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USAID/NICARAGUA STRATEGY FOR 2000

AND FY 1997 ACTION PLAN

Managua, Nicaragua
April 30, 1995

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PROGRAM OUTCOME: More families using preventive health care

INDICATOR: Percentage of population at risk for HIV/AIDS using condoms

UNIT: Percentage of population at risk

SOURCE: Behavioral research, Family Health Survey

COMMENTS: Baseline survey will be conducted in 1995. The FHS underestimates condom use in general. If a woman was using oral contraceptives and condoms at the time of the survey, she would be recorded as using only orals. The AIDSCAP and CDC studies will provide more accurate baseline data.

	YEAR	PLANNED	ACTUAL
BASELINE	1993		
	1994		
	1995		
TARGET	1996		
	1997		
	1998		
	1999		

PROGRAM OUTCOME: More couples using modern family planning methods

NDICATOR: Percentage of married women aged 15-49 using contraception

JNIT: Percentage using contraception

SOURCE: Family Health Survey

OMMENTS: Next survey scheduled for late 1997. Data vailable in 1998.

	YEAR	PLANNED	ACTUAL
BASELINE	1992	------ ----------	49%
TARGET	1993	50%	
	1994	51%	
	1995	52%	
	1996	53%	
	1997	54%	
	1998	55%	
	1999	56%	
	2000	57%	

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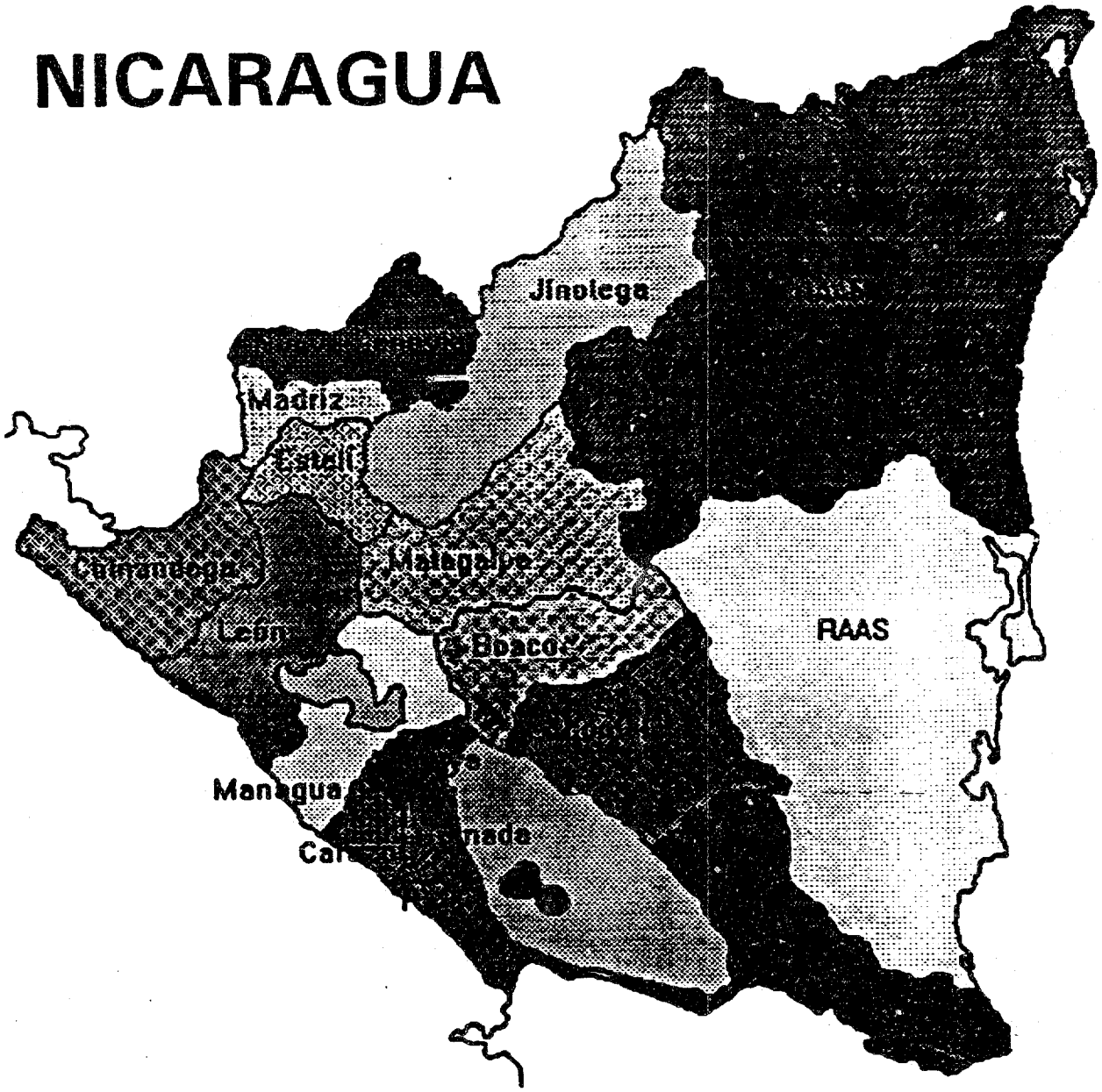
NICARAGUA


Jinotega
Madriz
Estelí
Chinandega
Malagalpe
León
Boaco
RAAS
Managua

SUMMARY

Nicaragua is at a crucial crossroads in its historic transition to democracy and a free-enterprise economy. How the 1995 constitutional crisis is resolved and how fast new jobs are created along with other tangible improvements in the lives of the average citizen will be determining factors in the success of this transition. The next one and a half years leading up to the 1996 National Elections are critical, if a peaceful transfer of power to a newly elected administration is to take place and democracy is to be consolidated.

The decade of the 80's -- characterized by civil war, a socialist dictatorship, economic mismanagement, state control of most economic activity, expropriation of private property, misdirected public investment and neglected infrastructure -- precipitated a 40% decline in per capita GNP, destroyed free enterprise, and caused hyperinflation. While the decade did bring more equitable land tenure and wider access to health and education services, much remains to be done to consolidate these gains. The 1990 election of President Violeta de Chamorro brought an end to hostilities, introduced democratic principles and policies and launched a bold economic reform and liberalization program. Since then, the Chamorro administration has made significant strides in reconciling a highly polarized society, in getting democratic institutions to function while stabilizing the economy and reactivating growth (3.2% in 1994, the best growth in a decade). But Nicaragua's democracy remains fragile and its economic transformation is far from complete.

U.S. foreign policy interests in Nicaragua have historically been high. Current U.S. interests lie in seeing Nicaragua succeed in its democratic and economic transition. Such success can bring prosperity to Central America's poorest country and help it integrate into the regional economy. This will contribute to lasting peace and political stability in this troubled region, while facilitating expanded trade and investment between the U.S. and Nicaragua, in the spirit of the Summit of the Americas.

The background Nicaragua 2000 analysis identifies the daunting development challenges Nicaragua faces in creating a stable, democratic and prospering country. On the democracy front these include reducing polarization, carrying out free, fair, and transparent elections in 1996, establishing the rule of law and protecting human rights as well as private property rights, exercising civil control over the military, building a strong and well informed civil society in an authoritarian culture unfamiliar with democratic values and practices, and improving government performance through leaner and better public administration.

On the economic front, Nicaragua must stay the course of economic reform, increase its competitiveness, expand its exports, conclude key privatizations like TELCOR and ENABAS, reactivate agriculture, quickly resolve outstanding confiscated property

claims, clarify and simplify trade and investment regulations, attract foreign investment, rehabilitate infrastructure, reduce external debt, arrest rapid environmental destruction, create jobs for a rapidly growing labor force, and assure broad participation in the benefits of economic growth.

On the social front, Nicaragua must reduce widespread poverty, provide a relevant education to the new generation, stabilize high population growth, expand primary health care and address malnutrition problems to reduce the high death rate among infants.

U.S. foreign assistance has already contributed significantly to Nicaragua's democratic and economic transitions through its exceptional assistance of over $880 million since 1990 in balance of payments support, democratic strengthening, economic reactivation, social development activities, and food aid. Continued U.S. assistance on a more modest scale is vital to helping Nicaragua consolidate the transition in the next several critical years. As a sustainable development country, Nicaragua also merits our continued strong support because of its widespread poverty, its commitment to democracy and economic reform, its high economic potential, and its good economic performance. Nicaragua is also a member of the Central American Alliance for Sustainable Development with which we have joined in partnership to help achieve regional goals.

Changing country conditions, reduced budget resources, and refocused agency priorities called for a revised assistance strategy based on policy priorities reflected in the US Mission's program plan and Agency priorities. The Mission followed a broadly participatory process in formulating its new strategy. This approach not only produced a highly focused and tailored strategy, but one which has U.S. Mission wide ownership and broad support among our PVO, Government and donor partners.

The resulting strategy aims at helping consolidate the democratic and economic transitions by concentrating on three strategic objectives:

1) promoting more political participation, compromise and transparency through programs directed at

- greater protection of human rights
- efficient and transparent election mechanisms
- strengthened civil society
- more accountable and responsive government

2) stimulating sustainable growth in employment and income through programs directed at helping

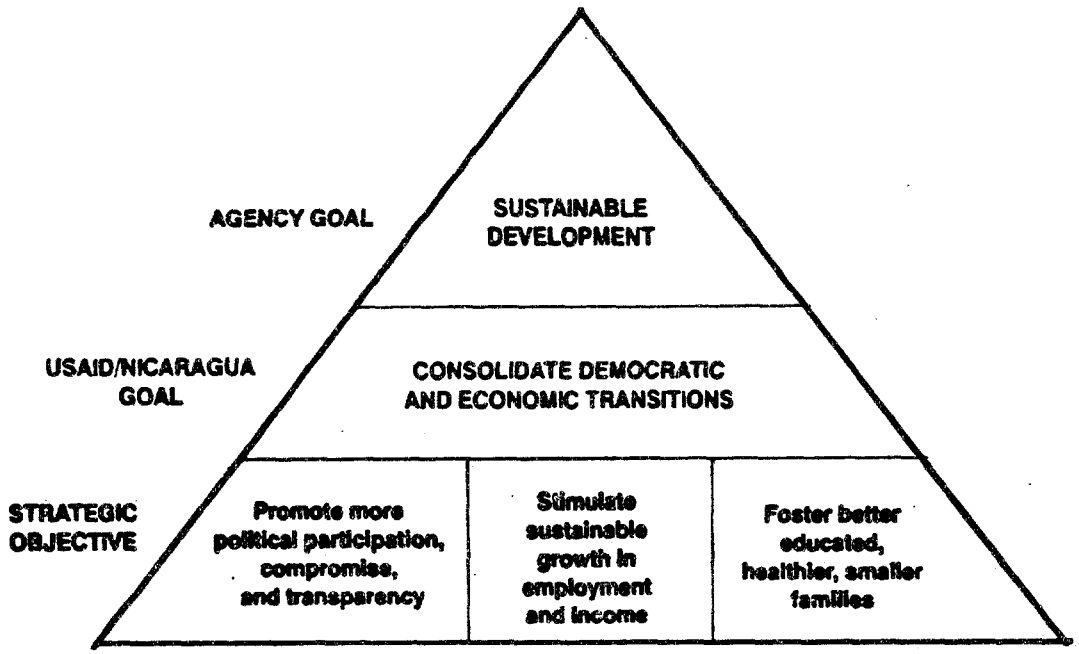
- small farmers market more and diverse products

- markets work better
- micro-enterprise and off-farm employment expand
- financial markets respond to savers' and investors' needs
- make more rational use of natural resources

3) fostering better educated, healthier and smaller families through programs directed at assuring

- children receive a higher quality primary education in fewer years
- families are better nourished
- more families are using preventive health care
- more couples are using modern family planning methods

This strategy can be portrayed as follows:



This strategy continues the shift begun in January 1994 from macro-economic stabilization and growth to key sector assistance designed to address sustainable development problems and help smaller producers and the poor participate more fully in the benefits of economic growth. Limited funding projections in the $25-30 million a year range confine us to making the most of the existing portfolio of 14 projects to implement this strategy.

We have already consolidated our democracy activities to adjust to the 50% cut in FY 95 ESF and its planned discontinuance in FY 1996. We are amending The Strengthening Democratic Institutions Project to include an electoral support component with the support of the Global Bureau, while foregoing and trimming back on other activities.

The most important new emphasis will be on small farmer productivity and diversification, which will entail our single new project start in FY 1995, The Rural Credit Unions Project. We will also orient implementation of our Private Agriculture Services Project to this purpose. We will also use our Municipal Decentralization and Development Project to support secondary city development as part of the rural transformation process and off farm employment generation. We are also expanding our micro-enterprise program with support from the Global Bureau.

Our human development portfolio is in full implementation and directly advances our strategy. We are proposing a new PL480 Title II feeding program to help address malnutrition and complement our other child survival activities in the most impoverished areas of the country. We also plan to step up our AIDS prevention activities enlisting regional and Global funding.

In the out years we plan Phase II or follow-on projects in the same program areas we are now implementing except for a new Social Policy Sector Program to replace PL480 Title III generated local currency safety net programs.

The feasibility of implementing this strategy, given very limited funds, rests on the fact that Nicaragua is a small country of approximately 4.4 million people where the U.S. has great access and influence with Nicaraguans and high leverage with other donors. We are increasingly aware of what is driving the country's development dynamics and can offer substantial intellectual and technical resources to make up for limited financial resources.

Having recently undertaken a gender analysis of the portfolio, the Mission has heightened its gender awareness. We realize that gender is not a separate strategic area; gender-based issues are inherent to most development issues, particularly those that involve attitudes, behavior and direct participation by or benefits to people.

The Mission will implement this strategy reorganized around the three strategic objectives and with a staff of 23 USDHs, 11 USPSC/TCNs, and 128 FSNs. We will press ahead with agency reengineered systems, having already introduced a Windows environment, begun staff training, and initiated plans for phasing in reforms and bringing our host country and PVO partners into the process. Meanwhile, we will continue to insist on transparent accounts and tight controls on funding with local counterparts and implementing agencies. We will coordinate closely with other donors in pursuit of our strategic objectives. We will monitor performance and measure impact against our contract with the LAC Bureau, using mutually agreed upon performance indicators and a fully integrated information management system.

We will be guided by enthusiasm, entrepreneurship and excellence in our quest for sustainable development results.

Nicaragua in Perspective

As can be seen in these comparisons, Nicaragua falls well below the Central American average, and is close to Haiti, in most economic indicators. Nicaragua stands out for its exceptionally heavy debt burden, the highest unemployment in the region, and GDP per capita lower than all but Haiti. Social indicators are better but still below the Central American average.

	CENTRAL AMERICA							
	NIC	GUA	SAL	HON	CR	AVE	HAITI	GUYANA
INDICATOR								
Average GDP growth rate (1991-93)	-0.1%	4.2%	4.5%	4.2%	5.3%	4.6%	-4.0%	7.1%
GDP per capita (1991 or 1993)	$425	$930	$1,080	$580	$1,850	$1,110	$370	$430
Average CPI inflation rate (1993)	19%	13%	19%	11%	22%	16%	13%	12%
Exports as a percentage of GDP	15%	18%	15%	31%	39%	26%	6%	NA
Debt stock as a percentage of GDP	508%	18%	36%	100%	52%	52%	39%	866%
Urban population as a percentage of the total	60%	40%	46%	45%	48%	45%	29%	34%
Urban unemployment rate	24%	7%	8%	9%	6%	7%	NA	NA
Population growth rate	2.7%	2.9%	2.3%	2.8%	2.3%	2.8%	1.8%	-0.6%
Total fertility rate	4.8	5.6	3.8	5.1	3.2	4.4	6.0	2.6
Infant mortality rate (per thousand)	58	73	41	50	15	45	105	48

Sources:
(1) AID, *Latin America and the Caribbean: Selected Economic and Social Data*, May 1993 and May 1994.
(2) Word Bank, *World Development Report 1993*.
(3) Central Bank of Nicaragua, *Indicadores Económicos*.

I. DEVELOPMENT PROGRESS AND CHALLENGES

The Mission's detailed analysis of Nicaragua's challenges in developing a stable democratic, prospering Nicaragua is contained in the Nicaragua 2000 background report. This analysis is the result of in-depth research and wide consultation with local think tanks, opinion leaders, PVOs, donors and government representatives. Its key conclusions are summarized in this section.

KEY CONCLUSIONS:

Nicaragua is five years into a historic transition, from war to peace, dictatorship to democracy, a statist command economy to a participatory, competitive, export-led economy based on private initiative and enterprise.

The Chamorro government has made significant strides in reconciling a highly polarized society, in creating political stability and in getting democratic institutions to start to function, while stabilizing the economy.

Nicaragua is handicapped in its quest to be a stable and prosperous country by: inefficient public administration, political polarization, disrespect for human rights, disputed property ownership, residual inflationary expectations, weak markets, a weak financial system, limited new private investment and new job creation, serious environmental degradation, high birth rates, and inadequate education for an informed and productive citizenry.

Nicaragua faces two major challenges in consolidating the democratic and economic transitions:

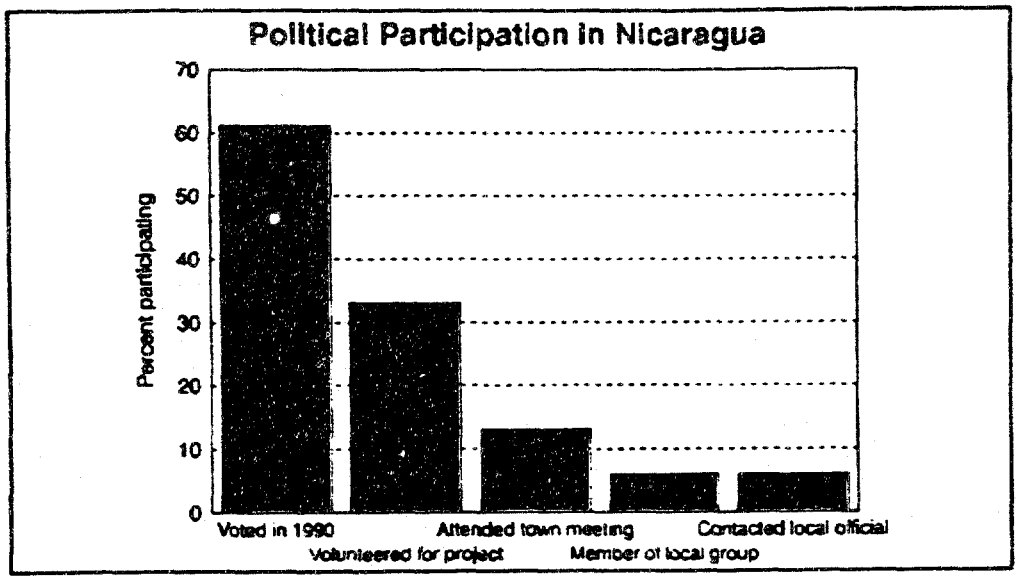
- conducting successful national elections in 1996 and peacefully transferring power to a new administration, and

- sustaining and deepening economic reforms so as to generate sectoral growth, create jobs faster and reduce widespread poverty.

CONSOLIDATING DEMOCRACY

Nicaragua has made important progress on the path from dictatorship to democracy. The elections of 1990 brought Violeta Chamorro to the presidency and inaugurated a democratic system. Nicaragua is still in transition and must make additional progress over the next few years to consolidate a democratic system of government and build a pluralistic society. To consolidate democracy, Nicaragua must address the following major challenges:

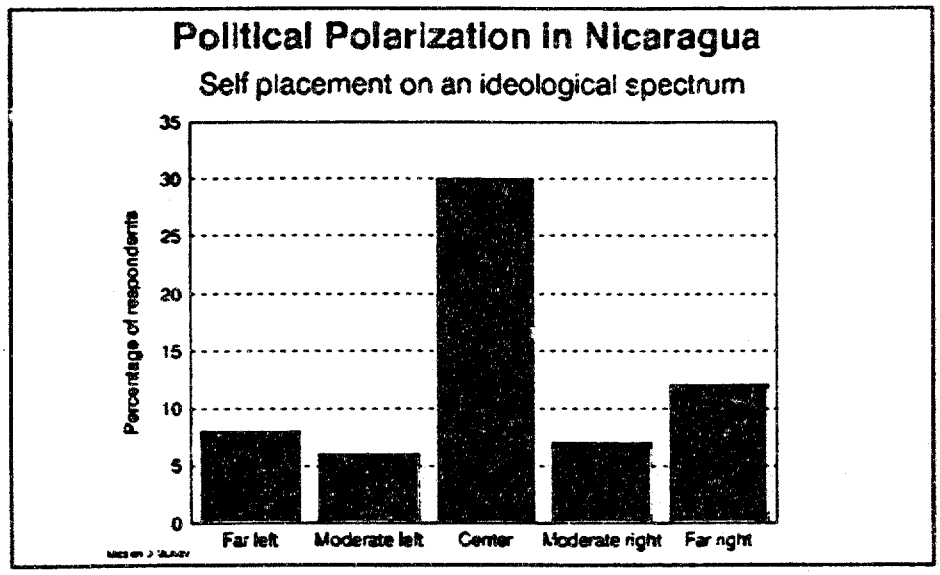
Increasing political participation - The election in 1990 was widely viewed as free, fair, competitive and transparent. The 1996 national elections will be the next important test in establishing such elections as the norm. Political fatigue after the mobilization of the 1980's and economic difficulties may curb political participation at both national and local levels. This may account for the relatively low levels of political participation evidenced by data from the Mission's 1994 Democracy Survey. Nicaraguans have little confidence in political parties and a high level of disdain for Nicaraguan politicians. Leadership renewal will be important to move toward political parties that play a constructive role in voicing and prioritizing the people's interests, building support around clear platforms, and mobilizing citizens. Rebuilding and strengthening interest groups such as organized labor or producer associations can also provides mechanisms for citizen participation.



Increasing respect for human rights - Though the number of new human rights violations are declining, significant human rights cases remain unresolved. The government's failure to act on these cases undermines its credibility and puts into questions its commitment to human rights. Human rights problems involve continued political kidnappings and murders; extrajudicial killings, torture, and persistent mistreatment of detainees by security forces; and violence by paramilitary bands in rural areas. Furthermore, gender-based violence, or the threat and fear of it, is a powerful force inhibiting much of the Nicaraguan population from free and full exercise of its rights and from equal participation in society.

Establishing civil rights and rule of law - The Chamorro Administration has dramatically changed the climate of political discourse in the country since 1990 by allowing complete freedom of the press, freedom of association, and official tolerance of opposing points of view that have created an open society where diverse options are openly debated. Rule of law is compromised, however, by the apparent impunity of military and police accused of human rights violations and other crimes, lack of action against corruption, lack of progress in resolving property issues, armed groups in the country-side, criminals acquitted of crimes with solid evidence against them, and growth of crime in urban centers.

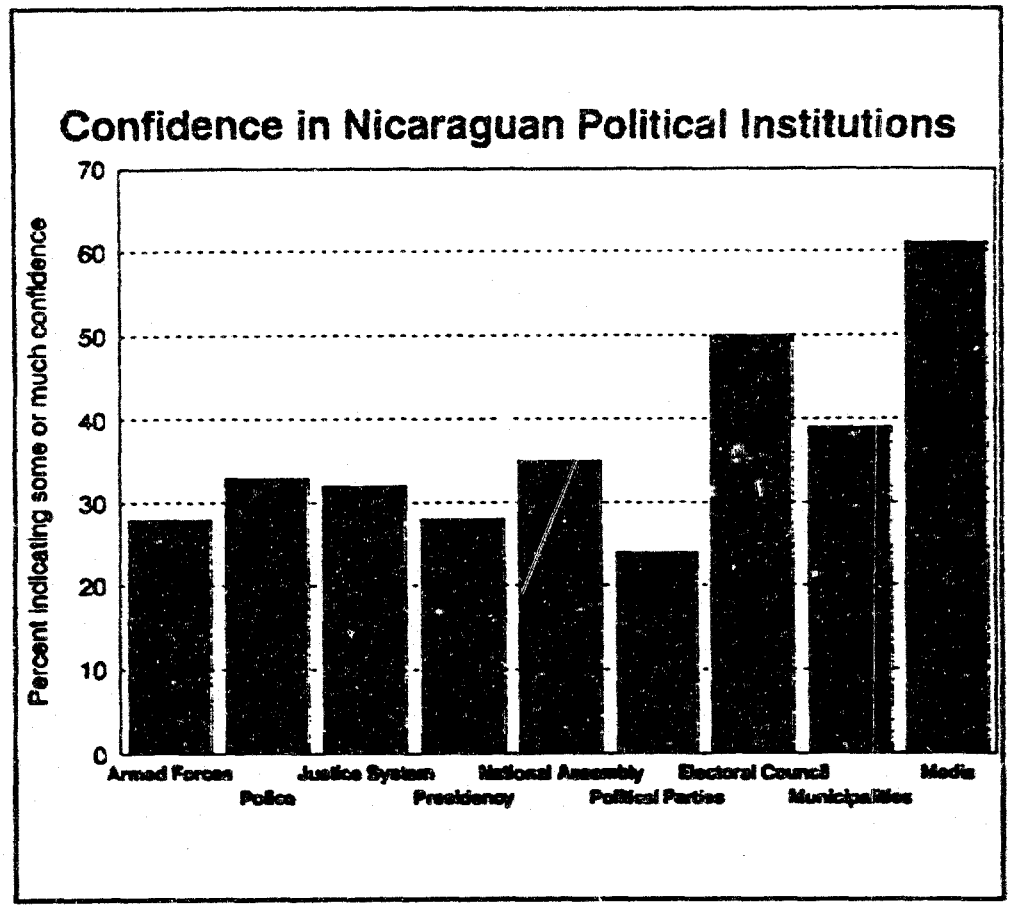
Reducing political polarization and building a civic culture - Nicaragua's cultural legacy is primarily authoritarian and centralist - from the days of Spanish colonialism and oligarchic rule through the Somoza and Sandinista periods - and has not served to develop the values and attitudes which nurture and support democratic systems of government.



Nicaraguans have very little experience with democratic government and most have only a superficial understanding of democracy and its attributes. As can be seen in the above graph down from the 1994 Democracy Survey, the civil war and heavy ideological rhetoric of the recent past created a highly polarized political environment that has been only partially moderated over the last five years. This polarization affects the workings of almost everything but is most keenly felt in the gridlock associated with efforts to substantively address fundamental economic and political problems facing the country. Recent splits in the FSLN and UNO coalition create new uncertainties as well as potential opportunities for centrist alliances. Coalitions or mergers of the more than 25 disparate parties will contribute to reduced polarization and stability in the political system. The media must become less ideological biased and support more professional journalism.

Improving economic performance - Though the Chamorro government has brought about dramatic changes in the economic and political framework of the country, most Nicaraguans have seen little or no improvement in their economic situation as a result of a democratic government. If the perception grows that democratic governments have not brought tangible improvement to Nicaraguan citizens, it could undermine the legitimacy of democracy.

Increasing confidence in government institutions - The 1994 Democracy Survey revealed relatively low levels of citizen confidence in government institutions. Nicaraguan government ministries and agencies lack skilled, trained, and experienced staff, adequate equipment, effective management systems and procedures, and sufficient budgetary resources to carry out their mission and functions. These constraints limit the ability of government to develop appropriate and workable policies and implement them, deliver services, and provide regulatory functions to assure access and competition and protect resources and minority groups. Nicaraguans believe that there is a great deal of corruption in government and the press has provided numerous reports of corrupt practices.



Civilian control over security forces - A major reduction in the size of the armed forces (from 80,000 to 15,000), the departure of Humberto Ortega as chief, and reform of the Military Code represent important steps toward greater civilian control over the armed forces but should be complemented by the creation of a civilian ministry of defense. Separation of the police from the military is an important step but concerns remain about the effectiveness of the police in addressing security issues throughout the country.

Improved functioning of the judicial system - Lack of faith in the justice system as an institutional means of resolving conflict means that Nicaraguans often take justice into their own hands which contributes to continued violence in the society. Nicaragua is in urgent need of modernization of its administrative, penal, and criminal codes. These legal reforms need to be complemented by administrative reforms that improve the efficiency of the system.

Responsive legislature - The recently-passed -- though still contested -- constitutional reforms place greater responsibility on the legislature to play an oversight role and confront the key issues facing Nicaragua. To do so, the legislature must improve its institutional capabilities by improving its staff and research resources and its administrative capacity for tracking and monitoring legislation.

Effective executive - Violeta Chamorro has used the presidency to promote reconciliation and heal the wounds of war and has used its decree and budgetary powers to promote broad reforms in various sectors. The inability of the Executive Branch to build generalized support for its efforts probably stems from its lack of a political base and the difficulty in producing short-term results given the difficult economic circumstances facing Nicaragua.

Strengthened municipal government - Municipalities face a series of constraints to using the decentralized authority available to them that include poorly developed participatory processes at the local level, resource limitations, and lack of skills and experience in finance and administration. Though municipalities have the authority to exercise substantial financial independence and autonomy, they have been unable to raise sufficient resources to meet their needs for even basic services.

In summary, further progress in consolidating democracy depends on:

Free, fair, and transparent elections - Successful elections in 1996 and a second peaceful transfer of power to civilian government will be critical to a more sustained and stable democratic system. Carrying out these activities will contribute significantly to establishing the legitimacy of democratic government, renewing political leadership, increasing participation, and building key elements of a democratic political culture.

Establishment of rule of law - Elections, however, do not specifically address the critical issue of performance by democratic government. Nicaragua's elected governments must demonstrate progress in creating a rule of law that protects basic human rights. One of the keys to improved performance will be resolution of property issues which have both political and economic ramifications. Action to redress human rights violations and professionalization of all parts of the judicial system, including the police, will also be critical factors.

Improved economic performance- There must be some economic improvement for Nicaraguans at all socio-economic levels to demonstrate the value to a democratic society of a democratic system.

The building of a civil society - Among the factors that most contribute to a successful democracy are the educational level of the citizenry and the presence of civic and other non-governmental organizations representing people's interests, especially at

local levels. One of the most important investments that can be made toward the long-term viability of democracy in Nicaragua is the education of its citizens.

TRANSFORMING THE ECONOMY

The Sandinista legacy Nicaragua emerged from the 1980s decapitalized, with falling output, rising population, and a serious poverty problem that was growing worse. Despite two attempts at stabilization in the late 1980s, inflation in 1990 was over 11,000% (about 50% per month). The Sandinista government managed most of the economy — including all agricultural marketing, all foreign trade, all the economy's financial institutions, and a large share of the manufacturing and services sectors. The Ministries had been stripped bare by the departing administration and the 1990 fiscal deficit was heading toward 28% of GDP. A third of all agricultural land and a large number of urban homes and businesses had been either confiscated as a penalty for prior allegiance or expropriated for purposes of redistribution, but without compensation or titling. Exports had fallen by two thirds, the external debt was five times the country's annual income, and the Sandinista government had lost all support from the international financial institutions.

Reconstruction, reform and recovery In 1990 the Chamorro Administration was clear about its directions. Nicaragua's decapitalized economy had no idle capacity that could quickly be put back to work to give people jobs and incomes. The only option was to attract new capital investment, which could only be done by eliminating the state's monopolies, ensuring private property rights, and reestablishing financial stability.

Upon taking office in 1990, the Government of Violeta Chamorro immediately put in place a serious economic adjustment and restructuring program designed to create the policies and incentives needed to sustain macroeconomic stability and export driven, private sector led growth. The program encompassed the following key elements:

- macroeconomic stabilization;
- improvement in the balance of payments gap through liberalizing trade and removing tariffs and other barriers to trade;
- promoting investment and resolving property insecurity issues;
- privatizing and reform of the financial system; and,
- reduction of the external debt burden.

By the end of 1990, the Government of Nicaragua (GON) negotiated a working agreement with the other political parties and the military. This, and a large amount of foreign aid, allowed it to demobilize much of the army and the resistance, reduce the size of the government, stabilize government finances, and eliminate hyperinflation in the

course of 1991. In 1992, private financial institutions were established. In 1993 the Government established an administrative structure to deal with conflicts over confiscated property and began to reestablish the security of private property rights. A large number of enterprises were privatized, the state monopoly over foreign trade was broken, and import taxes were moderated.

This strategy began to show its first results in 1993. Unfortunately, the external environment was exceptionally difficult in 1993. Despite a difficult external environment, a sharp fall in foreign aid and the loss of one of its major export crops — cotton, and a third consecutive year of dry weather, exports grew in 1993 by over 20% in dollar terms, and the Government estimated that overall national output remained steady. In 1994, the economy grew at an estimated 3.2%, inflation was down to 12%, exports expanded by another 29%, non-traditional exports soared 57%, and agriculture grew at 7% despite the drought.

Assuming that the Government continues its reform program most observers agree that Nicaragua has good potential to grow, generate jobs, and create a good standard of living for the people. The question is how it can more directly support investment, growth, and export development in specific sectors of the economy.

Remaining Challenges

Too Few Jobs This short period of growth was not nearly enough to undo over a decade of decapitalization. Growing population, the elimination of unproductive public-sector positions, slow agricultural recovery, lagging and hesitant private sector investment resulted in growing unemployment, underemployment, or reliance on low-productivity work in the informal sector, as formal private-sector job creation was not expanding fast enough to absorb new job seekers.

Lagging Private Investment Furthermore, as of early 1995 a number of major reforms had still not been completed. Despite substantial groundwork, the telecommunications and energy sectors still lack the regulatory framework required to allow substantial private investment. Much of the resolution, compensation, and titling of disputed properties remains to be accomplished. External-debt negotiations have made progress, but the bulk of the debt is still there. The Government still has too many unproductive employees, unsustainably low wages, a perceived commitment to cheap credit through state-owned financial institutions, and a large unfunded obligation to compensate the property owners expropriated by the previous administration — all of which could at any time begin to reverse the fiscal improvements upon which all financial stability and private-sector growth since 1992 have been based. Furthermore, relatively little progress has been made toward putting the tax base on more solid ground. All this contributes to a risky investment climate and to low investor confidence.

Uncompetitive Industry Industrial production has traditionally accounted for 20-25% of Nicaragua's GDP and 14% of the workforce. Production is dominated by the food product and beverage industries, which, according to 1993 estimates, accounted for 39% and 26% of total industrial output, respectively. The next highest contributors in 1993 were tobacco (8%), non-metallic mineral processors (6%), petroleum derivatives (5%), chemical products (3%), and textiles (3%).

Steady growth rates for Nicaraguan industry were sharply interrupted by the revolution and Sandinista rule. Industrial production actually fell from the late 1970s through the early 1990s. Most factories were badly mismanaged during the 1980s, with little capital investment and no introduction of new technology. Reactivating these businesses over the past five years has been closer to starting from scratch than reshaping a going concern. Recovery has been slow.

Since 1990 Nicaragua has overhauled its trading regime, liberalizing marketing, reducing tariff levels, and shifting trading partners. After a decade of trade embargo, U.S. goods now account for one-quarter of Nicaragua's imports and the United States is the destination for 40% of Nicaragua's exports. Only the importation of key products such as petroleum, and telecommunications equipment remain in the hands of the State. Legislation to privatize TELCOR, the State telecommunications company, is currently under review by the assembly.

A 1994 study characterized the effective rate of protection for industry at 40% with the benefits of protection felt more by larger firms. The existing tariff structure is clearly biased against small and medium firms that do not import directly, but must buy imported products to produce.

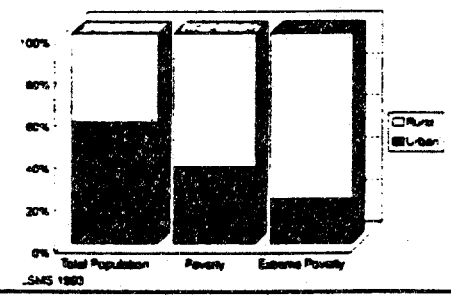
Unsustainable environmental exploitation The population cannot continue interacting with the environment in the present fashion, threatening resources that form the economic base of the country. In recent years deforestation rates have exceeded 100,000 hectares per year and, left unchecked, will result in the virtual elimination of broad leaf tropical forests within 15 years. Internal migrations drive both the destructive expansion of the agricultural frontier and the growth of urban environmental ills. Protected areas remain vulnerable to degradation.

For example, Nicaragua has a large indigenous population who are largely rural, reside in or near protected areas, and have special historical claims to their lands that are being challenged by the new agricultural frontier expansion. Nicaragua contains important reefs along the Atlantic coast that are under increasing threat from over fishing, use of inappropriate fishing techniques, silt from rivers draining abused watersheds and increasing discharges of pollutants. Inappropriate uses of coastal lagoons on both coasts are beginning to take their toll. Similarly, unplanned and unrestricted shrimp pond development may place unsustainable demands upon the Gulf of Fonseca.

Widespread Poverty - Per capita income in Nicaragua declined from $1,123 in 1978 to $425 in 1994. With the poverty line estimated at $429 per capita income per year, 50% of Nicaraguans are poor -- and within that group 19% are extremely poor. Nicaragua is ranked as fourteenth worst in the world by the FAO food security index, exceeded in this hemisphere only by Haiti.

Poverty is primarily a rural phenomena - 63% of the Nicaraguan poor live in rural areas, as do 78% of the extreme poor.

Urban/Rural Poverty Differences



Poverty is concentrated in Northern Regions I and VI (Nueva Segovia/ Madriz/Esteli and Matagalpa/Jinotega) which have 24% of the national population but 33% of the poor and 46% of the extremely poor. These are historically the poorest regions of the country -- and the regions that suffered the most during the civil war of the 1980s.

The poor have larger households and half the educational level of the non-poor - Poor households have a greater number of children under the age of 12 -- leading to higher dependency ratios among the poor. On average, heads of poor households have received 3.3 and 1.4 years of schooling in urban and rural areas, respectively, about half the years of schooling received by their non-poor counterparts.

Poverty is the greatest threat to natural resources - Poverty is a primary cause of internal migrations. One route, to the cities, has produced rapid urbanization and an increase in environmental problems associated with urban poverty. Another stream of migrants, drawn by the nearly empty tropical forest and pine savannas, headed east in an expansion of the agricultural frontier. This pressure to develop new lands for human settlement and to extract the region's natural resources continues to increase, degrading natural resources and jeopardizing the sustainability of the economic activities dependent on these resources.

Depressed Agriculture - The agricultural sector in Nicaragua comprises primary subsistence basic grain farming, decapitalized commercial agriculture, an unsustainable expanding agricultural frontier, and weak market linkages. Although the agricultural sector's GDP declined by 14% in real terms between 1980 and 1993, it continues to be the most important sector of the Nicaraguan economy, accounting for 25% of GNP, and 80% of export earnings, and employing 31% of the economically active population and 73% of the rural poor.

The Nicaraguan agriculture sector has gone from being the most controlled in the region to the most liberalized sector. As a result it is beginning to emerge from a 15 year period of contraction and has registered significant growth since 1993. Although agricultural GDP grew by an impressive 22 percent in 1993, a serious drought is expected to limit 1994 growth during 1994 to only 7 percent. The value of the production of beef, milk, poultry, and eggs grew by 14 percent between 1992 and 1993 and another 4 percent between 1993 and 1994 while the production of NTAEs grew an impressive 57 percent in the same period. Nevertheless, the sector is still in a state of crisis, dogged by uncompetitiveness, decapitalization, and a lack of private investment. Bountiful resources are underused, with potential regional and international export markets only beginning to be tapped.

Additionally, the Mission's recent gender analysis revealed that there are substantial numbers of women engaged in agriculture as individual small holders, cooperative members, and as family labor on subsistence farms. The Women's Section of UNAG alone is working with nearly 16,000 women engaged in small-scale agriculture, whether individually or through cooperatives and associative groups.

Major problems include:

Weak Market Linkages - Prior to 1990, the State controlled all agricultural marketing. With market liberalization in 1990, relatively efficient private and competitive marketing systems have emerged for the traditional export crops, including coffee, sesame, peanuts, bananas, and beef. For these crops, Nicaraguans have been able to tap sophisticated markets and reestablish their reputation as reliable traders, able to comply with strict quality requirements. Nicaraguans have also begun supplying new NTAE markets, with promising results. For other crops, such as food and feed grains, the emergence of efficient private marketing systems has been more sluggish.

Limited Agricultural credit - The universal complaint of Nicaraguan farmers is the high cost and limited availability of agricultural credit -- a symptom of decapitalization -- that limits farmer productivity and profitability. Some farmers also maintain the attitude that credit is a social program, and that they can benefit from the laxity that public development banks have historically displayed. The resulting loan delinquencies reduce liquidity, increase the cost of capital, and severely weaken these institutions.

Insecure Property - The Sandinistas inherited a flawed national cadastre and property registry system -- and exacerbated the flaws with inconsistencies and changes in their own agrarian reform legislation; inadequate procedures and irregularities in the allocation of land; and legal insecurity and restrictions on land titles issued. They illegally confiscated some 16-18,000 urban and rural properties, and committed titling abuses during the 1990 transition period.

The Sandinista agrarian reform directly affected 36 percent of Nicaragua's arable land -- and resulted in broader land distribution. As a result, Nicaragua now has what is most likely the largest small farmer base in all of Latin America (over 54 percent of arable land). However agrarian reform beneficiaries cannot receive titles to their land until the previous owners have negotiated and agreed to compensation packages with the GON. Nearly 166,000 rural households suffer from some type of property title defect. Land tenure insecurity and property disputes were primary causes of the disappointing Nicaraguan economic performance in the early 1990s.

Agriculture as an axle of growth Assuming resolution of property conflicts, improvements in rural security, continued economic stability, and increased private investment; the agricultural sector has the potential to lead a major rural transformation during the rest of the 1990s. With significant growth in the agricultural sector, the plight of the rural poor would be improved. The sector could also be the impetus for growth in the agribusiness, service and commerce sectors. After all, Nicaragua was the leading agricultural producer and exporter in the 1970's in Central America.

Unless held back by significant droughts or other natural phenomena, the agricultural sector should continue to grow at annual rates that could exceed 20 percent per year, assuming:

- Productivity increases as farmers invest in new coffee trees, larger cattle herds, and improved infrastructure;

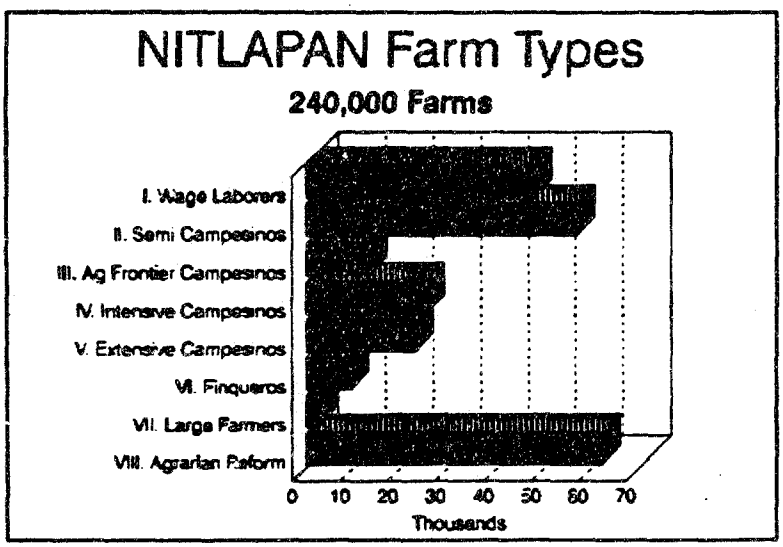
- Continued high international prices for coffee and cotton for the next several years;

- Continued robust expansion of non-traditional agricultural exports; and

- Greater incentives for basic grains as BAGSA operates, ENABAS assets are divested, an effective market information system is developed, and exports to the region expand.

The Small Farmer as agent of growth The primary agent of agricultural growth could be the small farmer, or locally called "finquero". The "finquero" should play an increasing important role in the coffee, livestock, and diversified crop sectors. The numbers of "finqueros" will also increase as a result of transformations and additions from the agrarian reform and campesino sectors.

The NITLAPAN farm typology and its implications - The Central American University think tank, NITLAPAN, has developed a socioeconomic model that divides Nicaragua's estimated 240,000 farms into eight categories[1].



The first two categories include 100,000 farms that comprise the land poor who, because of land size or productivity limitations, are dependent on off-farm employment to survive. The key to success for these groups is increasing off-farm employment opportunities, which should occur as economic growth continues.

A third category includes 13,000 agricultural frontier settlers who present a serious natural resource management problem. Efforts need to be taken to stabilize the agricultural frontier by providing potential entrants to this group with sufficient economic incentives to either stay where they are or go elsewhere.

The next three categories, including 57,000 small to medium farmers, are labeled "Finqueros". They have the most potential for being agents of agricultural growth and rural transformation.

Finally there are 9,000 large farmers and 62,000 agrarian reform beneficiaries. The agrarian reform sector is undergoing a transformation as production cooperatives are individualizing their holdings, with a new phenomenon of land sales. Some of the purchasers could become finqueros.

With increased agricultural surpluses, agribusinesses will expand from the current 6 percent of GDP to as much as 8 percent of GDP. The agribusiness sector will expand beyond its traditional base to include tomato paste processing, shrimp feed concentrate production, and frozen fruits and vegetables and concentrates. This sector offers significant potential for off-farm employment, especially for women in secondary cities.

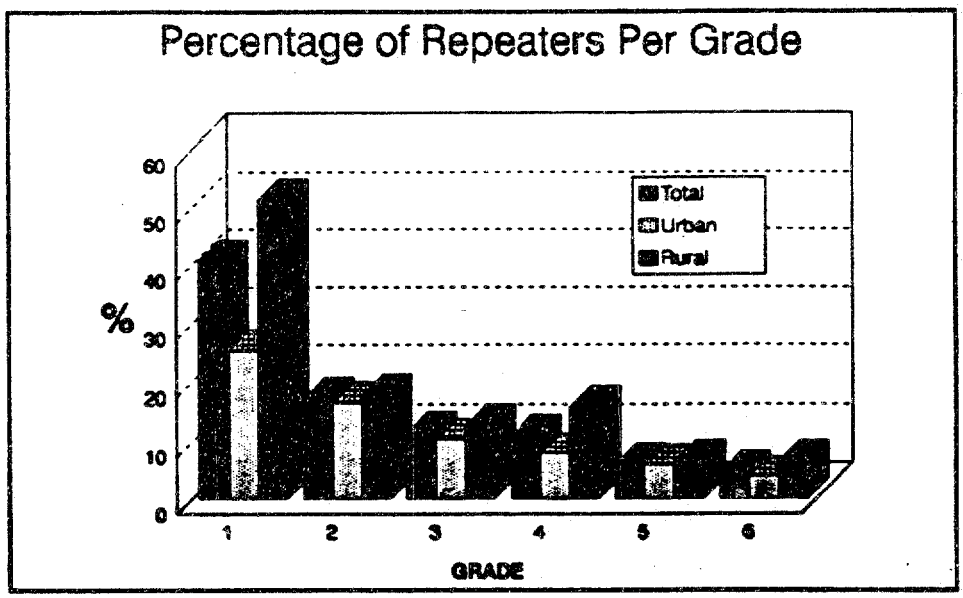
[1] 1994 MAG/USDA Survey estimates a larger number of farms in Nicaragua.

INVESTING IN PEOPLE

Primary Education

During the past 15 years, access to education in Nicaragua expanded rapidly. Between 1978 and 1994, the total number of classrooms increased from 7,000 to 10,400 and the number of students doubled from 370,000 to 750,000.

Unfortunately, as often happens when public services expand rapidly, the quality of education suffered. As infrastructure expanded, the country lacked a sufficient number of qualified teachers to staff the newly built schools. This led to the appointment of a large number of lay teachers who often possessed little formal education themselves, much less any training in pedagogy.



Low educational quality, superimposed upon high poverty and unemployment, has led to high rates of repetition as many students fail to learn the basic skills required to pass achievement tests and continue on to the next grade. The repetition rates reported by RTI in the 1994 Repetition Study are highest in the first four grades: 40% in the first grade decreasing to 17% in the second grade and approximately 11% in the third and fourth grades. Repetition rates are higher among rural students. This lack of efficiency is reflected in the fact that in Nicaragua, on average it takes 9.9 years to produce a sixth grade graduate. Two-thirds of the repetition is due to with inefficiency and poor quality of the educational system itself -- attributable to a lack of texts and teaching materials, an outdated curriculum, limited national experience with dynamic, interactive teaching methods, and poorly paid teachers. Socioeconomic factors such as being male, living in a rural area, having a father who is a farmer, attending public rather than private school and having a mother with a low level of education influence repetition to a lesser extent.

This inefficiency threatens to erode previous gains in access to education as repeaters crowd out new entrants to primary school. In fact, a 1993 repetition study indicated that enrollment in primary school was 123%. At least 23% of that enrollment repre-

sents older students repeating grades. While preliminary data suggest that this trend of academic failure is slowly being reversed, the percentage of children completing the sixth grade in 1994 was still only 23%.

Secondary Education

The Nicaraguan secondary education system is two track: one track provides five years of preparatory education for individuals planning on attending university; a second, and numerically less significant, provides up to six years of vocational/technical training. Secondary education reflects many of the same problems as primary education: poorly trained teachers, lack of relevant textbooks, and generally low quality and low internal efficiency. The gross enrollment rate for secondary school age Nicaraguans is 48% and the net rate is 29%. The difference between gross and net enrollment represents older students attending secondary school. It takes an average of 6.6 years to produce one secondary school graduate from the five year program.

Higher Education and Vocational Training

Nicaragua's four public universities have autonomy under the constitution and are governed by a council of universities. Though the universities are entitled to 6% of the public budget, they historically have received a lesser amount. As a consequence, Nicaragua's public universities are characterized by a lack of adequate educational materials and modern laboratory facilities, low professor pay, and outmoded teaching methodologies.

The National Technological Institute (INATEC) provides non-formal, vocational training focused on short-term skill upgrading for existing workers, entry-level training for young people with little formal education, and industry-specific training based on client needs.

INATEC's ability to deliver quality training is constrained by high administrative overhead, inappropriately trained trainers and directors, low instructor salaries leading to turnover, and inadequate curricula and training materials. Skills training needs for Nicaragua's public and private sectors are at best only partially met through INATEC.

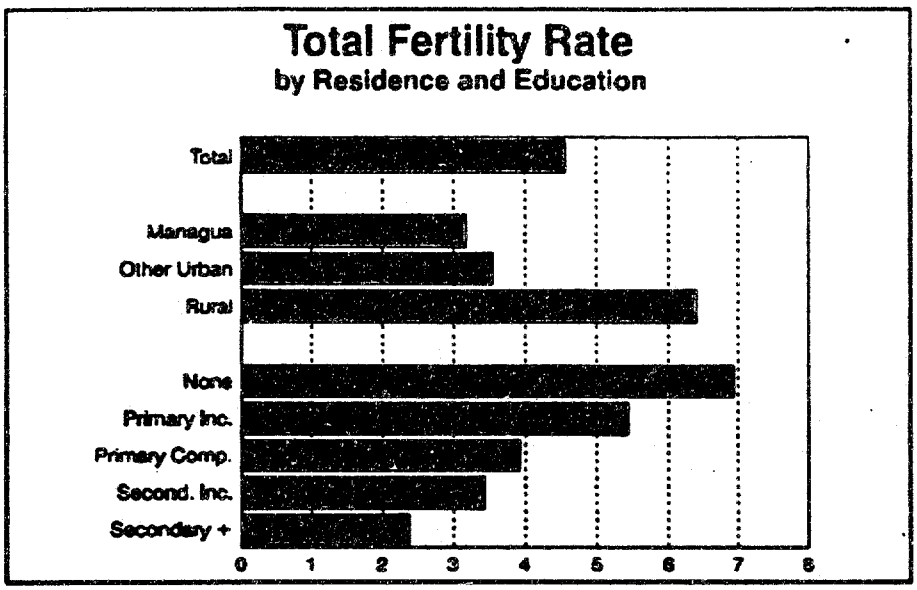
Trends

The Nicaraguan educational system is characterized by poor quality and inefficiency at all levels. In view of the small percentage of students who complete primary school and are eligible to go on to secondary or higher education, resources in the educational sector appear to be misallocated toward higher education. A recent World Bank study revealed that per student spending in primary education is $55 per year, compared to a Latin American average of $100. At the same time, higher education, which was

shown by the study to serve exclusively the non-poor, receives $800 per year. Compared to other Latin American countries, Nicaragua's higher/primary spending ratio (14.5) is the second highest in the region, exceeded only by Brazil. The development challenge ahead will be to allocate more resources to cost-effective primary education in order that an increasing number of Nicaraguans possess the basic literacy and numeracy skills to participate actively in a market economy and a democratic political system.

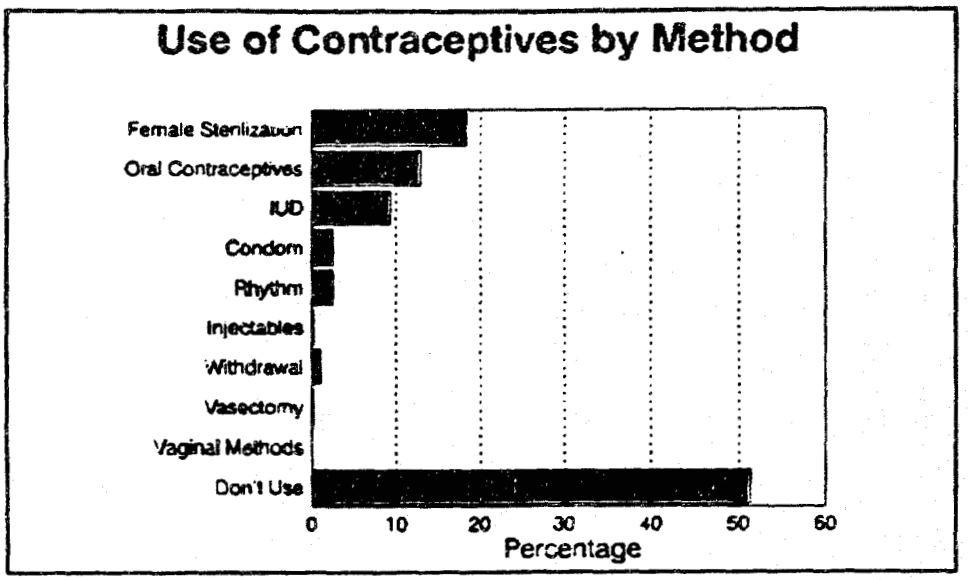
Population

Nicaragua's population is estimated at 4.3 million. Fertility is declining somewhat and contraceptive use is steadily increasing. Whereas UN estimates placed the average number of children per woman of fertile age at 5.5 during the late 1980s, the 1993 Family Health Survey estimated the fertility rate at 4.6 children, still the fourth highest rate in Latin America. What is most alarming is that, while fertility is declining among older women, it is increasing among adolescents. Nicaragua now has the highest adolescent fertility rate in Latin America. Paradoxically, the same survey estimated knowledge of contraception at 97% and estimated the contraceptive prevalence rate (CPR) at 49%, equal to the average CPR for the Central American region. In other words, almost 50% of married women in Nicaragua between the ages of 15 and 49 are using a method of contraception.



Still, the population of Nicaragua continues to grow by 2.7% per year--a relatively high rate for Central America. If nearly 50% of women in union use contraception, why then should fertility rates and population growth rates remain so high? First, due to high fertility rates in the past, there are a significant number of women entering their reproductive years. Although their fertility is lower, their absolute numbers make for a high population growth rate. Second, although knowledge of contraception is almost universal, less than 50% of women of fertile age use modern methods.

Last, the choice of family planning method in Nicaragua is female sterilization. Data from the Family Health Survey reveal that most women seek surgical contraception only after they have exceeded their ideal family size of 3 children. Poor women who have little formal education and those who live in rural areas are least likely to use contraception and, hence, have the highest fertility rates.



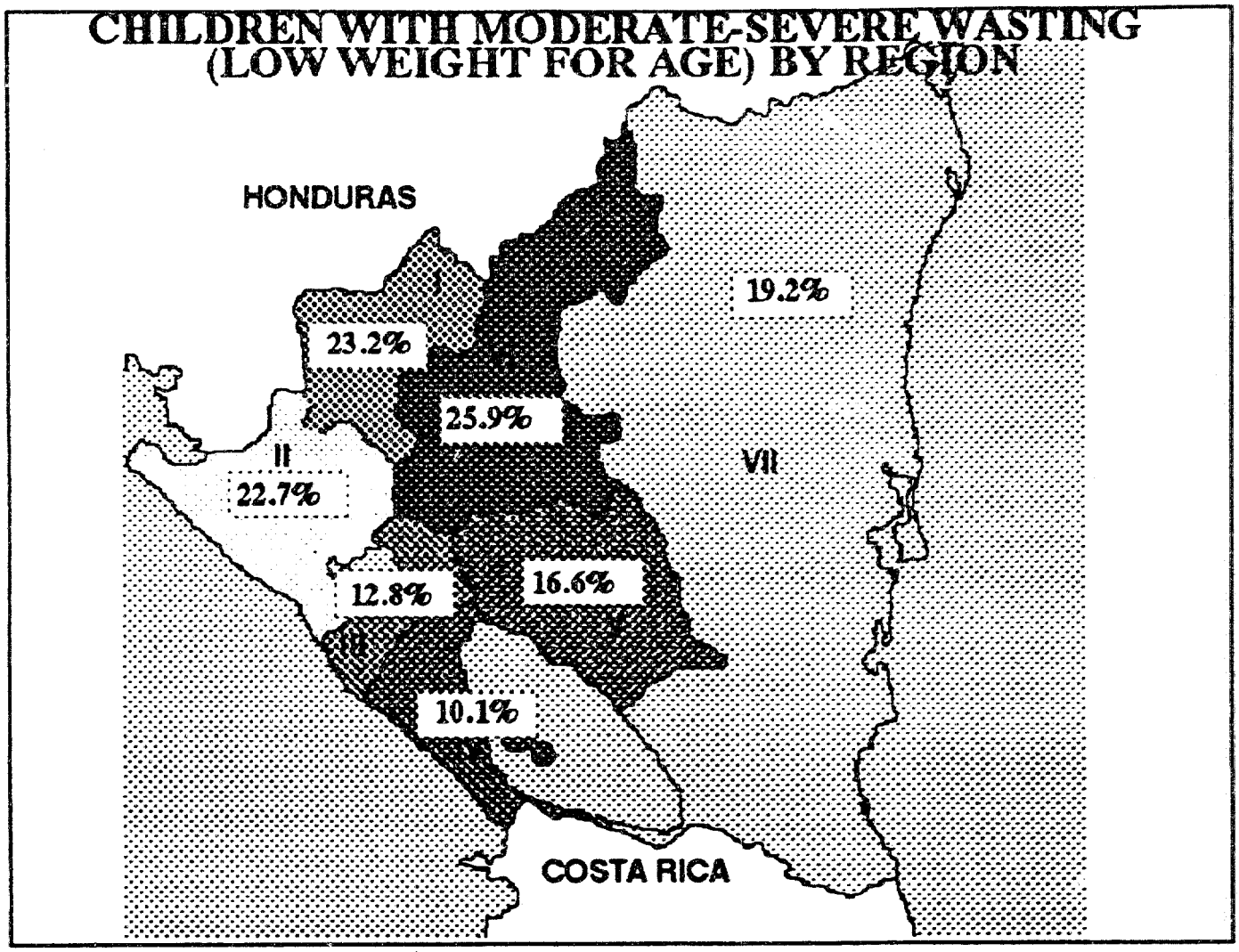
The challenge then is to make information regarding contraception and high-quality family planning services available to these groups.

Health and Nutrition

Perhaps one of the best indicators of the health status of a population is the maternal mortality rate. Official Ministry oh Health estimates place the maternal mortality rate in Nicaragua at 150 maternal deaths for each 100,000 live births. Three-fourths of these maternal deaths are due to high risk pregnancies and abortions which could be avoided through the use of family planning, timely prenatal care and safe delivery care. High fertility and maternal mortality are strongly correlated.

Reproductive health In this context, the propensity of women to seek reproductive health services and the ability of the health system to provide high quality services takes on great importance. The term reproductive health refers to the broad spectrum of needs and corresponding interventions aimed at assuring the health of women during their reproductive years but particularly during pregnancy, the post-partum and lactation periods. According to the Family Health Survey, many women do not seek prenatal care or professional medical assistance during delivery. Even fewer seek post-partum care. Eighty-three percent of mothers do take their newborns for a check-up, making this the most utilized of the MCH services. Since this is the most highly used preventive service, opportunities exist to raise the utilization of post-partum and family planning services by integrating them with well-child visits.

Child Survival Another important indicator of the health status of a population is the infant mortality rate. At 58 deaths per 1,000 live births, Nicaragua has one of the highest infant mortality rates in Latin America.



The four major killers of Nicaraguan infants and children under five years of age are perinatal complications, dehydration secondary to diarrheal disease, acute respiratory illness, and vaccine-preventable diseases.

Fully 37% of infant mortality is due to neonatal causes such as birth trauma, asphyxia, prematurity and low birth weight, and infection. Infant mortality is closely related to the age of the mother and the spacing between births. Children born at an interval of less than two years experience consistently higher neonatal, infant, and child mortality. Child mortality is 43% higher for children born after intervals of less than two years compared with those born after four years. These differentials are due in part to physiological factors caused by the body's inability to recuperate between closely spaced pregnancies, but these mortality rates also speak to the mother's inability to properly care for many small children simultaneously.

Like many developing countries, Nicaragua still grapples with communicable diseases like measles which have largely been conquered in the developed world. Common

diseases like upper respiratory infections and diarrhea, when superimposed upon poverty and malnutrition, become life-threatening.

The high mortality from communicable diseases speaks not only to the sanitary conditions in Nicaragua, but also the poor nutritional status of many Nicaraguan children. IA 1993 Micronutrient Survey revealed that Iron and Vitamin A deficiencies, which lower resistance to disease affect a significant number of children nationwide. Historically, chronic malnutrition, characterized by low height for age, has been concentrated in two of the poorest regions of Nicaragua, namely Regions I and VI. According to the World Bank's 1994 Living Standards Measurement Survey, recently, acute malnutrition, characterized by low weight for age, has become more widespread. The percentage of children with moderate and severe wasting exceeds 20% in Regions I, II, and VI and nears 20% on the Atlantic Coast. This signals levels of food insecurity which go beyond the areas which have traditionally been hardest hit by malnutrition.

The above data signal a need to focus on a variety of development efforts, including employment generation and food security interventions, on the poorer areas of the country where malnutrition is most severe.

AIDS One of the most deadly communicable diseases to invade Nicaragua is AIDS. Nearly 15 years of uninterrupted civil war and borders which were closed to trade and immigration served to protect Nicaragua from the burgeoning regional AIDS epidemic. The cessation of hostilities in 1990 brought with it the repatriation of the Resistance (many from Honduras),the return of refugees, and borders which are more open to commerce, tourism, migration, and the specter of AIDS.

The lack of reagents to screen for AIDS keeps the reported number of reported AIDS cases in Nicaragua deceptively low. Nevertheless, the Pan American Health Organization and the Centers for Disease Control estimate the prevalence of HIV infection in Nicaragua at 10,000 cases.

While homosexual transmission played an important role in the past, heterosexual transmission now accounts for 43% of AIDS cases in Nicaragua. A growing number of commercial sex workers in Nicaragua are contributing to the spread of the disease among both heterosexuals and homosexuals. While the general public has become more aware of AIDS, studies have shown that even those who consider themselves at risk of contracting the disease fail to adopt preventive measures such as using condoms. The trend toward heterosexual transmission and the widespread failure to use condoms foreshadow a greater epidemic in the near future: an epidemic which will strike heterosexual, economically active young adults and one which Nicaragua can ill afford.

STRATEGIC IMPLICATIONS

1. Depolarization and deconcentration of political power are key to a lasting democratic transition.

2. Declining and uncertain aid levels will require greater effort to attract Nicaraguan and foreign private investment and to expand trade to fuel economic growth. This will require resolution of confiscated property claims, privatization of key parastatals, savings mobilization, a more efficient and solid banking sector, investment laws, lower tariffs, clear regulations and an efficient commercial court system.

3. Continued economic restructuring and private, export led growth involving small and medium producers is Nicaragua's best choice for political stability and sustained growth.

4. Diversified commercial agricultural development for domestic trade and exports provides a logical path to rural transformation, private investment, and sustained growth. This transformation will generate increased rural on-farm and off-farm economic activity, employment, and income; and spur market town development. It will require: non-conventional savings and credit institutions; cooperation among producers, input suppliers, market traders, and agro-business; and the general strengthening of rural markets, and improved roads, storage, and other market infrastructure.

5. The small farmer (finquero) is the most promising agricultural entrepreneur to lead this transformation of the rural economy, since he has the potential to produce the marketable surpluses needed to supply agribusinesses and export markets, which in term will multiply jobs and incomes and spark rural market town growth.

6. Increasing incomes through increasing the productivity of agriculture is a means of reaching large numbers of poor people. To take advantage of this ways of lowering costs of basic grain production through investment in more efficient technologies need to be identified. Village storage and improved marketing when prices are higher, would provide higher incomes for significant number of the poor.

7. Poverty reduction and household income gains will require sound rural development strategies to increase on farm and off farm employment for men and women. Increasing rural-urban migration and the high percentage of youth in the population require a parallel strategy for urban growth and industrial services sector employment.

8. In the meantime, social safety nets need to be better targeted to benefit geographic areas where need is acute, or better directed within needy communities so that the benefits do reach the poorest of the poor.

9. Wise management of natural resources like soils, forests and coral reefs are essential to sustainable development and indigenous people's survival.

10. Education is a key underlying factor to a stable, functioning democracy, with education of women, employment away from home, and improved health for infants and children key to lowering birth rates. Primary education is the most cost effective investment for developing the skills and attitudes needed for the new Nicaragua. Access to primary education is high, with virtually little gender difference apparent.

11. Reduced fertility, particularly among adolescents and rural women is essential for improved maternal child health, reduced poverty, and sustainable development.

12. Primary health care improvements are critical to ensuring maternal/child health and more productive participation in school and in the work place.

II. STRATEGY FOR CONSOLIDATING DEMOCRATIC AND MARKET TRANSITIONS

STRATEGY DEVELOPMENT PROCESS

The first USAID/Nicaragua Strategy Statement was developed in early 1991 when the program reopened. It has since been overtaken by Nicaragua's political and economic development dynamics, U.S. foreign policy Post Cold War redirection, refocussed USAID global priorities and reengineering, and dramatically reduced assistance levels. At last year's Action Plan review, LAC and Mission management agreed on the need for a new strategy.

The Mission initiated in December a wide ranging, participatory process of strategy development, beginning with an in depth analytical phase, followed by a strategic objective formulation phase, and concluding with an in-house action planning phase.

Mission management established a Steering Group composed of the Director, Deputy Director, Program Officer, Agricultural Officer and the General Development Officer. The SG guided the work of 7 task group leaders responsible for analyzing sectoral trends, challenges and constraints, and recommending strategy directions and program interventions. The Sectoral Task Groups reviewed during January and February the following topics in consultations with various local experts.

CONSULTATIONS

Topics

	Business	Donors	PVOs	Gov't	Researchers
Democracy		✓	✓	✓	
Poverty		✓	✓		✓
Agriculture	✓	✓	✓	✓	✓
Rural Finance	✓	✓			
Environment			✓	✓	
Trade & Investment	✓			✓	
Social Services		✓	✓	✓	

Recognizing the continued importance of democracy and social sector development in Nicaragua, Agency priorities and the Mission existing portfolio in these areas, we

confined our efforts to expanding our understanding, confirming our assumptions and program choices, and focussing on future priorities. Given the Mission shift from macroeconomic stabilization, resettlement and recovery assistance to sectoral and sustainable development problems, we put special emphasis on understanding poverty and unemployment, and the rural economy in particular agriculture, as a basis for refocussing our economic growth activities.

The end product was the Nicaragua 2000 analysis of Nicaragua's challenges for a stable, democratic, prospering society. We shared this document in draft during March with The Latin America Working Group, a consortium of PVOs and religious NGO's with a longstanding interest in Nicaragua and critical of USAID's early macroeconomic focus. We also shared this document in early April with a peer group of well know Nicaraguan researchers and private sector opinion leaders from across the political spectrum. The final Nicaragua 2000 analysis reflects their contributions and endorsement of the broad conclusions. We plan to share this analysis widely as part of an effort to increase understanding and broaden the consensus on Nicaragua's development challenges.

We used the findings of the Nicaragua 2000 analysis along with consultations with our government counterparts and local partners to formulate strategic objectives and program outputs, taking into account our existing portfolio and opportunities for reorienting its implementation as well as for identifying a few new activities consistent with the stringent budget outlook.

We invited a delegation of senior LAC and Global Bureau representatives to review in late March with the Mission in Managua our analytical conclusions, strategy directions, and resource assumptions. The final strategy incorporates many of their suggestions.

In April we fleshed out the strategy and program outputs, developed preliminary performance measurement indicators for the new objectives and program outcomes and refined indicators for revised objectives. We then proceeded to spell out implementation and resource allocation plans and scenarios which constitute our Action Plan for FY 96-97.

Throughout the process we have engaged the Ambassador and the Country team at key points to ensure consistency with the U.S. foreign policy objectives as defined in the U.S. Mission Program Plan and to ensure close coordination with other Agency programs, like the environmental program with Peace Corps, the civil-military work with State/POL, USIS, and DAO, and the trade and investment and property efforts with State/ECON.

Key Assumptions

In Nicaragua's fast evolving political and economic transition we are faced with uncertainty and question marks. To provide a basis for our strategic planning we have developed a set of key assumptions related to the implementation of our strategy. These will be monitored carefully to ensure that the strategy remains both valid and viable.

1. The institutional crisis over constitutional reform will be resolved. This issue complicates our relations with Nicaraguan counterparts and could affect implementation of some of our democracy activities like assistance to the Supreme Court and the Supreme Electoral Council if not resolved. Up coming National Election in 1996 will increase political rivalry. This will require flexibility and alertness on our part to opportunities and challenges and unfolding events.

2. The Chamorro government and successor administration will stay the course of reform and structural adjustment will continue to register success, as it moves from the macro stabilization to economic transformation and sustained growth. This process will take at least another five years to begin to significantly affect economic performance and living standards.

3. AID levels will continue to decline compelling serious choices among highly desirable but competing programs.

4. Significant progress on confiscated property case resolution is critical to continued support for U.S. and IFI assistance to Nicaragua as well as to depolarization and private investment.

5. A successful economic reform program, peaceful elections in 1996, more rapid property case resolution will make Nicaragua a more competitive exporter and a more attractive site for investment including U.S. investment.

6. Agricultural productivity and profitability can be expected to increase rapidly with the help of producer associations, agribusiness, bankers, sound government policy, and donor assistance.

7. We can expect increasing government and civil society awareness and priority on environmental conservation in pursuit of The Central American Alliance for Sustainable Development.

8. Limited government budget resources will retard progress in meeting growing demands for trained teachers, primary health, and family planning services.

9. As the Nicaraguan government and local NGO community capacity to manage resources effectively increases and as USAID/Nicaragua reengineers the way it does business, we should expect to see our assistance relationship increasingly move toward fuller partnership and shared responsibilities. This should translate into less long term technical assistance requirements and more assistance managed by Nicaraguans to implement their own activities.

STRATEGY OVERVIEW

USAID/Nicaragua's resulting strategy is to help Nicaraguans consolidate the democratic and market transitions, by pursuing three Strategic Objectives: 1) To promote more political participation, compromise and transparency; 2) To stimulate sustainable growth in employment and income; and 3) To foster better educated, healthier and smaller families.

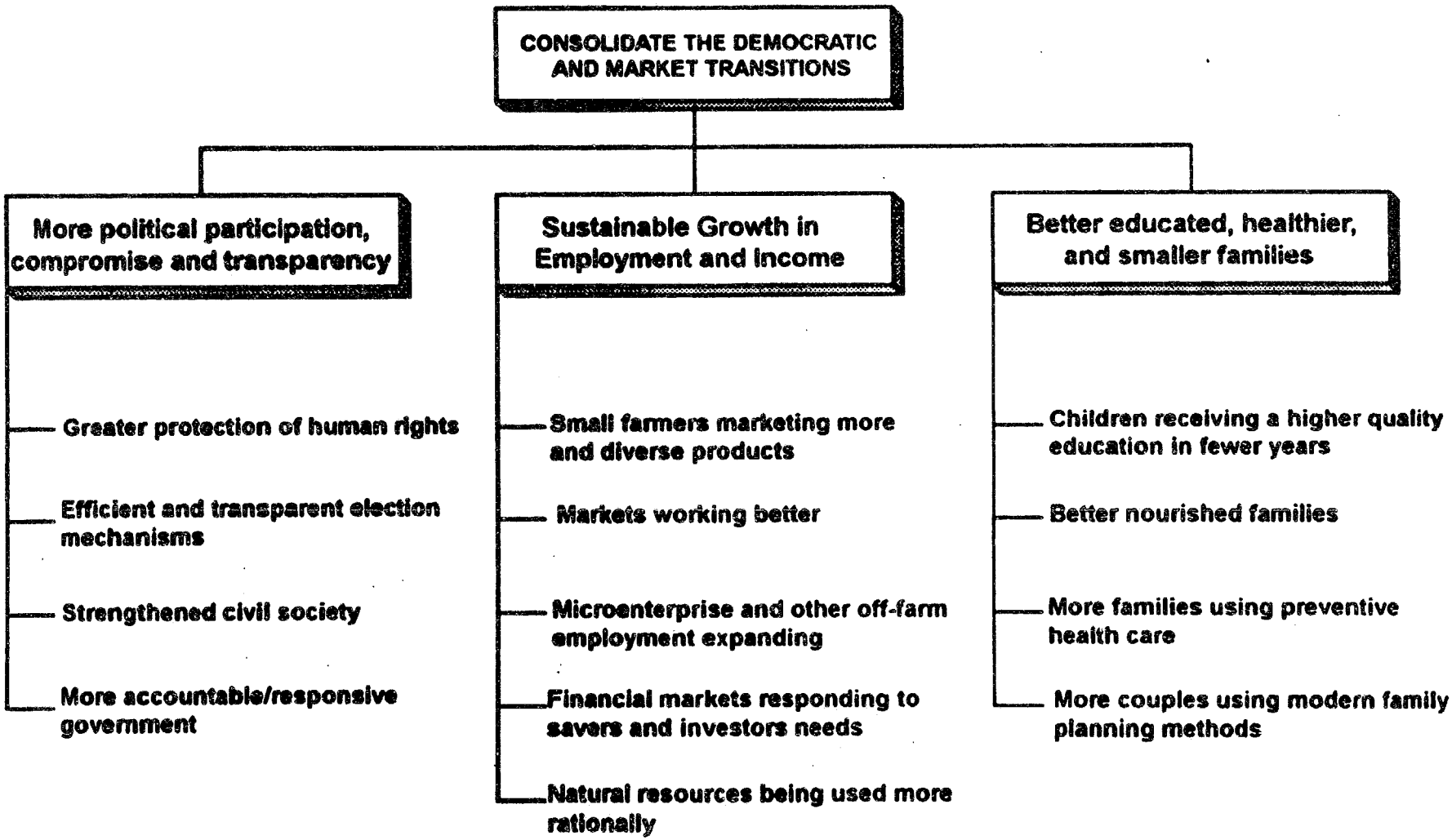
The Mission's first strategic objective directly addresses the major constraints to consolidation of democracy: polarization, concentration of power, lack of knowledge about democracy and the workings of government, and the lack of a strong civic culture. Polarization must be overcome by an increased willingness to compromise and deal pragmatically with the serious problems facing the nation.

Broad and informed political participation will counter the historical tendency in Nicaragua to concentrate excessive power in the hands of a few. Participation also encourages the formation of civic culture that demands democratic behavior from its leaders and promotes citizen responsibility and activism. Women are among the most active and organized groups in civil society and thus constitute an important force for depolarization and development of a sustainable participatory democracy. Transparency in governmental and democratic processes provides citizens with the information necessary for their informed participation and reduces corruption by public officials and political leaders. A democratic society provides the best guarantee of equitable distribution of resources, while providing incentives to encourage private investment. This Objective therefore directly supports the second Objective.

The Mission's second strategic objective directly addresses constraints to increased employment and income. Achieving this objective will directly address the major impediments to a transformation of the economy from a closed, socialist, state-controlled economy to an open, free enterprise, export-oriented economy. The Mission believes that encouraging the "finquero", or small farmer, in producing more, and higher valued crops will lead to a rural transformation process. Doing so will require increased farmer access to more productive technology and to rural credit. Rural markets need to function more efficiently so smaller producers can obtain key inputs and sell their products at profitable prices. So agribusiness can expand and so on and off farm employment can multiply. A critical element necessary for this economic transformation to be sustained is encouraging expanding and continuing pri-

vate investment and the growth of exports based on rational and sustainable use of natural resources. This will require a rapid resolution of property claims, clearer and simpler export regulations, appropriate fiscal and monetary policies, reduction of the external debt burden, particularly the commercial debt, continuing privatization of state enterprises, increasing the competitiveness of Nicaraguan products, a stronger, more responsive financial system, and sound environmental policies, laws, regulations and enforcement.

The Mission's third strategic objective directly addresses constraints to the development of human capital. The Mission has combined the former strategic objectives for basic education and maternal-child health into one human capital investment objective, Better-Educated, Healthier, Smaller Families, which combines the major social factors that influence the quality of life of the average Nicaraguan. Education is key to informed citizens and productive workers. Primary health is critical to mothers' and children's survival and full realization of their potential. Family planning is an important ingredient in improving maternal health and child survival. Reduced population growth is also viewed as an important factor in economic development and environmental preservation. This objective directly supports the first and second objectives.



April 29, 1995

OBJECTIVES AND OUTCOMES

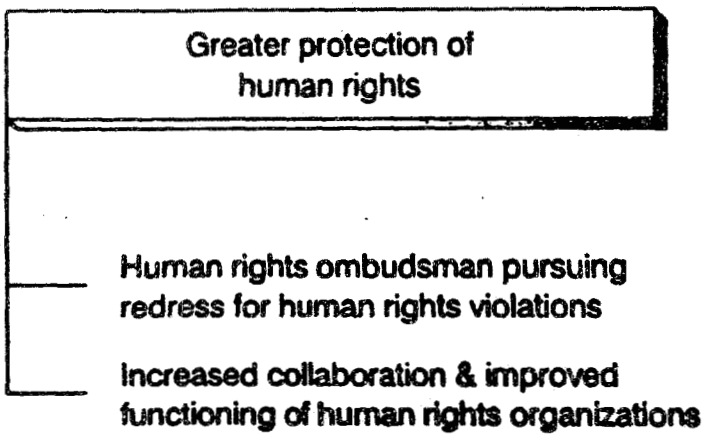
Strategic Objective 1: More political participation, compromise, and transparency.

Rationale: The Mission's democracy strategic objective directly addresses the most critical constraints to consolidation of democracy that emerge from analysis of the democratic transition in Nicaragua: polarization, concentration of power, lack of knowledge about democracy and the workings of government, and the lack of a strong civic culture.

Strategy: Mission activities are oriented toward a series of program outcomes that contribute to achievement of the strategic objective:

Program Outcome 1: Greater protection of human rights.

Rationale: Human rights problems in Nicaragua involve continued political kidnapping and murders; extrajudicial killings, torture, and persistent mistreatment of detainees by security forces; and violence by paramilitary bands in rural areas. Violence against women and girls is widespread, including sexual assault and domestic violence. Though the general human rights situation in Nicaragua has improved - largely due to a decline in reports of new violations, significant human rights cases remain unresolved. The government's failure to act on identified human rights violations and the impression that security forces can act with impunity undermines its commitment to human rights. Progress toward greater protection of human rights will be critical to the establishment of a democratic society.



Strategy: Activities under the Strengthening Democratic Institutions project address the following objectives:

Increased collaboration and improved functioning of human rights organizations - USAID/Nicaragua will continue to assist selected private human rights organizations to improve their ability to gather information and report on violations. The Mission will also support collaborative efforts among all active human rights organizations to coordinate their efforts and operate collectively to increase their impact and thus reduce their own polarizing tendencies.

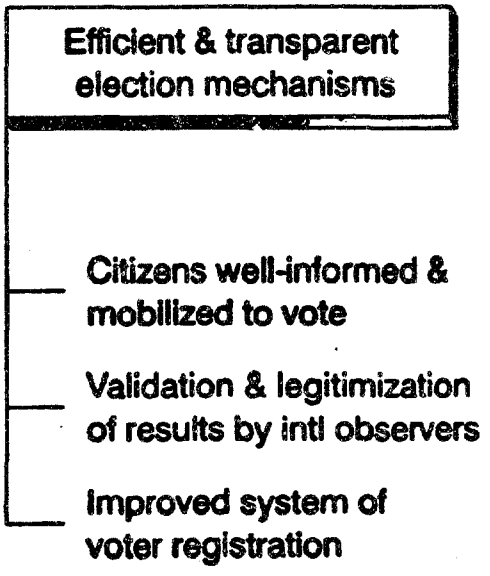
Human rights ombudsman pursuing redress for human rights violations - USAID/Nicaragua plans to promote the protection of human rights by supporting the establishment of an autonomous human rights ombudsman proposed in the constitutional reforms passed in early 1995.

Improved administration of justice - The Mission's efforts to improve the administration of justice in Nicaragua will also contribute to greater protection of human rights by helping to update arcane legal codes that will improve the structure and processes involved in the judicial system, strengthen the Attorney General's office and establish a public defender program, and institute administrative reforms that will contribute to reducing judicial delay, improving the timeliness of judicial action, and ensuring due process.

Better understanding of human rights - Civic education efforts in the Nicaraguan school system and through grassroots community groups and non-governmental organizations will focus on human rights and help create greater consciousness among the Nicaraguan public to demand that public officials address human rights issues. Journalism training efforts may also address the role of the media in assuring that violations are uncovered and publicized and that citizen rights are protected.

Program Outcome 2: Efficient and transparent election processes.

Rationale: Elections are the way most Nicaraguans participate in political decision-making. However, this participation is only effective if the process works properly and is seen by the Nicaraguan public as a process with integrity and legitimacy. The Mission's analysis identifies the 1996 national elections as the most important political event over the next several years. Carrying out free, fair, and transparent elections in 1996 that establish such mechanisms as the norm and build legitimacy for democratic government may be even more important to the democratic transition than the 1990 elections. The way these elections are carried out will be critical to efforts to increase political participation and transparency and can serve as a basis for compromise among political elites.



Strategy: A new Electoral Support component of the Strengthening Democratic Institutions project will address the following objectives:

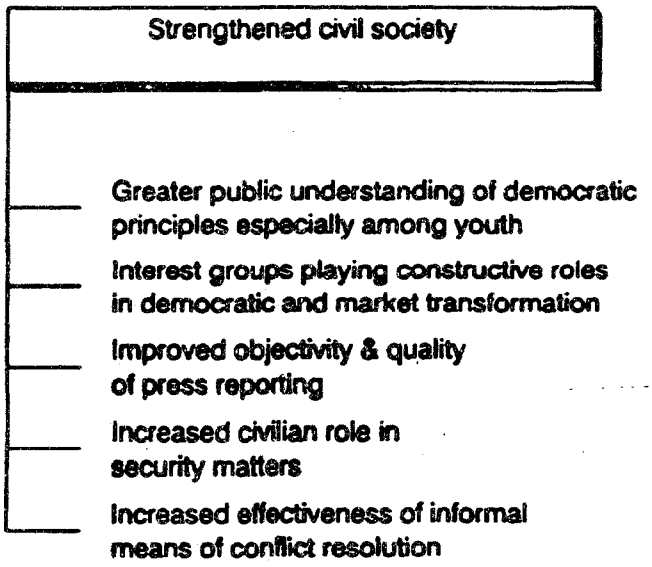
Citizens well-informed and mobilized to vote - USAID's 1996 Electoral Support efforts will include support for voter education efforts through the Consejo Supremo Electoral. The Mission's ongoing civic education efforts in the school system and through non-governmental organizations will also be oriented toward promoting citizen participation in the elections.

Validation and legitimization of results by international observers - International observer teams to cover the electoral process will help provide outside objective validation and legitimization of both the process and results.

Improved system of voter registration - Electoral support efforts will help improve the process of voter registration and reporting election results through technical assistance focused on the information systems of the Consejo Supremo Electoral and training of local poll workers and registrars. Training will also be provided to local observers who will help assure the integrity of the registration system.

Program Outcome 3: Strengthened civil society.

Rationale: The long-term viability and stability of democracy is determined by the degree to which citizens understand and support a democratic system and contribute to its functioning. The Mission's analysis highlights the high level of polarization in Nicaraguan society as a major constraint and the lack of knowledge and experience with democracy. The activities which contribute to this program output are designed to build understanding and support for democracy and promote values such as tolerance, compromise, participation, non-violent conflict resolution, civilian control over the armed forces, and civic responsibility. These activities also strengthen non-governmental institutions that are critical to the operation of a democratic society: political parties, interest groups such as labor and business associations, the press, and community organizations. In helping to build a stronger civil society these activities contribute in very direct ways to more political participation, transparency, and compromise at the strategic objective level.



Strategy: Activities under the Strengthening Democratic Institutions project contribute to the following objectives:

Greater public understanding of democratic principles, especially among youth - The Mission will continue to support a civic education effort in the secondary school system by providing additional teacher training and follow-up to implement the civic education curriculum that has been developed. This will be complemented by the initiation of student governments and parallel school elections in 1996 as a training ground for future democratic citizens. This continued effort is especially important given that a high percentage of voters will be youth who have come of age since the last election. The Mission will also be working to extend civic education efforts to the primary grades where a higher percentage of Nicaraguans can be reached through the curriculum reform efforts and teacher training financed under the Basic Education project. Civic education is also carried out by Mission-supported non-governmental organizations focused on communities with special emphasis on women and youth.

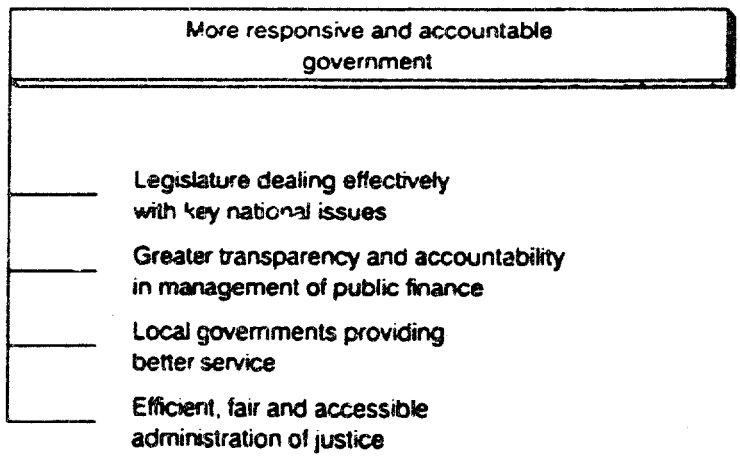
Interest groups playing constructive roles in democratic and market transformation - Mission support for professionalization of labor unions through a program of labor education and for agricultural producer associations (under the Private Agricultural Services project) helps build pluralism and alternative mechanisms to affect political decision making through interest groups. Mission programs will also work to broadly strengthen political parties as critical institutions for translating the interests of their members into platforms and programs and for recruiting and renewing political leadership. Modernizing and renewing these institutions has been identified as a crucial need in Nicaragua's democratic political development.

Improved objectivity and quality of press reporting - Journalism training will continue to promote professionalization of those working in the media so they see themselves as professionals rather than partisans and contribute to objective reporting of the facts rather than serving to exacerbate the polarization of Nicaraguan society. The role of the press in the election process will be especially emphasized.

Increased civilian role in security matters - The Mission will continue to promote civilian control over the armed forces through a program closely coordinated with USIS, DAO, and State to support Nicaraguan efforts to create civilian expertise in security issues and build citizen support for mechanisms of civilian control such as a civilian-led Ministry of Defense.

Increased effectiveness of alternative dispute resolution mechanisms - A pilot project under the Mission's Administration of Justice program will develop alternative dispute resolution programs for schools that will help develop experience and support for mediation and other non-violent means of resolving differences. Community-based alternative dispute mechanism centers associated with non-governmental organizations will also be initiated through this pilot program.

Program Outcome 4: More responsive and accountable government.



Rationale: The ability of democratic government to meet the needs of citizens is critical to building legitimacy and support for democracy. The Mission's analysis has identified improved economic performance that reaches all Nicaraguans and the establishment of rule of law as critical areas for improved government performance that potentially affects the viability of democracy in Nicaragua. The Nicaraguan public is very distrustful of their public servants and improved accountability and transparency in government functions will help counter the common belief that corruption is widespread. The functioning of government institutions that develop policies and laws to address the needs of Nicaraguans, offer services to citizens, and enforce laws and administer justice provides a framework for citizen participation and efforts to find areas of agreement and compromise. The way these institutions function is critical to increasing transparency.

Nicaraguans need to see that democratic government can be effective in meeting their economic needs. Therefore, the Mission's success in advancing its strategic objective of increasing employment and income will also promote democracy.

Strategy: Various mission projects promote institutional improvement in the following areas to build support for democratic government:

Legislature dealing effectively with key issues - The National Assembly is a critical institution for the consolidation of democracy because of its representative function, its role in addressing key national issues, and because it serves as a forum for airing diverse viewpoints, proposing solutions, and pragmatically looking for areas of agreement and compromise. The Mission will provide assistance to help the Assembly function more efficiently and transparently, improve its oversight capabilities in key areas, and improve its constituent relationships. Major activities include the installation of computerized legislative research and retrieval capabilities, technical assistance for key oversight committees and major issues on the legislative agenda, and training for staff.

Greater transparency and accountability in management of public finance - The Mission's Financial Management Reform project is working to establish an integrated financial management system in the central government and improved capacity within the Comptroller General's office to audit government finance. This project also serves as a coordinating point for projects from other donors to build greater accountability in the operations of the national government.

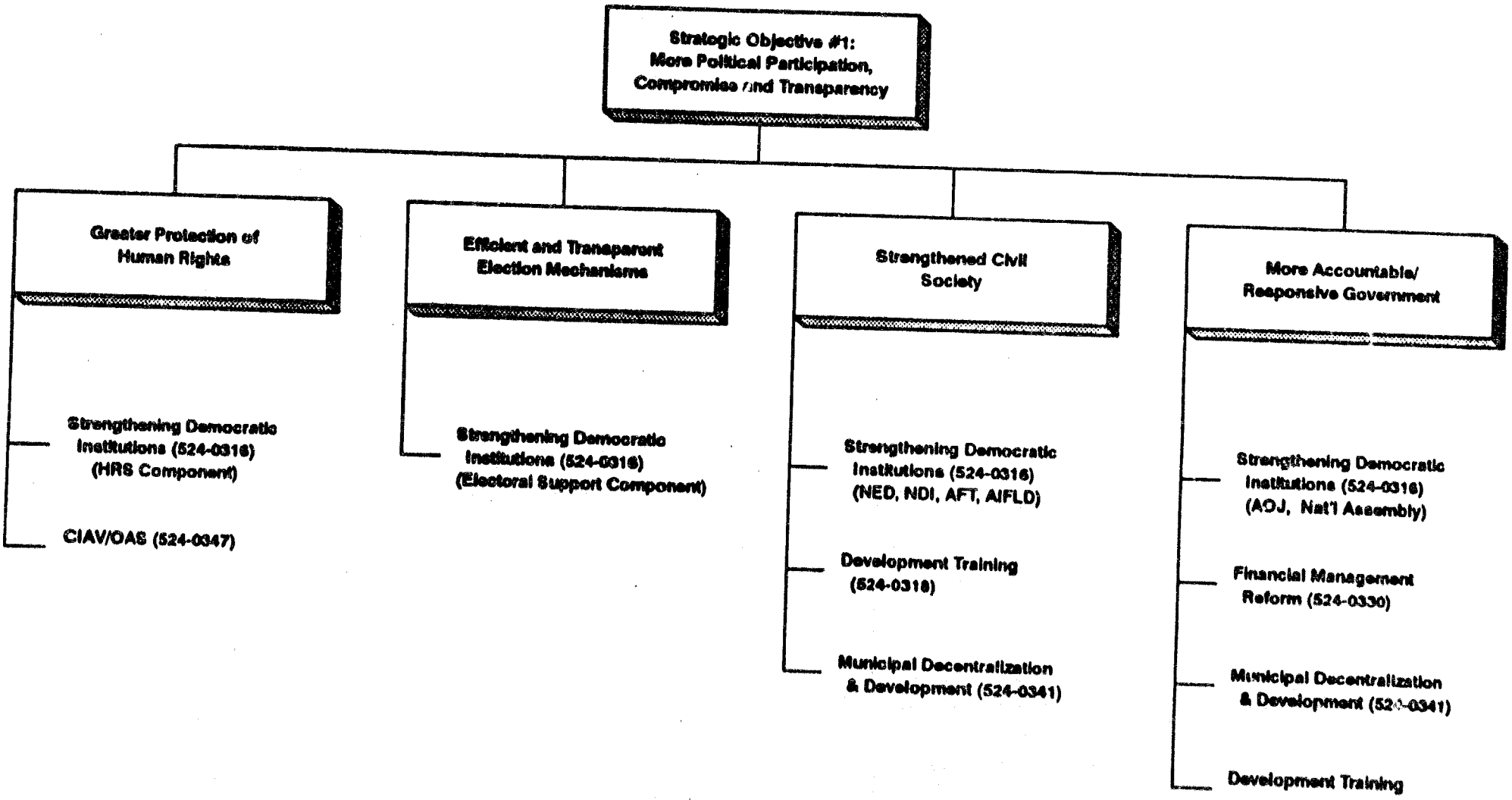
Local governments providing better services - The Municipal Decentralization and Development project works to foster greater decentralization of authority and budgets to local levels where local officials are more accountable and provides technical assistance and training to establish accountability in municipal governments. USAID assistance will help selected municipalities who are committed to increased participatory democracy provide more extensive and better quality services to citizens.

Efficient, fair, and accessible administration of justice - As noted above in relation to protection of human rights, the Mission will be assisting the GON to reform key legal codes, strengthen the Attorney General's office, create a public defender's office, and institute administrative reforms to reduce judicial delay, improve the timeliness of judicial action, and ensure due process.

USAID/NICARAGUA

Table 1.1: Detailed Strategic Objective Program Tree and Project Listing

AGENCY GOAL: BUILDING DEMOCRACY



Strategic Objective 2: Sustainable Growth in Employment and Income

Rationale: Jobs are the number-one concern of the average Nicaraguan. Open unemployment in the main urban areas is over 20%. Including low-wage underemployment, largely in agriculture, over 50% of the labor force nationwide needs more or better-paying work. On top of this, there are 30,000 new entrants to the job market each year and the formal industrial sector is creating only 3,000 new jobs a year.

Productive jobs with adequate pay cannot be created by decree. They are the result of investments -- primarily private investments -- in human and financial capital, technology, and marketing. Nicaragua has made substantial progress in the past four years in re-creating an environment in which fresh investment can take place. Although some positive results are already occurring (growth rates of over 20% in exports since 1993), considerable impediments still remain, and most of the poorer members of society are not yet seeing any tangible economic improvements.

The government must therefore continue to adopt economic policies that encourage private investment, export expansion, and job creation. In the rural areas, with 31% of the national labor force and a 63% poverty rate, there are still several barriers to investments for higher productivity and wages: marketing infrastructure is still debilitated, land and personal security is still a problem, and the overhang of faulty credit practices still has to be overcome. Parts of the rural population are coping in the short term through practices that are harmful to the environmental base in the long term.

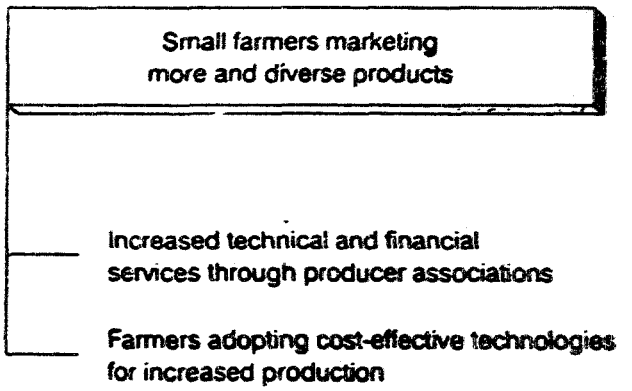
In urban areas, fears of monetary instability and the weakness of financial institutions still contribute to the scarcity and the high cost of working capital. Nicaragua industry must adapt to a new competitive environment in terms of both opportunities to replace imports or local consumption and opportunities to participate in export markets. Concerns about political stability and uncertainty about the rules of the game regarding taxing and regulation deter investors. Fiscal weaknesses depress the Government's ability to supply traditional public services. Many in the urban labor force, whether new entrants, immigrants from the countryside, demobilized soldiers, retired government workers, or their family members, find that their best chance for coping with limited opportunities is microenterprise, but the environment in this sector is also difficult.

The GON's 1991 successful economic reform program has formed an important foundation for reestablishing the job creation capacity of the economy. However, the short-term welfare impacts of the economic program have been mixed. In general, all Nicaraguans have gained with the end of hyperinflation, which has protected the purchasing power of incomes. Urban, commerce, and service sector workers have gained substantially. However, small scale agriculture, where Nicaragua's poorest are

concentrated, has lost, as the elimination of state market structures is only slowly being replaced in rural areas. Poorest consumers, as well, have lost as general subsides on basic goods have been eliminated and commerce has been freed. Finally, the unemployed and underemployed have lost, as employment guarantees were eliminated and rising real wages have only benefitted the employed.

In response, the Mission has identified the following program outputs that will lead to sustainable growth in employment and income for these particular groups that are at-risk:

Program Output 1: Small farmers marketing more and diverse products



Rationale: The concentration of poverty in the rural areas, destruction of natural resources, and increasing out-migration to the cities all suggest including a major rural focus within USAID's program. Within the rural areas, Mission analysis indicates that the small farmer is the most promising economic and social agent of change.

The term "small farmer" describes a particular type of farmer, known locally as a "finquero", which comprises a group of more than 57,000 small-to-medium entrepreneur farmers. These farmers respond well to open market policies and are prone to saving and investing rather than debt and consumption. This group has a strong propensity to invest on their farms and in their communities and to employ more labor as they accumulate capital. Increased production from this group typically contains a much lower import component than required by larger farmers. Finqueros can also contribute greatly to increase exports.

The finqueros ability to function as economic and social agents of change is strongly linked to their access to credit, to savings mechanisms, to productivity enhancing technology, and to improved markets. The Mission has therefore devised a series of activities to empower this group of customers to profit from market opportunities.

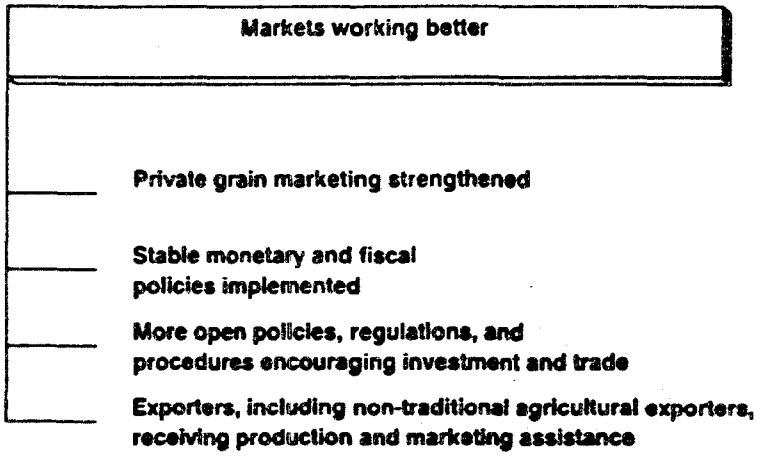
Strategy: The Mission will work through private producer organizations to provide services to small farmers, services that will increase their production and productivity -- and their savings. The creation of more jobs in rural areas will be the ultimate result.

Five private Nicaraguan agricultural producer organizations (UPANIC, APENN, UNAG, UNICAFE, and FUNDA), a U. S. Cooperative Development Organization (CLUSA), and

AID/Washington-administered Farmer-to-Farmer programs will work in partnership with the Mission to achieve this Program Output. In addition, USAID will continue to work with PVOs to assist ex combatants in carrying out agro forestry programs aimed at improving agricultural procedures and protecting the resource base. In all instances the assistance is channeled directly to grass roots organizations.

Program Output 2: Markets working better

Rationale: In the decade of the 1980s, failed experiments in State control weakened traditional markets of many kinds: export markets, local agricultural markets, financial markets, land markets. Foreign trade, finance, and agricultural marketing were State monopolies. Much of industry was nationalized, and the Government made a major effort to implant State farms.



With market liberalization in 1990, private citizens could once again participate in markets. Relatively efficient private and competitive marketing systems for traditional export crops such as coffee, sesame, peanuts, bananas, and beef emerged rapidly. For these crops Nicaraguans have been able to reestablish their reputation as reliable traders, able to comply with strict quality requirements. Nicaraguans have also begun to develop non-traditional agricultural exports (NTAE) with promising results.

Trade liberalization has also forced domestic agribusinesses to become more efficient, paying Nicaraguan farmers better prices and on-time. However the vacuum left by the abrupt withdrawal of the GON from markets has not been completely filled by the private sector for several reasons: poor rural road infrastructure, rural insecurity, and the lack of an adequate market information system.

A number of private banks were created in the space of the two years 1992-93. Deposits have grown at 30-50% a year. Other private financial institutions are now active in the capital and foreign-exchange markets. Private exports, after initially stagnating, began to grow rapidly in 1993, sustaining rates of over 20% a year in dollar terms.

Strategy: The policy conditionally under USAID's previous cash grants and the PL480 Title III program have contributed to a greatly improved outlook. The new strategy will

help Nicaragua's producers take advantage of the market opportunities created by this environment.

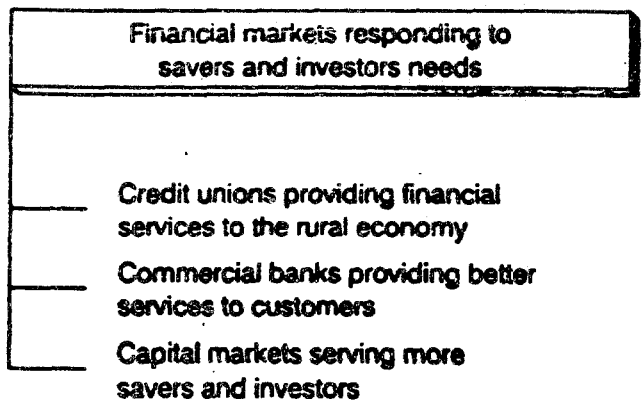
USAID will place increasing emphasis on helping Nicaragua to address the property issue by making significant improvement in the administrative property resolution process. This effort is being carried out in conjunction with other donors.

Having encouraged the GON to lease State-owned grain storage facilities to the private sector, USAID will now support privatization of these facilities. We will also support the creation of a new agricultural commodity trading exchange (BAGSA), which will begin operations in 1995. The exchange will provide substantially better access to market information for the thousands of small basic grain producers. It will provide a single information source for supply and demand information from within Nicaragua and neighboring countries.

USAID's economic policy assistance will focus on sectoral issues like tax incentives, improving measurement of productive activity, export promotion, and industrial promotion policy, which will have more direct impacts on output and job creation.

Program Output 3: Financial markets responding to savers and investors needs

Rationale: Nicaragua suffers from a combination of low investor confidence and continuing institutional weakness in the financial sector that is charged with mobilizing funds for productive uses. The state-owned commercial banks have yet to recover from undisciplined lending practices, and the private banks are still consolidating themselves. Higher-end capital-market institutions were never well developed, and lower-end popular savings and loans were nearly destroyed by official hostility and hyperinflation.

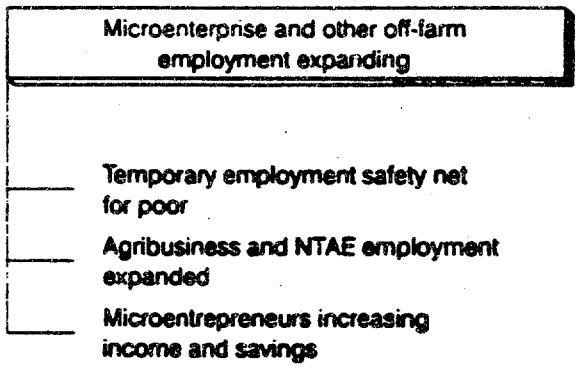


However, Nicaragua's new-found financial stability is encouraging a wave of new optimism and activity in the financial sector. New banks have been established, a private stock exchange is operating, private exchange-houses are active in foreign-exchange markets, a variety of NGOs have entered the field of small-enterprise lending, and the Government and donors have begun to look again at potential of the savings and loan cooperatives.

In rural areas in particular, according to Nitlapan and others the primary rural credit constraint is institutional. Few formal credit programs have focussed on "Finqueros", with the exception of the USAID-supported INVIERNO program of the late 1970s, which was shut down in 1980 when the FSLN decided to focus efforts on the land poor through a major agrarian reform program. With the financial problem of the state-owned bank BANADES, the institutional delivery problem for credit is exacerbated in many remote areas, which creates a problem for "finqueros" in particular, since they are typically concentrated in areas such as Rio Blanco or Matiguas in the Old Agricultural Frontier, far from major urban centers.

Strategy: On the rural side, supporting community credit unions is an ideal way to develop essential financial services, including both credit and savings facilities, for "finqueros" and a broad range of productive and support activities in rural areas. The Rural Credit Unions Project now under design will locate project activities in areas of high concentrations of "finqueros". In the urban economy, USAID will increasingly emphasize direct support to private institutions to broaden their clienteles and focus more on generating productive jobs. The Mission will also maintain its support for stable monetary policy, so as to increase the total availability of funds and eventually lower the structure of interest rates.

Program Output 4: Microenterprises and other off-farm employment expanding



Rationale: Job growth in the formal sector is unlikely to generate enough jobs in the near future to address Nicaragua's problems of unemployment and underemployment. As the public sector sheds excess labor, many who lose their jobs are unable to find comparable employment in the urban private formal sector, which employs only 7% of the national labor force. The share of formal employment in total employment will probably not change much between now and the year 2000. Therefore, in the interim we will have to look to the informal sector as a source of employment and income for marginal economic individuals. Recent studies have shown that ownership of an informal sector business, which requires at least a modicum of capital, correlates inversely with poverty. This finding supports the Mission's emphasis on expanding credit and training for microenterprises as a viable way to reduce poverty in the short term. At the same time, well-target employment programs can help offset the lack of jobs in the economy.

Micro and small business entrepreneurs in Nicaragua face a wide range of constraints to growth. These include organizational, financial and technological limitations, weak

or limited markets, competition from cheap imports and lack of access to credit. A survey by the Nicaraguan Ministry of Labor reports that 83% of microentrepreneurs cite the latter - access to credit - as their principal need. Some 51% of those surveyed placed their highest priority on credit for working capital. Without access to the commercial banking system, micro-entrepreneurs often turn to unofficial money lenders who charge annual interest rates which can range from 240% to as much as 900%.

An area with a great potential for formal sector employment growth is the agribusiness and non-traditional agricultural export sector. In the 1960s Nicaragua had the most developed agribusiness sector in all of Central America. At present Nicaragua's agribusiness sector contribution to overall GDP is half of El Salvador's (6% vs. 12%). With expected improvements in the investment climate and increased market access, the Nicaraguan agribusiness sector can be expected to take off, generating important new employment opportunities. The dramatic recent increases in non-traditional agricultural exports has been accompanied by high employment multiplier effects, particularly for rural women.

Finally, those who are unable to find formal sector employment and who are ill-equipped to start their own businesses face particularly bleak employment prospects. It is precisely these individuals who comprise the target group for social safety net and employment generation programs.

Strategy: In the short term USAID will continue to support temporary employment programs through the use of Title III local currency.

The MAS Community Employment Program is working in the poorest regions of the country, namely Regions I and VI and will generate over 60,000 person months of employment, over half of the benefits accruing to women. The project will undertake both productive and community infrastructure projects such as establishing community tree nurseries, repairing farm-to-market roads, constructing latrines and small water systems. The project also contributes indirectly to the goals of the Mission's democracy portfolio by empowering local development committees to select the projects and the beneficiaries at the local level.

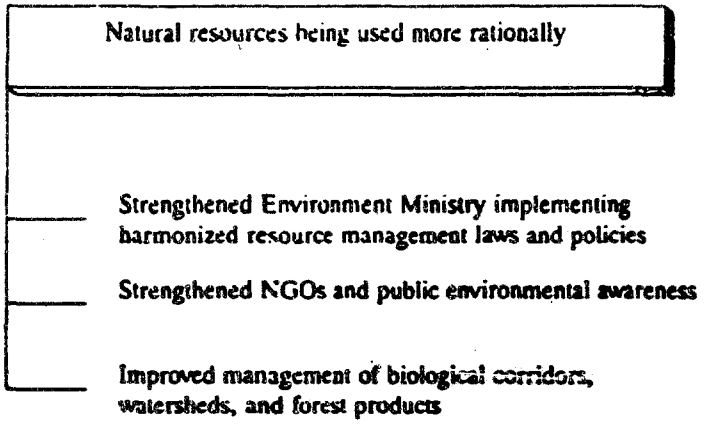
The PVO Co-Financing Project seeks to increase the involvement of PVOs in improving social and environmental conditions and economic opportunities in Nicaragua. This umbrella project finances sub-projects in three categories: child survival, agroforestry and microenterprise. By working with local organizations and communities, U.S. PVOs tap their knowledge about local needs and ways to meet those needs, strengthen grassroots democratic organizations and forge links with the beneficiary population.

To date, the PVO Co-Financing Project has thirteen approved subprojects, four of

which are in the area of microenterprise development. The Mission plans to expand the portfolio to a total of six sub-projects by late FY 1995. These projects focus on poverty lending through community bank and solidarity group lending models. These models rely on group solidarity to encourage prompt repayment of loans and forced savings. Repayment rates approach 100%. Most loans are under $300. Two of the projects will provide larger individual loans geared toward satisfying the credit needs of those whose businesses have outgrown smaller group loans programs. The planned portfolio of six projects will provide loans to more than 55,000 microentrepreneurs. Including workers and family members, over 300,000 poor Nicaraguans will benefit from the Mission's microenterprise program.

The Mission will continue working with APENN to promote NTAE expansion agro business activities. Additional agro business and processing opportunities will generate employment in the formal private sector. IESC support for exporters should lead to increases in employment in the export sector.

Program Output 5: Natural Resources being used more rationally



Rationale: Nicaragua is well endowed with natural resources that can make major contributions to Nicaragua's economic growth. However a relatively high population growth, poverty, an unstable political climate, and a legacy of natural disaster, civil war and economic deterioration have led to large internal migrations. One route, to the cities, has produced rapid urbanization and given rise to a many environmental problems associated with urban poverty. Another stream of migrants, drawn by the nearly empty tropical forest and pine savannas, headed east in an expansion of the agricultural frontier. This pressure to develop new lands for human settlement and to extract the region's natural resources continues to increase, degrading natural resources and jeopardizing the sustainability of the economic activities dependent on these resources.

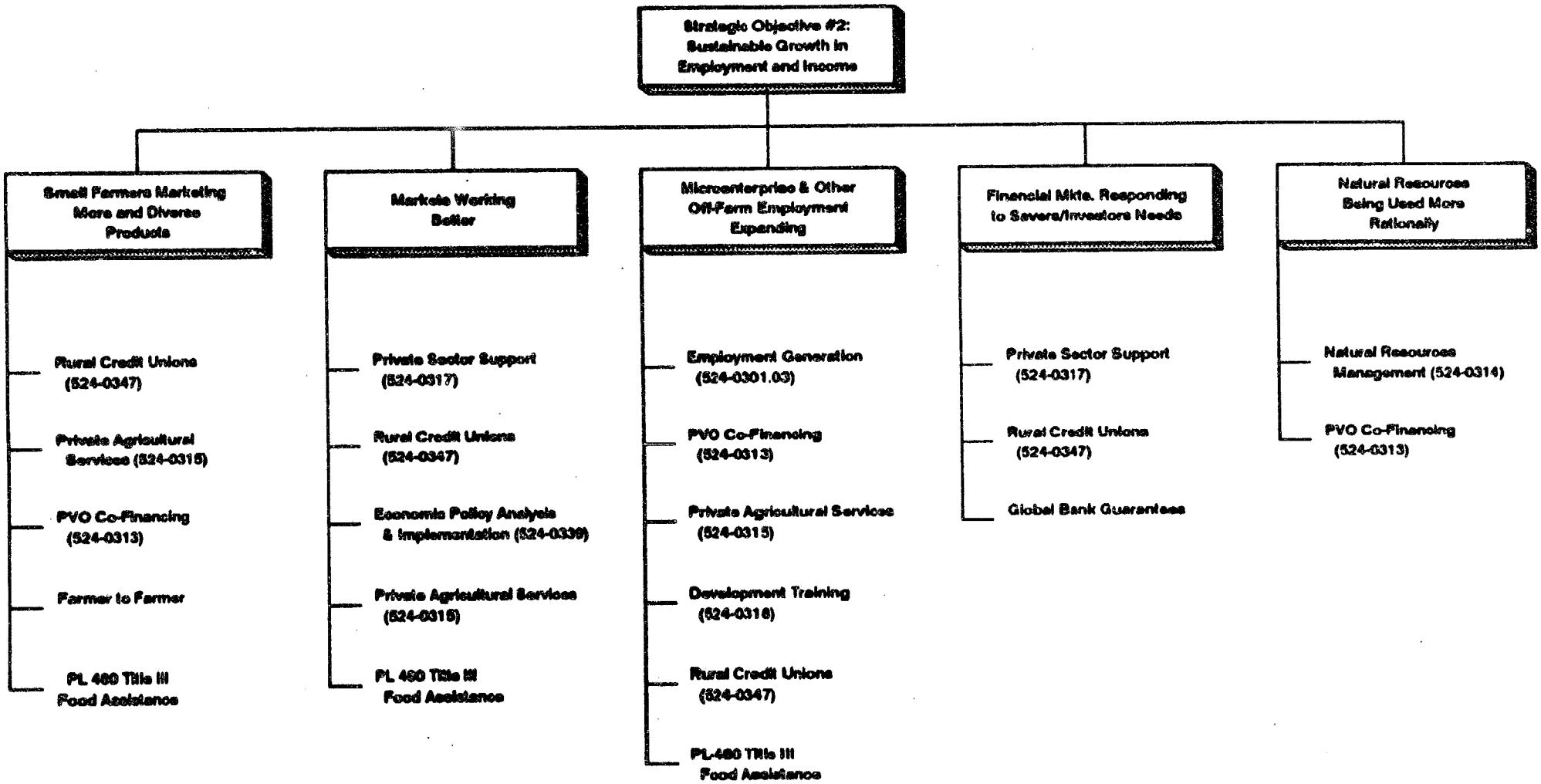
Strategy: Achieving sustainable development requires changes in the ways natural resources are perceived and used. This includes broadening the concept to include protection of ecologically important areas, conservation of biodiversity, and management of resources for reasons other than profit.

USAID addresses these objectives through PVOs and with the participation of the people that interact most directly with the natural resource bases. The Natural Resource Management Project supports institutional strengthening of the national environment ministry, MARENA; policy development and implementation; environmental education; protected areas and buffer zones; and plant protection and integrated pest management. The PVO Co-Financing Project provides grants to both U.S. and Nicaraguan PVOs to work with local communities on sustainable agricultural activities.

USAID/NICARAGUA

Table 1.2: Detailed Strategic Objective Program Tree and Project Listing

AGENCY GOALS: BROAD BASED ECONOMIC GROWTH WITH EQUITY/ PROTECTING THE ENVIRONMENT



Strategic Objective 3: Better educated, healthier and smaller families

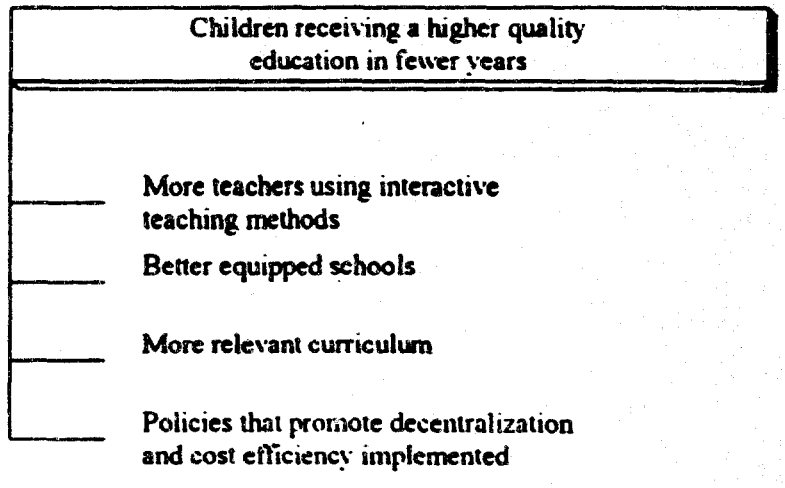
Strategy: In order to achieve this strategic objective, the Mission will undertake programs in four areas: improving the quality and efficiency of primary education, improving maternal and child nutrition, promoting preventive health care, including child survival, reproductive health and AIDS prevention services, and increasing access to modern family planning methods.

The four programs are interdependent and mutually supportive. Higher levels of education are associated with improved maternal and child health and increased use of family planning. Education levels affect women's well-being through enhancing economic opportunities and hence better nutrition and living conditions, and by contributing to reduced fertility and reduced maternal mortality. Conversely, better health and nutrition for children mean that more children will attend school, stay in school and learn more. Family planning, especially the avoidance of high risk and closely spaced pregnancies, increases the chances of maternal and child survival. Improved nutrition during pregnancy improves pregnancy outcomes. AIDS prevention activities protect the general population from the nascent epidemic among high risk groups and ensure that children are neither victims of this disease nor orphaned by it.

For these reasons, the Mission has chosen to focus on the following four program outcomes which we believe will lead to measurable changes at the strategic objective level in terms of primary school completion rates, infant mortality rates, fertility rates, and HIV/AIDS prevalence.

Program Outcome 1: Students receiving a higher quality primary education in fewer years

Rationale: The Mission believes that the major problem in the educational sector is not access to schools, but rather the quality and efficiency of the education children receive. If the quality of education could be improved, children would be more likely to pass yearly achievement tests and continue on to the next grade. The reduction in repetition would lower the cost of providing children with a primary education and reduce dropouts, thereby ensuring that



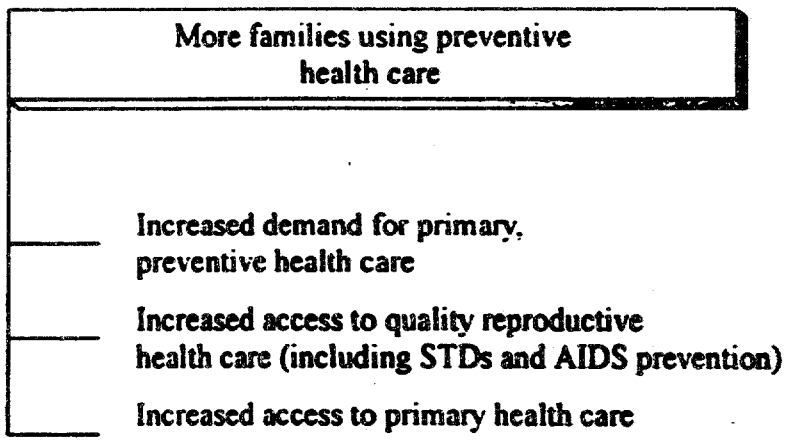
more children complete the sixth grade with the basic literacy and numeracy skills they need to compete in a market economy and participate actively in a democratic society.

Strategy: In order to accomplish this objective, the Mission has embarked upon the Basic Education Project to improve the quality and efficiency of basic education through teacher training, curriculum reform, new textbooks and teaching materials and institutional strengthening of the Ministry of Education, especially in decentralization. The Mission's Development Training Project (DTP) has sent 80 normal school teachers to the U.S. for training in pedagogy so that they can improve the quality of instruction in the country's six normal schools. The DTP will continue to support this strategic objective over the next few years by providing in-country training to Ministry of Education personnel in the areas of strategic management, personnel management and budgeting. The project will also provide additional scholarships for Nicaraguan graduate students to study education in the U.S.

Program Outcome 2: More families using primary, preventive health care

Rationale: Family health improvements will contribute directly to a reduction in the infant mortality rate, the fertility rate (which is also a proxy for maternal mortality rate), and the rate of increase of HIV infection. The Mission's analysis, based on the 1993 Family Health Survey, suggests that most maternal and infant mortality results from preventable causes. Major improvements would result if families would adopt preventive health behaviors and use child survival and reproductive health services, like oral rehydration therapy, immunization, prenatal care, and family planning.

Strategy: The Mission has several current projects that will contribute to achieving this program outcome. The Mission's Decentralized Health Services Project will contribute to the development and implementation of an integrated maternal-child health model in the Ministry of Health's outpatient clinics, and finance the continuation of the Ministry's successful immunization program. Title III local currency generations will finance the local costs of implementing the MCH model.



In addition, the Development Training Project will support the Ministry of Health by providing local training in institutional development with an emphasis on strategic planning and other core management areas. This training, combined with that

provided under the financial and administrative decentralization component of the DHS, will enable the Ministry of Health to provide these MCH services more efficiently.

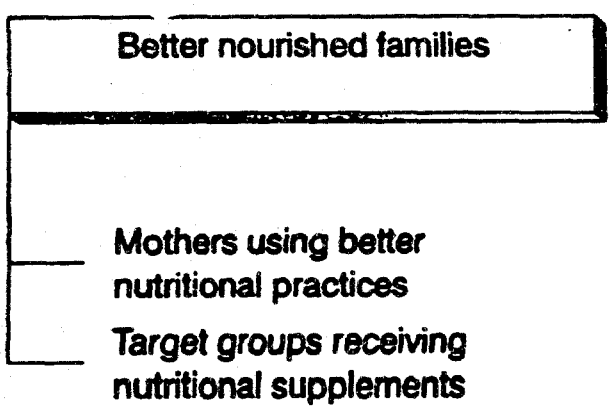
The Mission also donates approximately 2.5 million condoms per year to the Ministry's AIDS prevention program. This year we will be purchasing reagents to test for HIV antibodies as well as financing several studies to determine the seroprevalence rates of AIDS among high risk groups, assess high risk behaviors and plan a behavior change strategy. If funds are available from Global Bureau and the Regional HIV/AIDS project, the Mission will consider funding a STD control program, working with NGOs to conduct outreach and patient education.

The Mission intends to increase access to reproductive health care, including AIDS prevention services, through the reproductive health portion of the Ministry's integrated MCH model. The Mission will also incorporate STD control and HIV prevention activities into the current Family Planning Expansion Project with Profamilia and the scheduled 1997 Reproductive Health follow-on activity.

Program Outcome 3: Better nourished families

Rationale: The strong linkages among nutritional status, child health and early learning are widely recognized.

Strategy: The Mission intends to pursue a three-pronged approach to improving nutritional status of women and children. Through growth monitoring and nutrition education at the health center and community level, the Mission proposes to identify those children at risk of malnutrition and quickly refer them to feeding programs or intercede to change the mother's nutritional practices. In cases where the problem is food availability, the Mission hopes to support targeted PL 480 Title II feeding programs in order to prevent thousands of Nicaraguan children, especially in Regions I, II and VI, from slipping into severe malnutrition.



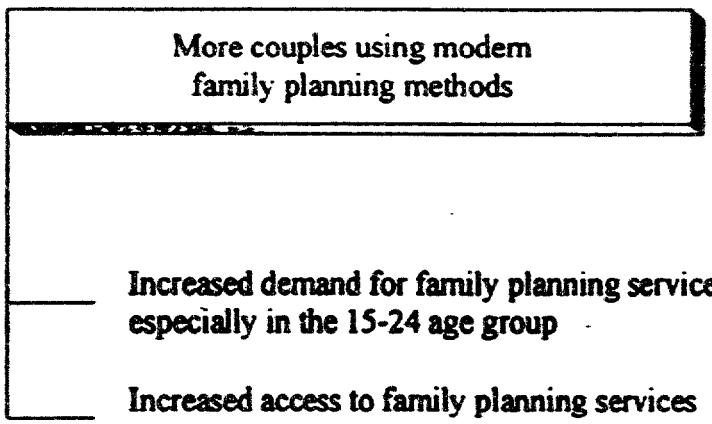
Where the issue is nutritional practices, the Mission intends to use community education and media messages to promote practices like exclusive breastfeeding, the introduction of proper weaning foods and the introduction of foods rich in Vitamin A and iron into the family's diet. Target groups such as pregnant women and children under five should also receive Vitamin A and iron

supplements as needed. Using this combination of nutrition education, breastfeeding promotion and targeted vitamin and food supplements, the Mission hopes to improve the nutritional status of families, especially those at highest risk of malnutrition or micronutrient deficiency.

These interventions will be carried out through three coordinated programs. The Decentralized Health Services Project will support the implementation of growth monitoring, breastfeeding promotion and nutrition education at the clinic level, as well as Vitamin A and iron supplementation. The PVO Co-Financing Project, through 10 child survival sub-projects, will provide nutrition education and breastfeeding promotion at the village level. Finally, the Mission is pursuing a Title II Program for Nicaragua for FY 1996 which will include targeted feeding programs designed to ameliorate acute malnutrition in Regions I, II and VI. If the Mission is successful in obtaining a Title II program, we will add another indicator to measure the decrease in acute malnutrition.

Program Outcome 4: More couples using modern family planning methods

Strategy: In order to achieve this program outcome, the Mission will pursue a combined public/private sector family planning program. Family planning services will form an integral part of the DHS Project's maternal child health model. The model will stress the importance of post-partum care and routine family planning visits. The Mission will continue to supply the Ministry of Health with temporary contraceptive methods such as pills, condoms, IUDs and Depo-Provera.

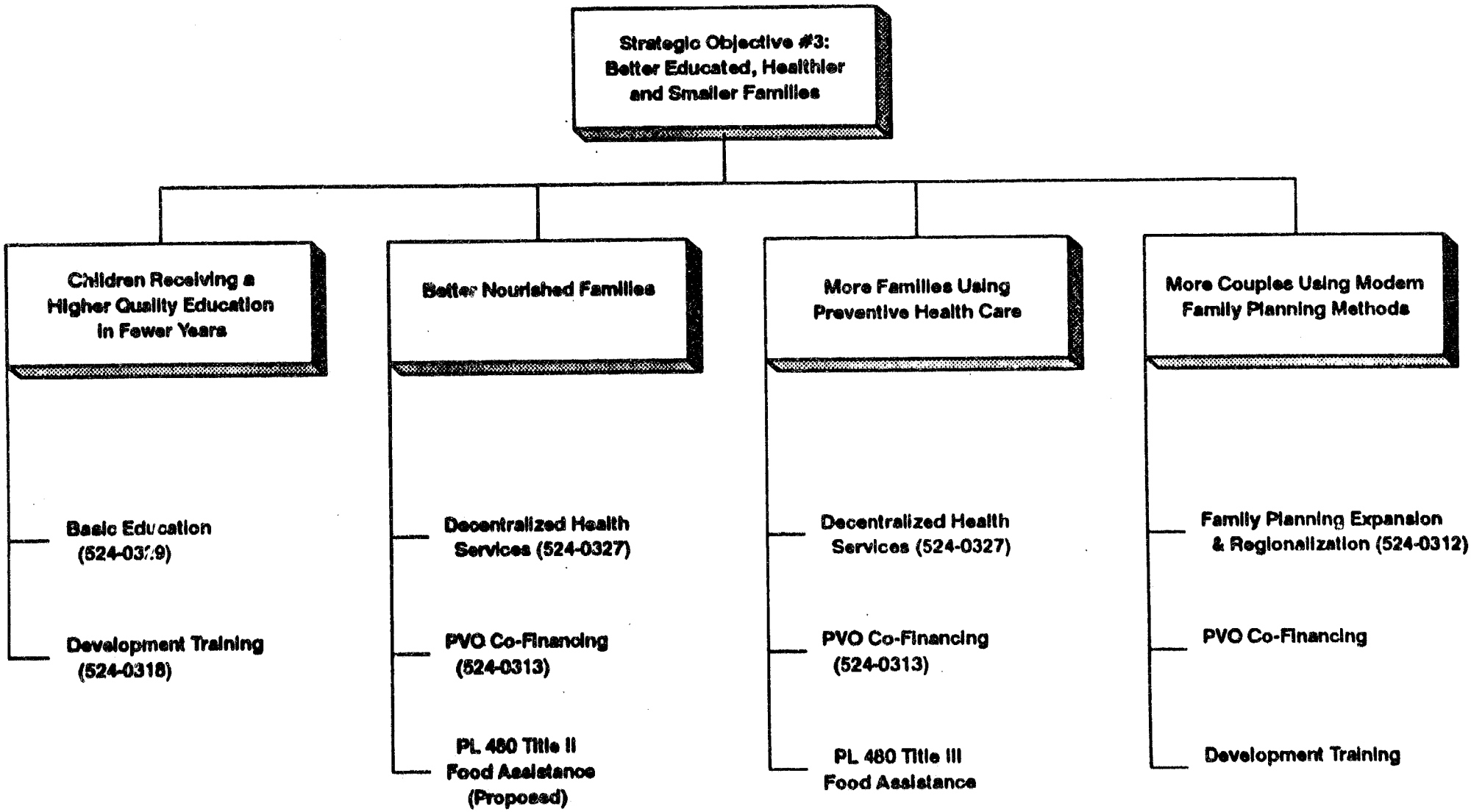


The Mission is implementing a Family Planning Expansion and Regionalization Project through Profamilia, the local IPPF affiliate, which includes a nationwide media campaign and the expansion of Profamilia's network of clinics and community distribution posts. This project as well as the planned follow-on Reproductive Health Project, will target poorly educated, rural women of low socioeconomic status. The Family Health Survey has shown that poor, rural and less-educated women are the least likely to use contraception. Another target group is women between the ages of 15 and 24, which has one of the highest age-specific fertility rates in Latin America. The strategy will be to reach the least accessible users, both in geographic and cultural terms, to encourage them to begin using contraception earlier in their reproductive lives to both

postpone the first pregnancy and space subsequent pregnancies. This combined public/private sector approach should make high quality family planning services available nationwide.

Again, the Development Training Project will contribute to the achievement of this program outcome by conducting all training related to family planning as well as arranging for participant, third country and local training events.

Table 1.3: Detailed Strategic Objective Program Tree and Project Listing
AGENCY GOAL: STABILIZING POPULATION GROWTH AND PROTECTING HUMAN HEALTH



April 28, 1993

III. PERFORMANCE REPORT: RESULTS AND IMPACT

Highlights of Mission Accomplishments: USAID/Nicaragua programs through policy dialogue, technical assistance, training, and commodities have contributed to the following achievements.

DEMOCRACY AND IMPROVED GOVERNANCE

-- The National Assembly is now functioning as a representative body and emerging as a key institution on major democracy issues; there is increased transparency due to the new electronic voting board;

-- Civil-military seminars helped establish a dialogue between key political actors and facilitated passage of military reform law which circumscribes the role and establishes greater civilian control over the military;

-- Policy leverage facilitated election of a new Comptroller General who is working with the GON to establish an integrated and transparent financial management system;

-- CIAV/OAS human rights monitoring and work on the Tripartite Commission has helped identify human rights violations and the need to resolve outstanding cases;

-- The Judicial School of the Supreme Court has trained 2,411 Supreme Court staff, 149 local judges, 49 district judges, 72 prosecutors, over 300 administrators, and 1840 jury members, thus improving the functioning of the judicial system;

-- A civic education curriculum has been established in the secondary school system of Nicaragua with approximately 1,100 teachers trained. Civic education is also being carried out through cooperatives, women's groups, and youth groups;

ECONOMIC GROWTH WITH EQUITY

- The economic stabilization program reduced inflation from 13,000% in 1990 to 12% in 1994;

- A total of 130,000 person-months of employment have been generated throughout the country by construction of small scale infrastructure projects and major roads and bridges in the Atlantic Coast have been rehabilitated;

- Four microenterprise projects with Opportunity International, FINCA, Catholic Relief Services and Acción were initiated with a direct beneficiary population of 44,000 poor men and women;

- Basic grain production activities among participating small farmers resulted in an initial 10 to 15% increase in production and increased prices for the producers;

- Production of non-traditional exports increased approximately 60% in 1993 and 57% in 1994.

IMPROVED QUALITY OF LIFE

- Since 1990, the mortality rate for infants less than one year old has dropped from 72/1000 to 58/1000 in 1994;

- The immunization coverage for young children has increased from 75% (average of all vaccinations) to 88% in the last year due to nationwide immunizations campaigns;

- Use of contraceptives has increased to 49% of married women from an estimated 27% in the past decade;

- The quality of primary school education has been improved through a textbook program which has provided over 4.5 million new textbooks, through training 4,500 teachers, and through a significant upgrade of the curriculum;

- Private voluntary organizations are carrying out programs to reach more than 300,000 mothers and children with health, nutrition, education, and expanded primary health care services.

PERFORMANCE MEASUREMENT

The Mission will be managing the program for results. Our program management system will be in step with re-engineering guidelines, the move toward performance based budgeting, and our Mission-Agency performance contract. We see performance measurement as an integral part of our management system, enabling LAC Bureau and Mission management to measure results and adjust priorities and resource allocation accordingly.

The centerpiece of our management system will be the annual results review. We will rely on all Mission reporting and tracking systems (e.g. SARs, evaluations, AWACS/MACS) to tell us how our activities are progressing against strategic objectives, program outputs. performance indicators, and financial controls. We will share the results with senior government officials, our partners and customers.

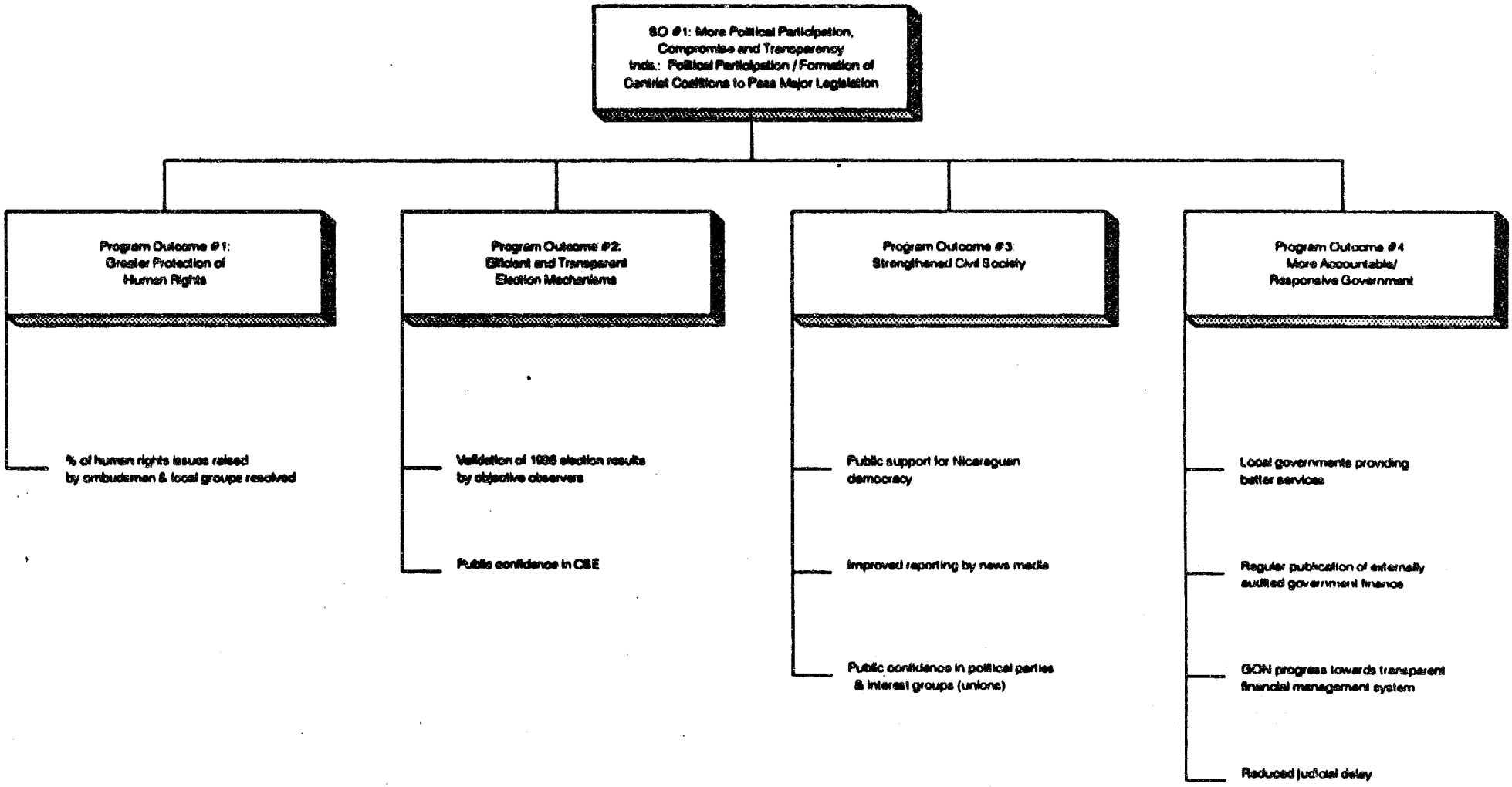
The entire Mission team will play an active role in the ongoing monitoring, reporting and evaluation process. the Mission's reorganization puts responsibility for coordinating programming, activity development, evaluation and performance measurement into one office, Strategic Management and Assessment so as to better

integrate and synergize these activities. SMA will work closely with results teams, contractors, and PVO/NGO partners to ensure that information systems are up and running that serve our performance measurement needs. Also, SMA will synthesize and organize data and information from evaluations, socio-economic research, SARs, and other sources for the Mission.

USAID/Nicaragua has developed preliminary indicators to measure the new strategic objectives and program outcomes. These are presented in Tables 2.1 - 2.3. The degree of specificity of the indicators vary by strategic objective depending on how long the Mission has been engaged in a similar objective with established programs and the quality of available data. Thus the education, health, and family planning indicators for SO3 are the most developed with the best baseline data and progress measurement. The democracy indicators we have developed for SO1 will require some refinement and additional baseline and progress data collection. The newest and least specified indicators relate to our new employment and income objective, SO2.

Thus there remains considerable work to be done to refine indicators for our strategy objectives and outcomes and to put in operation our performance measurement system. Mission plans to request assistance for further development of indicators and an information management system during Summer 1995. The missing baseline and progress data will be collected during the next six months and updated semi annually thereafter.

Table 2 - S.O./P.O./Indicator Tree
USAID/NICARAGUA



STRATEGIC OBJECTIVE 1: MORE POLITICAL PARTICIPATION, COMPROMISE AND TRANSPARENCY

A new articulation of the mission's democracy objective supersedes the previous objective of greater consensus on democratic values. The revised objective continues to capture the Mission's initial effort to target polarization and build a civic culture but also recognizes that the first national elections since 1990 will be occurring within the next two years and tries to encompass Mission efforts to improve accountability and citizen participation at various levels in the political system. The best indicators from survey work conducted to measure progress under the previous strategic objective have been carried forward as indicators of the revised objective but are complemented by indicators that rely less on survey work and are less subject to lags in registering change. Since, the most salient elements of the old framework remain, this discussion of performance uses the new strategy framework as a basis for discussing performance.

Nicaragua is in the midst of a constitutional crisis that highlights both the significant progress that has been made in Nicaragua's democratic transition and the difficult road ahead. The crisis grows out of a classic struggle for power between two branches of government; the legislature is attempting to use constitutional reform to achieve a more-equal balance between itself and the traditionally dominant executive branch. Although the reforms were passed by a two-thirds vote of the legislature as required, the executive branch has used a technicality to claim that the reforms are not in force and has further refused to recognize the reformed constitution.

Many elements of the current struggle demonstrate the progress Nicaragua has made in consolidating democracy:

- **Reforms were passed by a coalition of moderates from both sides of the political spectrum.** The reform process demonstrated the strength of moderates and the potential for finding areas of compromise and consensus in addressing major issues faced by the country. A similar coalition also passed significant reforms of the military and labor codes.

- **The constitutional reforms strengthen Nicaraguan democracy.** Although the package of reforms did not address all the weaknesses in the previous constitution, there is general agreement that the reforms will strengthen Nicaragua's democratic system of government. By reducing decree powers and enhancing the role of the legislature in budget formulation and approval of international agreements, the reforms would reduce the dominance of the executive branch established in the previous constitution. The reforms also attempt to control nepotism, establish direct election of mayors, and establish limits on state involvement in the economy.

- **The stature of the legislature has increased.** The legislature seized the political

initiative on reforms. As a result, legislative leaders, especially the leaders of the moderate groups that passed the reforms, have gained increased stature and prominence.

- **The constitutional crisis stimulated a national debate about the fundamentals of democracy.** The constitutional reform effort, especially as it became confrontational, focussed discussion throughout society on the meaning and ramifications of the Constitution. The political struggle for reform continues to provide a nationwide civics lesson, helping to build understanding and support for democracy.

- **The country's ability to survive a constitutional crisis demonstrates political stability.** In contrast to the early days of the Chamorro administration, when national strikes threatened the viability of the government, there is little fear this constitutional crisis will lead to the fall of the government.

The existence of the constitutional crisis, with uncertainty about which constitution is in force and how the crisis will be resolved, demonstrates that Nicaragua still has a long way to go in consolidating the democratic transition. Nonetheless, the struggle highlights progress toward the "compromise" portion of the strategic objective.

The other elements of Strategic Objective 1 are areas where progress will be most evident over the next few years, with national elections in 1996 and the move towards greater accountability in government, supported by several donors.

Progress toward Mission program outcomes contributing to this strategic objective is outlined below:

Program Output 1: Greater protection of human rights

Although the government has not responded substantively to recommendations by the Tripartite Commission regarding past human rights violations, there does appear to be a reduction in the number of new violations reported. A major human rights issue involving a recent army massacre in La Marañosa, however, illustrates continuing problems in the security forces.

Groups supported by USAID (CIAV, ANPDH, and CPDH) are playing important roles as human rights groups continue to investigate alleged human rights abuses and to apply pressure for action by the government. Project activities have encouraged increased cooperation among human rights groups in expanding their network of information and improving their impact in the media. A number of major human rights groups, representing a broad range of the political spectrum, have begun meeting together to discuss common needs and receive training and technical assistance.

Program Output 2: Efficient and transparent election mechanisms

Progress toward this objective will be evident as preparations continue for the 1996 elections. The system of voter registration being implemented, which involves issuance of citizen identification cards, has been moving slowly. Mission-financed technical assistance has helped identify and resolve bottlenecks in the information systems of the Supreme Electoral Council. The Mission's electoral support effort will provide resources if fall-back *ad hoc* registration becomes necessary.

Program Output 3: Strengthened civil society

This program output is closely associated with the focus of the Mission's previous strategic objective. Mission activities have contributed to the following accomplishments:

- **Informed citizens** - Efforts at civic education in the secondary schools are providing an understanding of the key elements of democracy to the people that will constitute the major group of new voters in the 1996 election. The establishment of a curriculum and the training of 800 civic education teachers are contributing to the ability of these youth to participate actively and intelligently in the Nicaraguan political system. Grassroots organizations working outside Managua are encouraging greater political participation by women and youth.

- **Groups effectively representing diverse membership interests in discussions of government policy** - Agricultural producers, working through their associations, have been increasingly effective in representing the positions of their members in discussions with policy makers regarding such issues as proposed coffee taxes, credit policy, and land tenure issues. Moreover, these associations have begun to overcome ideological differences to focus on solutions to common problems.

- **Increased public affairs broadcasting** - Media support efforts providing matching grants for equipment have stimulated increased public affairs broadcasting on both television and radio. Interview, debate, and call-in programs have helped to inform the public on major issues, including constitutional reform and the new military code. As a result the government has had to give greater weight to public opinion.

- **Increased professionalism among journalists** - USAID- supported journalism training through Florida International University has helped to produce a sense of professionalism and support for objective reporting. In one example journalist unions protested Sandinista purging of moderates from party-owned media.

- **Greater control of the military** - USAID-financed civil-military seminars sponsored by the National Democratic Institute established a dialogue among key political actors and a framework for discussion that contributed significantly to the development and

passage of laws reforming the military code. The reformed code takes important steps toward civilian control and a more circumscribed role for the military in Nicaragua.

Other indicators of strengthened civil society are associated with survey data which will be updated in early 1996.

Program Output 4: More responsive and accountable government

Three major Mission initiatives associated with this program outcome are in the initial stages of implementation: the Administration of Justice component of the Strengthening Democratic Institutions project, the Financial Management Reform project, and the Municipal Decentralization and Development project. Current indicator data thus largely represents a baseline from which to measure future progress. However progress toward this program outcome can be seen in the following areas:

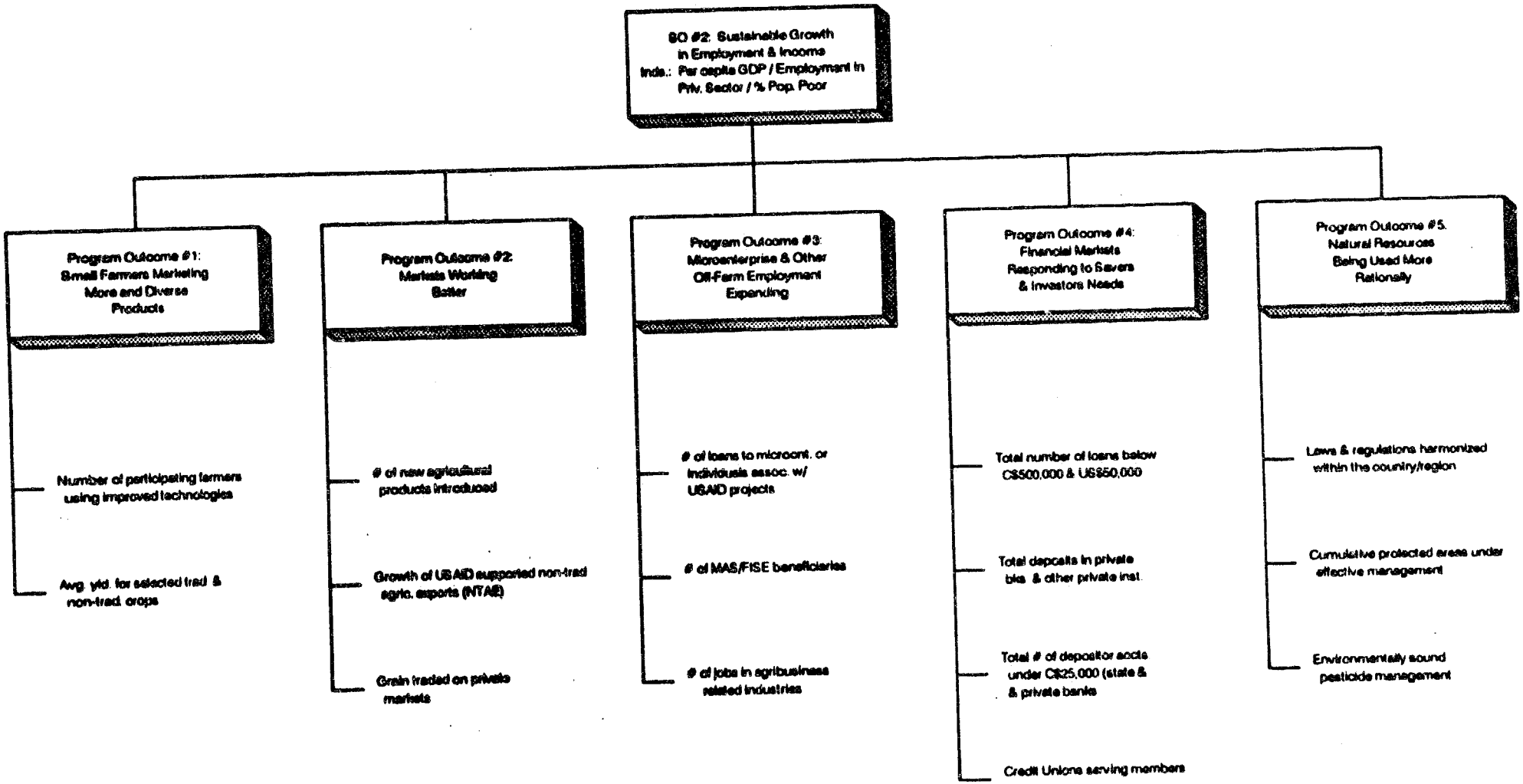
- **Strengthened legislature** - Institutional strengthening efforts with the National Assembly have helped it emerge as a key institution for forging consensus on major issues facing Nicaragua. USAID project inputs have helped it operate more efficiently and transparently. The Assembly's critical role in reform of the Military Code, constitutional reform, and the TELCOR privatization has increased its relative strength within the Nicaraguan political system.

- **Trained judicial personnel** - Nearly all personnel that make up the Nicaraguan judicial system - judges, prosecutors, clerks, administrators and jury members - have now received training in their basic functions through the USAID support of the Supreme Court's Judicial School through ILANUD. The basic manuals produced as part of this effort provide an ongoing reference that will help to improve the functioning of the judicial system.

- **Decentralization** - The Association of Municipalities is rapidly becoming an effective organization able to lobby for the interests of local government - they have a high percentage of municipalities represented, a working dues system that contributes to its long-term sustainability, and have developed an excellent working relationship with key legislators. Local Development Committees established in municipalities as part of the MAS Title III local currency program is increasing community participation in employment associated with intensive public works programs.

- **Accountability and audit coverage** - A Presidential Decree establishing policy/administrative bodies critical to develcping an integrated financial system for the central government became effective in October, 1994. Through policy dialogue, the IDB and the World Bank have signed agreements with the GON leveraging resources of more than $15 million in support of government administrative and financial management reform.

Table 2: S.O./P.O./Indicator Tree
USAID/NICARAGUA



April 26, 1995

STRATEGIC OBJECTIVE 2: SUSTAINABLE GROWTH IN EMPLOYMENT AND INCOME

This Strategic Objective replaces 3 Strategic Objectives ("increased economic access and opportunity", "improved market efficiency and performance", and "increased use of environmentally sound productive and extractive practices") in the previous Action Plan and required selection of several new indicators. Some of the indicators for the previous Objectives will also be used to measure progress towards the new Objective. The Mission will therefore report progress this year on these indicators.

Nicaragua has continued the transition from low-productivity state-guaranteed employment to employment in the private sector. In 1993, the total labor force was approximately 1,500,000, of which about 135,000 were employed in the state sector, including 15,000 in the military, and about 95,000 in the formal private sector. The remainder were either in the informal private sector, including agriculture, or unemployed. The labor force is currently growing by about 35,000 each year. The Mission will need to assist the GON in developing consistent surveys of employment to provide a way to track this important indicator in future years.

Progress toward this Strategic Objective depends upon increased private investment -- which in turn depends upon continued stability and resolution of property conflicts. Nicaragua regained macroeconomic stability by 1993, but the economy is still characterized by major gaps (the trade gap, the fiscal deficit, the external debt burden) that, if not managed correctly, could stimulate inflation and financial insecurity again.

The rate, over 11,000% in 1990 and nearly 900% in 1991, has averaged only 10% for the years 1992-94. The Central Bank's exchange rate, pegged to the dollar, has been increasing 12% annually for over a year. Free rates have remained close to the pegged rate and non-traditional exports are expanding rapidly — two indicators that the pegged exchange rate is not creating price distortions.

The most reliable indicator in the Nicaraguan economy over the last twenty years has been exports. After declining in value (in terms of 1992 prices) from $1.0 billion in 1977 to $0.22 billion in 1992, exports began to recover in 1993. Exports are now growing rapidly: 20% in 1993 and an estimated 29% (preliminary data) in 1994, in terms of dollars.

Since 1990 the GON has privatized or liquidated over 350 formerly state-owned commercial firms, reducing the draw on the government budget from these inefficient public enterprises.

Progress toward Mission program outcomes contributing to this strategic objective is as follows:

Program Output 1: Small farmers marketing more and diverse products

The recently amended $13 million Private Agricultural Services (PAS) Project is the Mission's principal small farmer oriented activity. The objective of this project is to increase farm level profitability by strengthening private producer associations and increasing their ability to provide direct, sustainable productive services to their farmer members. After three years, the PAS project has strengthened two key national agricultural producer associations -- the Nicaraguan Association of Producers and Exporters of non-traditional products (APENN) and the Agricultural Producers Association of Traditional products (UPANIC).

FY 1995 is the third year of the Cooperative Agreement with UPANIC. During the first two years of the project, UPANIC has developed a successful subgrant program with twelve local livestock associations, three local basic grain associations and eight local coffee associations. The UPANIC livestock productivity grants include activities which directly improve milk production, calving rate and genetic improvement of cattle by improving pasture and nutrition, veterinary services and establishing a financially sustainable artificial insemination program and supply input store.

Three of the larger associations have procured and installed livestock handling and auction facilities to improve the marketing and veterinary inspection of cattle at the point of sale. All activities are on target -- 30% of total cows in the program have been inseminated, and training seminars have taken place on health, dry season feeding, mineral block production, and marketing. Genetic improvement along with other indicators of increased productivity in animals will take two to three years to affect and equate into substantial increases in incomes for producers.

UPANIC implements productivity subgrants with eight local coffee associations, again located throughout the country. The coffee projects contain productivity enhancing activities such as the establishment of nurseries, provision of technical assistance and training, block marketing, and an important revenue generating input supply store. Seven of the eight associations have recently been awarded grants. All are on-target in establishing renovation plans.

Three basic grain grants are at different stages of implementation. The National Rice Growers Association will be starting its first production cycle in May 1995; the Corn and Sorghum growers associations have both completed their second year of implementation. Both organizations had a successful first year.

Over 200,000 hundredweights of sorghum was exported to El Salvador -- at a price 15% higher than on local markets. This has encouraged many small farmers to adopt the improved agronomic practices and fertilizer recommendations tested on over 500 manzanas of land. The project is supporting development of technical bulletins and replication programs.

There will be fewer UPANIC grant projects designed in 1995, with emphasis shifted to implementation and improving marketing efficiencies. Since the state-run grain marketing agency, ENABAS, reduced its role in the markets, the marketing of basic grain in the rural areas has been fragmented and inefficient. UPANIC will assist the basic grain associations in formulating "block marketing" programs to buy directly from the producers at time of harvest, store, dry and clean the grain and sell it out to wholesalers during the course of the year with clear objectives of lowering the transaction costs to the farmers.

UPANIC is spearheading efforts with the Nicaragua's private banks to lend "renovation credit" to small coffee producers, with UPANIC's commitment to supervise participating producers . This program is now gaining attention throughout the country and the momentum for increased investment to this sector appears strong.

Program Output 2: Markets working better

The USAID accomplishments in helping expand and diversify non-traditional agricultural exports (NTAE) through APENN, have been dramatic.

With APENN assistance, export promotion legislation was passed recently that included five-year decreasing corporate tax exemptions and tax rebate certificates. APENN is also providing the technical assistance Nicaraguan farmers need to produce and market fresh fruit and vegetables. As a result, growth in the value of exports of major NTAEs, including onions, cucurbits, baby corn, mangoes and ginger, has increased 70% in the last two years -- and Nicaragua now exports close to $60 million of NTAE annually.

Yields for onions have increased from 30,000 pounds per manzana in 1992 to over 65,000 pounds per manzana in 1995. Sweet onion acreage has increased in the fertile Sebaco Valley from 60 manzanas to about 500 manzanas in the last three years -- or a $5 million business annually.

Sweet Onions Come to the Sebaco

Mr. Torres is a 61 year-old farmer whose outlook for the future has changed dramatically with the introduction of sweet onions to the Sebaco valley as an export crop. He and his family have generally grown basic grains on their five manzanas but began growing onions after seeing the success of neighboring farmer. After his first year of producing and marketing these onions, torres has seen his net profit per manzana increase from $250 to over $7,000.

USAID assistance helped identify the potential in Nicaragua for growing and marketing Mr. Torres' "sweet onions" that can be sold in the United States during a period of time when U.S.-produced Vidalia onions are not available. This was done through the Nicaraguan Association of Non-Traditional Exporters (APENN) and USAID's "Farmer to Farmer" program.

APENN has encouraged small farmers to form a separate export company and to grow and export quality jumbo and colossal sweets. The 1995 harvest of 55 manzanas of sweet onions for the new association of small farmers (averaging less than 1 manzana each) earned over $170,000.

To broaden the access of NTAE production and marketing technology, USAID recently awarded a grant to CLUSA to develop the product line and market links for organic sesame, soya, cotton, as well as fresh vegetables such as okra. CLUSA's will provide technical assistance and training to large production cooperatives in the dry Pacific region of the country.

PL480 Title III policy conditionality led to significant improvements in basic grain markets, including the development of a GON agricultural market information system and the leasing of major portions of GON-owned agricultural marketing infrastructure to the private sector.

There are indications that improvements in marketing efficiency have led to a reduction in the percentage of the non-farm gate costs for food. The GON is also maintaining open trade policies which have resulted in increased small farmer basic grain production and exports. An example has been the decontrol of bean prices and exports, which has led to farm gate price increases of 50% - 200% since 1992. Beans are perhaps the most important small farmer cash crop with economies of scale that favor small, low input producers. The beneficiaries of these improvements are largely the rural poor.

Other marketing improvements have also occurred with Mission support. The Bolsa de Valores has just completed its first year of operation, with C$32 million in securities traded in 1994. A group of agricultural producers has incorporated an agricultural commodities exchange, Bolsa Agropecuaria de Nicaragua, or BAGSA, and are expected to begin trading in early 1995. Two bonded warehouses have received approval from the Superintendency to offer warehouse receipts to their customers to

be used as negotiable securities.

Finally USAID is working with the UNDP and other donor to strengthen the GONs property office to accelerate the administrative resolution of property cases.

Program Output 3: Financial markets respond to savers and investors needs

Since 1990, the country has been faced with the challenges of restoring the capital base and productivity of the agricultural sector, while restoring the credibility of the formal financial sector. These goals frequently require quite different policies to maintain free financial markets while keeping credit available to small farmers and other agricultural enterprises. Efforts are underway to reduce the size of the remaining state-owned banks and improve their loan recovery rates, while reducing operating costs.

At the same time, the private sector banks have expanded. A total of nine new private banks have opened since 1991, and, although the state owned banks remain the most important source of credit for agriculture in the country, private sector lending to the productive sector has expanded.

The private banks have been increasing their market share, in both deposits and their credit portfolio. As of the end of September, 1994, the private banks have gathered 53% of the savings in the banking system and 33% of the outstanding credit. The private bank credit consists, however, primarily of short-term commercial credit.

Private banks make more prudent loans. Of the approximately US$88.5 million in delinquent bank loans as of September 31, US$4.7 million, or less than 6%, are of loans from the private banks. Borrowers, particularly in the risky agricultural sector, prefer to place their deposits with the private sector banks, but take credit from the state-owned banks.

The private financial sector is still small and not well-capitalized. Private banks are still risk adverse and therefore not evolving very rapidly to be responsive to the needs of a market economy and commercial agriculture. Development of secondary financial markets has also been slow and continues to be hampered by government regulation and monopolization. As a result, smaller producers have difficulties in finding credit. USAID, working with UPANIC, UNAG, and other associations has helped broker agreements between few private banks for credit to associations for on-lending to their members of these associations.

Program Output 4: Microenterprises and other off-farm employment expanding

Microenterprise 1994 has been a watershed year for microenterprise development in Nicaragua. USAID/Nicaragua obtained $2.8 million in APPLE microenterprise funds

from AID/W to add to a Mission contribution of $2.9 million to make a $5.7 million contribution to poverty lending and micro finance programs in Nicaragua. To date, the Mission has signed agreements with four U.S. PVOs (FINCA, Opportunity, Accion, and Catholic Relief Services) to provide loans to approximately 44,000 poor microentrepreneurs, most of them women. Including workers and family members, the overall program will benefit over 250,000 poor Nicaraguans.

Though the projects are in their infancy, more than 2,000 people have received loans in the first few months. More than 800 jobs have been created. Progress in FY 1995 will be even more dramatic as all four PVO programs reach full implementation. Over a three year period, these four projects will create or sustain more than 7,000 jobs.

Temporary employment In 1993 the GON, through the Emergency Social Investment Fund (FISE) and supported by donor resources and Title III conditionality, created 96,000 person-months of employment through 750 infrastructure projects including schools, health centers, roads, and bridges. This represents a 30 percent increase over the number of months of employment generated in 1992. During the first nine months of 1994 FISE, with donor resources and Title III local currency, created 102,816 person-months of employment. Another 50,000 person-months were created on the Atlantic Coast through the Atlantic Coast emergency project, which came to a successful conclusion in January 1995.

Atlantic Coast Employment Generation

The Atlantic Coast component of USAID's employment generation project has employed more than 12,000 people in a range of projects that have helped improve the infrastructure of the region. Using simple technologies, more than 800 kilometers of roads have been built with improved drainage, 411 bridges have been built, 12 health clinics rehabilitated, and 12 fir towers completed. Thinning of trees and planting new seedlings on 12,000 hectares of land have helped improve forestry management in the region.

In 1993 the GON began a new Community Employment Program through the new Ministry of Social Action (MAS). MAS projects have a higher labor content than those of FISE -- and also promote greater involvement by local communities in the selection of activities to be financed. With the addition of MAS efforts, the GON has greatly increased its employment generation capacity. In the first eight months of 1994 over 102,000 person months of employment were created.

Both FISE and MAS activities (supported through PL 480 local currency generations) are concentrated in areas such as regions I and VI, poverty where poverty is greatest. During FY 1994 FISE generated 9,600 person-months of employment, and a similar program targeted at the Atlantic Coast generated 4,000 person-months, for a total of 13,600 person-months of employment. The GON's effective response to the 1994 summer drought was primarily handled through MAS. The USAID financed portions

of MAS' community employment programs is responsible for creating approximately 20,000 person months of employment since its inception in November of 1994.

Finally, the dramatic increases in non-traditional agricultural exports experienced over the past year has contributed to increased employment, particularly for rural women.

Program Output 5: Natural Resources being used more rationally

Important gains have been made despite a very weak GON Ministry of Natural Resources and the lack of a coherent national environmental policy framework. The Mission strategy of working with U.S. PVOs has helped overcome these institutional shortfalls. The following are important achievements to date:

Reduction in pesticide use - pesticide applications on cotton have been cut by more than 50%. Applications for melon production have been reduced by almost 30%.

Slowing of Deforestation - Estimates of the rate of deforestation indicate a steady reduction in the number of hectares deforested over the last year. The Mission has been actively involved in reforestation efforts on the Atlantic Coast and on the agricultural frontier.

During 1994, the two ongoing natural resource management sub-projects under the PVO Co-Financing Project had produced over one million tree seeding in 1,925 individual and group nurseries. As a result of these projects 9,400 manzanas of land (including 3,000 manzanas of forest) have been brought under improved management. Almost 2,500 families have benefited from project activities. Women participate in many project activities but especially in tree nurseries and home gardens. Over 1,500 women have received training in sustainable agriculture/family gardens and/or are active as community leaders in these projects.

Improved Natural Resource Policies - The Mission is providing assistance to create the framework necessary for sustainable natural resource management. To date forestry experts have assisted in drafting forestry legislation, establishing temporary rules for forest concession, and developing forestry and environmental action plans. The Mission is also providing assistance in preparing final versions of forestry, environment, protected area and fisheries legislation.

Management of Protected Areas Mission efforts are concentrated on working with the GON and U.S. PVOs to improve the management, with the involvement of local indigenous populations, of two unique ecological areas (Miskito Cays and Bosawas).

The Miskito Cays area, encompassing the Caribbean's largest continental shelf, is probably the richest environment of comparable size in the Caribbean Basin in terms

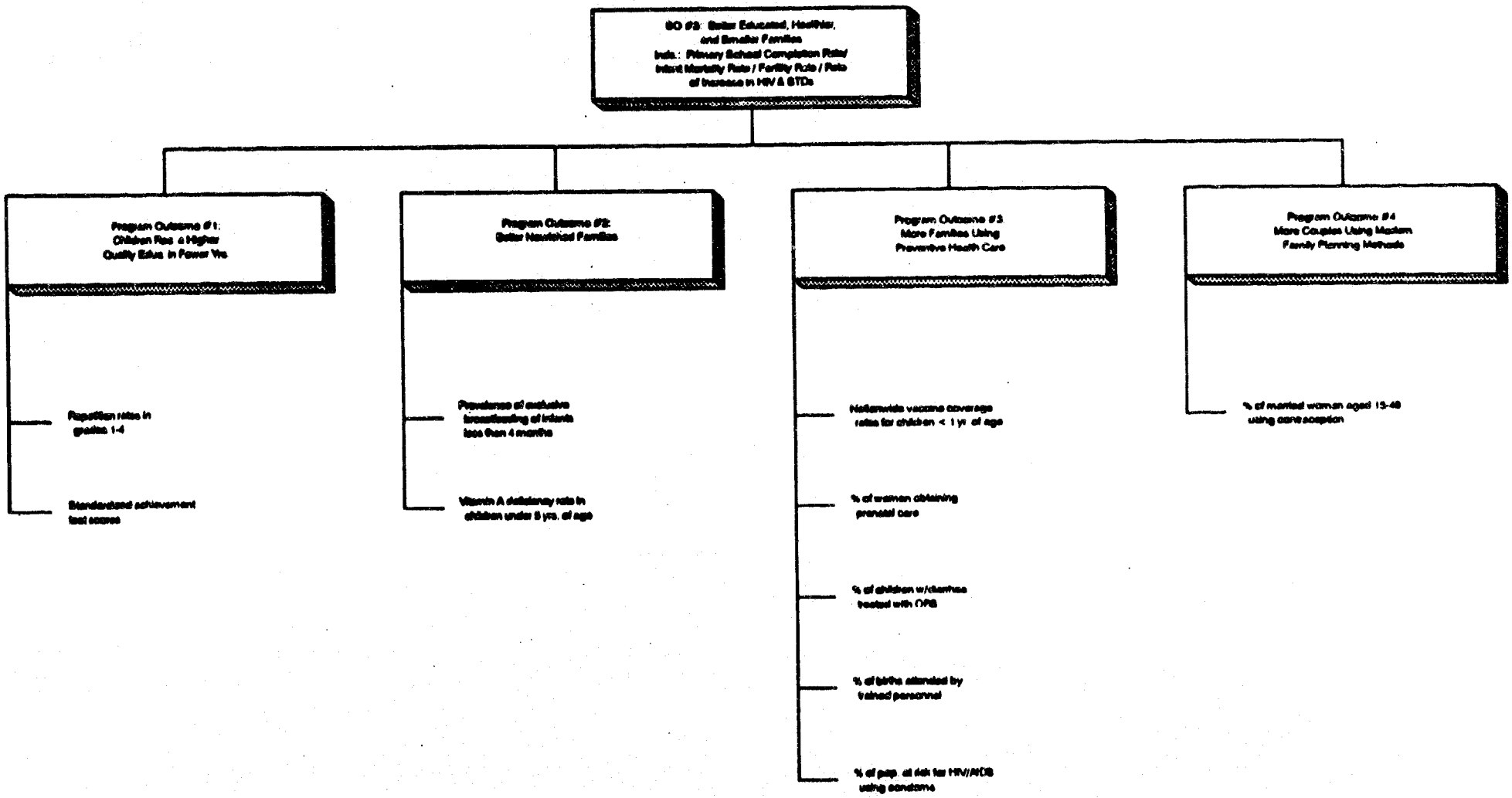
of biological productivity and fisheries (shrimp, spiny lobster, conch). The coral reefs, sea grass beds, islands, estuarine lagoons, mangrove forests, pine savannas, and rivers are a natural treasure house of biodiversity and natural resources. Under a USAID cooperative agreement, the Caribbean Conservation Corporation has created the infrastructure to protect the bioreserve, provided equipment, trained technical staff, conducted biological surveys, and completed a draft management plan with the participation of local communities and civil authorities. This now requires further vetting with the local communities and finalization. We are also broadening activities to include small community development and forestry projects to better meet community expectations.

Bosawas is the largest expanse of tropical rain forest north of the Amazon Basin. Mining concessions, demands for timber and the advancing agricultural frontier are immediate threats to the region. Under a USAID cooperative agreement, The Nature Conservancy has begun a major program to work with the indigenous Sumu residents to map out their historical claims to land and resources in Bosawas. The intent is to convince the GON to issue a series of communal land titles to the Sumu who have a stable and sustainable extraction relationship with the forest.

Environmental Education and National Parks - Volcan Masaya National Park, near Managua, is the centerpiece of the Nicaraguan national system of protected areas. It is the focus of national efforts in environmental education, and also protects a volcanic dry forest ecosystem and hosts scientific research and meetings. With USAID and Peace Corps assistance, it will soon be the center of efforts to establish partnerships in the management of protected areas among land owners, woodcutters and other resource users, municipalities and GON authorities as well as promoting environmental education efforts.

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. 75 trainers have been trained in safe pesticide use practices with a multiplier effect in the thousands. Over 5,800 small farmer (including ex-combatants) have been reached through PVO and local producer organization programs in agro forestry and improved sustainable production technologies.

Table 2: S.O./P.O./Indicator Tree
USAID/NICARAGUA



STRATEGIC OBJECTIVE 3: BETTER EDUCATED, HEALTHIER, AND SMALLER FAMILIES

The new human capital development strategic objective, "Better-educated, Healthier, Smaller Families replaces two strategic objectives in the previous action plan: "Improved Quality and Efficiency of Basic Education" and "Improved Maternal-Child Health". Although several redundant indicators have been dropped, most of the indicators at the strategic objective and program outcome levels remain the same.

The revised strategic objective attempts to capture the social factors that contribute to the well being of the Nicaraguan family: education, health and family planning all have equal importance. The importance of family planning, not only in improving the health of mother and child but also in improving the socioeconomic status of the family and in preserving natural resources for future generations, is well understood -- and family planning is no longer subordinated to improved maternal child health.

Progress in the social sector has been exemplary. Although data for many of the indicators, especially those at the Strategic Objective level, can only be collected through surveys every few years, the pace of implementation of USAID/Nicaragua's projects during 1994 has been rapid, and the results are borne out by proxy and interim measures.

Program Output 1: Students receiving a higher quality primary education in fewer years

In the case of primary education, 1994 was the first full calendar year of project implementation. Work focused on mobilizing long term and short term technical assistance, carrying out baseline surveys and assessments, such as the 1994 Repetition Study conducted by Research Triangle Institute, institutional development, and teacher training.

The study carried out by RTI established baseline repetition and dropout rates against which future qualitative improvements in education will be measured. The study revealed that, as of 1993, it took an average of 9.9 years to produce a sixth grade graduate. Repetition rates (eg. percentage of students failing grades) are exceedingly high: 41% in the first grade, 17% in the second grade, and 11% in the third and fourth grades. Dropout rates, at first expected to be very high, are relatively low at 10-15% in the first grade and between 5-10% in grades 2-6. The primary school completion rate, or the percentage of children enrolled in the first grade who actually complete the sixth grade, is only 23%.

Given that the Mission began the implementation of the Basic Education Project early in 1994, no effect on primary school completion rates or repetition rates is expected as yet.

The intention of the USAID program in Basic Education is to reduce repetition rates and improve achievement test scores for students in grades 1 through 4. Toward that end, this year the project trained 500 master teachers who will, in turn, train the remaining 13,000 teachers in grades 1-4 over the next few years. The Development Training Project has also sent 80 normal school teachers to the U.S. for short term training to improve the quality of instruction at the six teacher training schools. The project is developing achievement tests for grades 1 and 2 this year, followed by tests for grades 3 and 4 next year. Curriculum development efforts will accelerate during 1995, and the Ministry of Education will implement the new curriculum beginning with academic year 1996. Curriculum reform, coupled with teacher training, should begin to demonstrate an effect on primary school completion rates by 1998 and on repetition rates and achievement test scores as early as 1996-97.

Program Output 2: Better nourished families

This is the first year that nutrition appears as a separate program outcome. Nevertheless, progress in the area of breastfeeding and micronutrient policies was impressive. The Mission participated actively through the DHS and PVO Co-Financing projects in sponsoring a national workshop on breastfeeding. Advances in the area of nutrition policy were significant. This year a multi-donor group worked with the National Commission on Breastfeeding to formulate draft legislation to protect working lactating mothers legislation regarding infant formulas, as well as launch the baby-friendly hospital initiative, conduct health care provider training and form community support groups for breastfeeding mothers.

AID-financed technical assistance in micronutrients helped secure a commitment from the sugar industry to fortify sugar with vitamin A. The required legislation is in draft. Combined efforts on the part of the Ministry of Health and PVOs resulted in Vitamin A supplementation for 70% of children under five years of age.

Program Output 3: More families using preventive health care

Progress in primary health care has been impressive, especially in the area of policy reform. Fully 40% of the Ministry's budget for 1995 was dedicated to primary health care and at least 35% of the implemented budget for 1994 actually went to the primary level. The list of basic medicines came into use and orders were based on local level requests for the first time. Financial and administrative decentralization took place in ten of nineteen health districts by January of 1995. The use of more cost-effective nursing personnel rose as did the ratio of general practitioners to specialists on the Ministry's personnel roster.

With the assistance of both the DHS and PVO Co-Financing projects, immunization rates remained between 70 and 80% for the major antigens (diphtheria-pertussis-tetanus, polio, measles and tuberculosis) and above 60% for tetanus toxoid for preg-

nant women. Nevertheless, drops of 4-10% per antigen over last year's rates signal not only better reporting but also problems related to the Ministry's decision, without proper analysis or planning, to combine other health interventions with the immunization campaigns. USAID's decision not to support these health campaigns was a correct one. The year 1995 will witness a gradual transition to a routine immunization system based on a local vaccine census, which should eliminate prior year errors in reporting and increase real coverage rates. Progress towards these targets cannot yet be measured because data are derived from periodic surveys, the next of which is scheduled for late 1997. The Decentralized Health Services Project has developed baseline data for these indicators in the five districts in which the project is working. The Mission will track the trends both at the local and national levels.

The Ministry of Health, supported by the Decentralized Health Project, has made significant progress in the design of its new integrated maternal-child health model, considered by international health experts as the most advanced in all of Latin America. The Ministry intends to implement it in a minimum of five health districts during 1995. The model also provides for the collection of better service statistics at the field level. We are hopeful that these figures will provide interim measures of progress before the next Family Health Survey.

Program Output 4: More couples using modern family planning methods

In the area of family planning, the Mission recently signed an $8 million Cooperative Agreement with Profamilia, bringing the total USAID assistance to this organization to almost $13 million. The amended project will establish a total of 11 regional clinics and two community-based programs on the Atlantic Coast, supported by a network of over 1,000 community contraceptive distribution posts nationwide. The project will also introduce new contraceptives, such as the injectable Depo-Provera, into Profamilia's method mix.

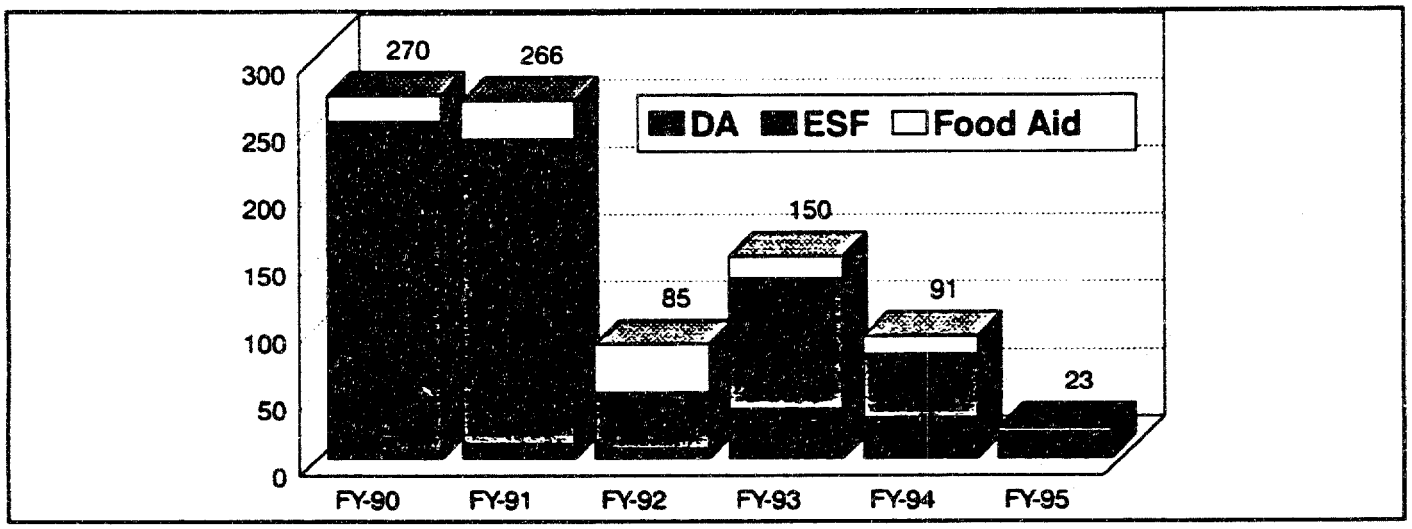
This year, Profamilia has opened two new clinics and 250 new community distribution posts and signed an agreement with the PVO Health Net to begin a community-based program on the Atlantic Coast. Of the current total of 680 CBD posts, 250 have already introduced the injectable Depo-Provera. As a consequence, the number of couple years of protection has risen from 56,000 at the end of 1993 to 104,000 by January of 1995. We expect even greater increases this year as the result of an intensive media campaign scheduled for 1995.

The total number of couple years of protection provided by the public sector is difficult to estimate as the system for tracking contraceptives at the clinic level has not been established yet. The Mission expects to have a system in place during 1995 to objectively verify the increased provision of family planning services by the Ministry of Health which we believe has occurred.

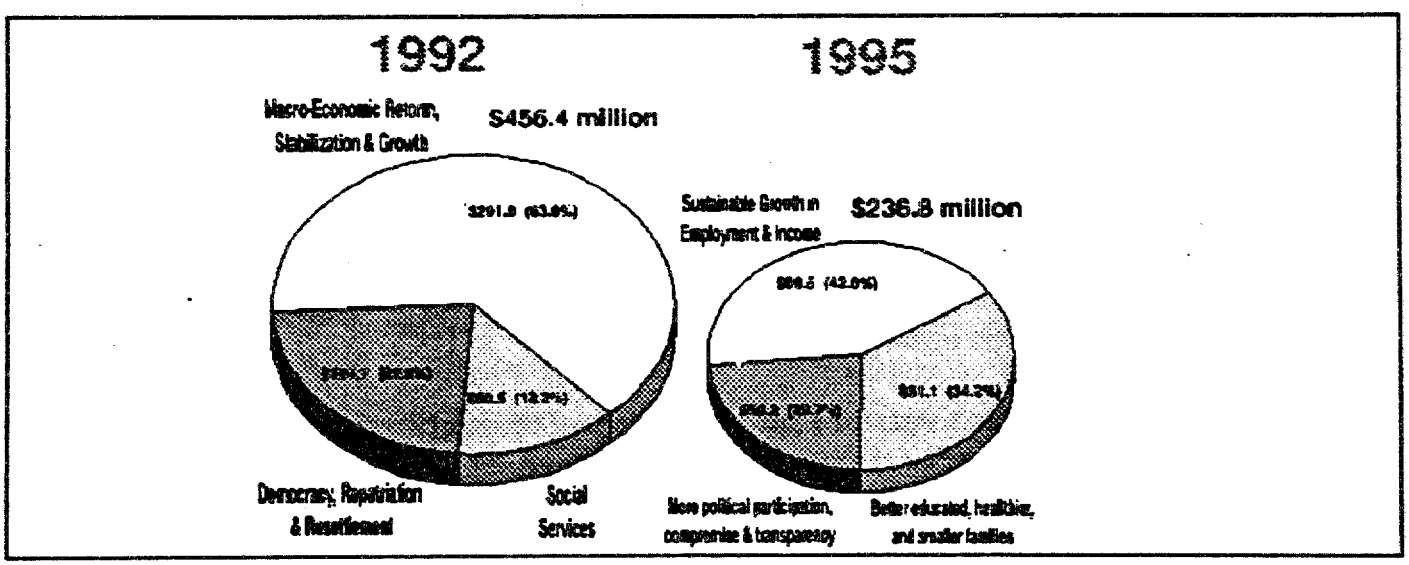
IV. FY 1996-97 ACTION PLAN AND RESOURCE REQUIREMENTS

PROGRAM EVOLUTION

USAID assistance was initiated in 1990. After two initial years of exceptionally high assistance levels, around $270 million per year, the program began to level off around $90-100 million a year from FY 1992-94. FY 1995 saw a dramatic cut from the expected $55 million level requested, the virtual disappearance of ESF and the elimination of Title III. The following chart shows this trend graphically.



The program also shifted emphasis from largely a macroeconomic/emergency assistance effort to one focusing primarily on long-term development projects as noted in the following graph.



PROGRAM/ACTIVITY OVERVIEW

Given budget limitations the Mission will implement its new strategy by making the most of its on-going portfolio. USAID/Nicaragua began FY 1995 with 14 active projects plus an FY 1993-94 PL 480 Title III Program, and a local currency program Trust Fund generated from the last cash transfer in FY 1994 under the Economic Recovery & Development I Program (524-0333). Two of these projects will terminate during FY 1995; the highly successful Employment Generation Project and the Atlantic Coast Electrification Project - a congressional earmark that met with more limited success. The Mission is currently designing a new FY 1995 initiative: Rural Credit Unions, which should be obligated and under implementation by the end of FY 1995. The Mission is also amending on-going projects to add components, such as Strengthening Democratic Institutions to include Electoral Support for FY 1995, or to modestly expand activities under Natural Resources Management (see NADs in section VII). PVO Co-Financing will also be expanded to include more microenterprise grants.

During this Action Plan's time frame (FY 1996-97) the Mission will implement 13 projects, with a significant portion of each year's limited OYB being used to buy down project mortgages. The only new project proposed for FY 1997 is Reproductive Health to replace the Family Health project which is scheduled to end FY 1998 (see NAD in section VII). However starting in FY 1998 a number of current Mission initiatives will reach the end of their planned project life (see following Project Time line Table). In fact, by the end of FY 1998 the Mission's current portfolio will be reduced to seven active projects. As reengineering commences future design efforts may no longer be listed under projects but as activities related to achieving strategic objectives. Should funding levels remain relatively constant through the FY 1996/97 Action Plan time frame, the Mission anticipates the initiation of follow on activities in FY 1998 and beyond as the older projects begin to terminate. We would expect to be managing approximately ten initiatives in the 1999-2001 time period.

PL 480 Title III local currency use will also end in FY 1998 since the program was cut short of financing by one full year. ESF Program Trust Fund resources of $5.0 million will also be fully utilized. Both of these funds currently provide critical complementary financial support to on-going projects which will be terminating by FY 1998 (e.g. PVO-Co Financing, Private Agricultural Services).

A listing of design and amendment actions is stated below as well as a narrative on the Mission's interaction with the Global Bureau.

DESIGN AND AMENDMENT ACTIONS

FY 1995 RURAL CREDIT UNIONS	$7 million of DA for 5 years
FY 1995 STRENGTHENING DEMOCRATIC INSTITUTIONS (NO NAD REQUIRED)	$14 million of DA for 4 years
FY 1996 NATURAL RESOURCES MANAGEMENT AMENDMENT	$5 million of DA for 4 years
FY 1997 REPRODUCTIVE HEALTH	$12 million of Pop, CS and AIDS for 5 years

THE GLOBAL BUREAU

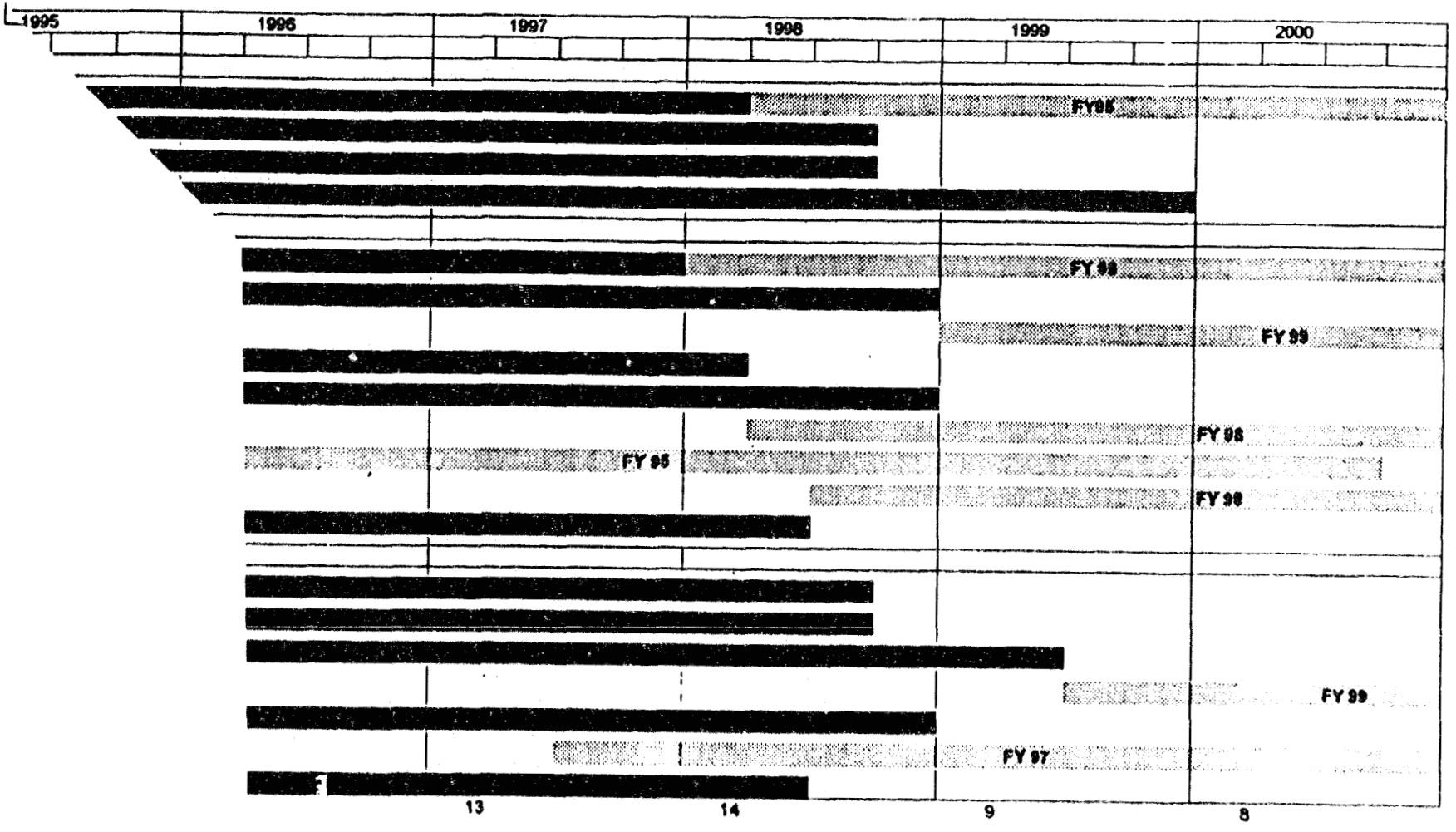
The Mission is working closely with the Global Bureau's various centers. They are providing technical backup support, which includes identifying, disseminating and applying knowledge and technology to the Mission for use in its program. For example the Mission and the Democracy Center have established a contract to work together in important areas such as electoral support and civil-military relations.

In the areas of health and population, the Mission has established specific agreements with Global to include contraceptive procurement, HIV/AIDS control and child survival. In this year alone, OYB transfers will exceed more than $1.2 million.

Through the Economic Growth center, the Mission received $2.8 million of microenterprise support funding to expand its programs in this area. We have applied for PRIME funding to further expand our microenterprise efforts this year. The center has also participated in the field review of the Mission's new development strategy bringing credible agricultural expertise to bear on several important Nicaragua specific issues.

The Environmental Center provided technical assistance to help the Mission prepare a successful application for additional funding under the EIA which will address marine fisheries potential on the Atlantic Coast. The Center has also agreed to provide expert assistance in the review of a plan to manage the Atlantic Coast's Miskito Cays protected area.

(Table 5) USAID/Nicaragua Project Timeline by Strategic Objective (FY)



*** Two projects, terminating in mid FY 95, are not listed above

SUMMARY PROGRAM FUNDING

The Effects of FY 1997 Budget Cuts

Mission budget scenarios for FY 1997 are all based, as instructed by USAID/W, on the FY 1996 level in the Congressional Presentation. We recognize the FY 1996 level may be unrealistically high if recissions and actual FY 1995 OYB levels become the budget base. In that event new scenarios would be required that would dramatically change our presentation.

The Nicaragua program has already taken major cuts. As a result of the zeroing out of ESF in FY 1996, the Mission will have no ESF for programming. This will mean that our support for human rights, elections, labor, civic education, legislative strengthening, and the media will have to be funded from a declining DA level. The Mission therefore cannot fund international observers for the 1996 elections, and will have to significantly reduce its support to the high priority areas noted above. With the elimination of Title III in FY 1995, the Mission will be unable to fund any more safety net employment programs, as well as local NGO activities. We will also lose leverage to influence needed changes in agriculture and health policy.

From 100% level to the 85% level, the Mission will be forced to:

- Reduce the LOP level of the PVO CO-Financing project from $25 to $23 million and its FY 1997 obligation as well;

- Reduce LOP levels and FY 1997 obligations for the Development Training, Private Sector Support, and Economic Policy Analysis and Implementation projects. In line with this action, the Mission would modify the project completion dates;

- Reduce the FY 1997 initial obligation to the Reproductive Health project. Per bureau instructions, the level of our Family Planning/Health objective is at 80% of the FY 1996 proposed level.

From 85% level to the 75% level, the Mission will be forced to:

- Further reduce the LOP level of the PVO Co-Financing project from $23 million to its current level. This would mean early termination of the institutional contractor responsible for monitoring 15 PVO community based projects.

- Further reduce the LOP and eliminate a FY 1997 obligation for the Economic Policy Analysis and Implementation project. The Mission would terminate this project ahead of schedule.

- Further reduce FY 1997 obligation for the Development Training project and termination of this project ahead of schedule.

- Further reduce FY 1997 initial obligation for the Reproductive Health project. Per bureau instructions, the level for our Family planning/Health objective is at 70% of the proposed level.

TABLE 3
USAID/NICARAGUA
SUMMARY PROGRAM FUNDING TABLE
Dollar Program
($000)

Funding Category		FY95 Estimated	FY96 Requested	FY97 Requested (100%)	FY97 Requested (85%)	FY97 Requested (75%)
Development Assistance						
Mission Strategic Objective #1 More Political Participation, Compromise and Transparency						
524-0000	PD&S	167	167	125	125	125
524-0316	Strengthening Democratic Institutions	4,350	3,300	3,350	3,350	3,350
524-0318	Development Training Project	167	500	750	375	375
524-0330	Financial Management Reform	0	1,400	1,000	1,000	1,000
524-0341	Municipal Decentralization & Dev.	0	1,000	2,000	2,000	1,500
936-GLOB	Global Field Support	200	300	200	170	150
	Sub-total DA	4,883	6,667	7,425	7,020	6,500
Mission Strategic Objective #2 Sustainable Growth in Employment & Income						
524-0000	PD&S	167	167	440	250	245
524-0313	PVO Co-Financing	1,684	0	2,000	0	0
524-0314	Natural Resources Management	2,032	4,600	2,000	2,000	2,000
524-0315	Private Agricultural Services	1,500	2,900	810	810	810
524-0317	Private Sector Support	355	1,700	1,800	1,530	1,530
524-0318	Development Training Project	167	500	850	850	850
524-0339	Economic Policy Analysis & Imp.	500	2,000	2,000	1,400	0
524-0347	Rural Credit Unions	1,000	1,000	3,000	3,000	3,000
936-GLOB	Global Field Support	0	400	1,100	935	825
	Sub-total DA	7,404	13,267	14,000	10,775	9,260
Mission Strategic Objective #3 Better Educated, Healthier and Smaller Families						
524-0000	PD&S	167	167	125	140	14
524-0312	Family Planning Expansion & Reg.	2,153	3,775	3,750	3,485	2,25
524-0313	PVO Co-Financing	1,684	0	0	0	
524-0318	Development Training Project	167	500	1,000	375	37
524-0327	Decentralized Health Services	1,500	3,725	3,400	3,000	3,00
524-0329	Basic Education	1,000	4,000	3,000	3,000	3,00
936-GLOB	Global Field Support	1,325	1,200	600	510	45
	Sub-total DA	7,995	13,367	11,875	10,510	9,21
	TOTAL DA	20,283	33,300	33,300	28,305	24,97

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TABLE 3
USAID/NICARAGUA
SUMMARY PROGRAM FUNDING TABLE
Dollar Program
($000)

Funding Category		FY95 Estimated	FY96 Requested	FY97 Requested (100%)	FY97 Requested (85%)	FY97 Requested (75%)
Economic Support Fund						
Mission Strategic Objective #1 More Political Participation, Compromise and Transparency						
524-0316	Strengthening Democratic Institutions	4,000				
524-0349	CIAV/OAS	4,999				
	Sub-total ESF	8,999	0	0	0	0
Mission Strategic Objective #2 Sustainable Growth in Employment & Income						
	Sub-total ESF	0	0	0	0	0
Mission Strategic Objective #3 Smaller, Healthier, Better Educated Families						
	Sub-total ESF	0	0	0	0	0
	TOTAL ESF	**8,999**	**0**			**0**
	PROGRAM TOTAL (DA + ESF)	**29,282**	**33,300**	**33,300**	**28,305**	**24,975**

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Resource Allocation Plan by Strategic Objective
FY 1996 – FY 2000

		Current PACD	LOP Planned	9/30.95 Mortgage	FY 96	FY 97	FY 98	FY 99	FY 00
More political participation, compromise and transparency									
0316	Str Democratic Initiatives	98	32,000	9,650	3,300	3,350	3,000	3,000	3,000
0318	Development Training	98	5,000	2,450	375	750	750	575	0
0330	Financial Management Ref	96	4,400	2,400	1,400	1,000	0	0	0
0341	Municipal Decent & Supp	99	7,000	3,000	1,000	2,000	0	0	0
	PD&S		625	625	125	125	125	125	125
	total		49,025	18,125	6,200	7,225	3,875	3,700	3,125
Sustainable Growth in Employment and Income									
0313	PVO CoFinancing	98	16,000	5,500	1,500	2,000	2,000	0	0
0314	Natural Resources Management	97	14,600	4,600	2,600	2,000	2,600	3,000	3,000
0315	Private Ag Services	96	13,000	3,710	2,900	810	0	0	0
	Private Ag Services II		10,000	10,000			2,100	2,500	2,600
0317	Priv Sector Support	97	10,500	3,500	1,700	1,800	0	0	0
0318	Development Training	98	7,600	2,500	750	850	0	900	0
0339	Econ Pol Anal & Imp	98	8,000	4,400	2,000	2,000	400	0	0
	Small Enterprise Development		10,000	10,000	0		1,700	2,000	2,000
	Social Sector Policy		20,000	20,000			4,100	7,000	10,000
0347	Rural Credit Unions	99	7,000	6,250	1,000	3,000	2,000	250	0
	PD&S		1,690	1,690	250	440	500	250	250
	total		118,390	72,150	12,700	12,900	15,400	15,900	17,850
Better educated, healthier and smaller families									
0312	Family Planning & Ext	96	13,000	4,540	4,540	0	0	0	0
	Reproductive Health		12,000	12,000		3,750	2,460	2,600	3,100
0313	PVO CoFinancing	98	11,000	500	500	0	0	0	0
0318	Development Training	98	5,000	2,450	375	1,000	1,000	75	0
0327	Decentralized Health	99	22,000	11,000	2,960	3,400	4,640	0	0
	Health II		20,000	20,000				4,500	4,500
0329	Basic Education	98	30,000	12,695	4,000	3,000	3,000	2,695	0
	PD&S		630	630	125	125	125	130	125
	total		113,630	63,815	12,500	11,275	11,225	10,000	7,725
	Mission total		281,045	154,090	31,400	31,400	30,500	29,600	28,700

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OTHER DONOR COORDINATION

Several years ago, USAID was the largest bilateral donor in Nicaragua and the International Financial Institutions were unable to provide support for Nicaraguan development needs. In 1991, USAID helped clear arrears to the IFIs, working closely with the World Bank and other donors. Today the IDB is the primary donor to Nicaragua, the World Bank has an active policy and sector support program and the International Monetary Fund (IMF) has an Enhanced Structural Adjustment Facility in Nicaragua. Other leading donors are the Central American Bank for Economic Integration (CABEI), the European Community, Spain, Japan, Germany, Sweden, Italy, Holland, Denmark and Norway.

Early on USAID played a leadership role in coordinating macroeconomic policy initiatives in support of structural adjustment. Now the IMF and the World Bank are playing that role, coordinating with other donors and with the Government of Nicaragua to ensure that policy reforms are carried out consistent with sound economic and social policy management.

USAID coordinates with the IFIs and other bilateral donors and wherever possible leverages other donor resources in support of mutual objectives. For example, as a result of USAID efforts in the area of Financial Management Reform, a multi-donor working group has been established to coordinate programs in the hemisphere and the IDB and World Bank have committed $15 million to co-finance an Integrated Financial Management Reform program, aimed at improving public sector management of financial resources and strengthening the capacity of the Comptroller General to audit these resources. Other major donors in the democracy sector are the Swedes, UNDP, the Norwegians and the Spanish.

In the social sectors, USAID has played a leadership role in sharing analytical assessments, and coordinating effectively with other donors to ensure adequate social sector coverage and complementarity of programs. For example, as the major donor in the education sector, USAID convinced the World Bank to finance specific areas that are complementary to our Basic Education project focus and as such, the new World Bank program is targeted at activities which will enhance our mutual efforts to achieve improvements in primary education. In the health sector, USAID conditionality helped establish a sector donor coordination mechanism that is being used to bring the Ministry of Health and the donors together to address sector wide issues. In the social safety net area, USAID consultant recommendations helped to better target social sector policies toward the populations most at risk. The World Bank and the Ministry of Social Action are using the results of this assessment in their social policy documents and their programs. Other major donors in the social sectors are the World Bank, Germany, Spain, Holland, Italy, Sweden and France.

Another example of USAID donor coordination and mobilization efforts relates to the property problem. Two years ago the property problem was viewed in Nicaragua as a bilateral issue of the United States. Thanks to USAID, Embassy and USAID Washington efforts, the US mobilized other donors to work on this issue given its importance to the rule of law and investment. After the last consultative group meeting, USAID worked with the UNDP and helped design a program for the Nicaraguans to improve the administrative resolution of property cases. The results are impressive: the UN has initiated a multi-donor property assistance program with more than $3.6 million. USAID is one of tho donors involved in this effort.

With regard to electoral support, USAID is working with other donors to mobilize external support for a successful 1996 national election. Towards this end, the Mission provided technical assistance to the Supreme Electoral Council to identify program needs for a successful 1996 election, held a donor conference to discuss potential donor assistance and is leading a donor working group to help define appropriate donor roles in this effort. Spain, Holland and Sweden are assisting the CSE in this area.

There are several other examples of complementary development programming and policy coordination. USAID has been an active member of the donor working group on rural credit with the IDB and the Nordic countries. After a successful employment generation project on the Atlantic Coast was brought to a close, USAID worked with the IDB in the design of a follow-on effort and the bank recently signed a $10 million agreement to finance the Social Investment funds projects on the Atlantic Coast. In the area of the economy other major donors are the World Bank, the IDB, CABEI, Germany, Spain, Holland, Denmark, Italy, Sweden, the UNDP and Norway.

THE SUMMIT OF THE AMERICAS FOLLOW-UP

One of the key initiatives of the recent Summit was to stimulate community participation in decisionmaking. The Mission emphasizes grass roots participation throughout its portfolio; however, several projects have community participation as a central focus.

These are:

- **The PVO Co-Financing Project trains community health volunteers to teach preventive health behaviors to mothers, training farmers' groups environmentally sound agricultural practices and reforestation and forming community banks to undertake poverty lending to poor, mostly female microentrepreneurs.**

- The Title III Community Employment Program (CEP) utilizes a participatory rural appraisal approach to determine which infrastructure projects a community will

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undertake with CEP funds. Members of the community development committees who will learn how to identify and solve problems at the local level.

- The Natural Resources Management (NRM) project is assisting in the development and implementation of the management plans for the Bosawas and Misquito Cays areas giving them a direct and controlling voice in the decisions affecting the use and conservation of their natural resources.

- Local participation is a major feature of the recently obligated Municipal Decentralization and Dvelopment Project. Consistent with the GON policy which favors decentralized decision making and resource management, this project is providing technical assistance, commodities and limited local support to foster decentralization of central government and municipal services.

A second major goal of the Summit is to assist the participating countries to achieve universal access to eduction. Since 1978, Nicaragua has achieved nearly universal access to primary education for girls and boys. The number of classrooms has increased from approximately 7000 to over 10,300 by 1994 and the gross enrollment ratio rose from 82% to 98% during the same period. However, educational quality and inefficiency are low as evidenced by high repetition rates and the fact that the school system currently spends an average of 9.9 years to produce a sixth grade graduate. Many teachers are poorly trained. Hence, USAID has a $30.0 million Basic Education Project to address the key constraints to achieving better education, i.e. strengthening the institutional capacity of the Ministry of Education to plan and carry out educational reforms, including decentralization, teacher training, and curriculum development.

Equitable access to basic health services was also an important theme of the Summit and through our Decentralized Health Services Project (DHS) and its Family Planning Expansion and Regionalization Project (FPR), USAID Nicaragua expects to have a significant impact on increasing access to and improving the quality of basic health services. The DHS project will devote approximately $10,000,000 to establish an integrated package of maternal-child health services in five local health districts which encompass over 40% of the total population of the country. The project emphasizes interventions to combat the major killers of women, infants and children such as complications of pregnancy and delivery, diarrheal disease, acute respiratory illness and communicable diseases. Our FPR program works through a network of 11 clinics and over 1000 community distribution posts nationwide to make available low-cost family planning services .

Other major areas of initative for the SA were strengthening the role of women in society, encouraging microenterprise and small business, and fostering biodiversity. The Mission is working in all of these areas. The Mission is actively pursuing programs to stregthen women's role in the economy. For example, over 40% of the

1000 participants trained under the Development Training Project, which provides scholarships to low-income individuals, are women. The CEP will benefit over 30,000 women through provision of temporary employment. Four microenterprise projects will benefit over 40,000 entrepreneurs, most of them women single heads of household, and another 200,000 family members through the provision of credit and technical assistance which enables them to start or expand businesses and increase family income. The NRM Project strengthens the management of protected areas through cooperation with the wildlife and protected areas unit of the Ministry of Natural Resources, and assists the Nicaraguans in development of management plans for both a national park, (Volcan Masaya), which will be a national center for environmental education, and two key protected areas, the Miskito Cays and Bosawás. Working closely with the MARENA and other government agencies, the NRM project supports policy and legislation initiatives that seek to conserve and sustainably use the rich diversity within Nicaragua's 62 protected areas as well as throughout the country.

V. FY 1996-1997 PROGRAM MANAGEMENT REQUIREMENTS WORKFORCE AND OPERATING EXPENSES

REORGANIZATION AND RE-ENGINEERING

The Mission has submitted a reorganization plan so it can implement its new strategy more effectively and incorporate more quickly the Agency's reengineered systems. The reorganization plan, submitted on May 1, will go into effect September 1995, once approved by USAID/Washington.

The reorganization will reorganize the technical offices around our three new strategic objectives. Thus we propose to:

1) create a new office of Democratic Initiatives, carved out of the General Development Office and staffed up to handle its $40 million portfolio in pursuit of SO1,

2) combine our private enterprise division from PEPS with the Agriculture/Rural Development functions into a new office of Enterprise and Rural Development responsible for SO2,

3) refocus and rename GDO as the Office of Human Investment, responsible for SO3 and

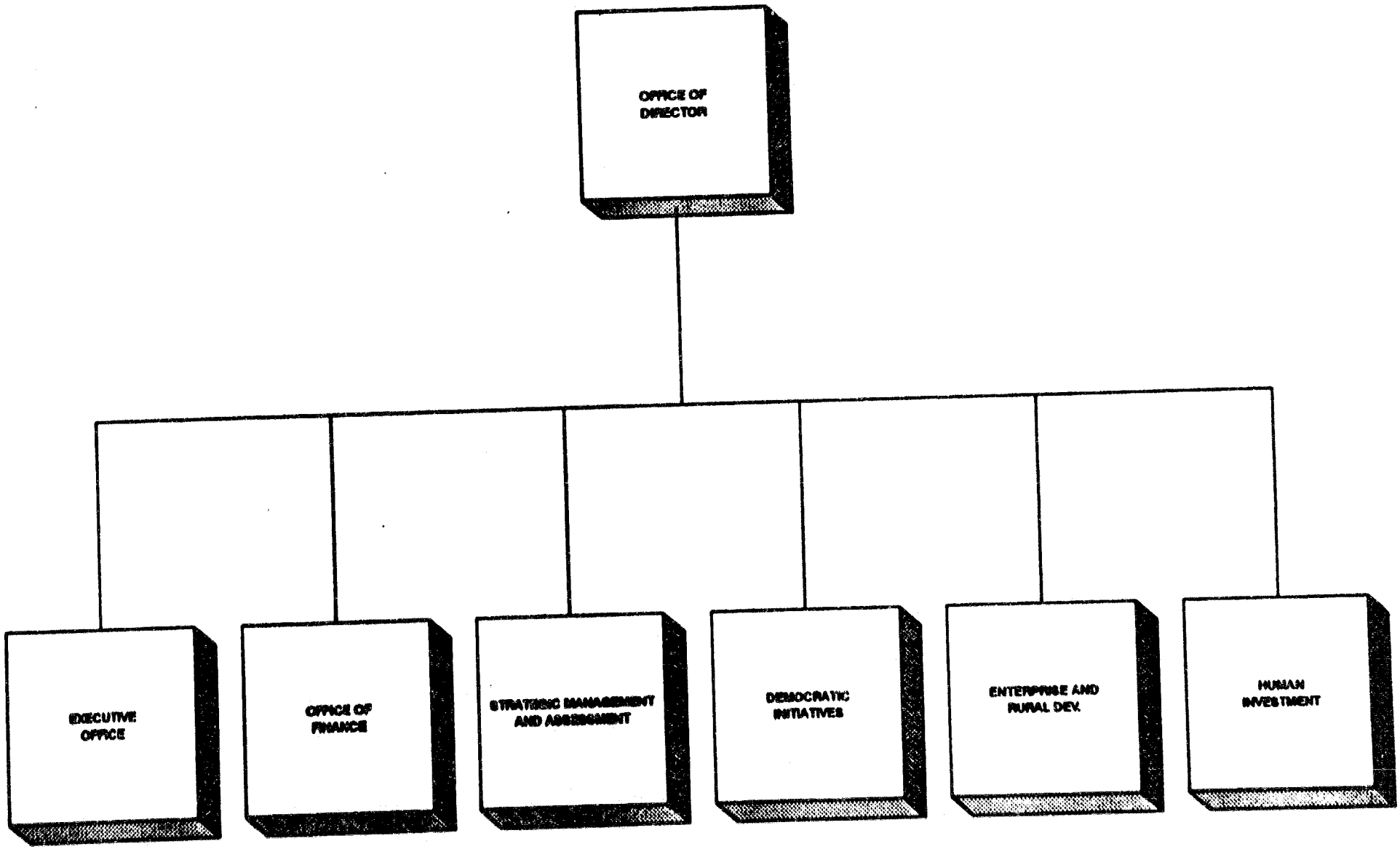
4) combine PDIS and PEPS into a new office of Strategic Management and Assessment to support the needs of the technical offices, coordinate the development of mission strategies and annual results review and resource requests, manage program impact assessment, and economic policy analysis.

Reengineering/Managing For Results

USAID/Nicaragua is in the process of implementing a series of management and program changes which will preposition us to effectively respond to the Agency's reengineering of systems. This new strategic plan focuses the program by reducing the number of strategic objectives from 6 to 3. The Mission is reorganizing around these strategic objectives.

In FY 95, the Mission has been operating under the "Project Development Interim Directive" for the design of all new activities. The Mission has streamlined the design process. In anticipation of additional reengineering guidance from USAID/W, the Mission will establish a reengineering working group which will be the focal point for receiving and distributing new guidance regarding reengineering planning, training and implementation. The working group will play a coordinating role in bringing about the transition to the new "reengineered" operations systems.

USAID/NICARAGUA



Following are a few examples of USAID/Nicaragua actions that demonstrate a response to the core values changes of the reengineering efforts:

- **Customer focus:** USAID is using public opinion surveys and focus group analysis to assess citizen knowledge and satisfaction with judicial reforms, improved governance, protection of human rights, etc. USAID has built into its community-based programs direct consultation with community representatives in the design of private and voluntary initiatives in the health, agriculture and microenterprise sectors.

- **Teamwork/partnerships/participation:** The Mission's new development strategy is noteworthy for the high degree of participation by the relevant Mission partners, local university researchers, broad-based representation of the private sector, political forces and economists, human rights and church-based NGOs interested in Nicaraguan development, Government of Nicaragua officials and USAID/W staff.

- **Empowerment/accountability:** Once the strategic plan is approved, the Mission will organize officers within results teams to guide the implementation of the new strategy, make recommendations regarding the consolidation of projects and results packages and focus additional attention on results. Programs in impoverished regions are being designed at the municipality level by local development committees based strictly on their priorities. Decentralization of financial and administrative authority based on the direct involvement of local communities is a hallmark of USAID's decentralization initiative.

- **Results orientation:** The Mission is defining new performance indicators, and has identified the need to initiate surveys and implement data collection systems to ensure that Mission management receives reliable information for decision-making.

- **Technology adoption:** The Mission has already established a Windows environment for all officers, installed the hardware and software for two new UNIX systems and obtained training for staff, upgraded its entire computer system, obtained a dedicated line to Washington, and prepositioned the Mission to run the newly developed Electronic Certification Systems, which will be needed to interface with the Agency's new AWACS information system starting in October.

OPERATING EXPENSES AND MISSION STAFFING

The Mission was asked to respond to significant shortfall issues of either workforce or OE resources resulting from limitations provided in the budget guidance (LAC BUREAU Strategic Plan and FY 1996-97 Action Plan Guidance document). These OE limitations state that FTE ceilings should be no higher than planned FY 1996 levels and OE expenses should not exceed actual FY 1995 levels (see Table IV). In addition, the Mission was asked to respond to the three different budget assumptions provided in the Meehan/Greenough e-mail of 3/22/95 (see Table IV.A.) which are: 1)Shortfall in Trust Funds; 2)Staffing Ceiling of 160 and; 3)Program cut of 25%.

A. LAC Bureau Action Plan Guidance (Table IV)

The Mission has been implementing the Agency's reengineering initiatives for some time in managing both its workforce and OE resources. On the workforce side, the Mission has realigned its personnel. USAID/N trimmed back actual staffing from a FY 1993 OE FTE level of 13.2 USPSCs to projected FY 1995-97 levels of 4.62, 4.00 and 4.00 respectively (see graph 1). Moreover, two USDH positions were cut in FY 1994 which is reflected in the FTE level of 24.40 which we are reducing even further to FY 1995-97 FTE levels of 20.37, 21.63 and 20.86 respectively. (See Graph 1) FSN positions continue to be vacant due to current budget uncertainties. The imposed FY 1996-97 OE ceiling is forcing the Mission to operate at staffing levels below those recently authorized in support of the existing program (25 USDH and 11 USPSC/TCN positions per STATE 53867/255623). Full staffing cannot be contemplated within the FY 1996-97 budget ceilings which is the FY 1995 actual level of $4,137,000. FTE ceilings are not at issue. The management decisions regarding the reduction of staffing levels are important for one to keep in mind when looking at USAID/N's FY 1996-97 staffing and resource levels presented in Table IV. What might appear to be simple straight-lining is in reality a significant reduction in the budget against actual requirements.

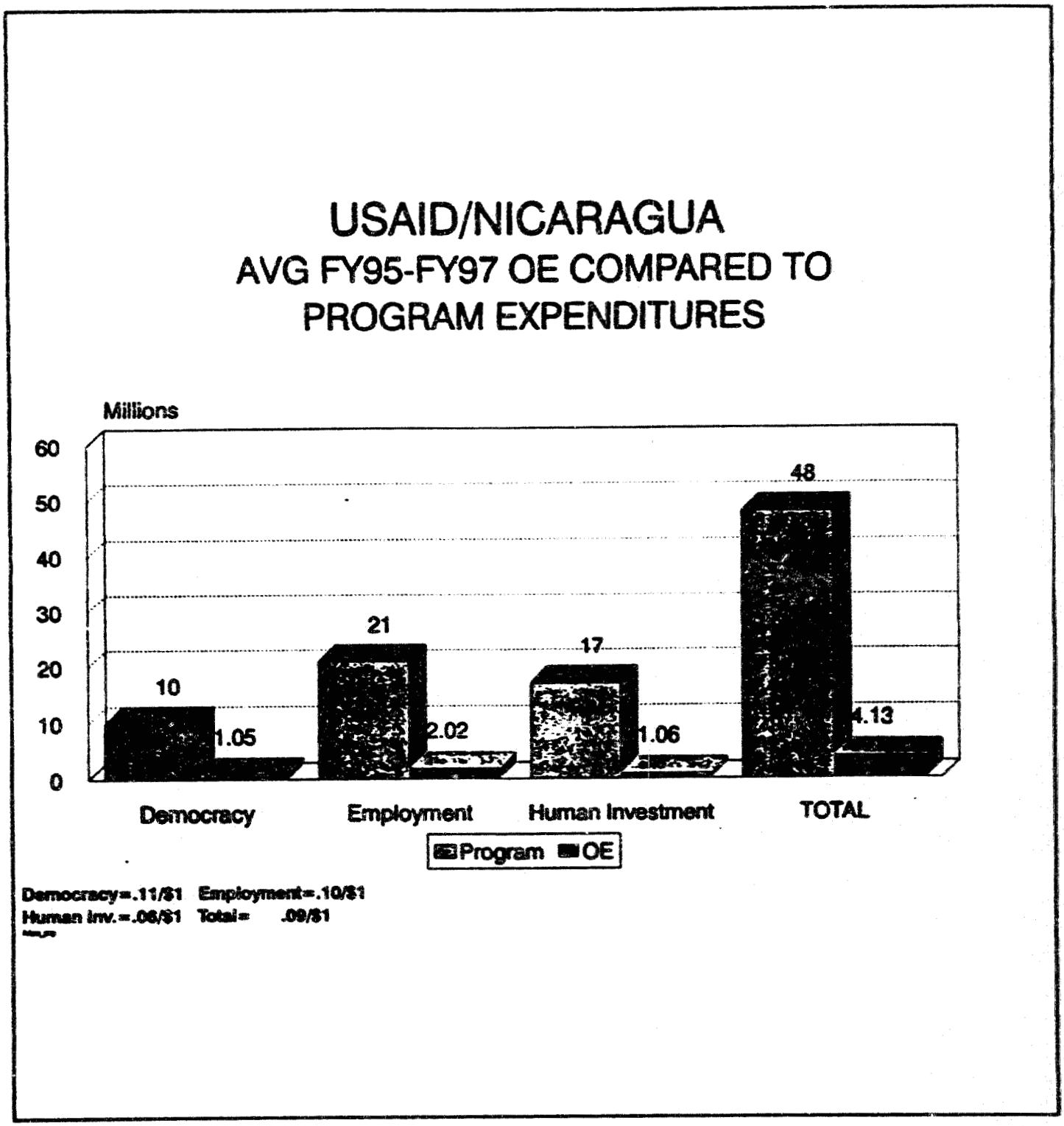
Graph 3 compares estimated OE outlays expenditures by strategic objective for the period FY 95-97. It will cost the Mission 9 cents in OE to manage 1 program $ dollar. Our portfolio of human investment activities will only cost 6 cents to administer a program dollar. Thanks in part to having an external project management unit responsible for the day to day management of the PVO Co-Finance Project. The democracy portfolio requires 11 cents to manage 1 program dollar, which reflects the staff intensive nature of direct Mission management of numerous grants. While the employment portfolio will cost 10 cents to administer 1 program dollar, which is closest to the average cost.

The current program activity continues to demand at a minimum the projected staffing mix covering the Action Plan period. Given declining obligation rates and a more mature project portfolio, we are using expenditure rates as a better indication of the

GRAPH 1

	FY-93 ACTUAL FTEs	FY-94 ACTUAL FTEs	FY-95 ACTUAL FTEs	FY-96 ACTUAL FTEs	FY-97 ACTUAL FTEs
USPSCs					
USPSC	11	3	3	3	3
ST-S.hk.	2.2	2.4	1.6	1.6	1
TOTAL	13.2	5.4	4.6	4.6	4
FSNs					
TCN	2	2	2	2	2
FSN	101.1	101.3	117.5	124	124
FNDH	3	3	3	3	3
TOTAL	106.1	106.3	122.5	129	129
DH	23.2	24.4	20.4	21.6	20.9
TOTALS	142.5	136.1	147.5	155.2	153.9

Note: " Actual FTEs represents Mission projected FTEs and not the (higher) FTE levels authorized by by USAID/ Washington.



OE supported workforce needed to prudently manage program activities. High levels of expenditures during the first few years of the Nicaragua program relate to fast moving program assistance under the Mission's balance of payments programs. Since early 1994, the Nicaragua program has been focused exclusively on long-term development projects and programs.

USAID/N has achieved significant savings in OE dollar resources. For example in late FY'94, Mission management received authority to purchase the USAID/Nicaragua office building with OE Trust Funds. This one transaction alone had the effect of saving $1.8 million OE dollars for what otherwise would have been required for rental payments over the remaining 6 years of the building lease, not to mention appropriated dollar savings to the US taxpayer on future rentals needed to support USAID/Nicaragua's operations after the lease expiration in the year 2000. Many other efforts are underway as well. Residential leases are being aggressively renegotiated with an eye toward meaningful savings. USAID/N is withdrawing from FAAS to the extent possible and practical for the purpose of obtaining savings along with a desire to bring about improvements in the delivery of services. The FY 1994 FAAS bill was $54,913 and is expected to be $21,000 in FY 1995. There is an ongoing effort to bring about operational efficiencies which have included: developing systems to monitor the usage of supplies, better communication management by ensuring that the most cost effective and efficient communication modes are being fully utilized, reducing expensive guard services where possible, and negotiating free tickets based on travel usage with the local travel agency.

The Mission's resolve in supporting Agency reengineering efforts early on has resulted in reductions of USDH and USPSC staff, meaningful cost savings, improved operational efficiencies and in administrative support systems that are results oriented and customer service driven. The Mission has positioned itself to sustain ongoing program implementation through FY 1997 holding the line at levels significantly below FY 1992, despite significant dollar inflation and devaluations, increased FSN staffing and annual wage and benefit increases from FY 1993-95.

USAID/N has and will continue to work to reduce its operating expenses and will ask that its OE levels be reduced accordingly as these efforts materialize. However, at the present time the approval of our requested budget levels through FY 1997 are imperative if this Mission is to move forward with effectively supporting the $240 million assistance program in Nicaragua.

B. Budget Impact Scenarios (Table IV. A.)

As requested in the Meehan e-mail guidance, the Mission addresses three budget scenarios for FY 1997 in Table IV.A. and in the following narratives: 1) a shortfall of trust funds; 2) an imposed staff ceiling of 160 and; 3) a program cut of 25%. The following describes the operational impact resulting from these scenarios:

1). Shortfall in Trust Funds

In the event that the same level of FY 1996 trust funds are not provided in FY 1997 and AID/W is unable to substitute dollars, the Mission will have to find savings of

$308,000. Because there is so little room in the budget it is virtually impossible to absorb such a cut without having it hurt. Weighing available options, the Mission would have to cut one TCN position, one USDH position and reduce training and travel. A combined savings of approximately $250,000 could be derived by eliminating the Systems Manager position (TCN) and one Financial Management Officer (USDH). Unfortunately, these are the only staffing areas that could contemplate losing a position that also would have the effect of making up the shortfall. The remaining $58,000 would be reduced from the current training and travel budgets. Cutting the Systems Manager and the Budget and Accounting Officer at a time where the Agency's information and financial management systems are being completely overhauled is not something that the Mission would do if not forced to, particularly considering the heightened risk to program implementation associated with the elimination of these positions. Moreover, substantially cutting the training budget during a time when training could not be more relevant is not advisable. Since the Mission is operating at a minimum staffing level, further reductions in staff will negatively impact on program implementation.

2). Staffing Ceiling of 160

The FY 1997 Mission budget assumes a total of 162 actual positions filled for the entire year. The impact to the Mission workforce of an imposed staffing ceiling of 160 would result in the Mission not being able to fully staff the FSN authorized position levels. The Mission would have to reduce two FSN employees and eliminate seven unfilled FSN positions. The impact of this 160 staff restriction can be seen in the following schedule:

	Authorized Positions	Actual Positions Filled	Adjusted Positions Auth./Filled
USDH	25	23	23
USPSC	9	9	9
TCN	2	2	2
FSN	131	128	126
Total	167	162	160

No adjustments to the overall FY 1997 dollar level were made as the savings derived from the reduction of two FSN employees would be reallocated to cover associated severance costs due to the reduction in force. Any insignificant balance remaining would serve to cover contingency costs for other unforeseen contract personnel.

3). Program cut of 25%

There is no doubt that a program reduction of 25% in FY 1997 would significantly impact on the Mission. The effects in FY 1997 would mostly be felt on the program

side. The nature and scope of problems associated with drastic program cuts have been previously addressed so this discussion will be limited to how such a cut would bear on OE operations. Because of the ensuing implementation work required to absorb such a dramatic cut, it is not felt that a material impact to OE workforce or resources would occur in the same year, FY 1997. However, such a cut would significantly impact on OE operations in subsequent years by way of USDH, USPSC and FSN staff reductions along with other operational changes. Therefore, the Table IV. A. presentation maintains the original FY 1997 workforce and resource levels as presented in Table IV due to the impact on OE operations being realized in subsequent years.

It is important to note that the Mission's resource projections for the Action Plan period under review do not contain any contingency funding for unknown events such as: changes to the local compensation plan; requirements to fully implement the Agency's reenginerring plan effective 10/1/95 (i.e. hardware, software, training, etc...); IDIs and; material variations with exchange rate assumptions.

USAID/NICARAGUA
OE Funding Requirements
Table IV. A.

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OE/TRUST FUNDS LEVELS By Major Function Code: (See Meehan 3/22/95 e-mail on budget assumptions)	FY-97 TF Shortfall (A)	FY-97 Staff Ceiling 160 (B)	FY-97 Program Cut 25% (C)
U100 U.S. Direct Hire	368	383	383
U200 F.N. Direct Hire	38	38	38
U300 Contract Personnel	1,587	1,652	1,653
U400 Housing	832	922	922
U500 Office Operations	580	648	648
U600 NXP Procurement	424	494	494
Total Mission Funded OE/TF cost	*3,829	**4,137	4,137
of which TF funded	0	0	0

* Must not exceed Approved Annual Plan.Table IV. A.
** Should not exceed estimated actual FY'95 levels.

Mission Staffing Requirements

	FY-97 Trust Fund Shortfall					FY-97 Staff Ceiling OF 160					FY-97 Program cut of 25%				
	USDH*	USDH**	TCN**	FSN	FNDH	USDH	USDH	TCN	FSN	FNDH	USDH	USDH	TCN	FSN	FNDH
Total Budgeted Positions	22	9	1	125	3	23	9	2	123	3	23	9	2	125	3
of Which Program Funded		6	0	1			6	0	1			6	0	1	

* May not exceed authorized USDH position ceiling.
** Must agree with bureau established PSC ceiling for FY95. Any increases requested for FY 96\97 must be specifically justified within the context of planned program activity.
(A) The $308M shortfall would result in a reduction of 1 USDH and 1 TCN.
(B) The staff ceiling of 160 requires a reduction of two FSN employees.
(C) No budgetary nor workforce impact in FY'97.
(D) Two dependent hires do not included in the USPSC numbers (STATE 255623).

Note: See attached narrative for a discussion on the operational impact to the Mission resulting from each one of the above budget assumptions (ref. Meehan@LAC.DPP@AIDW 3/22/95 e-mail).

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($000)

Table IV

OE/TRUST FUNDS LEVELS By Major Function Code:	FY-95	FY-96	FY-97
U100 U.S. Direct Hire	345	257	383
U200 F.N. Direct Hire	36	36	38
U300 Contract Personnel	1,532	1595	1652
U400 Housing	925	1002	922
U500 Office Operations (A)	782	721	648
U600 NXP Procurement	517	526	494
Total Mission Funded OE/TF cost	*4,137	**4,137	**4,137
of which TF funded	770	308	0

* Must not exceed Approved Annual Plan.
** Should not exceed estimated actual FY95 levels.

Mission Staffing Requirements

	FY95					FY96					FY97				
	USDH*	Sec (B) DEPENDENTS	Sec (B) TOURISTS	FSN	OTHERS (C)	USDH*	Sec (B) DEPENDENTS	Sec (B) TOURISTS	FSN	OTHERS (C)	USDH*	Sec (B) DEPENDENTS	Sec (B) TOURISTS	FSN	OTHERS (C)
Total Authorized Positions	25	9	2	128	3	25	9	2	128	3	25	9	2	128	3
of Which Program Funded		6		1			6		1			6		1	

* May not exceed authorized USDH position ceiling.
** Must agree with bureau established PSC ceiling for FY95. Any increases requested for FY 96\97 must be specifically justified within the context of planned program activity.
(A) Does not include FAAS activity.
(B) Dependent hires do not count toward mission ceiling (STATE 255623). There are two USPSC dependent hires budgeted for each year from FY 95 - 97 which are not included in the above reporting.
(C) FNDH authorized positions.

Note: See supporting table and narrative (Table IV. A) for a discussion on the operational impact to the Mission resulting from the budget assumptions provided in Meehan@LAC.DPP@AIDW 3/22/95 e-mail.

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VI. MISSION INITIATED ISSUES

A. BUDGET CUTS:

From FY 1994 to FY 1995, the Mission took a 75% cut in its overall budget. This included a 40% decrease in development assistance resources, the loss of our Title III program, and a de minimus ESF level. With a FY 1995 DA budget of $19 million, and a maximum ESF level of $4 million, the Mission will have to focus on financing its mortgage and initiate only one new activity, the Rural Credit Unions project.

These budget cutbacks diminish USAID's ability to address the root causes of Nicaraguan poverty and our ability to help Nicaragua turn the corner in its democratic and economic transition. Elimination of ESF in FY 1996 requires the Mission to finance its high priority democracy portfolio out of shrinking DA resources. As it stands we will not be able to finance international observers to cover the 1996 national elections.

Given our ongoing commitments in all three strategic areas and the loss of Title III and ESF, the Mission requires a minimum level of DA financing of $30 million a year over the next five years to achieve the desired results.

B. SECTION 527/PROPERTY PROGRESS:

Section 527 of the Foreign Relations Authorization Act requires Nicaragua to address the property issue by having in place an effective mechanism that results in adequate compensation of claimants. After resolving some 225 cases last year, Nicaragua will have to resolve 330 additional cases in the first six months of 1995. If the Government of Nicaragua does not demonstrate compliance and achievement of the agreed upon targets, the US executive branch could be forced to apply Section 527 of the Act and thereby cut off USAID assistance as well as require US Executive Directors to vote against credits for Nicaragua in the IDB, IBRD and the IMF.

C. TITLE II:

Nicaragua urgently needs the assistance of Title II to carry out targeted feeding programs to deal with the large pockets of nutritionally at-risk children. Several recent surveys reveal alarming rates of acute malnutrition and micronutrient deficiencies, particularly among rural pre-school children. Chronic malnutrition is concentrated in two of the poorest areas, Region I (Esteli, Madriz, Nueva Segovia) and VI (Matagalpa and Jinotega). Acute malnutrition is more widespread. The percentage of children with moderate and severe wasting exceeds 20 percent in Regions I, II (Leon and Chinandega) and Region VI and nearly 20 percent on the Atlantic Coast.

Nearly two-thirds of rural children are getting less than 70 percent of their daily caloric requirements. Vitamin A and iron deficiencies were found to be a significant public health problem as well. Lack of family income, particularly in rural areas, appears to be the underlying problem. Until sustainable economic growth has been initiated and the job creation-capacity of the economy reestablished, urgent targeted safety-net programs are required.

USAID Nicaragua has submitted three worthy proposals to address this issue. Given the loss of Title III resources, and our limited ability to respond, we are counting on USAID/W approval of these needed program proposals.

VII. NEW ACTIVITY DESCRIPTIONS

New Activity Description (NAD)
(FY 95)

SECTION I

Activity Title: Rural Credit Unions

Activity Number: 524-0347

Funding Source: DA (unrestricted funds)

Duration (Fiscal Years): FY 1995-99

Proposed LOP Funding: $7.0 million

SECTION II

USAID/Nicaragua Strategic Objective Supported: Sustainable Growth in Employment and Income

Activity Purpose: To increase access of rural savers and producers to financial services

Activity Description: This project, formerly referred to as "Rural Savings Mobilization" was presented and approved in the FY 95-96 Action Plan cycle at a funding level of $3.0. The basic design remains intact. However, an additional $4.0 million is required to fund activities with a larger number of credit unions, work with the national apex organizations and finance a matching fund (i.e. USAID would provide $2 for every $1 dollar mobilized by the RCUs) to help initially capitalize selected credit unions. The project will strengthen credit unions which provide financial services to the rural economy. These strengthened credit unions will mobilize local savings for reinvestment in productive loans. These financial services will be competitively priced and provided by the local credit unions using policies which ensure safe and long-term operations independent from external assistance.

Specific outputs include: 1) upgrading the operational and management systems of selected rural credit unions, 2) introducing the use of new deposit mobilization and marketing techniques, and 3) increasing lending for production and investment in the

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rural economy. Complementary activities will strengthen national apex organizations (FECACNIC and FUNDE), develop guidelines for prudential operating standards, unify accounting nomenclature and reporting procedures, and introduce new, market driven policies to enhance rural financial service delivery. By the end of the project between 20 and 25 rural credit unions will be providing financial services to the rural economy and national apex rural lending organizations will be self sufficient in providing cost-for-service assistance to participating credit unions. Goal and purpose indicators that the Mission will track as part of its strategic objectives are 1) increased income and employment; and 2) increased rates of saving and lending in small farmer communities.

SECTION III

With the exception of independent evaluations, and the matching fund, project resources will be provided to a single US institutional contractor to implement project activities. A USDH, as part of the Program Output Team (POT) under the strategic objective, will monitor the project's implementation progress. No technical support from AID/W is envisioned.

SECTION IV

Continued economic policy dialogue will be essential to ensure that local financial intermediaries can operate with autonomy from centrally formulated political objectives.

SECTION V

A draft project paper-like document has been completed. Mission approval is pending USAID/W approval of this NAD.

SECTION VI

No additional resources are required to complete the development of the PP. The PP should be approved by the Mission in June.

SECTION VII

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

SECTION VIII

Preliminary Logical Framework

Goal: To attain sustainable growth in employment and income

Purpose: To increase access of rural savers and producers to financial services

Outputs:

- Upgrade operational and managerial systems of participating rural credit unions
- Use of new deposit mobilization and marketing techniques
- Increase lending for production and investment in agriculture and business in targeted communities.
- Increased self-sufficiency of apex credit organizations by providing fee-for services assistance (e.g. auditing, training, liquidity management to rural credit unions.

Inputs:

- Technical assistance, training, commodities	$6.44 million
- Matching fund for capitalization of credit unions	$0.50 million
- Evaluations	$0.06 million
TOTAL	**$7.00 million**

New Activity Description (NAD)
(FY 96)

SECTION I

Activity Title:	Natural Resources Management (NRM) (Amendment)
Activity Number:	524-0314
Funding Source:	DA, (Environmental)
Duration (Fiscal Years):	FY 1991-2000
Proposed LOP Funding:	$16.0 million ($5.0 million increase)

SECTION II

USAID/Nicaragua Objective Supported:

Sustainable growth in employment and income.

Activity Purpose: To foster more rational use of natural resources.

Activity Description: The Natural Resources Management (NRM) project purpose will be attained through three components that will: a) strengthen Nicaraguan capacity to design and implement harmonized resource management laws and policies, b) strengthen NGOs and public environmental awareness and c) improve management of biological corridors and forest products.

Component 1 : Policy and Legislation Reform and Institutional Strengthening ($1.5 million).

Project funds will finance an institutional contractor to provide technical assistance to the National Assembly, the GON environmental ministry (MARENA) and other policy makers to assist in undertaking the following activities:

1) revise national law on environment and natural resources to conform to regional agreements (Alliance for sustainable development, CONCAUSA), free trade mandated standards and international treaties (CITIES);

2) continue efforts to establish indigenous land and resource use rights;

3) continue revision and improvement of national environmental and natural resources laws as required and expand legislation for related activities such as soil and water conservation, water quality and pesticides, among others;

4) establish and apply mechanism for the resolution of conflicts in the language of current environmental and natural resources laws and regulations;

5) promote improved legislative-executive policy coordination and Central American regional - national government environmental management coordination;

6) define ministerial roles and coordination mechanisms among GON organizations with environmental and natural resources management responsibilities;

7) build partnerships between GON environmental and natural resources organizations and the Atlantic Coast regional government and municipal governments and with private sector organizations (commerce, industry, agricultural, fishing); and

8) improve technical and human resources capability of MARENA to carry out legally mandated responsibilities in the areas of environmental assessment of government controlled activities, detection of industrial pollution, monitoring concessions in fisheries, mining, forestry, and regulation of pesticide use.

Component 2: Environmental Education and NGO Strengthening ($0.5 million):

A competitively selected US NGO will undertake the following types of activities:

1) build public awareness and public participation in addressing specific environmental issues with immediate and tangible public benefits such as safer pesticide use, soil conservation, reduced deforestation, and controlled industrial pollution including mining waste;

2) strengthen local grassroots organizations and NGOs including coffee growers, protected area supporters, indigenous NGOs, and communities faced with agricultural or industrial pollution; and

3) develop environmental education curricula for selected regional primary schools, and secondary agricultural schools, and for awareness training of regional and municipal government agencies.

Component 3: Biological Corridors ($3.0 million)

A US NGO, or consortium of NGOs, will be selected to work with local communities to undertake the following activities in BOSAWAS and the Miskito Cays Protected Area:

1) improve national links to regional biological corridors;

2) upgrade protected area and land use management capability to Central American regional standards;

3) identify and carry out environmentally sensitive buffer zone activities;

4) develop appropriate land use incentives; and

5) help identify and develop several non-traditional forest products.

SECTION III

Project implementation arrangements include two competitively selected US NGOs and one competitively awarded contract with an institutional contractor. Project activities will be monitored by the Mission environmental and natural resources officer who forms part of the Natural Resources Program Output Team. No technical support from AID/W is envisioned during the implementation phase of this project amendment.

SECTION IV

This project will serve as catalyst to focus GON policy formulation towards compliance with regional accords (Alliance for Sustainable Development, CONCAUSA).

SECTION V

The project paper amendment will be developed by the Mission with assistance from the new regional environment project to be initiated by G/CAP and from the AID/W Global Environmental office. During the design stage the feasibility of tapping into resources provided by AID/W sponsored Environmental Initiatives of the Americas (EIA) and the Biodiversity Initiative will be examined.. Perhaps up to $1.0 million in financing could be provided from these sources to implement initiatives designed within the NRM amendment.

SECTION VI

The amended project paper will be designed during FY 1996 for a late FY 1996 bilateral obligation. PD&S funds, as well as current NRM funds, will be used to funds studies leading to the final design.

SECTION VII

The Mission requests AID/W program concurrence for the Mission to develop and approve the project amendment in the field.

SECTION VIII

Preliminary Logical Framework:

Goal: Sustainable Growth in Employment and Income.

Purpose: To foster more rational use of natural resources

Outputs:

- Revised environmental and natural resources legislation.
- Improved Central American regional/environmental coordination.
- Strengthened GON Ministry of Environment.
- Local NGOs and organizations strengthened and aware of environmental issues
- Improved environmental education in selected schools.
- Better managed biological corridors.
- Appropriate buffer zone activities promoted.

Inputs

- Technical Assistance	$1.5 million
- NGO cooperative agreements (2)	$3.5 million
Total	$5.0 million

New Activity Description (NAD)
(FY 97)

SECTION I

Activity Title:	Reproductive Health Project
Activity Number:	524-0353
Funding Source:	DA (Population, Child Survival, AIDS)
Duration (Fiscal Years):	FY 1997 - 2001
Proposed LOP Funding:	$12.0 Million

SECTION II

USAID/Nicaragua Strategic Objective Supported:

Better educated, healthier, and smaller families

Activity Purpose: To increase access to modern family planning methods and quality reproductive health care.

Activity Description: The Reproductive Health Project (RHP) will improve the health and well being of the people of Nicaragua by providing technical and financial assistance, training, and information, education and communication (IEC) activities through both the private and public sector to couples of reproductive age. The project will have two major components:

1) Family Planning - Progress has been achieved in increasing access to family planning services and modern methods of contraception during the past two years. However, many women in Nicaragua are still in need of family planning services. The FHS data identified 16% of women 15-49 years at risk of an unintended pregnancy. Women living in rural and mountainous areas of the country are those most in need of services. These women have among the highest fertility and maternal mortality rates. Another group which needs specific attention are young women aged 15-24, who have one of the highest age-specific fertility rates in the region. This component of the project will further strengthen the family planning services offered by Profamilia, the local private voluntary organization which is the International Planned Parenthood Federation affiliate in Nicaragua, and by the Ministry of Health (MOH), in order to reduce the risk of unintended pregnancies among the targeted populations. This

component will also include assistance to other family planning groups with which USAID has not traditionally worked. Specifically, this component will:

- Improve the quality and accessibility of the family planning services provided by Profamilia, the MOH, and other family planning groups through training, technical assistance, the improvement of service delivery facilities, where appropriate, and the provision of appropriate supplies and equipment.

- Expand the range of reproductive health services provided by Profamilia to include prenatal care, delivery care, postnatal care, and Sexually Transmitted Diseases services.

- Continue support to Profamilia's network of clinics and community-based distribution posts.

- Strengthen coordination and ties between the major providers of family planning services in the country.

- Expand and strengthen the postpartum family planning program of the Ministry of Health through training, technical assistance and the provision of appropriate supplies and equipment.

- Continue the innovative communication campaign initiated in 1995 with a greater focus on groups at risk of unintended pregnancies.

- Provide an adequate supply of contraceptives to both public and private sector groups.

2) HIV/AIDS/STD - Activities under this component will serve to prevent the expansion of HIV/AIDS/STD from populations currently affected into the general population. Presently HIV infection in Nicaragua is primarily confined to specific groups with a high prevalence of risk behaviors such as homosexual and bisexual men and commercial sex workers. It is difficult to assess the true magnitude of HIV morbidity in Nicaragua when most screening has been limited to groups such as blood donors. Similar difficulties hold true for defining the prevalence of STD infection as the surveillance and reporting systems of the GON are not well supported. The HIV/AIDS/STD component of the project will be designed to prevent an epidemic by containing it among groups at highest risk for HIV infection, reduce the rate of transmission within these groups, and improve case management, referral and diagnosis of STDs. This component of the project will provide support both to the private and public sectors through the following activities:

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- Strengthen the efforts of local NGOs to conduct outreach, prevention and behavioral change activities and counseling among groups at highest risk for HIV infection.

- Strengthen local NGOs and the Ministry of Health to monitor HIV prevalence among groups at highest risk for HIV infection through training and the provision of test kits.

- Provide technical assistance to the Ministry of Health to improve data entry protocols and analysis to facilitate HIV control activities.

- Provide funds and technical assistance to implement a behavioral change communication strategy to increase knowledge about routes of HIV transmission and to reduce risk behaviors among high risk groups and the general population.

- Strengthen STD surveillance to provide a mechanism for monitoring trends, to identify persons in need of prevention activities, and to evaluate the effectiveness of interventions.

- Improve STD referral, diagnosis, treatment and case management through training, technical assistance and the provision of appropriate drugs and supplies.

SECTION III

The two components will be implemented through Profamilia, NGOs and the Ministry of Health (HIV/AIDS Section and Maternal and Child Health Directorate). The project will be managed by a USDH who participates on the Program Output Teams (POTs) for Preventive Health Care and Family Planning Methods. Technical assistance will be provided through buy-ins to Global field support projects.

SECTION IV

Through this project, the Mission will enter into policy dialogue with the GON regarding stepping up the intensity of its health and family planning education efforts using mass media, integrating family planning and HIV/AIDS/STD prevention and control activities into its array of primary health care services, and providing adequate budget support to continue activities beyond the life of the project.

SECTION V

Technical assistance will be requested from AID Washington to assist in designing portions of the proposed project. The Mission is looking for Global bureau and G/CAP financial support to help finance the HIV/AIDS/STD component of the projects.

SECTION VI

The Reproductive Health Project will be designed during early FY 1997 for a late FY 1997 obligation..

SECTION VII

The Mission requests AID/W concurrence for the Mission to develop and approve the project in the field.

SECTION VIII

Preliminary logical framework:

Goal: Better educated, healthier and smaller families.

Purpose: To increase access to modern family planning methods and quality reproductive health care.

Outputs:

- Increased demand for family planning services in the 15-24 age group.
- Increased access to family planning information and services.
- Increased availability of modern methods of contraception in public facilities.
- Consolidated private sector network of clinics and expanded number of community-based distribution posts (1,200).
- Increased knowledge of HIV preventive practices.
- Improved case management of STDs.
- Increased condom availability and correct use.
- Increased access of high risk populations to HIV/AIDS/STD prevention services.

- Implement a behavioral change communication strategy to reduce high risk behaviors in target populations.
- Strengthen the capacity of local NGOs to carry out HIV/AIDS/STD prevention programs.
- Increased awareness of HIV/AIDS/STD at all levels in order to generate support and resources that will allow for sustainable interventions.
- Improved surveillance of STDs, including HIV/AIDS.

Inputs

- Technical assistance, contracts	$ 3.00 million
- Commodities, equipment, supplies	$ 3.50 million
- Subgrants to Family Planning and STD/AIDS NGOs	$ 5.50 million
TOTAL	$12.00 million

VIII. SPECIAL REPORTING REQUIREMENTS

A. Progress and Follow-up Related to Biodiversity and Tropical Forests (required analysis under Sections 118 and 119 of the Foreign Assistance Act).

The Government completed Action Plans on both the Environment (PAANIC) and Forestry (PAFNIC). These plans present a thorough analysis of needs and recommended actions to effectively protect tropical forests and biodiversity in Nicaragua. The Mission is using these documents as the basis for addressing the requirements of Sections 118 and 119.

Mission programs are addressing some of the key recommended actions proposed in these plans. Progress has been significant.

Status of Nicaragua's Tropical Forests and Mission Activities to Conserve Them - There has been significant progress in the conservation of tropical forests and biodiversity. The following are among the more important:

* The Action Plans (PAANIC and PAFNIC) have been adopted as guiding documents for the reorganization of the natural resources and environment Ministry (MARENA). This places conservation of tropical forests and biodiversity as central policy pillars of the Ministry.

* To facilitate the passage of critical environment and natural resources legislation, the executive and legislative branches have improved coordination and moved to form "mixed commissions" charged with developing and passing specific pieces of environment legislation.

* Forestry legislation and regulations governing forestry concessions are nearly complete. Passage is expected this year. Legislative efforts to pass an Environment law are moving closer to fruition, with passage expected by the end of this year.

* Work by the GON continues on issuing land titles for the 2.1 million ha of land already distributed under past agrarian reform programs. This effort is expected to contribute significantly to slowing the spread of the agricultural frontier.

The ability of the GON to implement an effective regulatory framework to sustainably manage resources continues to be weak. However, the weakness is now well recognized within the GON and self-initiated remedial actions are being taken. Among the more important are efforts by the National Assembly to reconcile conflicting laws and ministerial mandates, definition of MARENA as a normative and regulatory agency, and coordination with regional government and indigenous groups on management of resources. However, questions of resource ownership by regional governments and

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indigenous groups and land claims of the latter continue to be crucial unresolved issues that threaten biodiversity and tropical forests in Nicaragua.

Mission activities and follow up - The Mission has taken the lead in working with indigenous peoples, local communities, regional and municipal governments and the central government in addressing these issues. Significant progress has been achieved in both the Bosawás and Miskito Cays protected areas. A management plan for the Miskito Cays has been completed in draft and presented to the national commission. For the Bosawás, The Nature Conservancy completed documentation of indigenous land claims and resources uses in the Waspuk region, analyses of NGO activity and capacity and initiation of a Rapid Ecological Assessment and a threats analysis of the preserve as the basis for a management plan for the area. A workshop was held for mestizo and indigenous communities and the neighboring municipalities to assist them in countering pollution threats from mining operations and timber concessions. Infrastructure, equipment and personnel are in place for both protected areas and effective management and protection has been extended to an increasing portion of the protected areas. The management plan for Bosawas is a model of community participation. We are transferring these same concepts to the Miskito Cays to finalize their management plan.

There is more effective management of Nicaraguan protected areas and biodiversity. Effective management of both protected areas and national forests are keystone policies of a newly developed MARENA mission statement. The Protected Areas and CITES branches of MARENA have been reorganized and new chiefs appointed. The head of the Bosawás reserve has also been replaced. Staff dedicated to park protection and management have largely been preserved in the face of some of the largest personnel reductions MARENA has ever experienced.

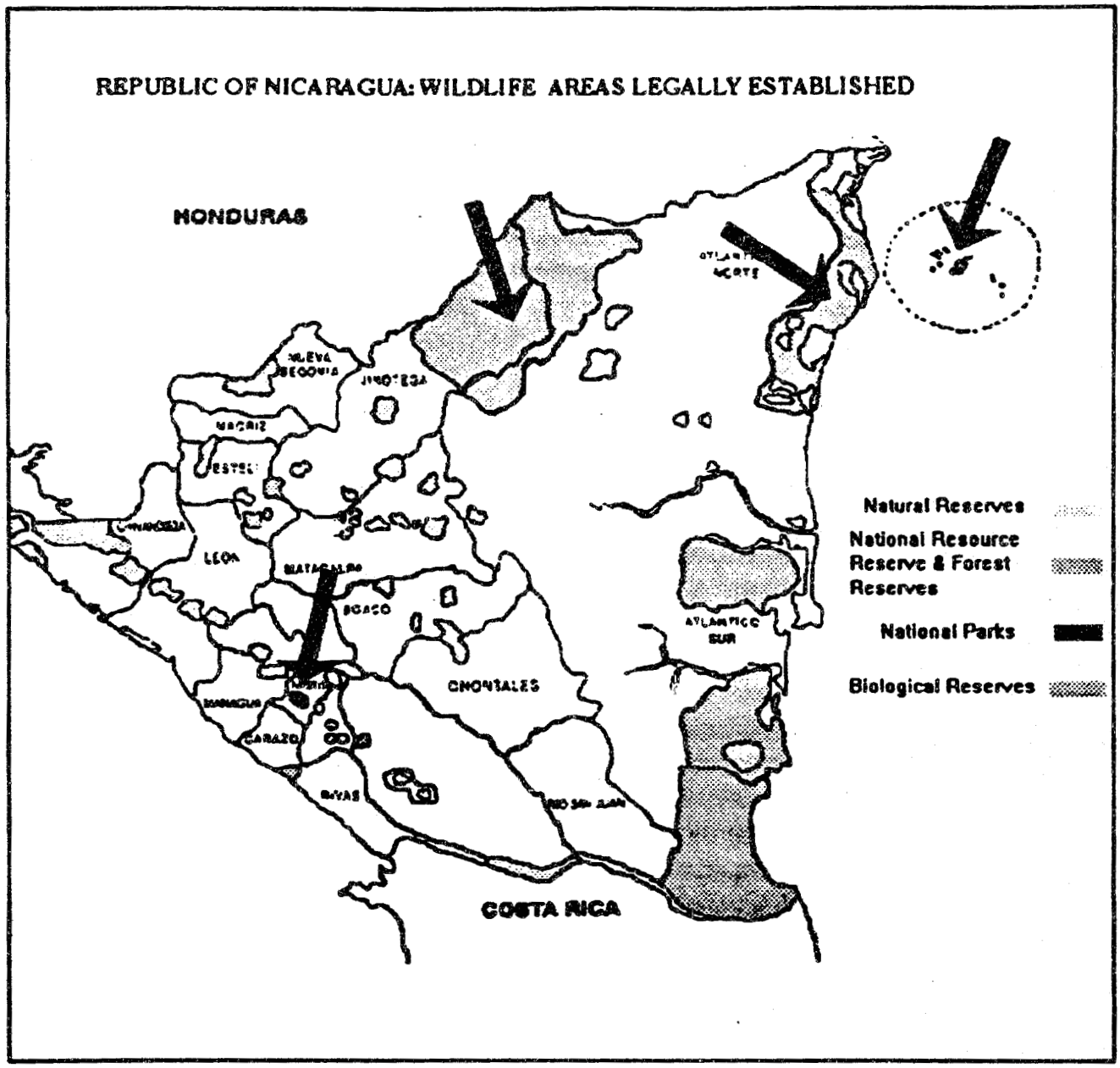
The National Assembly is planning to address a broad range of legislation that directly affects biodiversity and tropical forest conservation. Revised forestry legislation and concessions regulations are close to passage into law. National environmental legislation, long held up in committee, is moving towards passage as well. Legislation to revise the Protected Areas and the Fisheries and Aquaculture laws is scheduled to be introduced this year. The latter has important bearings on both coastal wetlands and on marine habitats. Other important legislation scheduled for action this year includes pesticides, mining and water quality.

Nicaragua has 71 decreed protected areas. While most lack even fundamental protection, an increasing number are marked, staffed and managed according to plans. Recognizing that national budgets for the effective protection of Nicaragua's protected areas will be inadequate in the current austere financial climate, MARENA is actively seeking to develop long term partnerships with offshore and local NGOs, local and regional governments and donors to ensure sustainable financing for the conservation of biodiversity. New partnerships are being developed for more effective management

of protected areas: with the RAAN government for Cayos Miskitos NP, with a local NGO and private sector interests (cafelteros, ecotourism) for Ometepe, Isla Zapatera and Mombacho protected areas, and with local municipalities and NGOs for Volcan Masaya National Park. The watershed of the Estero Real, the largest mangrove and coastal wetland on the Nicaraguan Pacific coast, is largely closed to pesticide use, based on an agreement among MARENA, the Ministry of Agriculture and the cotton and shrimp culture industries. There are increased intergovernmental efforts to protect biodiversity as well. A recent tri-partite agreement among Nicaragua, Costa Rica and Panama seeks to protect important nesting beaches and their watersheds for Pacific sea turtles.

The Mission supports these efforts in its Natural Resources management project. Continuing long term technical assistance to MARENA and the National Assembly provides assistance in the development of forestry, concessions and environment legislation and will help the GON to implement the forestry and environment action plans. Institutional strengthening efforts will continue to assist MARENA in mounting an effective presence in the field. A significant portion of this effort is directed at the Wildlife, Parks and Protected Areas division. These activities complement the Protected Areas component which supports NGO activities to bring protected areas and their buffer zones under more effective management. Integral to protecting ecosystem function is the effort directed at reducing pesticide use, eliminating the use of Restricted Use Pesticides and promoting safe pesticide use for human and environmental health. New activities in design will increase environmental education and begin activities to reduce fuel wood extraction to help slow deforestation of Nicaraguan dry and moist tropical forests.

With the proposed amendment to the project, the Mission will continue important policy and legislation efforts to form the basis for conservation of biodiversity and tropical forests, implement the management plans for the Bosawás and Cays Miskitos protected areas and expand land use planning and economic opportunities for biological corridors linking critical protected areas. Because of the importance of indigenous NGOs in the developing effective protection of biodiversity and promotion of sustainable use of natural resources, the proposed amendment also expands the environmental education activity to strengthen NGOs.



The arrows indicate regions where USAID sponsors projects in the areas of sustainable resource management, ecological zone protection, and deforestation reduction.

LIST OF ACRONYMS

ADAL	Association of Cotton Producers of Leon *(Asociación de Algodoneros de León)*
AIDS	Acquired Immune Deficiency Syndrome
ANPROSOR	National Association of Sorghum Producers *(Asociación Nacional de Productores de Sorgo)*
APENN	Nicaraguan Association of Producers and Exporters of Non-Traditional Products *(Asociación Nicaragüense de Productores y Exportadores de Productos No Tradicionales)*
BAGSA	Nicaraguan Agricultural Stock Exchange *(Bolsa Agropecuaria de Nicaragua, S.A.)*
BANADES	National Development Bank *(Banco Nacional de Desarrollo)*
CLUSA	Cooperative League of the United States
DHS	Decentralized Health Services
ENABAS	National Basic Grains Company *(Empresa Nacional de Alimentos Básicos)*
ESF	Economic Support Fund
FISE	Emergency Social Investment Fund *(Fondo de Inversión Social de Emergencia)*
FSLN	Sandinista National Liberation Front (Frente Sandinista de Liberación Nacional)
FSN	Foreign Service National
FUNDA	Foundation for Agricultural Development *(Fundación para el Desarrollo Agrícola)*
FY	Fiscal Year
GDO	General Development Office

GNP	Gross National Product
GON	Government of Nicaragua
IPPF	International Planned Parenthood Federation
LAC	Latin America and the Caribbean
MAG	Ministry of Agriculture and Livestock *(Ministerio de Agricultura y Ganadería)*
MANPROSA	Manuel Mansel Non-Traditional Products *(Manuel Mansel Productos No Tradicionales, S.A.)*
MARENA	Ministry of the Environment and Natural Resources *(Ministerio del Ambiente y Recursos Naturales)*
MAS	Ministry of Social Action *(Ministerio de Acción Social)*
MCH	Maternal and Child Health
NGO	Non Governmental Organization
OE	Operating Expenses
PAS	Private Agricultural Services
PVO	Private Voluntary Organization
SO	Strategic Objective
STD	Sexually Transmitted Disease
TCN	Third Country National
TELCOR	Nicaraguan Institute of Telecommunications and Mail *(Instituto Nicaragüense de Telecomunicaciones y Correos)*
UNAG	National Union of Farmers and Cattlemen *(Unión Nacional de Agricultores y Ganaderos)*
UNICAFE	Nicaraguan Coffee Growers' Union *(Unión Nicaragüense de Cafetaleros)*

UPANIC	Nicaraguan Union of Agricultural Producers *(Unión de Productores Agropecuarios de Nicaragua)*
USAID	United States Agency for International Development
USDH	US Direct Hire
USPSC	US Personal Services Contract

TABLE 2.1

STRATEGIC OBJECTIVE PERFORMANCE

Strategic Objective #1: More political participation, compromise and transparency

USAID/NICARAGUA

STRATEGIC OBJECTIVE #1: More political participation, compromise and transparency

INDICATOR: Political participation

UNIT: Percentage of people participating in 1) elections, 2) town meetings, 3)community organizations, 4) volunteering

SOURCE: Official election statistics, DI survey (biannual)

COMMENTS: Elections are planned for November 1996. Unit measures percentage participating in 1) elections, 2) town meetings, 3) community organizations and 4) volunteering.

	YEAR	PLANNED	ACTUAL
BASELINE	1994	----------	X/13/6/33%
	1995	----------	
TARGET	1996	> 50% in elections	

INDICATOR: Formation of centrist coalitions to pass major legislation and compete in elections

UNIT: N/A

SOURCE: Mission and Embassy analysis

COMMENTS: Coalitions of moderates from across the political spectrum passed a major reform of the Constitution in 1995 and a reform of the military code in 1994. Privatization of the telecommunications parastatal, measures addressing property issues and electoral law are high on the 1995 legislative agenda.

	YEAR	PLANNED	ACTUAL
BASELINE	1993		None
	1994		-Constitutional reform -Military code reform
	1995	-TELCOR privatization -Electoral law -Property legislation	
TARGET	1996	-Centrist electoral coalitions	

PROGRAM OUTCOME: Greater protection of human rights

INDICATOR: Percentage of human rights cases reported by h.r. ombudsman and local h. r. groups that are resolved

UNIT: Percentage of cases resolved or addressed		YEAR	PLANNED	ACTUAL
SOURCE: Tripartite Commission, CIAV, independent human rights' groups reports, and human rights ombudsman.	BASELINE	1994		3/120
COMMENTS: 1994 data is focused on the recommendations of the Tripartite Commission and government action in response to those recommendations. 1995 baseline data will also be developed from independent human rights groups. A new human rights ombudsman is expected to be operational in 1996.	TARGET	1996		

PROGRAM OUTCOME: Efficient and transparent election mechanisms

INDICATOR: Validation of 1996 election results by objective observers

UNIT:		YEAR	PLANNED	ACTUAL
SOURCE: Observer reports	BASELINE			
COMMENTS:	TARGET	1996	Free, fair, & transparent elections	

PROGRAM OUTCOME: Efficient and transparent election mechanisms

INDICATOR: Public confidence in Supreme Electoral Council (CSE)

UNIT: Percentage indicating some or strong confidence

SOURCE: DI survey

COMMENTS: The CSE is responsible for carrying out the 1996 elections in Nicaragua.

	YEAR	PLANNED	ACTUAL
BASELINE	1994		49.9%
TARGET	1996	55.0%	

PROGRAM OUTCOME: Strengthened civil society

INDICATOR: Public support for Nicaraguan democracy

UNIT: Percentage showing high support

SOURCE: DI survey

COMMENTS: This indicator agregates responses to survey questions asking respondents their level of support for the Nicaraguan political system and whether they believe the system guarantees basic rights and a fair trial.

	YEAR	PLANNED	ACTUAL
BASELINE	1994		36%
TARGET	1996		

PROGRAM OUTCOME: Better nourished families

INDICATOR: Prevalence of exclusive breastfeeding of infants less than 4 months

UNIT: Percentage of women breastfeeding exclusively

SOURCE: Family Health Survey

COMMENTS: Next survey scheduled for late 1997.

	YEAR	PLANNED	ACTUAL
BASELINE	1993		11.5%
TARGET	1994	12.0%	
	1995	13.0%	
	1996	14.0%	
	1997	16.0%	
	1998	17.0%	
	1999	18.0%	
	2000	20.0%	

PROGRAM OUTCOME: Better nourished families

INDICATOR: Vitamin A deficiency rate in children under 5 years of age

UNIT: Percentage of children receiving vitamin A supplements

SOURCE: MINSA/SILAIS and Micronutrient Survey

COMMENTS: Proxy indicator in intervening years (1994-1999): percentage of children under 5 years of age receiving supplements The goal is 28% or less children under 5 with vitamin A deficiency.

	YEAR	PLANNED	ACTUAL
BASELINE	1993	----------	67%
TARGET	1994	70%	
	1995	70%	
	1996	75%	
	1997	75%	
	1998	80%	
	1999	80%	

PROGRAM OUTCOME: More families using preventive health care

INDICATOR: Nationwide vaccine coverage rates for children under 1 year of age

UNIT: Percentage of target population immunized

SOURCE: Family Health Survey - baseline 1992, repeat in 1997. Ministry of Health/PAHO-EPI - intervening years

COMMENTS: Figures represent average vacci ation coverage for Polio/DPT/Measles/TB/Tetanus Toxoid (tetanus toxoid vaccinations for women 15-49 yrs.). MINSA data, considered to be high due to double counting, will be used during intervening years.

	YEAR	PLANNED	ACTUAL
BASELINE	1992 (FHS data)	----------	46.8/48.9/34.9/78.3/61
	1992 (MINSA)	----------	86/74/73/81/30%
	1993	----------	94/78/83/94/43%
	1994	----------	84/74/73/89/61
TARGET	1995	80/80/80/80/70%	
	1996	80/80/80/80/70%	
	1997	80/80/80/80/70%	
	1998	80/80/80/80/70%	
	1999	80/80/80/80/70%	
	2000	80/80/80/80/70%	

PROGRAM OUTCOME: More families using preventive health care

INDICATOR: Percentage of women obtaining prenatal care

UNIT: Percentage obtaining care 1st trimester

SOURCE: USAID - FHS

COMMENTS: The FHS includes information only from the Pacific and Central regions of Nicaragua representing 85% of the population.

	YEAR	PLANNED	ACTUAL
BASELINE	1992	----------	37%
TARGET	1993	37%	
	1994	37%	
	1995	38%	
	1996	40%	
	1997	42%	
	1998	44%	
	1999	45%	
	2000	46%	

PROGRAM OUTCOME: More families using preventive health care

INDICATOR: Percentage of children with diarrhea treated with ORS

UNIT: Percentage of children less than 5 years of age

SOURCE: Family Health Survey

COMMENTS: Unit measures percentage of children less than 5 years of age with diarrhea treated with ORS.

	YEAR	PLANNED	ACTUAL
BASELINE	1992	----------	54%
TARGET	1993	54%	
	1994	54%	
	1995	55%	
	1996	56%	
	1997	57%	
	1998	58%	
	1999	59%	
	2000	60%	

PROGRAM OUTCOME: More families using preventive health care

INDICATOR: Percentage of births attended by trained personnel

UNIT: Percentage of births attended by trained personnel

SOURCE: Family Health Survey

COMMENTS: Next survey is scheduled for late 1997.

	YEAR	PLANNED	ACTUAL
BASELINE	1992	----------	60%
TARGET	1993	62%	
	1994	64%	
	1995	66%	
	1996	68%	
	1997	70%	
	1998	72%	
	1999	74%	
	2000	75%	

PROGRAM OUTCOME: More families using preventive health care

INDICATOR: Percentage of population at risk for HIV/AIDS using condoms

UNIT: Percentage of population at risk

SOURCE: Behavioral research, Family Health Survey

COMMENTS: Baseline survey will be conducted in 1995. The FHS underestimates condom use in general. If a woman was using oral contraceptives and condoms at the time of the survey, she would be recorded as using only orals. The AIDSCAP and CDC studies will provide more accurate baseline data.

	YEAR	PLANNED	ACTUAL
BASELINE	1993		
	1994		
	1995		
TARGET	1996		
	1997		
	1998		
	1999		

PROGRAM OUTCOME: More couples using modern family planning methods

INDICATOR: Percentage of married women aged 15-49 using contraception

UNIT: Percentage using contraception

SOURCE: Family Health Survey

COMMENTS: Next survey scheduled for late 1997. Data available in 1998.

	YEAR	PLANNED	ACTUAL
BASELINE	1992	----------	49%
TARGET	1993	50%	
	1994	51%	
	1995	52%	
	1996	53%	
	1997	54%	
	1998	55%	
	1999	56%	
	2000	57%	

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PROGRAM OUTCOME: Microenterprise and other off-farm employment expanding				
INDICATOR: Number of MAS/FISE beneficiaries				
UNIT: Person months of employment		YEAR	PLANNED	ACTUAL
SOURCE: Ministry of Social Action	BASELINE	1993		
	TARGET	1994		33,600
COMMENTS: Numbers represent USAID-financed programs only.		1995	60,000	
		1996		
		1997		
		1998		
		1999		

PROGRAM OUTCOME: Microenterprise and other off-farm employment expanding				
INDICATOR: Number of jobs in agribusiness-related industries				
UNIT: Number of person years employed		YEAR	PLANNED	ACTUAL
SOURCE: Central Bank of Nicaragua (BCN)	BASELINE	1993		
	TARGET	1994		
COMMENTS: Formal jobs measured by payments to the Nicaraguan Social Security and Welfare Institute (INSSBI). Baseline and targets will be established after achieving definition with BCN of what is agribusiness.		1995		
		1996		
		1997		
		1998		
		1999		

PROGRAM OUTCOME: Natural resources being used more rationally

INDICATOR: Laws and regulations harmonized within the country and region.

UNIT: Number of laws/regulations revised

SOURCE: MARENA, National Assembly

COMMENTS: Laws - fisheries, forestry, environment, protected areas, pesticides, mining, regulations-concessions.

	YEAR	PLANNED	ACTUAL
BASELINE	1993	0	
TARGET	1994	2	0
	1995	3	
	1996	2	
	1997		
	1998		
	1999		

PROGRAM OUTCOME: Natural resources being used more rationally

INDICATOR: Cumulative protected areas under effective management

UNIT: Number of hectares under effective management

SOURCE: Plan de Accion Ambiental

COMMENTS: The Plan de Accion Ambiental projects approximately 785,000 hectares of land will be under effective management by 1998 in USAID-assisted Protected Areas (BOSAWAS, MCPA, Volcan Masaya).

	YEAR	PLANNED	ACTUAL
BASELINE	1992	----------	0
	1993		310,000
	1994		500,000
	1995		
	1996		
	1997		
TARGET	1998	785,000	