LAC Programs:

The Project has worked very closely with the ROCAP EXITOS project, however it will terminate in 1994 and no further Mission participation is contemplated. No other known on-going activities have resources available to directly assist with PAS activities.

(d) Management and Support Requirements:

PAS will be administered by the existing USDH, with assistance from a project-funded FSN Personal Services Contractor. The Global Bureau and LAC Regional Bureau will be asked to assist with evaluations and any activity reviews, and provide advice on an ad-hoc basis.

(e) Timetable and Resource Requirement:

A major evaluation and institutional strengthening plan of APENN will be underway shortly. This will serve as the basis for a portion of the PP Amendment. The amendment will be designed by USAID staff and assistance will be requested from AID/W. The PP Amendment should be completed by the end of June, 1994 and the ProAg signed by the end of July, 1994. Initial *Title III* proposals/projects are anticipated to be in place by July/August with the remaining activities available for implementation in 1995/96.

(f) Recommendations on Delegation of Authority:

USAID/Nicaragua requests LAC program concurrence for the Mission to develop and approve the project amendment in the field.

New Activity Description (NAD)
(FY 94)

Activity/Project Title: Family Planning Expansion and Regionalization ($8.0 Million Amendment)	
Activity Project Number: 524-0312	**Funding Source Identified:** POPULATION
Duration (Fiscal Years): 1991-1998	**Proposed LOP Funding:** $13.0 Million

I. Strategic Fit with Agency/Bureau Goal:

This proposed activity directly supports the Bureau goal of promoting smaller and healthier families. It also directly supports AID's overall emphasis on population and health activities and its efforts to forge a partnership with private voluntary organizations.

II. Consistency with Mission Strategy:

The amended project promotes the Mission Strategic Objective of improved maternal and child health through the increased use of primary/preventative health practices.

(a) Activity Goal:

The goal of the project is to increase knowledge, acceptance, and early use of modern family planning methods.

(b) Activity Purpose:

The project purpose is to increase access to a broader range of contraceptive methods, especially in rural and marginal urban areas.

(c) Project Description:

This NAD constitutes a revision of the NPD submitted in 1993 for the *Family Planning Expansion and Regionalization* project. The revised project will support the improvement and expansion of family planning services offered by Profamilia, the local private voluntary organization that is the International Planned Parenthood Federation affiliate in Nicaragua, at a higher level than originally envisaged and will require a two-year extension to the PACD. The revised project will also include assistance to other family planning groups with which USAID has not traditionally worked. The Ministry of Health does not have the financial resources or the staff to conduct the aggressive outreach required to raise contraceptive prevalence in rural areas. Specifically, the project will:

- Expand community-based contraceptive distribution posts, clinical contraceptive and gynecological services, and voluntary surgical contraceptive services. Full service family planning clinics will increase from four to eleven, including a major

consolidation of the two Managua clinics and an Atlantic Coast program. The number of community-based distribution posts will increase from 400 to 750.

- Expand the method mix offered by Profamilia to include additional temporary methods. Transfer of this contraceptive technology to other NGOs will be explored.

- An IEC campaign using mass media and an intensive effort to upgrade the quality of clinic services replace the previously proposed social marketing campaign.

- Train Profamilia staff including volunteer distributors, physicians, and nurses in order that they may then train the staff of other NGOs and the Ministry of Health in contraceptive technology and surgical contraception.

- Fund evaluation and research programs that will lead to improved management of family planning services.

- Provide contraceptives to other NGOs.

Illustrative Budget ($000)

1. Family Planning Service	$4,200
2. Information, Education, Communication	1,300
3. Policy Development and Research	600
4. Institutional Strengthening	1,100
5. Other (Contraceptives, mid-term evaluation, contingency, audit)	800
Total	8,000

(d) Anticipated Impact:

A recently completed survey shows major differences in contraceptive use between rural and urban women and women of differing educational levels that point to an unmet need for family planning services that the amended project will address. By 1998, the Mission estimates that Profamilia will dispense 156,000 couple-years-of-protection (an increase from the previous estimate of 80,000). By 1997, contraceptive prevalence in the country will increase from 49 percent to 53 percent. Private sector organizations assisted under this project (e.g. Profamilia and Ixchen) will contribute significantly to this increase.

(e) Dialogue Agenda:

Profamilia has developed an expanded clinic and community-based distribution program under the existing Grant Agreement. USAID/Nicaragua will continue its dialogue with Profamilia regarding expansion of services to underserved areas. USAID will also continue to encourage dialogue and cooperation between Profamilia and other NGOs such as Ixchen, Anmlae, and Si Mujer.

(f) Donor Coordination:

In collaboration with USAID, Profamilia will continue to coordinate its activities with the United Nations Population Fund (UNFPA) and other indigenous NGOs such as Ixchen and Anmlae.. The International Planned Parenthood Federation (IPPF) will continue to donate contraceptives, finance recurrent costs of the management headquarters, and donate vehicles for field supervision.

III. Policy Design Issues:

(a) Sustainability of Proposed Activities:

Profamilia has proven its capability to successfully implement more project activities than originally envisioned. Under this amendment, the focus will be on cost recovery. Currently, Profamilia recovers approximately 18% of the cost of providing family planning services. By the PACD, cost recovery will reach 40% of operating costs for the clinics financed under the Cooperative Agreement.

(b) Potential Issues and/or Innovative Program Approaches:

The amended project will utilize time-tested approaches to the expansion of family planning services. For the first time a national media campaign to promote family planning and the use of contraceptives will be developed and implemented. With respect to cost recovery, Profamilia will initiate on a pilot basis the provision of prenatal, postpartum, and well-baby services to augment its revenues.

(c) Linkages to Global Bureau Resources and LAC Regional Programs:

This amended project will rely on buy-ins to existing Global Bureau technical programs and on centrally-procured contraceptives.

(d) Management and Support Requirements:

A PASA employee from CDC specialized in family planning is currently a member of the Mission staff. He will continue to assume primary management responsibility for designing and implementing this amended project.

(e) Timetable and resource requirements for developing the proposal:

No additional design activities and no manpower outside the Mission will be required to complete a design for obligation in the fourth quarter of FY 94.

(f) Recommendations on delegation of authority for review and approval:

USAID requests LAC program concurrence for the Mission to develop and approve the project amendment in the field.

New Activity Description (NAD)
(FY 94)

Activity/Project Title: AIFLD Home Improvement Lending	
Activity Project Number: 524-0348	**Funding Source Identified:** ESF and Possible Local Currency Generations
Duration (Fiscal Years): FY 94 - FY 98	**Proposed LOP Funding:** ESF - $ 500,000, Local Currency - $4,800,000 (in cordobas)

I. Strategic Fit with Agency/Bureau Goal:

The goal of the Home Improvement Lending Project (HIL) is to strengthen the ability of labor unions in Nicaragua to promote democracy in the workplace. The purpose of the HIL is to help unions in offering home improvement programs to their members. This goal of the project is to strengthen both democratic and non-democratic labor unions.

II. Consistency with Mission Strategy:

(a) Activity Goal:

To promote democracy in the workplace. This is generally consistent with the Mission's strategic objective of "greater consensus on democratic values."

(b) Activity Purpose:

The purpose of assisting labor union members to improve their homes does not directly relate or contribute to any of the Mission's strategic objectives. This project should therefore be considered as outside the Mission's strategic framework but one that is expected to improve the quality of life for as well as promote savings and responsible credit practices by the recipients. Indicators will include the number of loanees/home improvement projects initiated and completed and the amount of resources mobilized.

(c) Description

The American Institute for Free Labor Development (AIFLD) has presented USAID/N with a proposal, drafted on AIFLD's behalf by the Cooperative Housing Foundation (CHF), to establish a home improvement lending program for all "democratic" labor union members in Nicaragua. USAID/N will enter into a cooperative agreement with AIFLD. Qualified union members will request loans of up to $1,000 for home improvements to be paid at commercial rates over a period not more than 30 months. The member's union will forward acceptable proposals to the lending source (private bank, NGO) who borrows funds from a trust operated by the coordination body, an independent labor management organization. Activities will be coordinated by a Labor Management Organization (LMO) to be established

under the project. The LMO will certify and coordinate, administer and monitor the loan program with technical assistance from CHF. AIFLD will contract with CHF and serve as advisor to the LMO. The cost is expected to be about $500,000 in dollars and $4.8 million in cordobas.

(d) Anticipated Impact:

Potential participants are estimated at over 50,000 (democratic) union members. Because of the pilot nature of HIL, participation in the first five years will be 7,650 participants representing families with approximately 42,075 members (5.5 members per family). Over 7,000 homes are expected to be improved. This is based on having $4.3 million in local currency available for the lending program (loans over a five year period will total $5.85 million, including reflows) plus $500,000 in local currency for local operating costs. The corollary impact from the temporary employment from the construction work is difficult to measure, but as much as 1900 persons months of construction work may be created. The project will assure that the loans are equally available to both men and women.

(e) Dialogue Agenda:

The creation of additional lending programs via payroll deduction, expanded union services, and improved housing are part of the policy issues that are under discussion with AIFLD, the unions, and USAID.

This dialogue will be expanded to look at savings mobilization and the role of labor unions in worker services as a result of project activities.

(f) Donor Coordination:

Because of the uniqueness and newness of the Project, discussions with other donors have been preliminary and exploratory. However, the Inter-American Development Bank, GTZ, ASDI, and UNDP have expressed interest in possible collaboration involving other unions.

III. Policy Design Issues:

(a) Sustainability of Proposed Activities:

After three years of assistance from CHF, the LMO and unions should be capable of managing the lending program alone. It is projected that within three and one-half to five years all activities should be financially self sustainable. The internal economic rate of return is calculated at 11% over a ten year period.

(b) Innovation:

The Project is unique in that it provides resources for low-income housing improvement financed through a "forced savings" mechanism. It is designed to work through private banks to provide home improvement lending. It will introduce a systematic payroll deduction system for loans and savings. All these are innovative activities in Nicaragua.

(c) Potential Issues:

The original proposal has limited participation in the project to "democratic" labor unions. The Mission believes that all bona fide Nicaraguan labor unions should be allowed to participate, and has queried AID/W on this point. In addition, the Mission may not have adequate ESF or local currency to fully finance the proposal. Non-salaried union members are excluded and there is no provision for participants (who get laid off, fired or who quit) who don't repay the loan for reasons beyond their control. The cost per direct beneficiary in AID resources is high ((\$690 each) and the need for these resources in other areas of development is also great. These concerns will all be addressed as part of the Project Paper design.

(d) Linkages to Utilization of Global Bureau Resources and LAC Regional Program:

Other than generic similarities to certain programs supported by the Agency's Housing and Urban Development Office, there are no direct linkages to currently available resources under the GLOB or LAC Bureau.

(e) Management and Support Requirements:

The Project will be implemented through the American Institute for Free Labor Development, which already has an office in country. Project administration by USAID/N will be provided by the Private Sector Support Division in the Program, Economics, and Private Sector Support Office. No new personnel will be required by the Mission, although the AID/W Housing and Urban Development office may be called on periodically for special technical advice.

(f) Timetable and resource requirements:

A full proposal is already in draft and the implementing agency (AIFLD) is in place. Therefore, an FY-94 start is plausible. Finalization of the Proposal will be financed with OE funds, and outside assistance will not be required.

(g) Recommendations on delegation of authority:

Given the political sensitivities of the proposed effort and AID/W involvement in the project concept, the Mission proposes that the project be approved and authorized by AID/W.

New Activity Description (NAD)
(FY 95)

Activity/Project Title: Rural Savings Mobilization	
Activity Project Number: 524-0347	**Funding Source Identified:** DA
Duration (Fiscal Years): 1995-1998	**Proposed LOP Funding:** $3 million

I. Strategic Fit with Agency/Bureau Goal:

Expanding the financial system in rural areas is critical to broadening economic participation and achieving the Bureau goal of "long-term, broad-based economic growth."

II. Consistency with Mission Strategy:

(a) Activity Goal:

The activity will impact primarily on the Mission strategic objective of *Increased economic access and opportunities*. This activity will be a major contribution to the program objective of *Efficient and Equitable Financial System* by increasing the level of community financial intermediation and access for currently marginated group with large production potential.

(b) Activity Purpose:

The purpose is to revitalize the national system of rural financial institutions to mobilize a substantial amount of local savings and generate secure earnings for rural savers through investments in both the local and national economy. This will also help improve access to credit by small farmers and microenterprises. Indicators will be the number of strengthened credit unions, the number of depositors, and amount of deposits in these institutions.

(c) Project Description:

The *Rural Savings Mobilization* project will assist local credit unions and savings-and-loans to expand savings mobilization and investment in small towns and rural areas in Nicaragua. The project will draw upon recent A.I.D. project experience in Guatemala. the Dominican Republic, and other countries, which demonstrates that credit unions that operate without political, social, or financial goals imposed from the outside will make sound loans.

A.I.D.'s grant will finance direct technical assistance to local credit unions and savings and loans by long-term and short-term consultants experienced in the development of rural financial intermediaries. The project will also finance training, workshops, observational trips, and limited equipment to complement this technical assistance. The project will investigate possible roles for the Nicaraguan Credit Union Federation (FECANIC), as well as FUNDE and ECODEPA, which are umbrella organizations similar to FECANIC that work with cooperative community savings-and-loan organizations. (ECODEPA is associated with UNAG, an association of agricultural producers.)

Approximately 85 Nicaraguan credit unions survived the hyperinflation of the 1980s. Of these only 15 to 30 continue to offer financial services. These credit unions have a comparative advantage in providing financial services to farmers and the small enterprises in rural areas and small towns because of the credit unions' relatively low administrative costs and their familiarity with and proximity to potential borrowers. The potential for expansion and institutional revitalization of the credit-union system is very good because of the large unsatisfied demand for financial services, including deposit facilities, in rural communities. An improvement in the quality of their services in financial intermediation would lead to a very significant increase in their membership, deposit base, and credit portfolio.

Illustrative Budget ($000s)

Technical Assistance	1,900
Training	500
Equipment	400
Evaluation/Audit	200
Total	3,000

(d) Anticipated Impact:

A.I.D.'s project will encourage participating credit unions to rely on locally raised savings. It will assist both existing and newly formed credit unions; criteria for inclusion in the Project will be the credit union's willingness and ability to adopt sound business practices and to adhere to norms and controls of the Superintendency of Banks.

(e) Dialogue Agenda:

Continued economic policy dialogue will be essential to ensuring that local financial intermediaries can operate with autonomy from centrally formulated political objectives, thus avoiding problems that have plagued state-owned banks in working with agriculture.

(f) Donor Coordination:

The project will coordinate closely with the IDB's recently approved $29.5 Credit Program to Strengthen Non-Conventional Financial Intermediation. The IDB's program will provide training to FECANIC and give rural credit unions access to funds through rediscount lines with urban commercial banks. The institutional-strengthening emphasis of A.I.D.'s Project will complement the IDB's provision of loanable funds.

III. Policy Design Issues:

(a) Sustainability of Proposed Activities:

Participating credit unions will become predominately sustainable through reliance on locally mobilized resources and prudent investment. Credit unions will base decisions on loans in their localities on both the economic viability of the proposed use of the loans and on confidence in the loan applicants (demonstrated through such means as group guarantees).

(b) Innovation:

The Government's current rural-credit strategy is to channel resources through state-owned commercial banks. This strategy is clearly defective. The state-owned banks have high administrative costs and loan losses. As a result, they have to rely for funding on Central Bank credit and ultimately on foreign aid and the Government's budget. Thus, not only do they add to the fiscal deficit, but they are not effective in mobilizing national savings for investment in rural production. Evidence shows that small farmers are relying less on formal credit and more on their own equity and informal credit. Thus, they are not benefiting from the government's current strategy.

USAID's project will assist in developing a viable alternative to the GON's current strategy by working with private, local credit unions and savings-and-loans, and on mobilizing local savings. This approach is a timely initiative in view of the need for more equitable spread of financial services, the resurgence of private banking in Nicaragua and the GON's efforts to decentralize economic development and reduce the central government's deficit.

(c) Potential Issues:

Two potential issues are complementary: (1) the capacity of local credit unions to manage resources in a disciplined, businesslike way and (2) the ability of the umbrella organizations, the formal financial sector, and USAID to give local credit unions appropriate support without imposing excessive costs or inappropriate management practices.

(d) Linkages to Global Bureau Resources and LAC Regional Program:

The project will benefit from technical advice from the rural-credit component of the LACTECH project.

(e) Management and Support Requirements:

The project will be monitored by a USDH employee in USAID/Nicaragua's Office of Agriculture and Rural Development, in close coordination with the Office of Program, Economics and Private Sector, which provides assistance to the Superintendency of Banks through the *Private Sector Support* project (524-0317).

(f) Timetable and resource requirements for developing the proposal:

The Mission will design the Project for authorization in the second quarter of FY 1995 using PD&S resources and the collaboration of LAC's LACTECH project.

(g) Recommendations on delegation of authority:

USAID/Nicaragua requests LAC program concurrence for the Mission to develop and approve the project in the field.

New Activity Description (NAD)
(FY 95)

Activity/Project Title: Strengthening Democratic Institutions (SDI)- ($8.0 million Amendment)	
Activity Project Number: 524-0316	**Funding Source Identified:** DA, ESF
Duration (Fiscal Years): 1991-1999	**Proposed LOA Funding:** $26.0 million

I. Strategic Fit with Agency/Bureau Goal:

The project supports the Agency's Democracy Initiative which seeks to focus USAID experience, skills, and resources to help promote and consolidate democracy as the legitimate organizing principle for political systems. The amended project directly relates to the LAC bureau's objective of Supporting the Evolution of Participatory Democratic Societies and activities fall directly within its two sub-objectives concerning promotion of civil societies and encouraging the strengthening of competent government institutions.

II. Consistency with Mission Strategy:

(a) Activity Goal:

The amended project's goal is to encourage greater consensus on democratic values. Preliminary verifiable indicators include support for: civil liberties, civilian control over the military, competition between political parties, and democracy over revolutionary or military governments. These will be measured through survey results and focus group analyses.

(b) Activity Purpose:

The purpose of the amended project is to continue strengthening selected democratic institutions as well as the greater adoption of democratic attitudes and practices. Activities will be measured by increased acceptance of democratic attitudes and practices, increased levels of confidence in democratic institutions, decreased human rights abuses, increased relevance of the National Assembly in decision making, improved participation in labor unions, and improved accountability in democratic institutions.

(c) Project Description:

Current Status

The SDI project contributes to consolidating democracy in Nicaragua by promoting civic education, strengthening human rights groups, fostering key institutions of pluralism (such as the media and labor), advancing effective government through assistance to the Supreme

Court (training for the court system), promoting civilian control over the military, and assistance to the National Assembly. The SDI project has also contributed to initial strengthening of key municipal sector organizations and conducted a technical assessment of the electoral system. These two efforts have laid the groundwork for design of the *Municipal Decentralization* and *Electoral Support* projects in FY 94. The amended project requires a three year extension of the PACD.

Democratic Pluralism ($4.4 million)

This component encompasses a major civic education program that will build on the successes achieved to date. The program will be expanded from the present secondary school effort to primary schools in coordination with the Mission's *Basic Education* project. Civic education training will also be introduced in teacher training and University curricula. In addition assistance will be provided to non-traditional groups accepting the democratic rules and need for accountability to initiate civic education activities at grass roots levels.

As a result of recent focus group research that demonstrates a lack of knowledge and understanding of democratic principles among Nicaraguans, the project will incorporate a campaign to heighten public awareness in democratic attitudes and practices. This program will be designed, implemented and evaluated to measure the impact and sharpen the focus of further efforts in this area.

Continued assistance will be provided to institutions of pluralism to support: political party development, improved civil-military relations, and a strengthened democratic labor movement emphasizing training in labor-management issues, administration, and leadership skills.

Human Rights ($1.6 million)

The project will provide continued funding to the human rights groups but will shift the nature of this support from operational support to financing specific activities. This shift will broaden the range of groups participating in the program and encourage collaboration between all three entities dealing with human rights issues.

Efforts to promote increased human rights awareness and action within the Government of Nicaragua will include supporting program activities, including training, within the soon-to-be-appointed Assistant Attorney General for Human Rights office. Should the legislature establish a human rights ombudsman position, limited amounts of assistance for its program efforts could be considered.

Effective Governance ($800 thousand)

Activates under this project component will continue to receive funding. USAID resumed assistance to the Assembly after a hiatus of 16 months through the Consortium for Legislative Development (the Center for Democracy and the State University of New York, Albany) which has just re-initiated the program that was delayed. The amended project will consider extending this assistance for two years until 1997 based upon an assessment of the most critical areas in need of support and not covered by other donors. Further technical assistance,

training, and building linkages with other assemblies to support policy analysis, bill drafting capacity and research capabilities will most likely be required over the extension period.

Media ($200 thousand)

The journalism training program will be extended. The present pilot program with FIU provides for upgrading of basic journalism skills; the amendment will extend basic training to journalists not reached under the original program and will provide advanced training to editors and reporters for print and mass media as well. The extension will cover the costs of the program for one more year, i.e. until 1996.

Other ($1 million)

To respond to new initiatives, for management support and evaluations .

(d) Anticipated Impact:

The project will have an effect on the general population and specific institutions that will benefit from the assistance. A more efficient judicial system will mean greater public recourse to governmental authorities to redress grievances. Increased civic education will mean greater recognition of rights/responsibilities of citizens in a democracy and broader civic participation/communication among organized sectors. This impact will be measured in a second knowledge, attitudes and practices survey.

(e) Dialogue Agenda:

Major factors affecting the consolidation of democracy in Nicaragua are the lack of decentralization, participation, and institutional stability. The fostering of administrative reform and improved participation under this amendment will engage the GON's policies on the difficult issues of delegation of authority and budgeting.

(f) Donor Coordination:

Donor interest includes the French and Inter-American Development Bank (IDB) in the National Assembly, the Germans and European Community in human rights and civic education, and the UNDP (through Italian, Swede, and Dutch funding) in the judicial sector (building "casas de justicia"). The project complements the work of UNDP in the judicial sector and based on close coordination with the IDB, the bank is modifying its program designs for the Assembly and the judicial sector to complement USAID assistance.

III. Policy Design Issues:

(a) Sustainability of Proposed Activities:

Permanent democratic skills and attitudes will be developed in government institutions, intermediary organizations, specialized NGOs, and in the general populace. The activities focus on NGO sustainability, minimizing the burden of recurrent costs where possible,

requiring GON commitment to provide adequate funding for program costs, and attempting to institutionalize activities when called for.

(b) Potential Issues and/or Innovative Program Approaches:

The politically sensitive nature of the democratic initiatives program will continue to require a high level of U.S. Mission involvement. The complexity of the DI portfolio will need to be monitored during the design phase in order to streamline activities as much as possible to those that are key in fostering a more democratic environment in Nicaragua. The approach to civic education will be expanded to include information and education campaigns on democratic institutions and values.

(c) Linkages to Utilization of Global Bureau Resources and LAC Regional Programs:

The SDI Project Amendment will assess the need for either Global Bureau or LAC regional projects to help implement the expansion during the design stage.

(d) Management and Support Requirements:

A USDH Democratic Initiatives Officer supported by a USPSC will be responsible for overall management of the project.

(e) Timetable and resource requirements for developing the Assistance proposal:

The Mission is scheduling project paper design to be completed by the first quarter of FY 1995 with a planned obligation in the second quarter of FY 1995. FY 1995 PD&S funds will be used to develop the design document and the mission hopes to receive assistance from either the LAC bureau or the Global Bureau in the project expansion design.

(f) Recommendations on delegation of authority for further review and approval:

The Mission requests LAC program concurrence to design and authorize the project amendment in the field with the understanding that AID/W will provide assistance in this effort.

New Activity Description (NAD)
(FY 95)

Activity/Project Title: PL 480 Title III FY-95 Local Currency Uses	
Activity Project Number: NA	**Funding Source Identified:** FY-95 Title III Amendment
Duration (Fiscal Years): NA	**Proposed LOP Funding:** $13 million equivalent

I. Strategic Fit with Agency/Bureau Goal:

Local currency uses will be consistent with objectives of the *PL-480 Title III* program stated in the Agriculture and Trade Development Act of 1990 (*enhancement of food security, privatization of food and agricultural distribution systems, and the support of nutrition improvement and child survival*).

II. Consistency with Mission Strategy:

(a) Activity Goal and Purpose:

The use of local currency will be programmed to impact primarily on three of six Mission strategic objectives - that of *Increased Economic Access and Opportunities, Improved Market Efficiency and Performance*, and *Improved Maternal and Child Health*. To increase "economic access and opportunities" local currencies will be spent on the program objectives of improved private sector transfer of technology and increased opportunities for employment and ownership of productive assets. Improved market efficiency will be supported through the reduction of transaction costs. Maternal and child health will be improved by helping the GON to improve the coverage and delivery of primary health care services.

(b) Anticipated Impact:

Given the variety of activities to be financed, the numbers of direct anticipated beneficiaries is difficult to estimate. The programming emphasis will be on activities in geographic areas where food security is the worst, including Regions I and VI. Activities that increase broad based participation will also be emphasized.

(c) Description:

As stated in the AID/W approved FY 93 - FY 95 *Title III* program, the strategy is to use local currency generations for discrete, definable activities consistent with *Title III* objectives and primarily through private mechanisms. The Mission strategy for the programming of *Title III* local currency generations is to: 1) wherever possible focus on activities in the private rather than the public sector; 2) choose activities that are discrete, definable, and subject to monitoring and audit by AID and the GON; and 3) select activities that are additional to activities that would have occurred absent a *Title III* program. These activities will whenever possible be channeled through existing implementation mechanisms previously established within the recipient organization and previously approved by USAID/Nicaragua.

By and large, the same mix of institutions and activities that utilize FY-93 and FY-94 local currency generations will be used. Targeted emergency employment activities in areas of high food insecurity and infant mortality will continue to be a high priority use of local currency generations primarily through the Emergency Social Investment Fund (FISE) and the Ministry of Social Action (MAS). Expanded access by small farmers to improved technology will be supported under the *Private Agricultural Services* (PAS) project through UPANIC, APENN, UNICAFE, CONAGAN and UNAG. Immunization and other child health activities will also continue to be a priority through MINSA and PAHO. Finally, indigenous NGO activities in the areas of sustainable agriculture, microenterprise and child survival will be supported.

(d) Dialogue Agenda: Not Applicable - Title III conditionality is established.

(e) Donor Coordination:

The Mission maintains active informal and formal donor mechanisms at the different sector levels involved in the *PL-480 Title III* program.

III. Policy Design Issues:

(a) Sustainability of Proposed Activities:

Sustainability criteria are built in to each of the proposed uses.

(b) Innovation: Not Applicable

(c) Potential Issues:

The main policy issue with the GON involves utilizing local currency to support viable and high impact FISE and MAS safety net programs in areas with the highest food security problems. With the upcoming 1996 elections, pressures can be expected to work in geographic areas that don't necessarily have the highest food security problems.

(d) Linkages to Utilization of Global Bureau Resources and LAC Regional Program:

The Mission works closely with LACTECH agricultural policy and food security advisors.

(e) Management and Support Requirements:

A major investment of time and effort has been made in establishing a Secretariat in the Ministry of Finance to manage local currency programming and expenditures. Actual management of the program will be consistent with an annually updated Food Aid Management Plan (FAMP).

(f) Timetable and resource requirements:

As a continuing program, the FY-95 amendment to the Program is the primary threshold action.

(g) Recommendations on delegation of authority: NA

New Activity Description (NAD)
(FY 95)

Activity/Project Title: Natural Resource Management (NRM) ($2 Million Amendment)	
Activity Project Number: 524-0314	**Funding Source Identified:** DA
Duration (Fiscal Years): FY 91 - FY 99	**Proposed LOP Funding:** $11 million

I. Strategic Fit with Agency/Bureau Goal:

This environmental initiative fits squarely under the agency's environmental pillar.

II. Consistency with Mission Strategy:

As a consequence of increased environmental awareness and greater opportunities to practice environmentally sustainable methods, Nicaraguans will support the Mission's strategic objectives of environmentally sound productive and extractive practices.

(a) Activity Goal:

The goal of the NRM project is to increase use of environmentally sound productive and extractive practices. Indicators include reductions in the rate of deforestation and reduced pesticide use.

(b) Activity Purpose:

The purpose of the amended project is to improve management of natural resources, protect biological diversity in selected sites, and support sound, environmentally safe practices in Nicaragua. The amendment will contribute to this purpose by increasing public awareness of practices that reduce environmental contamination, contribute to sustainable agriculture, and protect bio-diversity and by reducing demand for fuelwood that contributes to deforestation. Indicators will include increased purchases of alternative stoves by the urban poor and education programs implemented.

(c) Description:

This amendment combines [1] **economic incentives to promote the adoption of firewood alternatives** (new component) and [2] **expanded environmental education** to address key environmental problems facing Nicaragua that are not currently within the scope of the Mission's NRM project portfolio. The amendment will add one year to the current PACD.

Firewood Alternatives

In the past several years the deforestation rate in Nicaragua, currently the highest in the region, has reached the point that, if sustained, within approximately twenty years the country will be completely deforested. While the NRM project currently devotes substantial resources to the supply side of this problem, through assistance to the nation's protected areas, it does not deal with the immense demand side of the problem. Approximately 55% of the nation's deforestation is associated with demand for firewood, and nearly all of this firewood demand is associated with the 72% of Nicaraguans who use it in preparing their daily meals, generally using inefficient open-fire cooking methods. This proposed new activity will expand the focus of the NRM project by working to reduce demand for firewood, and thus deforestation in Nicaragua.

Use of firewood is not the most cost-effective means of cooking in Nicaragua for any socio-economic group. Readily available cook stoves that use liquified petroleum gas (LPG) or kerosene are a (2-5 times) cheaper means of preparing food for families and they result in far cleaner emissions than burning firewood. Cooking with LPG or kerosene, however, requires an up-front cost for a stove, and this initial cost—combined with a general lack of information about the net benefits of such stoves—prevents most firewood consumers from converting to LPG or kerosene. The new activity will develop a mechanism (e.g. a revolving fund), to be managed by an NGO, that will allow poor urban consumers to amortize the cost of the stoves over the course of the pay-back period for such stoves, estimated at 1-4 months. (In a recent pilot survey of the cooking habits of Nicaragua's urban poor, a large share of firewood consumers indicated that they would be interested in purchasing stoves if the purchase could be amortized.).

Given limited funding, this new activity will concentrate on urban consumers of firewood, who represent a large share of total national consumption of firewood, in order to effect the greatest reduction in that national consumption. It would also be desirable to promote the use of more efficient woodstoves in rural areas (i.e. ones that burn less wood than conventional stoves for a given level of cooking), but, in rural areas, the reduction in firewood consumed that could be expected per USAID dollar spent is far less. This is mainly because rural firewood users typically gather wood themselves, rather than purchasing it as urban users generally must do. Consequently, unlike urban firewood consumers, rural firewood consumers are generally not willing to purchase more efficient wood stoves (or non-wood stoves), and, based on the experience of donors currently working in rural Nicaragua, even convincing them to use donated wood stoves is a time-consuming process. ($1.5 million)

Expanded Environmental Education

The NRM project currently includes environmental education, but budgeted resources are sufficient for only a very limited scope of activity. Technical assistance is being provided to MARENA to develop an environmental strategy. Under the amended project, significantly more resources would be devoted to implementation of this environmental education strategy covering a wide range of topics and target audiences. Current project resources are programmed for infrastructure improvement and rehabilitation of the Volcán Masaya National Park which also has a nature interpretation center visited by most of the school children from Managua and surrounding urban centers. Expansion of environmental education activities at this Park will figure strongly in this amendment along with possible

linkages with school curriculums. Protection of certain endangered species such as the Olive Redly turtle will be the subject of mass media campaigns oriented toward the general population. One area to be included in an expanded program of environmental education relates to firewood alternatives. A significant share of urban Nicaraguans appear unaware of the substantial benefits to themselves and to the environment that would result from the adoption of more modern cooking methods. Linkages with the AID/W Environmental Education & Communication Project (GREENCOM) will also be explored. ($0.5 million)

(d) Anticipated Impact:

Decreased deforestation due to a reduction in the use of firewood as a cooking fuel. Decreased environmental degradation as a result of better environmental awareness.

(e) Dialogue Agenda:

The new activity will rely on the NRM project's existing structure, as well as the *Economic Policy Analysis and Implementation* project and the *Private Sector Support* project, for policy dialogue in the area of liberalization of petroleum imports (to ensure a more efficient allocation of LPG and kerosene in Nicaragua).

(f) Donor Coordination:

Project activities are coordinated through regular formal meetings of donors involved in environment and natural resource issues. Other donors have not established major environmental education programs nor promoted fuelwood alternatives in urban areas.

III. Policy Design Issues:

(a) Sustainability of Proposed Activities:

Changing attitudes creates the momentum to change current environmental practices that are not sustainable. The overall objective of the new activity is to improve the sustainability of the natural resource base.

(b) Potential Issues and/or Innovative Program Approaches:

This new activity will be supported by numerous on-going Mission projects in efforts to achieve desired environmental objectives. These include, among others, the *PVO Co-Financing* project's reforestation activities, the *Private Agricultural Services* project's promotion of sustainable agricultural practices, and the policy dialogue of the *Private Sector Support* project related to the liberalization of petroleum imports.

(c) Linkages to Global Bureau Resources and LAC Regional Programs:

In carrying out this program LAC/DR/IEE and the Global Bureau will be consulted. AID/W projects such as GREENCOM may also be tapped.

(d) Management and Support Requirements:

This amendment will be managed by the USDH Natural Resources Management officer. The expanded environmental education initiatives of the new activity will be implemented directly by the NRM technical assistance contractor. The new activities related to the facilitation of improved cooking stoves will be implemented through a cooperative agreement with an appropriate U.S. non-governmental organization. This NGO will be selected through a Request For Application (RFA) process. The Mission may also tap into the AID/W GREENCOM project for appropriate environmental education initiatives.

(e) Timetable and resource requirements for developing the Assistance proposal:

FY-95 PD&S funds will complement Mission human resources to develop a PP supplement leading to the issuance of an RFA during the second half of FY-95 resulting in a late FY-95 obligation.

(f) Recommendations on delegation of authority for further review and approval:

USAID/Nicaragua requests LAC program concurrence for the Mission to develop and approve the project amendment in the field.

New Activity Description (NAD)
(FY 95 - Shelf Project)

Activity/Project Title: AIDS Control and Prevention Project	
Activity Project Number:	**Funding Source Identified:** Development Assistance (DA)
Duration (Fiscal Years): 1995-1997	**Proposed LOP Funding:** $2.0 Million

I. Strategic Fit with Agency/Bureau Goal:

The proposed activity directly supports the Bureau goal of promoting smaller and healthier families. Bureau strategy statements specifically refer to the need to "assist LAC countries to reduce HIV transmission by increasing access to condoms, controlling STDs, and promoting safer sexual behavior". This project will undertake interventions in each area.

II. Consistency with Mission Strategy:

The proposed activity is related to the Mission's strategic objective of improved maternal and child health in that the control and prevention of HIV/AIDs, as well as other STDs (which are correlated with HIV transmission), will benefit women as well as men and will help prevent the spread of HIV from traditionally high risk groups to the heterosexual population.

(a) Activity Goal:

To improve maternal and child health by reducing the rate of growth in morbidity and mortality attributable to HIV/AIDS. A primary indicator is the child mortality rate.

(b) Activity Purpose:

To reduce the rate of growth of HIV/AIDS transmission in Nicaragua which will be measured by the incidence of HIV infection and reported incidence of sexually transmitted diseases.

(c) Project Description:

A recent PAHO Study revealed that the prevalence of HIV/AIDS infection in Nicaragua now exceeds 5000 cases. A continuing economic crisis, a growing commercial sex trade, and rapidly increasing prevalence rates for STDs all signal an approaching epidemic. What is more concerning is that, according to an initial assessment by AIDSCAP, over 50% of commercial sex workers engage in high-risk behaviors, thereby potentiating the spread of the infection to the heterosexual population. The assessment recommends four interventions: 1) strengthening the Ministry of Health (MINSA) surveillance system; 2) promoting condoms through commercial and NGO channels as well as MINSA; 3) promoting attitude and

behavior change through information, education, and communication; and 4) making policy makers aware of the magnitude of the problem.

This project will achieve its purpose of reducing the rate of transmission of HIV/AIDs through increased access to condoms, strengthening sentinel surveillance and control of sexually transmitted diseases, and providing information, patient education, and counseling regarding safe sexual practices. Through a buy-in to the centrally-funded AIDSCAP and AIDSCOM Projects, the project will provide technical assistance and training to existing PVO and Ministry of Health AIDS control programs to undertake a more comprehensive IEC effort using peer approaches and mass media. Through a PASA with CDC, the project will upgrade the laboratory capability of the Ministry of Health to undertake AIDS testing and sentinel surveillance in high risk areas. It will also train a cadre of personnel in each of the Local Health Systems (SILAIS) where high risk groups are located who will then train other health care providers in patient education and counseling and STD diagnosis and control. The project will also provide training and technical assistance as well as help in developing effective IEC campaigns to PVOs engaged in AIDS control and prevention in Nicaragua. Finally, the project will promote condoms through private channels, NGOs and MINSA.

(d) Anticipated Impact:

The prevalence of HIV infection in Nicaragua now exceeds 5000 cases. A continuing economic crisis, a growing commercial sex trade and rapidly increasing prevalence rates for STDs suggest that HIV sero prevalence rates may soon approach those of neighboring countries like Honduras. A modest but timely investment could have an enormous impact on containing the spread of this devastating disease and reducing the potentially exorbitant human and economic consequences. Once an improved surveillance system is in place, it will be possible to obtain accurate baseline data and estimate impact.

(e) Dialogue Agenda:

Several NGOs are already active in AIDS prevention. The Ministry of Health has an established AIDS control program; however, USAID Nicaragua would enter into dialogue with the Ministry regarding stepping up the intensity of its health education efforts using the mass media, integrating AIDS prevention and control into its array of primary health care services, and providing adequate budget support to continue activities after the PACD.

(f) Donor Coordination:

Using *Program Development and Support* funds, USAID intends to work closely with the Pan American Health Organization to conduct a knowledge, attitudes, and practice survey; design an AIDS prevention/IEC strategy; plan and execute a national conference in 1994 to increase awareness among the public and other donors regarding the AIDS problem in Nicaragua; and mobilize other donor resources. Planning with PAHO is already underway. The results of these initial design and coordination activities will influence the ultimate level and emphasis of USAID assistance.

III. Policy Design Issues:

(a) Sustainability of Proposed Activities:

Given that the Ministry of Health and local NGOs have already initiated modest AIDS prevention and control programs with little external financing, the prospects for sustaining these programs are excellent. Moreover, USAID assistance will focus on commodities, technical assistance, and training rather than recurrent costs with the exception of advertising time on television and radio. The presence of other donors in Nicaragua such as the Swedish government and the Pan American Health Organization and their interest in this issue bodes well for diversifying donor support for AIDS activities over the medium term. By providing assistance to local NGOs as well, USAID/Nicaragua will ensure that the public sector does not have to bear the entire burden of AIDS prevention and control in Nicaragua.

(b) Potential Issues and/or Innovative Program Approaches:

This project will utilize time tested approaches to AIDS prevention and control but will adapt them to the Nicaraguan cultural reality.

(c) Linkages to Global Bureau Resources and LAC Regional Programs:

This project will rely almost exclusively on buy-ins to existing Global Bureau Technical Programs such as AIDSCAP and AIDSCOM and on centrally-procured commodities. The Mission has already utilized these mechanisms with great success in (1) conducting an assessment of the extent of the AIDS problem in Nicaragua in late 1993 and (2) securing a large donation of condoms for the Ministry of Health AIDS prevention program.

(d) Management and Support Requirements:

A PASA employee from CDC specialized in family planning and AIDS prevention is currently a member of the Mission staff. He will assume primary management responsibility for designing and implementing this program; hence, no additional staff is required.

(e) Timetable and resource requirements for developing the proposal:

Currently, $130,000 of PD&S funds have been allocated for 1994 in order to conduct a knowledge, attitudes and practices survey among groups at risk of contracting HIV infection and designing a comprehensive prevention/IEC strategy. These funds will also finance an assessment of the Ministry's laboratory/sentinel surveillance capability and offset part of the cost of the national conference. As these activities progress in 1994, and assuming additional OYB funds are available, the Mission will be well positioned to use the results of this work for the new project design. In short, no additional design activities will be needed and no manpower outside the Mission will be required in order to complete a design for obligation in the third or fourth quarter of FY 95.

(f) Recommendations on delegation of authority for review and approval:

USAID/Nicaragua requests LAC program concurrence for the Mission to develop and approve this shelf project in the field if resources become available.

New Activity Description (NAD)
(FY 96)

Activity/Project Title: PL 480 Title III Program	
Activity Project Number: N/A	**Funding Source Identified:** PL-480 Title III
Duration (Fiscal Years): FY 96-98	**Proposed LOP Funding:** $45 million ($15 million per year)

I. Strategic Fit with Agency/Bureau Goal:

The Program will be consistent with the objectives of the *PL-480 Title III* program stated in the Agriculture and Trade Development Act of 1990 (*enhancement of food security, privatization of food and agricultural distribution systems, and the support of nutrition improvement and child survival*).

II. Consistency with Mission Strategy:

(a) Activity Goal and Purpose:

The Program will be an important element of Mission efforts to alleviate poverty and will impact primarily on three of six Mission strategic objectives - *Increased Economic Access and Opportunities, Improved Market Efficiency and Performance*, and *Improved Maternal and Child Health.*

(b) Anticipated Impact:

Policy conditionality and local currency generations will be targeted at enhancing food security by raising incomes of the rural poor.

(c) Description:

Nicaragua clearly meets the poverty criteria established by the IBRD for civil works preference used to determine a country's eligibility for the *Title III* program. Nicaragua's current World Bank estimate of per capita income of $340 is well below the ceiling of $635 established for eligibility. A recent World Bank Living Standards Measurement Survey (LSMS) showed that poverty is a major problem in Nicaragua. The LSMS estimates that over 50 percent of the Nicaraguan population lives below the poverty line with close to one fifth of the population (19.4) living below the extreme poverty line. Rural populations in Nicaragua are the group most likely to be at risk of poverty and the depth and severity of their poverty is greater than for their urban counterparts. There is also a strong relationship between agricultural employment and poverty as poorer workers are more heavily concentrated in this sector. Rates of malnutrition, chronic malnutrition in particular, are particularly high among the poor and particularly high among rural households.

While renewed economic growth and actions supported by the current *Title III* program will positively impact upon poverty alleviation, much remains to be done until the economy fully recovers and broad-based sustainable economic growth is firmly established. Through the current *Title III* Program Nicaragua has demonstrated a capacity to use food assistance effectively and a commitment to policies to promote food security including targeting programs for areas of greatest food security needs. Nicaragua is also fully committed to broad-based equitable and sustainable development.

A new government will be taking office in 1996 and a follow on *Title III* Program will be a timely intervention to assist in the democratic transition. The program will have two purposes - to improve food security and to improve the coverage and delivery of sustainable primary health care services. Local currencies will be expended on activities to meet these two objectives which involve a focus on primary health care and sustainable agricultural production activities. Local currencies will be managed by the Secretariat established in the Ministry of Finance.

(d) Dialogue Agenda:

Policy conditionality will concentrate on removal of distortions affecting agriculture, employment generation, and infrastructure rehabilitation, and improvement of primary health care.

(e) Donor Coordination:

Close coordination will be required with other food aid donors and donors working with poverty alleviation programs.

III. Policy Design Issues:

(a) Sustainability of Proposed Activities:

Nicaragua's needs for food aid should diminish with renewed broad-based economic growth and diminishing of the balance of trade deficit.

(b) Innovation: Not Applicable

(c) Potential Issues: Not Applicable

(d) Linkages to Utilization of Global Bureau Resources and LAC Regional Program:

The Mission will work closely with LACTECH agricultural policy and food security advisors.

(e) Management and Support Requirements:

Actual management of the program will be consistent with an annually updated Food Aid Management Plan (FAMP).

(f) Timetable and resource requirements:

An evaluation of the current *Title III* program will be undertaken prior to this FY 96 initiative. A multi-year proposal will be submitted in early FY-96. The Mission will request LACTECH assistance in the design of the program.

(g) Recommendations on delegation of authority:

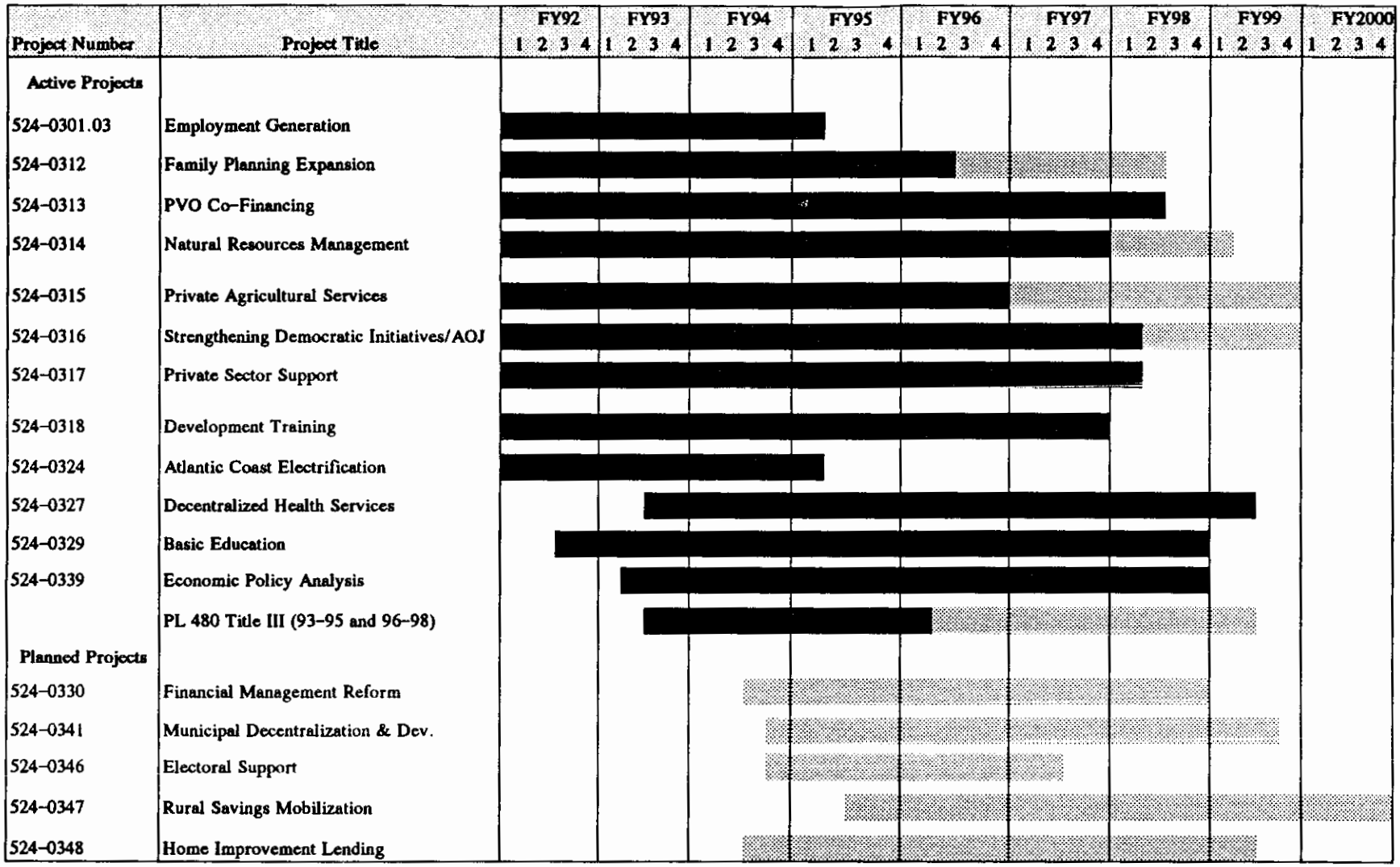
USAID/Nicaragua requests LAC concurrence for inclusion of this program in the 1996 ABS.

B. Status of the Portfolio

As shown in Table 3, at the beginning of FY 1994 the Mission was implementing 12 on-going projects plus PL 480 Title III activities. Four new projects are scheduled to start during FY 1994. Most of the Mission's ongoing long-term development projects were initiated fairly recently and none will terminate in FY-94. Thus, FY-95 will begin with a total of 16 active projects and the Title III program. With one new project starting in FY-95 and two projects terminating, a total of 15 projects and the Title III program would be active at the beginning of FY-96.

A summary of centrally-funded and regional projects with activities in Nicaragua is also included.

Table 3: USAID/Nicaragua Current Project Portfolio - Quarterly Timeline



Number of Active Projects at the end of each FY for projects that will still be active next FY.	10*	13*	17	16	16	Beyond Action Plan Timeframe

* Rapid start up projects that were active in FY92 and FY93, but have been completed prior to FY94 are not shown here.

u:\pdispub\123data\timeline

Summary of USAID/Nicaragua Centrally-Funded Projects March 31, 1994

A. Supports Strategic Objective and Can Be Mission-Managed:

I. Exclusively AID/Washington Funded Projects:

Project Number	Project Title	Total Funding to date	Funding Source (Core/Buy-In)	PACD	Nature and Extent of Mission Mgt.	Rating Category
1) 936-3057	Central Contraceptive Procurement	$ 584,273	CORE/AID/W	On-going	Direct/Continuous	N/A

Project Purpose: To provide contraceptive supplies to PROFAMILIA's clinic and community-based distribution programs.

Project Number	Project Title	Total Funding to date	Funding Source (Core/Buy-In)	PACD	Nature and Extent of Mission Mgt.	Rating Category
2) CS-X	Project Concern International	$ 164,042	CORE/AID/W	11/30/94	Direct/Continuous	N/A

Project Purpose: To improve maternal and child health and nutrition.

Project Number	Project Title	Total Funding to date	Funding Source (Core/Buy-In)	PACD	Nature and Extent of Mission Mgt.	Rating Category
3) CS-X	World Relief Corporation (WRC)	$ 500,000	CORE/AID/W	11/30/95	Direct/Continuous	N/A

Project Purpose: To improve maternal and child health and nutrition.

Project Number	Project Title	Total Funding to date	Funding Source (Core/Buy-In)	PACD	Nature and Extent of Mission Mgt.	Rating Category
4) CS-X	Adventist Development and Relief Agency (ADRA)	$ 746,904	CORE/AID/W	1/30/95	Direct/Continuous	N/A

Project Purpose: To improve maternal and child health and nutrition.

Project Number	Project Title	Total Funding to date	Funding Source (Core/Buy-In)	PACD	Nature and Extent of Mission Mgt.	Rating Category
5) CS-X	Project HOPE	$ 647,948	CORE/AID/W	1/30/95	Direct/Continuous	N/A

Project Purpose: To improve maternal and child health and nutrition.

II. Mission Buy-Ins to AID/W Core Projects in Support of USAID/Nicaragua Program Objectives:

Project Number	Project Title	Total Funding to date	Funding Source (Core/Buy-In)	PACD	Nature and Extent of Mission Mgt.	Rating Category
6)	Regional Technical Aid Center (RTAC)	$12,400,000	Buy-In/AID/W	On-going	Direct/Continuous	N/A

Project Purpose: To improve the quality of curriculum materials for primary and secondary education in Nicaragua and to provide quality university texts at an affordable cost.

Project Number	Project Title	Total Funding to date	Funding Source (Core/Buy-In)	PACD	Nature and Extent of Mission Mgt.	Rating Category
7)	Legislative Strengthening	$ 600,000	Buy-In/AID/W	6/30/95	Direct/Continuous	N/A

Project Purpose: To encourage effective governance by strengthening the Nicaraguan National Assembly in its legislative functions.

Project Number	Project Title	Total Funding to date	Funding Source (Core/Buy-In)	PACD	Nature and Extent of Mission Mgt.	Rating Category
8) 940-0016	Privatization and Development	$1,852,183	Buy-In/AID/W	12/31/95	Direct/Continuous	N/A

Project Purpose: To provide assistance in the privatization of state-owned enterprises.

Project Number	Project Title	Total Funding to date	Funding Source (Core/Buy-In)	PACD	Nature and Extent of Mission Mgt.	Rating Category
9) 936-3040	RAPID IV	$ 115,866	Buy-In/AID/W	On-going	Direct/Continuous	N/A

Project Purpose: To raise awareness of relationships between population growth and development among Nicaraguan government and political leaders.

B. Supports Strategic Objective and is Beyond Mission Management Capacity:

Project Number	Project Title
N/A	Farmer-to-Farmer Program

C. Does Not Support Strategic Objective:

None

V. Resource Requirements

A. Program Resource Requirements

As noted above, the Mission's strategy has been substantially revised in response to changes in resource availability. Because of the uncertainty in levels of ESF that can be used for activities oriented toward building democracy or leveraging policy change in social or economic sectors, the Mission is highly dependent on adequate levels of Development Assistance to finance a heavily mortgaged project portfolio. As outlined in Table 4. the Mission can finance its ongoing portfolio and planned new activities at the planning levels provided by the Bureau as long as it is not overly constrained by directives. Levels that fall below this, however, mean that project activities would be affected in key areas.

Development Assistance - The Mission requires a minimum DA level of at least $30 million in FY-95 and FY-96 to provide incremental funding to ongoing projects and initiate new starts proposed in this Action Plan. Mission projects that do not address areas previously associated with Congressional earmarks are operating with very low pipelines; DA levels lower than those proposed in the Congressional Presentation would affect critical project activities and/or new initiatives proposed here that are responsive to new Agency directions.

The Mission is concerned that the "directive" process is reducing Mission management and strategic control over the budget that is required for responsible project management. While the Mission has filed budget numbers to meet the directive levels provided by AID/W, these levels are moving the program in directions not consistent with the Mission's program. Hopefully, the Action Plan process will be an opportunity to discuss and agree on those priorities and the budget requirements necessary to support them. The information provided on Table 4 represents the Mission's priorities within levels provided and differs somewhat from the numbers provided for the Congressional Presentation.

Economic Support Funds - The Mission has been informed that there is some possibility of additional FY-94 ESF for Nicaragua and has developed ideas to program these funds if they should become available. The availability of additional ESF this year would likely affect the level of ESF in FY-95 now allocated for commitments to CIAV/OAS and AIFLD. In general in FY-95 and subject to legislative change, the Mission would use available ESF for politically oriented democratic initiatives such as support for police reform or assistance to key institutions under the *Strengthening Democratic Institutions* project which has been funded primarily from ESF. If similar levels of ESF were available in FY-96, the Mission would consider a program of sector assistance to address important sector policies in health, education, environment, or other areas that emerge during the process of implementation of development projects in various sectors.

Food Assistance - The Mission will be completing the final year of its initial *Title III, Food for Development* program in FY-95 and is proposing a follow-on *Title III* program in this Action Plan for FY-96 through FY-98. These programs provide important resources to address critical policy issues in key sectors and finance interventions that help alleviate poverty and finance the activities of local non-governmental organizations.

TABLE 4
USAID/Nicaragua
SUMMARY PROGRAM FUNDING TABLE
Dollar Program
($000)

Funding Category	FY-94 Estimated	FY-95 Requested	FY-96 Requested	
Development Assistance			75% of FY-95	100% of FY-95
Greater consensus on democratic values				
524-0316 Strengthening Democratic Institutions	2,000	1,500	2,500	4,000
524-0318 Development Training	850	1,000	500	850
524-0330 Financial Management Reform	2,000	2,000	400	400
524-0341 Municipal Decentralization & Dev.	2,000	2,000	2,000	3,000
524-0346 Electoral Support	2,000	2,000		
Subtotal: Consensus on Democratic Values	8,850	8,500	5,400	8,250
Improved economic access & opportunity				
524-0315 Private Agricultural Services	1,000	2,000	3,000	3,000
524-0318 Development Training	850	1,000	500	850
524-0347 Rural Savings Mobilization		2,000	1,000	1,000
524-0313 PVO Cofinancing	1,313	1,750	500	500
Subtotal: Economic Access/Opportunity	3,163	6,750	5,000	5,350
Improved market efficiency & performance				
524-0317 Private Sector Support	1,500	2,000	1,500	1,500
524-0339 Economic Policy Analysis & Implem.		2,000	900	1,900
Subtotal: Market Efficiency/Performance	1,500	4,000	2,400	3,400
Improved quality & efficiency of basic education				
524-0329 Basic Education	4,805	1,000	2,500	4,000
Subtotal: Basic Education	4,805	1,000	2,500	4,000
Increased use of environmentally-sound productive and extractive practices				
524-0314 Natural Resource Management		2,000	1,000	1,000
524-0313 PVO Cofinancing	2,584	1,250	500	500
Subtotal: Environmentally-Sound Practices	2,584	3,250	1,500	1,500
Improved maternal and child health				
524-0312 Family Planning Expansion & Reg.	2,000	2,660	2,000	3,000
524-0327 Decentralized Health	2,579	2,840	2,500	3,500
524-0313 PVO Cofinancing	1,271	1,000	1,000	1,000
Subtotal: Maternal & Child Health	5,850	6,500	5,500	7,500
Other				
524-000 Program Development & Support	567	736	747	736
Peace Corps Small Project Asst	20	20	20	20
Subtotal: Other	587	756	767	756
SUBTOTAL: DEVELOPMENT ASSISTANCE	**27,339**	**30,756**	**23,067**	**30,756**

Funding Category	FY-94 Estimated	FY-95 Requested	FY-96 Requested	
			75% of FY-95	100% of FY-95
Economic Support Funds				
Greater consensus on democratic values				
524-0316 Strengthening Democratic Institutions	5,000	2,800		
524-0349 Expanded CIAV Program	2,000	2,200		
524-03?? Democratic Reform - Police		5,000		
524-0339 Economic Policy Analysis & Implem.				
524-0330 Financial Management Reform				
524-0341 Municipal Decentralization & Dev.				
524-0346 Electoral Support				
Subtotal: Consensus on Democratic Values	7,000	10,000		
Improved market efficiency & performance				
524-0333 Economic Recovery & Development I	40,000			
Subtotal: Market Efficiency/Performance	40,000			
Education, Health, Growth or Environment Objectives				
Sector Assistance			9,000	12,000
Other				
524-035 AIFLD Home Improvement Loans	1,000	2,000		
Subtotal: Other	1,000	2,000		
SUBTOTAL: ESF	**48,000**	**12,000**	**9,000**	**12,000**
PL-480 Title III	**13,000**	**13,000**	**11,250**	**15,000**
TOTAL PROGRAM	**88,339**	**55,756**	**43,317**	**57,756**

B. Program Management Requirements - Workforce and OE

The Mission's program outlined above will require that staffing levels remain at least at the level proposed for FY-95 and that OE levels remain steady as well. The Mission has already made adjustments to reach the cuts in USDH and FSN staffing levels required by AID/W and cannot absorb additional cuts without serious ramifications related to management and accountability.

Factors Affecting Workforce and OE Needs

The AID/W-initiated cut of U.S. PSCs has especially affected the Mission because of the unique circumstances involved in operating in Nicaragua and the stage that most projects in the portfolio will be at during the Action Plan period. These factors present compelling reasons to maintain or increase the number of U.S. citizen employees in the Mission:

- **Labor Intensity of an Implementation Emphasis** - During the Action Plan period the Mission will be fully immersed in implementation of its portfolio and will have made the transition from heavy involvement in policy dialogue through balance of payments assistance to an emphasis on a portfolio of projects and local currency activities designed to address the long-term development needs of Nicaragua. The major projects that were designed during the first few years after the Mission reopened will be fully mobilized and new initiatives will largely be outgrowths of those projects.

  With three new projects supporting democracy coming on line in FY-94 and an expanding local currency portfolio which must be tracked with the same rigor as the dollar program, the management requirements for Mission personnel are expanding rapidly. Through the Action Plan period the critical stages of early implementation will need significant staff resources at a time when other projects are in full implementation as well. The Mission has made some shifts in staffing to help address these needs but it simply cannot absorb further cuts without reducing its ability to oversee the program and thus increase its vulnerability.

  As the Mission moves more strongly into implementation of long-term development projects the steadily increasing number of project-funded institutional contractors also increases demands on Mission logistical and administrative support services. These services require sufficient OE funds.

- **Shortage of Skilled FSN Candidates for Key Positions** - As noted in previous Action Plans and Annual Budget Submissions, Nicaraguans skilled in the areas the Mission needs are very scarce and there is heavy competition for their services from the private sector and other donors. While the Mission's training program has helped address many of the Mission's needs. the Mission still has not been able to find qualified FSN applicants for some key positions. As this Action Plan is submitted, the Mission has nine professional level FSN vacancies for which no candidate has

been identified. For example, efforts to fill two critical financial analyst positions and four development interns (who would go through a one year training program with the objective of replacing current USPSC staff) - all senior FSN positions that were advertised widely - surfaced very few candidates that met the minimum qualifications. This lack of qualified and experienced FSNs places an additional burden on U.S. staff who must take responsibility for tasks that experienced FSN staff handle in other Missions. Even when such employees are employed, the U.S. staff must make the additional time and effort available for training.

Having made adjustments in response to AID/W directives, the Mission cannot afford further cuts in its USPSC and TCN staff. Key USPSC positions handling democratic initiatives, private sector activities, and PVO coordination (all project-funded) and a financial management specialist (OE funded) must by maintained as these positions require background and expertise that are unlikely to be found in FSN candidates. The Mission may also need to retain key Third-Country Nationals in the Accounting and Systems Management areas because their skills are not easily found locally and are necessary for the Mission to maintain its management integrity and accountability.

- **Fixed costs** - The Mission has only limited flexibility in dealing with administrative needs associated with a changing program because of fixed costs for rent and other elements of the budget that the Mission cannot generally affect. The Mission's flexibility in dealing with its administrative needs has been further constrained by the FY-94 AID/W freeze on non-expendable property procurement.

- **Building Purchase** - One area of fixed costs that can be affected by USAID and which would represent significant OE cost savings has been repeatedly proposed to AID/W by the Mission. The Mission has proposed the use of program trust funds to purchase the building which the Mission has occupied since 1991. Despite two building appraisals ($20,000) and other measures to validate the assertions of benefit to the U.S. government, the Mission has yet to receive the requested approval. Purchase of the building this fiscal year would provide a significant savings in OE and even more significant dollar savings over the long term. The Mission finds it difficult to understand why this proposal to significantly reduce taxpayer expenditures for Mission administrative costs has not been supported more strongly by AID/W. This would be a tangible measure to show how the Agency is "reinventing government".

  Therefore, at this time, USAID/Nicaragua once again requests approval for the use of up to $2.5 million of local currency Trust Funds for the acquisition of the building complex it presently occupies under a 9 year and 11 month lease. Total rental cost over the life of the lease will be approximately $3.0 million, of which $278,000, $296,000, and $300,000 will need to be paid in FYs 1994, 1995, and 1996 respectively. Based on the severity of the OE cuts that USAID/Nicaragua and the Agency as a whole are facing, there is no better time than now for granting approval of this action. Further delays in approving this **long term dollar saving** initiative will only result in additional dollar costs to the US Government for rent and to the Mission in increased vulnerabilities due to the reductions in other operating costs that must be taken to stay within allocated OE levels.

TABLE 5
USAID/NICARAGUA
OE* Funding Requirements
($000)

OE/TRUST FUNDED LEVELS By Major Function Code:	FY-94	FY-95	FY-96
U100 U.S. Direct Hire	383,778	392,024	377,337
U200 F.N. Direct Hire	51,485	45,948	44,893
U300 Contract Personnel	1,415,580	1,408,523	1,253,059
U400 Housing	835,018	876,769	920,607
U500 Office Operations	910,639	977,304	1,016,329
U600 NXP Procurement	3,500	501,000	375,000
Sub-Total-Core Costs	**3,600,000**	**4,201,568**	**3,987,225**
Downsizing Cost: U100	0	0	0
U200	0	0	0
U300	0	0	0
Sub-Total Downsizing Costs	0	0	0
TOTAL OE/TF Costs *	**3,600,000**	**4,201,568**	**3,987,225**

* Excludes FAAS charges of $39,000 , $40,950 and $42,900 for FY-94, FY-95 and FY-96 respectively.

MISSION STAFFING REQUIREMENTS												
	FY - 94				FY - 95				FY - 96			
	USDH	USPSC	FSN	OTHER*	USDH	USPSC	FSN	OTHER*	USDH	USPSC	FSN	OTHER*
Total FTEs or Workyear	25	13.1	107.5	3.5	22	9.5	114	2.3	22.2	6.2	114	1.0
Of which Program funded		7.7	1.0	1.5		6.7	1	1.0		4.4	1	1.0

* Other = PASAs and TCNs

VI. Mission and AID/W Initiated Issues

A. Building Purchase

The Mission would like to highlight the importance of approval to purchase the USAID building in Managua. This is an issue not only of operating costs and good management of the Mission, but also a question of responsible use of taxpayer money. With available trust funds, there is no reason that dollar resources should be used for ongoing lease payments for the Mission's physical plant. The Mission would like to discuss this issue with appropriate AID and OMB personnel during the Action Plan review.

B. AIFLD Housing Improvement Loan Proposal

The Mission would like guidance on the AIFLD Housing Improvement Loan proposal and whether the Mission should proceed with it as designed or refocus the beneficiary strategy in line with Agency efforts to work with a broad range of beneficiaries. The financial implications of implementing the activity as proposed also need to be discussed.

Strategic Objective Technical Annex

Strategic Objective I: Greater Consensus on Democratic Values

This Strategic Objective (SO) was deemed by the Mission to continue to be the highest priority SO and with currently planned resource levels, well within its manageable interest. The Mission has moved forward in determining indicators that would be used to get some idea of progress toward both the strategic objective and the program outputs. The Mission has hired Gallup Inc. to undertake a comprehensive survey looking at knowledge, attitudes, and practice in relation to democracy in Nicaragua. The initial pre-tests have been completed and preliminary data is available. The final survey should be completed by the time the Action Plan is reviewed, although final data may not yet be available. Though there will be some revision once the Mission can review this final data, the Mission is proposing indicators based on the survey instrument that is being used. In addition, some data from a less comprehensive survey work done in 1992 in Nicaragua by the University of Pittsburgh was included as part of country comparison data in a report on *Guatemalan Values and the Prospects for Democratic Development* by Development Associates. In some cases, similar questions to those included in the 1994 USAID/Nicaragua survey provide an earlier baseline. The Mission will develop targets once the final data is obtained from the survey.

The Mission has also attempted to be responsive to comments made at last year's Action Plan review that the Mission's presentation of indicators in the democracy area would tend to move slowly and may not capture the progress and activity of projects in this sector. Therefore, as suggested, indicators that represent project outputs are also included.

Strategic Objective Level: Greater consensus on democratic values

Survey questions that deal with both the overarching support for democracy and civil liberties and key value areas that do not now have broad consensus in Nicaragua were selected as indicators for the strategic objective. The question on support for democracy asks for respondents' overall preference for a system of government given various alternatives. The questions on civil liberties involve respondent's willingness to extend certain civil liberties to individuals who are part of a group they most dislike. Areas of relatively low or questionable consensus concern the importance of party competition (based on pre-test survey data).

Program Output: Greater promulgation and understanding of democratic values

In anticipation of an expanded civic education effort that will use the media and civic organizations, the USAID/Nicaragua survey will establish a baseline and measure the number of respondents who indicate they have received information on democracy via these means. Project-level data regarding the teachers trained in the civic education effort and union members trained as part of support to democratic unions is also included.

Program Output: Greater confidence in democratic institutions and processes

Indicators here include measures of pride and support for the Nicaraguan political system as distinct from democracy in the abstract. The survey also will measure confidence in specific democratic institutions; the level of confidence in certain selected institutions critical to progress toward the strategic objective will serve as indicators. Since the USAID/Nicaragua survey questions are slightly different than those used by the University of Pittsburgh the indicator may be revised slightly after the final survey is completed. Another indicator will come from an index of responses regarding the efficacy of democratic government in Nicaragua in relation to alternative types of government as regards various policy issues (employment, inflation, education, etc.).

Strategic Investment II: Increased Foreign and Domestic Investment

The Mission has decided to eliminate this SO due to an anticipated lack of financial resources to affect this objective on the policy level and U.S. government policy restrictions. The passage of Section 599, now Section 547, of the Foreign Assistance Act and corollary AID policy guidance has significantly restricted A.I.D.'s ability to provide support to investment promotion activities. Further, the anticipated decreased in the level of ESF will not provide sufficient leverage to assure macroeconomic policy changes affecting the investment climate. Hence, we believe at the present time that the current SO is no longer within the Mission's manageable interest. Yet, the Mission has been and will continue to contribute to stabilization of the economy, liberalization of the financial markets and revitalization of the private sector through policy dialogue and with resources under the EPAI and PSS projects. Given the successes to date and in light of reduced funding and legislative restrictions, the Mission is now turning its attention to improving the efficiency and performance of the new market economy. Thus, the new Strategic Objective has been more narrowly defined as:

Improved Market Efficiency and Performance

Strategic Objective Level: Program indicators under the strategic objectives were selected to reflect the best measures of outcomes related to fully functioning, liberalized and non-restricted commodity, capital, labor and foreign exchange markets. For us, the most obvious outcomes are increased productivity and exports.

Hence the Mission has decided to track the growth of both agricultural productivity and exports. These indicators are being addressed under the *Private Agricultural Services* project.

Hence, the program outputs under this SO are as follows:

1. Increased Role of Private Sector in the Economy

This output is a continuation of the work initiated under the *Private Sector Support* project as reported in the last Action Plan. The Mission will continue to work closely with the Central Bank and local private banks to strengthen their capacity to lend under the prudential norms of the Superintendency of Banks. While many privatizations have been accomplished to date the government still controls many key enterprises - ports, telecommunications, marketing of basic grains and sale of petroleum. This output will track the gradual divestiture/privatization of selected key enterprises.

2. **Policy Environment Oriented Towards Broad-Based Growth**

Typical distortions in the efficient functioning of Nicaraguan markets have historically included a large fiscal deficit, a lengthy list of import and export restrictions, and a high level of inflation. While the Mission's leverage with regard to dealing with these issues is decreased without ESF, with the *Economic Policy Analysis and Implementation* (EPAI) project we will continue the dialogue in these areas.

3. **Reduced Transaction Costs**

Under the PAS project, we will measure the reduced transaction costs to export for non-traditional agricultural exports as well as the volume of exports processed through the Ventanilla Unica. This "one-stop shop" for exports will have a highly streamlined, one fee system to facilitate the processing and approval for exports.

Indicators under these outputs were selected based on relevance to these outputs, availability of data, and relationship to the Mission's Portfolio.

Strategic Objective III: Increased Competitiveness, Diversification, and Participation in the Economy.

Excellent progress was made in the last year in diversifying and expanding the private financial system, increasing agricultural productivity, and developing a secondary financial market through the introduction of a "Bolsa de Valores". Nonetheless, given reduced budgetary levels and the increasing need to meet Agency directives, it was determined that this was no longer within the Mission's manageable interest. Hence, the Mission has revised this strategic objective to read:

Increased Access to Economic Opportunities

Program outputs include greater attempt to broaden access by all levels of society to capital, technology, labor, training, property and, land. They are as follows:

1. **Improved Private Sector Transfer of Technology**

The Mission will track this Strategic Objective under the PAS Project and to a lesser extent, the *Private Sector Support* project through the increase in members in business and private agricultural organizations. The Mission believes that the technical assistance and support to these organizations will increase membership and the TA provided will result in new and improved technologies being utilized.

2. **Efficient and Equitable Financial System**

The *Private Sector Support* project will provide technical assistance and training to the nascent private banking sector in order to provide services to an expanded client base. Under the *PVO Co-Financing* project, USAID will be funding several microenterprise proposals that will greatly expand the number of loans to small producers.

3. **Increased Opportunity for Employment and Ownership of Productive Assets**

Through our PAS Project, AID hopes to be generating long-term employment through the growth of the non-traditional agricultural sector. Short-term employment will continue to be generated under the *Employment Generation* project. The establishment of a Bolsa in 1993 and the prospects for further development of secondary financial markets that open the prospects for ownership to a broad variety of Nicaraguans are an important step that the Mission will assist in. Finally, the number of loans to small producers will be tracked under our *PVO Co-Financing* project.

Strategic Objective 4: Improved Quality and Efficiency of Basic Education.

This objective remains the same as last year, but because it has now been incorporated under the new Agency goal of "Economic Growth", it has been moved up to be included as the Mission's fourth Strategic Objective. Program Outputs and Indicators under this SO also have not been changed, although in some cases the planned targets have been revised to accommodate meeting objectives earlier than anticipated. The only indicator where data is not yet available is the "percentage of children with passing scores for achievement tests". This data is not normally collected by the Ministry and will be included in baseline surveys to be conducted under the *Basic Education* project sometime in mid-1994.

Strategic Objective 5: Increased use of environmentally sound productive and extractive practices.

There is no change to this SO nor to the related program outputs or indicators. The only indicator which we are not able to be quantitatively precise is the "rate of deforestation". This indicator is based on reports from the National Forest Service and is a rough estimate based on sample surveys of forest areas throughout the country.

Strategic Objective 6: Improved Maternal and Child Health

Although we have made several revisions in indicators, the SO and program outputs remain the same as last year. In reviewing the indicators, we determined that Total Fertility Rate was a more appropriate indicator for the Strategic Objective, and therefore moved contraceptive use prevalence (CUP) to the lower level program output of "Increased use of preventive/primary health care practices." CUP will also be measured by another survey in 1997 and hence couple years of protection will be used in the intervening years. Other minor changes were made in the indicators in order to more accurately reflect what we wanted to measure or due to the unavailability of data. These are as follows:

1. Infant Mortality- An additional year (1997) was added to the indicator on this matrix because another complete survey of infant mortality will not be done until that time.

2. Maternal and Child Health Consultations at Public Health Facilities- This indicator was changed to read " Well baby visits at public health facilities". The original indicator included all consultations at health facilities, including due to illnesses. Rather than measuring increased primary health care coverage, it could also have measured increasing morbidity. Thus, the Mission chose to substitute this new indicator to more accurately get at an awareness of the need for preventative health care and the access to the public health system. Since this relies on service statistics a baseline figure and targets will be developed as soon as the DHS Project Management Information System is established.

3. Immunization Coverage- The targets under this indicator have been revised since we have already exceeded the original targets for the planning period. While the high coverage achieved last year may drop slightly this year due to expanded interventions in the campaign, it is expected to continue to rise to 90% and then be maintained.

4. Percentage of MINSA Budget Decentralized- It was determined that another critical indicator of "sustainable primary health care services" was the level of Government of Nicaragua decentralization of budgetary support to local levels (SILAIS). The impact of this decentralization is a now efficient resource allocation at the local level, principally primary care facilities. Hence, this indicator has been added.