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

NICARAGUA

PROJECT PAPER

STRENGTHENING DEMOCRATIC INSTITUTIONS

AID/LAC/P-635

PROJECT NUMBER: 524-0316

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET				1. TRANSACTION CODE A A = Add C = Change D = Delete		Amendment Number		DOCUMENT CODE 3	
COUNTRY/ENTITY Nicaragua				3. PROJECT NUMBER 524-0316					
4. BUREAU/OFFICE LAC				524		5. PROJECT TITLE (maximum 40 characters) Strengthening Democratic Institutions			
6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 06/30/15				7. ESTIMATED DATE OF OBLIGATION (Under "B." below, enter 1, 2, 3, or 4) A. Initial FY 91 B. Quarter 3 C. Final FY 93					
8. COSTS (\$000 OR EQUIVALENT \$1 =)									
A. FUNDING SOURCE		FIRST FY			LIFE OF PROJECT				
		B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total		
AID Appropriated Total		1,400	1,600	3,000	6,020	7,980	14,000		
(Grant)		(1,400)	(1,600)	(3,000)	(6,020)	(7,980)	(14,000)		
(Loan)		()	()	()	()	()	()		
Other									
U.S. 1.									
U.S. 2.									
Host Country									
Other Donor(s)									
TOTALS		1,400	1,600	3,000	6,020	7,980	14,000		
9. SCHEDULE OF AID FUNDING (\$000)									
A. APPRO- PRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
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TOTALS				-0-		3,000		14,000	
10. SECONDARY TECHNICAL CODES (maximum 8 codes of 3 positions each) 721								11. SECONDARY PURPOSE CODE	
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)									
A. Code		BR		BL		BU			
B. Amount									
13. PROJECT PURPOSE (maximum 400 characters) <div style="border: 1px solid black; padding: 10px; margin: 5px 0;">To strengthen democratic institutions and the values and attitudes that nurture them.</div>									
14. SCHEDULED EVALUATIONS					15. SOURCE/ORIGIN OF GOODS AND SERVICES				
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06/9/4				03/9/5					
16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP. (amendments))									

17. APPROVED BY	Signature <i>Janet Ballantyne</i>	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY
	Title Janet Ballantyne Mission Director	
	Date Signed 06/17/91	

PROJECT AUTHORIZATION

Name of Country: Nicaragua
Name of Project: Strengthening Democratic Institutions
Number of Project: 524-0316

1. Pursuant to Sections 104 and 531 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Strengthening Democratic Institutions Project for Nicaragua involving an initial obligation of Three Million United States Dollars (\$3,000,000) and total planned obligations not to exceed Fourteen Million United States Dollars (\$14,000,000) in grant funds over the period from the date of obligation through a Project Assistance Completion Date of June 30, 1995, subject to the availability of funds in accordance with the AID/OYB allotment process, to help in financing foreign exchange and local currency costs for the Project.

2. The project consists of a series of activities to strengthen democratic institutions and the values and attitudes that nurture them by supporting the free and democratic press, key interest groups, human rights groups, national and municipal governmental entities, and civic education programs.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with AID Regulations and Delegations of Authority, shall be subject to the following essential terms and conditions, together with such other terms and conditions as AID may deem appropriate:

A. Source and Origin of Goods and Services

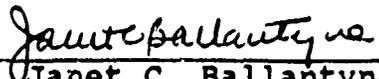
Commodities financed by AID under the Grants shall have their source and origin in the United States or in the Cooperating Country or in any other Central American Common Market country, except as AID may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have countries which are members of the Central American Common Market, the Cooperating Country, or the United States (AID Geographic Code 000) as their place of nationality, except as AID may otherwise agree in writing. Ocean shipping financed by AID under the Grant shall, except as AID may otherwise agree in writing, be financed only on flag vessels of the United States.

B. Conditions Precedent to Disbursement

Prior to any disbursement or the issuance of any commitment documents under the Project Agreement, except for AID Direct contracts for technical assistance and project management, the Government of Nicaragua shall furnish in form and substance satisfactory to AID:

- b'

- i) a statement of the name and a specimen of the signature of the person holding, or acting in, the office of the Minister of External Cooperation of Nicaragua. If an additional project representative is also desired, the identification and signature of this person is also required.
- ii) an opinion of counsel acceptable to A.I.D. that the Project Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms.



 Janet C. Ballantyne
 Mission Director
 USAID/Nicaragua

Cleared: PDIS: JCloutier:		Date: 5/20
GDO: LAyalde:		Date: 6/22
PEPS: RVBurke:		Date: 6/3/91
LA: MVelazquez:		Date: 6/4/91
OFIN: JAvila:		Date: 5/31/91
CO: JCorley:		Date: 6/5/91
DDIR: KGSchofield:		

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(5) ACTION: AID-2 INFO: AMB DCM ECON

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AIDAC

E.O. 12355: N/A
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SUBJECT: CONGRESSIONAL NOTIFICATION ALERT

OFFICIAL FILE COPY

1. THE FOLLOWING CONGRESSIONAL NOTIFICATION EXPIRED WITHOUT OBJECTION ON MAY 30, 1991. OBLIGATION MAY BE INCURRED ON MAY 31, 1991.

524-0315, STRENGTHENING DEMOCRATIC INSTITUTIONS - DOLS 5,000,000 EST

2. THE FOLLOWING CONGRESSIONAL NOTIFICATION EXPIRED WITHOUT OBJECTION ON JUNE 4, 1991. OBLIGATION MAY BE INCURRED ON JUNE 5, 1991:

524-0315, PRIVATE AGRICULTURAL SERVICES - DOLS 4 MILLION EST BAKER

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AID/LAC/DR:MSILVERMAN {INFO}

AID/LAC/CEN:GDANIELS {INFO}

PRIORITY MANAGUA

AIDAC

E.G. 12356: N/A

TAGS:

SUBJECT: CONGRESSIONAL NOTIFICATION ALERT

1. THE FOLLOWING CONGRESSIONAL NOTIFICATION EXPIRED WITHOUT OBJECTION ON MAY 30, 1991. OBLIGATION MAY BE INCURRED ON MAY 31, 1991.

524-0316, STRENGTHENING DEMOCRATIC INSTITUTIONS - DOLS 5,000,000 ESF

2. THE FOLLOWING CONGRESSIONAL NOTIFICATION EXPIRED WITHOUT OBJECTION ON JUNE 4, 1991. OBLIGATION MAY BE INCURRED ON JUNE 5, 1991:

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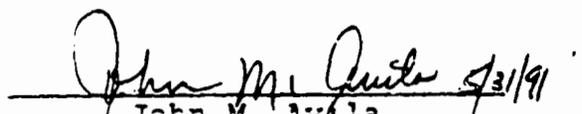
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STRENGTHENING DEMOCRATIC INSTITUTIONS

Project 524-0316.

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


John M. Avila
Acting Controller

- 4'

STRENGTHENING DEMOCRATIC INSTITUTIONS

PROJECT PAPER

(SDI)

USAID/Nicaragua

May 1991

or

Strengthening Democratic Institutions

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I. SUMMARY AND RECOMMENDATIONS

A. The Problem

In February 1990 the totalitarian Sandinista regime was rejected in Nicaragua's first free and fair election. The new government of President Chamorro is making a determined effort to institute and consolidate the democratic gains represented by its election to power. The challenges confronting the new government include: total lack of experience with the democratic process, a severely polarized political environment, and weak democratic institutions.

B. Brief Description of Project

The goal of the Strengthening Democratic Institutions (SDI) project is to contribute to the development of a stable, enduring democratic system in Nicaragua that protects human rights, promotes justice, encourages participation, and facilitates higher levels of material and social well-being. The purpose is to strengthen democratic institutions and the values and attitudes that nurture them.

The focus of the project is to promote the democratic values that support and nurture democracy such as equal opportunity and merit, protection and respect for basic political and economic rights, majority rule and institutional means of resolving conflict, accountability for public officials and checks on power, access to information, a limited economic role for government, and the right to private property and importance of free, competitive enterprise. The project uses a multi-faceted approach to promote these values. It emphasizes activities to support the press, key interest groups, national and municipal governmental entities, human rights groups, and civic education programs.

The project will be obligated through a bilateral grant agreement with the Government of Nicaragua and will be implemented through a series of AID direct buy-ins to centrally-funded contracts, a PASA with USIA, a grant to the National Endowment for Democracy (NED) which in turn will subgrant to PVOs or NGOs, and grants to other similar organizations. In addition, a separate AIFLD component will be managed by LAC/DI.

Due to the uncertain and rapidly changing political climate in Nicaragua today, the project requires flexibility within and among planned activities. This flexibility is essential if the Mission is to respond quickly to support the democratic process as opportunities and needs arise. Therefore, the project contains a contingency fund of 10% of total project costs, and line item flexibility will be written into the bilateral project grant agreement.

1

Following is a summary budget of the project:

Media	\$ 685,000
AIFLD	2,840,000
Political Parties	650,000
Governmental Institutions	2,130,000
Human Rights Support	1,550,000
Civic Education	3,620,000
Contingency	1,400,000
Project Support, Audit, Evaluation	<u>1,125,000</u>
TOTAL	\$14,000,000

C. Action Recommended

USAID/Nicaragua recommends that this Project Paper be authorized and a project grant agreement be signed with the government of Nicaragua to finance the activities herein.

II. BACKGROUND

A. Political Setting

One year after the elections that ended almost 11 years of Sandinista rule of Nicaragua, the surprise winner of those elections, President Violeta Chamorro, faces a daunting set of problems that put in doubt the survival of Nicaragua's democratic experiment:

--The Frente Sandinista de Liberacion Nacional (FSLN) retains control of the military and police and much of the bureaucracy and banking responds to its direction. The Sandinista unions, tame tools of Sandinista labor policy when the FSLN was in power, have since repeatedly engaged in disruptive, politically-motivated strikes. In general, the FSLN has comported itself as a disloyal opposition, evoking the intransigence of the Spanish Left after its defeat in the 1933 elections.

--The Union Nacional Opositora (UNO), the coalition that elected President Chamorro, has split over her policy of conciliation with the Sandinistas. The hostility between her and her supporters and Vice President Virgilio Godoy and his is roughly as intense as the hostility between the government and the FSLN. In fact, the GON's dialogue with the FSLN often seems easier than its dialogue with its former UNO allies.

--Because of the political divisions, the economy continues in the doldrums. Per capita income is half of what it was in 1977. Unemployment and underemployment are at historic highs. Inflation has continued to gallop, at least until the March 1991 devaluation.

The current turmoil echoes the authoritarianism, political polarization and fragmentation, injustice, and militarism that have characterized Nicaragua since the early colonial days and have contributed to the chronic weakness of Nicaraguan institutions, prominent among them the legislature and the system of justice. But there is one major difference: the Chamorro government won a free election, the first since the American occupation early in this century.

The survival of the democratic experiment depends fundamentally on the Nicaraguans themselves. The possible scenarios include the following: 1) The experiment could collapse, with a return to power of the FSLN, as a consequence of continued Sandinista intransigence and the inability of the government to exercise its authority; 2) The government could muddle through the remaining six years of its term, sharing power with the Sandinistas, but unable to make significant inroads on the economic problems; 3) In the most optimistic scenario, the government would take full control of the reins,

the Sandinistas would accept the universal norms of democratic political conduct, and the way would be paved for economic recovery.

There are some positive factors. Nicaragua's natural resource endowment is probably the richest in Central America. With political stability and appropriate free market policies, the Nicaraguan economy could recover rapidly. The trauma of the revolution and the civil war has produced a national yearning for peace. The 1990 elections have forced the Sandinistas to reconsider who they are and where they want to go, which could result in significant moderation of ideology and policies at the FSLN national congress scheduled for July 1991. And the demise of communism in Eastern Europe and the emerging democratic-capitalist consensus in Latin America are also positive forces that will inevitably influence the Sandinistas.

To repeat, the survival of the democratic experiment depends fundamentally on the Nicaraguans themselves. But external assistance can be helpful and could conceivably play a crucial role at the margin. In the current fragile environment, it is important that the Strengthening Democratic Institutions project begin as quickly as possible.

B. Relationship to GON Priorities and USAID Strategy

In the wake of her election victory in February 1990, President Chamorro pledged the government's commitment to a new era of Nicaraguan politics marked by national reconciliation, democratic reform, and political pluralism. Her goal for her six year term is to implant, nurture, and implement a functioning democracy in Nicaragua. The first year of the Chamorro administration has been largely focused on creating the foundation for political peace and democratic decision-making. Critical to this effort are activities which help create further awareness among Nicaraguan public officials and citizens about the processes, mechanisms, and institutions of a functioning democracy and promotion of those values and attitudes which lend them legitimacy, assure their proper functioning, and orient the behavior of public officials and citizens.

One of the Mission's primary goals is to support the transition to democracy in Nicaragua. The Mission has considered a broad range of potential interventions, many of which are standard elements of AID Democratic Initiatives projects in other Missions. During a lengthy strategy review process it became clear that a key element necessary for the growth of democracy in Nicaragua is some consensus on the rules of the game or the underlying values which give shape and substance to democratic society. While there are a variety of activities the Mission could undertake which could have a positive impact on the operation of democratic government, the Mission has chosen the achievement of a consensus on democratic values as its strategic objective leading toward a functioning stable democracy. It intends to focus its resources on activities with direct and indirect impact in that area. The Mission views such a consensus as critical to the effective operation and legitimacy of democratic institutions and an important means of assuring that those in power act in accordance with the will of the

people and protect individual rights. Without it, Nicaraguan democracy will remain fragile; there will be form without substance.

The SDI project supports activities which will directly promote democratic values and also strengthens key institutions critical to a functioning democracy and which play an important role in forging a consensus on the key elements of a democratic Nicaraguan political system and government.

C. Project Rationale

Democracy, as a system of government in which ultimate power resides in the people, provides mechanisms and processes for individuals to affect the economic and political decisions which affect their lives. The ability of individuals to participate in decision-making constitutes a significant element of democratic governance which affects overall economic and social well-being. For these reasons, movement toward democracy is an integral part of the process of overall development in Nicaragua.

A number of scholars have also asserted a relationship between economic development and democracy and suggest that political freedom is an important complement to the operation of a free market economy. In the Nicaraguan context, democratic transition and improved functioning of key institutions will clearly play a role in improving investor confidence and providing the foundation for economic stabilization and growth.

This project is designed to 1) promote the values and attitudes that form the underlying basis for democracy and 2) strengthen critical democratic institutions in both the public and private sectors so that Nicaraguans gain experience in the proper functioning of a democratic system of government and better understand its benefits for society and individuals. Both are critical to a successful democratic transition in Nicaragua.

III. DETAILED PROJECT DESCRIPTION

A. Goal and Purpose

The goal of the SDI is to contribute to the development of a stable, enduring democratic system in Nicaragua that protects human rights, promotes justice, encourages participation, and facilitates higher levels of material and social well-being. The purpose is to strengthen democratic institutions and the values and attitudes that nurture them.

B. Strategy

Many uncertainties and obstacles surround Nicaragua's democratic experiment. Crises are frequent, and their outcomes are difficult to predict. This fact of contemporary Nicaraguan life counsels for flexibility and the capacity for rapid response to problems and opportunities as they emerge.

The public and private institutions with activities which affect democratization are diverse and in some cases mutually supportive. The Mission has consequently found it appropriate and useful to frame the SDI activities as elements in a sector approach. The term "sector approach" means a program that integrates a variety of related activities which reinforce each other synergistically. In view of the uncertainties and fragility of the Nicaraguan environment, project components may require modifications and new initiatives may be undertaken during the life of the project. The uncertainties also dictate an intermediate time frame: a three-year period has been selected as appropriate to the circumstances for most project components. The PACD will be four years from date of authorization so that activities in process during year three can be completed and the groundwork laid for possible future activities in the area of democratic institutions.

The SDI is structured into four components: 1) promotion of democratic values, 2) private institutions of pluralism such as media and political parties, 3) effective government, and 4) protection of human rights. A contingency fund provides important flexibility in meeting emerging needs, and a program support component funds the management of the program. Because a variety of scenarios are possible in the next six to twelve months, the program remains flexible regarding the relative priorities and initiation of activities. For example, circumstances may dictate that the "private institutions of pluralism" receive immediate support; "promotion of democratic values" may have a more long-term effect, but the sooner they get underway, the sooner the effect will begin to be felt. Any structuring of priorities is somewhat arbitrary: for example, the activities of the private institutions have potential long-term significance, while programs to promote democratic civic consciousness could influence the evolution

of the FSLN in the next year.

The activities have been selected on the basis of discussions with some 50 people, principally Nicaraguans, both inside government and out, but also some foreigners. Activities that have been selected respond to apparent needs in the four sub-sectors and represent significant elements of a working democracy with important roles to play in forging a consensus around democratic values. The Mission attaches special importance to activities which promote democratic values directly; however, other activities address areas where proper functioning of institutions will be important to achieving consensus on democratic values. Activities have also been selected which will strengthen the democratic elements' ability to compete with the FSLN, which maintains a good part of its totalitarian structure, including the military and police, intact. At such time as the FSLN adopts a clear democratic line and divests itself of the vestiges of its totalitarian origins, USAID/Nicaragua would want to consider the FSLN -- or a democratic offshoot from it, should that materialize -- as a participant in the SDI. Because of Nicaragua's historic tendency toward political and institutional fragmentation, high priority is also attached to activities that encourage unification of democratic groups.

Finally, the Mission is fully aware that a number of the private institutions that will receive support through the SDI are not financially viable, nor is there any high probability that they will become so during the four year life of the SDI project. The Mission concludes that this fact of life in contemporary Nicaragua is something that has to be lived with in the belief that these institutions can contribute sufficiently to the rooting of democracy to warrant support during the crucial years of transition from totalitarianism.

C. Activity Descriptions

1. Promotion of Democratic Values

Nicaragua has never had a truly democratic system of government, although democratic rhetoric has been used to justify recent forms of authoritarian rule, and democratic forms and structures (legislature, courts, etc.) have been established. Nicaragua's cultural legacy is primarily authoritarian and centralist from the days of Spanish colonialism and oligarchic rule. In this century, the authoritarianism of decades of Somoza rule was replaced by a decade of leftist centralism and control. Though the influence of neighboring democracies and the United States has had an effect, Nicaragua's past has not served to develop the values and attitudes which nurture and support democratic systems of government. Moreover, the previous Sandinista government used sophisticated methods of indoctrination and propaganda to inculcate its Marxist orientation throughout society.

The election of Violeta Barrios de Chamorro in February, 1990 clearly demonstrated a desire for change in the direction of democratic rule, personal freedom, and economic liberalization. Nonetheless, the political disruptions of strikes and street demonstrations, splits in the UNO coalition, and ideological polarization of political and economic discourse are indications of a lack of consensus related to democratic values and attitudes. While strengthened democratic institutions and changes in the constitution and legal framework are important to the new government's attempts to introduce a democratic system of government, their legitimacy and support depend almost entirely upon the degree to which they conform with popularly held values, attitudes, and expectations - the political culture of the nation. Given the current disarray and polarization of contemporary Nicaraguan political culture, the new government must make a concerted effort to articulate and promote the democratic values which will be critical to acceptance and support of the institutions and mechanisms which make up a democratic system of government. A shared consensus on democratic values is also important to assure proper conduct by leaders and officials and effective operation of democratic institutions and processes.

While there is a wide range of values and attitudes that gives rise to and supports a democratic system of government, certain values are critical to Nicaraguan democratic transition and economic liberalization in the short-term. These are values and attitudes that have been subverted or are missing due to the circumstances of recent history or are crucial to sorting out economic and political matters currently creating disruption and laying the groundwork for economic growth and political stability:

- **Equal Opportunity and Merit** - Everyone should have equal access to jobs, credit, educational opportunities, etc. on the basis of merit - skills, training, experience, performance, well-formulated ideas and plans, and hard work. Opportunities should be open to all regardless of political affiliation or family connection.
- **Protection and Respect for Political and Economic Rights** - Nicaraguan citizens should feel secure with respect to the protection of basic political and economic rights: the right to own and use private property for personal gain; freedom from persecution and for equal access to justice under law; freedom of speech and religion; judicial rights; etc. All should be treated equally under the law.
- **Majority Rule and Institutional Means of Resolving Conflict** - Conflict resolution and differences of opinion regarding government policy should take place through appropriate fora for debate and through the legislative and electoral system. Groups desiring change should focus their attention on developing a majority and should operate within the democratic system rather than use civil disturbance to sabotage democratic processes.

- **Accountability and Checks on Power** - Concentration of power should be avoided through a system of checks and balances to assure fairness and effective representation. Public officials should act to promote the public welfare and should be removed and/or punished if they act for personal gain.
- **Access to Information** - The press should be free from government control and should report facts objectively, fairly, completely, and responsibly. Activities of elected representatives and elected officials should be open to scrutiny by the public and press.
- **Limited Scope of Government** - Free markets should be the primary means of allocating resources and form the basis of the economy; government should play an important regulatory role and address limited social needs such as education and public health. Private enterprise is the most efficient means of mobilizing the factors of production to bring economic growth and provide meaningful employment.
- **Respect for Private Property; Free and Competitive Enterprise** - The right to own and use private property for personal gain is a critical element of a free market society and provides the basic incentives necessary for economic growth. Markets operate effectively only under conditions of free and competitive enterprise; regulation and intervention should be minimized.

Promotion of these values takes place through various means. This project promotes change in Nicaraguan political culture through the educational system and through grassroots and media campaigns.

Because education plays such a key role in disseminating and developing consensus around values, the civic education component is considered of primary importance in the sector strategy.

a) Civic Education in the School System

Background - The link between education and democracy was fully developed by John Dewey in his landmark work, *Education and Democracy*. The logic is that education teaches citizens how to make rational decisions, decreases the likelihood that they will embrace monistic and/or extreme ideologies, and promotes tolerance. Seymour Martin Lipset found that the more democratic European countries and the less dictatorial Latin American countries had markedly higher levels of education than their counterparts.

The Sandinista dictatorship -- following decades of dictatorial rule under the Somoza dynasty -- left the Nicaraguan educational system in tatters. Problems common to most Latin American education systems abound, notwithstanding Sandinista claims of great

educational strides during their years in power: inadequate preparation of teachers, inadequate budgetary resources and salaries, facilities in disrepair, acute shortages of equipment and materials, reasonably high student input but low student output. In addition, the Nicaraguan system carries the burden of a considerable anti-democratic ideological infection.

The Sandinistas eliminated all Independent teacher organizations after 1979, and all teachers were forced to join the Sandinista Asociacion Nacional de Educadores Nicaraguenses (ANDEN). New textbooks, prepared with Cuban help and filled with totalitarian ideology, were distributed. Thus today there are virtually no teachers who have a working familiarity with democratic civic education.

New textbooks sanitized of totalitarian messages and promoting basic democratic principles have been printed with USAID help and are currently being distributed throughout the school system. Nicaraguan schools also need teacher training courses that focus on democratic civic education and, because of the Sandinista impact on the education system, these courses are needed urgently.

Goal and Purpose - The goal, clearly a long-term one, is a Nicaraguan citizenry imbued with the democratic values of personal freedom, justice and fair play, tolerance of dissent, and social responsibility. The purpose is the establishment of a system of democratic civic education in primary and secondary schools.

Assumption - The key assumption -- full GON support of the activity -- has been largely satisfied in conversations with Education Minister Humberto Belli. He is acutely conscious of the consequences of years of Sandinista rule for the education system and is fully committed to the introduction of a vigorous civic education program in the schools.

Outputs - The civic education activity will produce the following outputs:

- A kindergarten-through-grade-twelve curriculum framework for democratic education will be developed with a commission of Nicaraguan educators and community leaders.
- "Master" teachers will be trained to develop model classroom activities for teaching democratic principles and practices and for training one "education for democracy" teacher in every Nicaraguan school.
- Civic education materials, including a secondary level text and course, a handbook on democratic teaching techniques, and a kit of classroom activities and lesson plans for each grade, will be developed and distributed.

Inputs - The activity will provide a mix of U.S. and Latin American (e.g. Chilean and Costa Rican) education technicians, resources for production of materials and training, and a core management staff.

Budget

Curriculum development & materials	
printing	\$ 445,000
Teacher training	655,000
Administration	<u>500,000</u>
TOTAL	\$1,600,000

Implementation - The activity design reflects the recommendations of an American Federation of Teachers (AFT) team that visited in March of 1991. AFT's proposal illustrates the type of activity which will be implemented, either through AFT or a similar institution, under a subgrant from NED. AFT has worked with NED before, and the Mission plans to channel funds through NED for this activity. The USAID education officer will monitor the activity.

Evaluation - The Civic Education activity will be the object of an independent evaluation in the first half of the third year. The evaluation will address quantitative achievement, e.g., numbers of trainers trained, number of teachers trained, number of schools offering civic education courses. It will also address qualitative factors, including student response to civic education courses and activities.

b) Grass Roots Civic Education

Background - The current government is comprised of political parties from a broad spectrum. Various political leaders have an interest in promoting the basic values which support the economic and political pluralism described above. The political sensitivities involved in promoting these values, and potential conflicts of interest on the part of political leaders, point to an important role to be played by private organizations and interest groups. Groups such as *Via Civica*, *COSEP*, *INDE/FUNDE*, *CEFOJ*, *Movimiento de Mujeres Nicaraguenses*, *Yatama*, and *COPROSA* have been important instruments for communicating values in support of a democratic society. Organizations such as these will be the most effective vehicles for a more concerted effort to forge a broader consensus on these values and a change in Nicaragua's political culture.

These private organizations, however, lack the institutional strength and professional expertise to undertake media and public education campaigns of the scope and breadth required to influence cultural change. They lack the sophistication and professionalism of the Sandinista propaganda effort and do not have the resources to counter its continuing presence.

Activity Goal and Purpose - The goal of this activity is to promote the evolution of a societal consensus on values critical to the establishment of a democratic society in Nicaragua. The purpose of the activity is to increase the degree to which Nicaraguans believe in and support 1) equal opportunity and merit, 2) protection and respect for basic political and economic rights, 3) majority rule and institutional means of resolving conflict, 4) accountability for public officials and checks on power, 5) access to information, 6) a limited economic role for government, and 7) the right to private property and importance of free, competitive enterprise.

Assumptions - The key assumption is the continuation of an environment in which participating organizations can operate freely and can count on access to communication media. A further assumption is that media and public information campaigns can play a meaningful role in fostering cultural change. While it is widely recognized that parental and educational influences strongly affect the development of personal and societal values, change through these venues is slow and difficult to address through economic assistance. The influence of media on development of values and cultural change is more controversial but may have greater potential for short-term impact. Thus, there is also an implicit assumption that the basic values that make up Nicaraguan political culture are amenable to change in the short term and the process of cultural change can be accelerated through the use of media and public education campaigns. The effectiveness of the previous government in inculcating its ideological point of view and USAID experience with media campaigns in child survival programs suggests that the media can play a powerful role in changing cultural mores and accelerating the process of value transformation. Finally, there is an assumption that these organizations can develop the skills and expertise necessary to carry out effective public education campaigns.

Outputs - Various media and public information activities will promote the democratic values identified above:

A. Broadcast Media Campaign

1. **Public Service Announcements/"Commercials"** - Short 30-second to two-minute TV and radio spots will be developed and broadcast during prime viewing and listening hours. Such spots may include short vignettes dramatizing the importance and benefits of a democratic society following from a particular value orientation or the dangers implicit in different value orientations, or might show that a broad spectrum of the political leadership is in basic agreement on key elements of democratic society.
2. **Public Forums for Discussion of Issues** - Broadcasts of debates, town meetings, or other fora for discussion of issues inherently related to democratic values will be supported.

3. **Films and Videotapes related to Democratic Society** - Professionally produced films and videotapes (telenovelas, etc.), radio soap operas and public service spots explaining and dramatizing the benefits and processes of democratic society will be developed and widely distributed.

B. Print Media Campaign

1. **Newspaper and Magazine Stories and Public Service Advertisements** - Stories for publication in local newspapers and magazines will focus on democratic experience elsewhere and progress of democratization in Nicaragua and will address issues with value implications. Advertisements will distill the essence of particular political attitudes and values in relation to current issues and the implications for society.
2. **Booklets, pamphlets, and posters** - Materials for broad distribution dealing with value questions and underlying political issues will be developed and distributed through appropriate channels.

C. Workshops and Grassroots Organizing

1. **Workshops and Seminars** - Workshops and seminars will be conducted to address issues related to democratic values and the structure of a democratic society. These workshops may be directed toward policy makers and political leadership as well as toward the general populace.
2. **Strengthened Organizations to Promote Democratic Values** - Financial support to private civic organizations promoting a democratic system (a la *League of Women Voters*) will help them develop a stronger base and a more professional staff.

Inputs - Funds will be made available through NED for grass roots civic education activities and some budget support for participating organizations. NED will establish an office headed by a Nicaraguan to provide audio-visual, accounting, and auditing services for NED's subgrantees. The office will also serve as a coordinating instrument for the campaigns of the various organizations, developing a consensus on which issues/values should have the highest priority. NED may contract for additional technical expertise in the public relations field.

Budget - \$2,020,000 will be available over the life of the project for support of public education activities. This will include operational support to the participating private institutions and the coordination/development services provided by the NED office.

Operational support for participating organizations conducting public education campaigns	\$1,500,000
Salaries, contract expenses (3 yrs) of media coordinator, audio-visual experts, accountant/auditor, secretary, driver	300,000
Office rental, vehicles, communications, etc.	<u>220,000</u>
TOTAL	\$2,020,000

Implementation - The activity will be implemented through a grant to the National Endowment for Democracy, which has already provided assistance to several of these organizations.

Evaluation - Two evaluations will be undertaken: a mid-term evaluation will focus on the effectiveness of the activity, the number of people reached, the consistency and impact of the messages, and implementation issues. The final evaluation will assess impact, which may be difficult to establish since so many other factors will be acting on people, e.g. the government's performance, the condition of the economy, the newspaper they read. One relatively inexpensive way may be through interviews with a statistically significant number of participants. A survey early in the project will serve as a baseline.

2. Private Institutions of Pluralism

A pluralistic society requires free flow of information, which is largely the function of the press, and the operation of interest groups which are able to articulate the interests and desires of citizens. These institutions, the press and interest groups, also play important roles in the dissemination and collective development of values and attitudes related to the political and economic system. The kinds of stories and editorials that appear in the press, the type of investigative journalism conducted, the level of coverage of the processes of democratic government (legislature, cabinet, courts, etc.), and the degree of objectivity in the press all have an enormous impact on the values and attitudes of the Nicaraguan public. The degree to which the political parties and interest groups conduct their activities within a democratic system confers legitimacy on the institutions of democratic government and broader acceptance of democratic procedures and mechanisms.

This component focuses on the critical role of the press and two groups of private institutions that will play a key role in the Nicaraguan transition to democracy: labor unions and political parties.

a) *Media Matching Fund*

Background - Nicaraguan media, both the press and radio stations, have suffered from censorship and control during the past two political regimes. During the Sandinista era, the non-Sandinista press was subjected to censorship, threats to personal security, advertising boycotts, economic restrictions, and repeated forced closings aimed at putting the enterprises out of business.

Currently, there are three daily newspapers in Nicaragua. *La Prensa*, the moderate, anti-Sandinista daily which is owned by the President's family, competes with the shrilly anti-American, Leninist *El Nuevo Diario* and marginally more moderate *Barricada*, both of which are essentially FSLN mouthpieces. Their equipment is better than *La Prensa's* and they are able to earn income from commercial printing. (The conservative weekly *El Nicaraguense* is printed by *Barricada*.) *La Prensa* is the only reliable reporter of international news. Some moderate newspapers have gone out of business.

La Prensa has been Nicaragua's principal bulwark in opposition to both the Somoza and Sandinista dictatorships. *La Prensa's* founder, Pedro Joaquin Chamorro, was assassinated in 1978, and its physical plant was bombed and largely destroyed shortly thereafter, but it has never failed to publish -- if only one page -- when permitted.

La Prensa is not a viable business and has been unable to achieve an image of independence from the government. As the only viable option at the present time to balance the views propagated through the FSLN-dominated newspapers, support to *La Prensa* with financial planning, press equipment and technical assistance to strengthen quality, objective reporting, so that it can become an efficient, financially viable printing and professional newspaper operation, is critical to the promotion of democracy in Nicaragua. This assistance will be provided in the context of encouraging a free and competitive media, including support to other groups to revive or transform their press operations into viable enterprises.

Other media enterprises, especially radio stations, have suffered physical deterioration which was exacerbated with the Sandinista take-over. These enterprises have not been able to acquire the necessary equipment to upgrade their technical capability. Most have been fortunate to access resources to conduct essential maintenance. Many broadcasters limp from day to day and several have ceased broadcasting for want of spare parts. The U.S. has been approached by several broadcasters and publishers who have had to suspend their activities but who desire to resume operations as soon as they access the required resources. There is little lending capital available for the media, and media enterprises are operating on a shoe string.

A pluralistic society requires free flow of information, which is largely the function of the media and the operation of interest groups which are able to articulate the interests and desires of citizens. The media, including the press and private interest groups also play important roles in the dissemination and collective development of values and attitudes related to the political and economic systems. The quality of media coverage, editorial commentaries, and investigative journalism can potentially make an enormous impact on the values and attitudes of the Nicaraguan public. It is critical to promote a

high standard and a thorough understanding of media coverage of the processes of democratic governance (legislature, cabinet, political parties, courts, etc.) as well as the role of private interest groups, the contributions of citizens through participation in the political process at the local and national level, as well as civic participation and economic participation through hard work, integrity and contributing to the national economy through private enterprise. It is important to engender objectivity and understanding of the roles and processes of these critical actors including citizens in the functioning of a democracy. Proposed activities will be evaluated toward the end of the project implementation to assess overall impact. Progress in project implementation will be assessed through periodic reports submitted to USAID/Nicaragua.

In the new pluralistic environment, the need to extend the reach of democratic media is clear. This is particularly true in rural areas where no radio or print media reach or where the only outlets are controlled by the FSLN.

Goal and Purpose - The goal of this project component is an informed Nicaraguan citizenry which understands the roles of the key actors, including citizens working through private groups, which are necessary to maintain the checks and balances required to sustain democratic governance. The purpose of this component is to support the evolution of a free and competitive media with high professional standards and objective, informed reporting which is not the pawn of specific interest groups and which can provide full discussion and disclosure to the Nicaraguan people throughout the country on a broad range of political, economic and social issues and public policy options reflecting diverse opinions across the political spectrum.

Assumptions - The key assumption is that the Government of Nicaragua will sustain its commitment to a free press/media, permitting *La Prensa* and other enterprises to become the leaders of responsible journalism in Nicaragua. A second assumption is that Nicaragua's economy will improve, thereby facilitating the achievement of financial viability by *La Prensa* and the evolution of a range of viable free media enterprises.

Outputs - The Media Matching Fund will make available grants of up to \$50,000 on a matching basis (as described below) to media enterprises which present a practical business plan to initiate or to improve their performance as professional media enterprises. The grants will cover the costs of up-grading or expanding specific investments or activities. The matching component will cover local or foreign exchange costs of these investments or activities. The media enterprises will provide a matching contribution on a three-to-one basis. Criteria will be developed and applied to all media enterprises requesting assistance from the Fund.

The amount of the grant can be waived with AID approval in specific cases where greater resources may be required to achieve a sustainable base of operations with a high caliber of reporting. These exceptions might include the resumption of operations by media enterprises which were forced out of operation under the previous government, or the rehabilitation of severely crippled enterprises. Specific criteria and mechanisms will be developed for the allocation of funds. The approval mechanism will include an informal process to ensure that views of informed entities such as USIA are taken into account.

At the end of the activity, approximately ten radio/TV stations, newspapers, or magazines will have benefitted from the Fund.

Inputs - Inputs will include the financial resources of the fund and the provision of qualified consultants who will assist with the preparation of financial viability plans if necessary, and conduct technical reviews.

Budget

Media Matching Fund	\$600,000
Technical/Business consultants	<u>85,000</u>
Total	\$685,000

Implementation - The activity is planned to be implemented through the National Endowment for Democracy.

Evaluation - Each approved sub-activity will be evaluated toward the end of the SDI to confirm that proposals as presented were substantially realized. An overall evaluation will assess the collective impact of this assistance and the progress made toward the evolution of a free and competitive media which represents a broad range of public policy options.

b) Labor Unions

Background - Nicaragua's independent labor movement, which played a critical role in bringing about the shift to democratic government in 1990, now can make a vital contribution to the economic recovery of the nation. Free trade unions have made meaningful strides in challenging the Sandinista-controlled National Workers' Front, which has used violent, political strikes to undermine the economic reforms of the Chamorro Government. Democratic unions that managed to survive ten years of Sandinista centralism now need assistance so that they can make the most of new opportunities to flourish under a democratic regime.

In recent months, the independent member unions of the Congreso Permanente de Trabajadores (CPT) won a string of union representation victories that displaced entrenched Sandinista unions in many important industrial firms and government enterprises. Some progress has been made in the financial sectors, service industries and in rural enterprises - notably Nicaragua's largest sugar mill.

The American Institute for Free Labor Development (AIFLD), which had an office in Nicaragua in the 1970's and was forced out by the Sandinistas, reopened its Managua office in July 1990. Without a local presence, AIFLD reactivated its assistance to the Confederacion de Unificacion Sindical (CUS) in 1984. In 1989, AIFLD expanded its work to other independent trade unions under the CPT umbrella. The CPT is comprised of CUS, 35,000 members; the Central de Trabajadores-Autonomia (CTN-a), 10,000; Confederacion General de Trabajadores-Independiente (CGT-I), 75,000; the Central Accion de Unificacion Sindical (CAUS), 31,000; and the Federacion de Sindicatos Maestros Nicaraguenses (FSMN - recently re-named Confederacion Nacional de Maestros de Nicaragua - CNMN), 12,000.

The independent unions are expanding their reach and broadening their activities. There is interest in creating a unified, democratic labor confederation. Unions are looking at the opportunity for worker ownership of businesses. (AIFLD has begun a technical assistance program on the role of workers and their unions in the privatization process.) Over 40 percent of the membership of CPT affiliates are campesinos, and the rural agrarian sector, still dominated by the Sandinistas, offers great potential for the expansion of the democratic labor movement.

Goal and Purpose - The goal is a stable democracy in Nicaragua where workers are free to organize within unions of their own choosing to improve their economic well-being and contribute to the economic recovery of the nation. The purpose is to strengthen independent, democratic unions so they are better able to represent worker interests.

Assumptions - The key assumption is the continuation of an environment in which independent labor unions can organize and effectively promote the interests of workers.

Outputs - A CPT coordinator and small central staff will be established. A team of 30 activists will be supported as part of a concerted campaign to double membership in CPT-affiliated unions over a three-year period. Leadership development training will be provided in central and regional offices. Training and consultation will be provided so that the CPT can take part effectively in the elaboration of a new labor code.

Inputs - Inputs include administrative support, office rent, transportation, and consultants; support for a CPT central office and staff; administrative support for national and regional union offices; transportation; an organizer/activist program; conferences, seminars, and other training; and small social projects.

Budget - The total three-year budget is \$2.84 million:

Direct AIFLD Costs	\$1,130,000
AIFLD Overhead (22.26%)	570,000
Administrative Support for CPT	130,000
National/Regional Union Offices	335,000
Transportation/Organizers/Activists	140,000
Program	190,000
Education/Training	245,000
Social Projects	<u>100,000</u>
TOTAL	\$2,840,000

Implementation - This activity will be managed under AIFLD's regional core grant with LAC/DI. (USAID/Nicaragua will transfer funds to the central bureau for this purpose.)

Evaluation - The activity will be evaluated in its third year (1993) by an independent evaluator familiar with labor union development activities in Latin America. The effectiveness of AIFLD in meeting project objectives will be assessed, as will the performance of local unions receiving support.

c) Political Parties

Background - President Violeta Chamorro won the February 1990 election as the candidate of the Union Nacional Opositora (UNO), a coalition formed by 14 diverse political parties in order to present a unified front in the elections. Candidates on the UNO ticket, drawn from constituent political parties, won a majority of the seats in the National Assembly and municipal councils. Since the election, UNO member parties -- ranging from Conservative to Communist -- have broken ranks along ideological or personal lines, although the coalition has united on some critical votes in the National Assembly.

Nicaragua's authoritarian history and persistent factionalism have undermined the development of democratic values or viable political parties. During the last decade, in particular, the Sandinista regime restricted civil liberties, squelched dissent, and systematically harassed rival political groups. Today, Nicaragua's democratic political parties are quite weak, inexperienced in the basic functions of presenting a coherent, constructive message and of mobilizing activists and members. However, UNO members learned firsthand in February 1990 what can be accomplished through political organization, coalition-building, and competitive elections. This experience provides the foundation upon which healthy, democratic political parties can be built.

Both the National Republican Institute for International Affairs (NRIIA) and the National Democratic Institute for International Affairs (NDI) supported political party development during the 1990 election campaign. NRIIA recently reprogrammed \$190,000 of unexpended A.I.D. election support funds to renew support for political party development. NRIIA proposes to work through the Instituto para la Promocion y Capacitacion Electoral (IPCE), an organization formed by UNO supporters in 1989 to monitor the electoral process, encourage voter participation, and promote long-term development of democratic institutions and political parties. IPCE received about \$2 million of A.I.D. funds through NED during the 1990 election period. IPCE, which was dormant in the months following the election, retains its legal status and has useful equipment provided during the elections. The NED will determine, in collaboration with the national party institutes, whether to channel resources through IPCE and how to implement the proposed broad program of assistance for political party development.

Goal and Purpose - The goal is a stable political system in which the electorate can express its preferences through vigorous political parties committed to the democratic process. The purpose is to strengthen democratic political parties, with the related objective of leveling the playing field vis a vis the Sandinista Front and encouraging cooperation among political parties committed to democratic pluralism.

Assumptions - The key assumption is the continuation of an environment in which political parties can organize, mature, build a strong grassroots base and promote their interests.

Outputs - The proposed support for political parties will professionalize party organizers and activists and strengthen membership recruitment, fund-raising, communications, message development, constituent outreach, legislative strategies, policy research,

development and other normal activities of a viable political party. A cadre of party activists will establish party structures nationwide, including rural areas. Assistance will focus on the larger, more viable political parties and will produce more active, united, and effective democratic organizations, encouraging broader popular participation in the process.

Inputs - Support will be channeled through NED, NRIIA and NDI. The grantee and subgrantees will be responsible for implementing these activities. Support will include technical assistance, training, seminars, and grant management; project support for political parties; and administrative support as necessary.

Budget - The estimated cost of this activity for a three-year period is \$650,000, as follows:

Technical Assistance	\$330,000
Project Support for Parties	170,000
Administrative Support	<u>150,000</u>
Total	\$650,000

Implementation - Funds will be obligated as part of the SDI bilateral agreement signed with the Government of Nicaragua. This activity will be carried out by NED under a single grant agreement covering this and other SDI components described herein. USAID/N considers that NED management is desirable both because it keeps USAID at arms length from this political activity and because it reduces the USAID management burden. NED will work through NRIIA, NDI, and other groups as necessary to implement these activities. NED will be responsible for direct program and financial management and will make periodic reports to USAID/Nicaragua on the progress made toward program objectives.

Evaluation - An evaluation will be conducted during the second year (1993). Of particular interest will be growth of membership and movement toward party consolidation.

3. Effective Government

To the extent that the Nicaraguan government can demonstrate effectiveness in dealing with the problems facing the country and successfully resolving differences of opinion over policy, it will engender increased acceptance and confidence in democracy. Because of Nicaragua's limited experience with democracy, citizens will largely derive their opinions and attitudes from perceptions of the efficacy of democratic rule over the next two to three years. Government effectiveness in the short-term will also play a crucial role in establishing a framework for economic stabilization and recovery and creating a climate for investor confidence.

This component addresses areas in which improvement is critical to effective democratic rule and citizen perceptions of the degree to which democratic processes provide opportunities to participate in and influence the decisions which affect their lives. The legislature is the primary representative body of the Nicaraguan people and must play an important role in checking the substantial power granted to the President in the

Nicaraguan constitution - It will also play a central role in any constitutional reform efforts. Two studies will further define needs in the judiciary and municipal governments. Assistance will also be provided to help the government communicate effectively to its constituents.

a) National Assembly

Background - Nicaragua is bereft of legislative experience. Legislatures have been formed under the numerous constitutions since independence in 1821. But all of them, including the one created by the Sandinistas, have been rubber stamps. The 1987 constitution enacted by the Sandinistas is, in the words of a constitutional lawyer who has analyzed it, an instrument of "the destruction of the individual and his submission to the will of a tyrant."¹

The lack of legislative experience in Nicaragua is directly related to the type of political regimes which have governed the country since independence. Governance has generally been autocratic with absolute power held by the presidency. Thus, it is understandable that the power of the legislature or parliament has been limited in the economic, social, and political development of the people, and that the average citizen does not expect the legislature to play a strong role.

The Political Constitution of 1987 promulgated by the Sandinista government is no exception. The legal authorities provided by the current Constitution and the laws, decrees, regulations, and other legal dispositions provide a legal framework which does not clearly establish either the traditional separation of powers within the government, or the rigorous division of functions which serves to balance the key branches of government, in accordance with the classic checks and balances among the powers of the state. It is completely understandable, therefore, to have a National Assembly in Nicaragua whose functions as set forth in Article 138 of the Constitution are quite limited.

The 1990 election has produced a group of legislators who substantially reflect popular opinion, a first in Nicaraguan history. But there is little understanding of the role of the legislature among the populace, no prior experience among the legislators themselves, no established procedures, and no experienced staff. In sum, the legislature can be considered an institution in formation.

The National Assembly currently represents the most important political forces in the nation. This representation, considered one of the fundamental pillars of any democratic regime, should be transformed into the most important political forum at the national level. Major issues of local as well as international interest should be debated in this forum, with the objective of forging political consensus and direction in an atmosphere of dialogue and political compromise, rather than an atmosphere of

¹ Farid Ayales Esna, Analisis de la Constitucion de 1987 de la Republica de Nicaragua, February 1991, p. 82.

is been the tragic tradition of the past.

Only through dialogue and transparent political negotiation among the leaders of the more prominent political groups will the policies which favor the majority of the people emerge. This approach will also serve as an example to the people of how to approach conflict resolution through dialogue and negotiation, rather than through confrontation, thus reducing the tension and the risk of repeating civil war.

The National Assembly currently offers an unprecedented opportunity, given the representation of the major forces for democracy in Nicaragua, and is therefore able to evolve a new capacity and a new role for itself in Nicaraguan politics.

The campaign pledge of President Violeta Barrios de Chamorro, that "Nicaragua will again become a Republic," is directly related to the popular aspiration to bring the country to a rule of law. The modern concept of the "Rule of Law" requires a judicial system which clearly defines and protects fundamental human rights, such as respect for the decisions of the majority, for all individuals; free and fair elections; freedom of expression and association; a representative political party system; protection of private property and an appropriate role for public and parastatal property; an impartial, apolitical, and efficient judicial system; and an efficient police and military structure which respects human rights and the political process of governance.

A study by Ambassador Farid Ayales Esna entitled "Analysis of the Nicaraguan Political Constitution of 1987," sets forth clearly the urgent need to undertake a complete reform of the political/legal structure of Nicaragua's government.

The consolidation of democracy in Nicaragua will require the establishment of a democratic juridical regime and a democratic Constitution. Constitutional reform ought to be considered fundamental and necessary by the National Assembly, with the support of the Executive branch. The law should not be manipulated to bestow legitimacy on something which is precisely its greatest threat: authoritarianism.

The current National Assembly, with the support of the Executive branch and of the popular will, has the opportunity to implant a historic reform of the political structures of governance, with the objective of establishing a truly democratic political regime for the first time in the history of Nicaragua.

This historic political evolution cannot occur without external assistance. At the invitation of the president of the National Assembly, and with LAC/DI regional financing, the Consortium for Legislative Development undertook a needs assessment of the legislature in October of 1990. Its principal findings:

- There is an acute shortage of budgetary resources, leaving insufficient funds for operations and maintenance and nothing for acquisition of professional and office equipment. Moreover, funds are grossly inadequate for attracting and retaining competent professional and support staff.

- The National Assembly operates out of two buildings. Floor space is adequate, but one building is largely lacking in fundamental amenities -- e.g., functioning elevators and air conditioning system.
- There is no system for the retrieval of laws on the books and the law library lacks key equipment.
- There is no program for staff training. While staff training has historically been under central management, it has recently been delegated to individual parties. The Consortium recommends that training again be centralized on a multi-partisan or non-partisan basis. A National Legislative Training group is recommended.

Some office furniture and equipment is being provided through a broader A.I.D. program to support public sector management.

Goal and Purpose - The goal is a National Assembly that effectively legislates in the public interest, at the same time that it serves as a check on the exercise of power by other branches of government. The purpose is to strengthen the National Assembly as an institution, through support for its central objectives including political and legal reform. This support will include training, technical assistance, and equipment.

Assumption - The President of the National Assembly, as well as elected representatives and the President and Vice President of the Republic, have demonstrated support for juridical reform as part of their mandate for civilian government and democratic reform. The President of the National Assembly has reviewed and approved in writing the detailed needs assessment. The Mission is confident of the necessary support by the Assembly.

Principal assumptions include the willingness of key political forces in Nicaragua to accept the electoral mandate expressed by the people of Nicaragua for political democracy, and to support the national interest and welfare above their immediate self-interests. A final assumption is that the key political actors will be willing to undertake comprehensive reform rather than approaching the challenge in a piecemeal fashion, which might threaten the overall successful implantation of democratic governance in Nicaragua.

Outputs - The outputs of this component are expected to fall into the following categories and are expected to include some measurable progress and achievements in each category.

A. Technical assistance and training to assess specific laws and to prepare for legislative reforms: e.g., priority areas for reform will have been identified, and some draft legislation and specific legislative reforms will have been passed and implemented in selected priority areas. Constitutional reform will also have been debated and may have been initiated. Reform of the judicial system, which is both complex and extensive, will have been assessed, debated, and initiated in priority areas.

1. In the economic arena, technical assistance and training to assess laws and regulations which affect economic activity and which guarantee freedom of economic enterprise will have been provided. Legislation will have been assessed, proposed, debated, and possibly passed in select areas such as economic association and commerce, property rights, public registration, tax codes, commercial codes, laws governing financial institutions, agrarian reform, expropriation, indemnification, confiscation, privatization and foreign investment.

2. In public administration, technical assistance and training to assess relevant laws and regulations will have been provided. Legislation will have been assessed, proposed, debated, and possibly passed to regulate the management of state property and to clarify issues such as budget authorities, expenditure authorities, controller general functions, administrative contracts, and administrative procedures.

B. In the administration of the National Assembly, the overall efficiency of administrative procedures will have been assessed and appropriate reforms implemented. Overall administration should be substantially improved. Legislative analysis of select issues should be more efficient as a result of an upgraded library, computerized indexes, microfiche and microfilm, indexing of statutes, and modernized retrieval facilities. Publications of approved legislation and gazettes will have improved the implementation of legislation at both the national and international levels.

C. Appropriate equipment including an electronic voting system will have been provided.

D. A comprehensive program of short-term training will have been substantially completed. Staff performance should be measurably improved.

Inputs - The activity involves a variety of inputs, including technical experts, office and voting equipment to supplement that already being provided by A.I.D., and short-term training. These inputs will be coordinated through the services of an interdisciplinary group of consultants with relevant legal experience, familiarity with Nicaraguan legislation, and an understanding of economic, social and political development.

Budget

Technical Assistance	\$ 540,000
Training	290,000
Law library	75,000
Equipment	250,000
Personnel, overhead, etc.	<u>445,000</u>
TOTAL	\$1,600,000

Implementation - Implementation will be through a buy-in with the Consortium for Legislative Development. Implementation monitoring will be provided through regular contractor reports.

Evaluation - An independent evaluation will be conducted during the third year of the activity. It will focus on the outputs listed above as well as an overall assessment of the performance of the Assembly during the three-year period.

b) Judicial Reform Study

Background - For the purposes of this project, the judicial system is defined as the administration of justice with respect to individual human rights. This includes sources of human rights abuses and the court system which administers justice to those who commit crimes and which serves to protect citizens from abusive treatment. Other aspects of the "Rule of Law" which relate to economic rights and public administration are addressed in the broader context of legislative reform which is covered in the previous project component for the National Assembly.

In its more than ten years in power, the Sandinista government installed an autocratic, politicized judicial system designed to enforce revolutionary principles rather than the concept of justice accepted in Western democracies. This system violated basic human rights and impeded progress toward pluralism and justice. Marxist-Leninist ideology dominated the law and its application.

In Nicaragua, neither the constitution nor individual laws protect or promote central democratic values such as equality before the law, judicial impartiality, and a professional and apolitical military and police which respect basic human rights. The result is a society in which the individual is subject to the arbitrary control of the state, rather than a state which responds to the needs and desires of the individual.

Violeta de Chamorro's overwhelming victory doubtlessly reflects in part a rejection by the Nicaraguan people of a politicized, arbitrary system of justice. The good intentions of the Chamorro government notwithstanding, the judicial system continues to bear the imprint of the Sandinistas.

A nation's judicial system depends fundamentally on the interpretation and application of the laws within the nation. A modern judicial system requires a competent, apolitical administration which is applied impartially and efficiently.

The current judicial system in Nicaragua is politicized. Most magistrates and judges in the Supreme Court and other tribunals were named during the Sandinista era, based on political rather than technical criteria. Many Sandinista judges remain on the bench, including four (a blocking number) of the nine justices of the Supreme Court.

As a consequence, there is little faith in the judicial system at a time when it should be acting on urgent human rights abuses. The entire society basically feels insecure and lacks confidence in the present system of administering justice. Lack of faith in the judicial system has contributed importantly to a generalized lack of confidence that has been the principal obstacle to economic recovery.

Goal and Purpose - The goal is the consolidation of democracy through a judicial system which promotes the development of the individual within the society, protects the

individual from arbitrary action by the state, and gives reasonable assurance of impartiality and due process. The purpose is two-fold: (1) to identify those legal reforms and structural changes necessary to the achievement of the goal, and (2) to develop a constituency for those reforms and changes.

Assumptions - The key assumption is that there will be sufficient support from the executive and legislative branches to make sweeping reform practicable. Failing this, a partial reform may be the best possible outcome. In the worst of circumstances, there will at least be broader awareness of what needs to be done to make Nicaragua a country where the rule of law is a reality.

Outputs - The proposed study will analyze the structure and procedures of the court system and legal education. The study will make recommendations with respect to:

- Reforms at the Supreme Court, appellate court, and lower court levels;
- Procedural reforms and training at all levels;
- Upgrading of law school curricula; and
- Ways of strengthening the Nicaraguan Bar Association.

In addition, the study will recommend a strategy to implement the reforms recommended.

Inputs - A three-person team consisting of a judicial reform expert (the team leader), an expert in administration of justice, and a training expert will work closely with the Nicaraguan judiciary and National Assembly to carry out the study, which is estimated to take two months.

Budget

Salaries, travel, per diem	\$100,000
Overhead	80,000
Secretarial, computer, vehicle, other	<u>20,000</u>
Total	\$200,000

Implementation - The study will be funded through a buy-in with the Regional Administration of Justice Project administered by LAC/DI.

Evaluation - The principal indicator of achievement will, of course, be the extent to which the recommendations are adopted by the Nicaraguan Government. However, failure to implement the recommendations will not necessarily be the consequence of inadequacies in the study. The political environment will largely determine the extent to which implementation occurs.

c) Municipal Development

Background - Local government has traditionally been neglected in Nicaragua, as in most Latin American countries. The 143 municipalities are woefully underfunded and the chronic meagerness of their revenue base has been aggravated by the depression Nicaragua has experienced in the last decade. The existing municipal law is a further

obstacle to the loosening of the municipalities' fiscal bind: the central government must approve any new taxes or increased rates. With the central government itself facing a continuous fiscal crisis, the municipalities are at a clear disadvantage in the competition for scarce resources. Finally, a number of mayors have disagreed publicly with the central government's policy of accommodation with the FSLN, further prejudicing their ability to obtain help from the central government.

The Instituto Nicaragüense de Fomento Municipal (INIFOM) was created in 1990 to coordinate technical and financial assistance and training for the municipalities. It bears a resemblance to Costa Rica's Instituto de Fomento y Asesoramiento Municipal (IFAM), after which it was in part modeled (and which was also created with AID help). INIFOM is underfunded and its staff suffers from inadequate training and experience.

USAID has made available \$10 million of ESF to INIFOM for employment-intensive public works, giving priority to Managua and the larger regional centers such as Granada, Leon, Matagalpa, Jinotega, and Esteli. (Managua received an additional \$3 million through a CARE monetized wheat program.) The ESF tranche was particularly helpful as a shock absorber for the severe economic stabilization program announced on March 3. USAID plans to provide additional tranches and will extend the program to other activities.

For the foreseeable future, the principal problem of the municipalities will be financial and technical obstacles to the efficient provision of normal services, including garbage collection, municipal water and sewage systems, property registries, and tax collection. All the municipalities are weak in city planning, including zoning.

The problems of municipal government in Nicaragua are so profound and complicated that a separate program is clearly needed. The design of that program depends on a comprehensive study not only of the current condition of municipal government but also of the relationship between municipal government and the central government.

Goal and Purpose - The goal is the decentralization of government planning and services to municipalities and the efficient and cost-effective provision of services by the municipalities. There are two purposes: (1) to define the financial, technical, and organizational needs of municipal governments throughout the country, and to plan an appropriate strategy to address these needs, and (2) to develop a constituency in the central government and the citizenry for decentralization.

Assumptions - The key assumption is that the central government will support decentralization at a time when the central government's financial situation is precarious and when it views a number of mayors as opponents. If the fiscal picture were not so bleak, the Mission would seek a significant financial contribution to the activity by the government. In the present circumstances, the Mission is prepared to risk that the government will approve the study but will not implement its recommendations, at least not within the next year or two. Obviously, USAID/N shall suspend action on the follow-on project until there is a GON commitment. There will be a constituency building component in the study aimed at mobilizing local support and involvement.

Outputs - of the project will be a study to assess the needs of the municipalities and seminars and limited training to begin to build the capacity and the constituency to address these needs. The study will produce the following:

- A description of the geographic and functional scope of the existing structure of municipal governments.
- An analysis of the relationship between the central government and the municipal governments, including the municipal law.
- An analysis of INIFOM, its responsibilities, and its performance to date.
- An analysis of the municipalities, grouped by size: their responsibilities, financial structure, staff structure (numbers, kinds of jobs, degree of preparation and experience), and the scope, quality and effectiveness of their operations.
- An assessment of the financial situation of municipal government, and recommendations for improving this situation. Of special interest are fees for services and income generating activities which might be undertaken.
- Recommendations for follow-on actions. Recommendations may range from discrete training to strengthen current activities, to legal and policy reforms which would require legislative action. Recommendations could include a strategy and design of a possible follow-on program to address how financial and technical resources, and equipment and training, can be used to make decentralization a reality. Particular emphasis will be given to movement toward financial self-sufficiency for the services provided at the local level.

Inputs - A two-person team will be provided to carry out the study in coordination with INIFOM. The team leader will have an extensive background in municipal development in Latin American countries. The other team member will be a generalist with broad experience in policy dialogue and project design. The study is estimated to require two months of each person's time.

Budget - Estimated costs are:

Salaries, travel, and per diem	\$ 50,000
Overhead	40,000
Secretarial, computer, vehicle, other support	<u>10,000</u>
TOTAL	\$100,000

Implementation - Upon approval of the SDI, the Mission will seek RHUDO assistance to prepare a Scope of Work and to identify a two-person team. The study will be funded through a buy-in with a regional RHUDO municipal development project.

Evaluation - It is anticipated that the study will provide the basis for a project that combines policy/legal reforms with external assistance. The Nicaraguan Government's decision to move ahead on this project will be evidence of the study's success. However,

given t. . . . cal problems associated with decentralization, a decision by the government not to proceed with the project will not necessarily reflect on the quality of the study. The study will also result in selective training. The overall impact of the study can only be evaluated in terms of its follow-on activities.

d) *Radio Nicaragua and Department of Information and Press (DIPP)*

Background - The Chamorro government took office with few trusted people to direct and staff government offices. Few of those selected had training or experience in their assigned jobs. This was particularly true of Radio Nicaragua and the Department of Information and Press of the Ministry of the Presidency (DIPP), on which public understanding of government policies and mobilization of support for the government importantly depend.

The FSLN left Radio Nicaragua without spare parts and staffed with obstructionist Sandinista holdovers. With a lot of hard work by a minority of its staff, Radio Nicaragua has gained in respectability and audience share. Its reliable staff has increased as some holdovers have shifted their allegiance. The Nicaraguan Government wishes to remake Radio Nicaragua along the lines of U.S. Public Radio, but it does not have the necessary knowledge and experience.

The DIPP director took over a department with 200 people of whom he could rely on only five. This nucleus has expanded to about 20 over the course of the first year, and some of the holdovers are cooperating, albeit grudgingly. But the director still faces determined internal opposition and occasional sabotage. The trustworthy nucleus has been overwhelmed from the beginning by the repeated crises that have rocked the Chamorro government, principally as a consequence of the disloyal opposition of the FSLN. However ill-prepared the personnel are, it has been impossible to spare them for extended training programs. A training program that will permit them to continue working at least part-time is urgently needed.

Goal and Purpose - The goal is a balanced and accurate public perception of the government's performance, and in the case of Radio Nicaragua, an improved public awareness of events in the rest of the world, in the face of distortion, hostility, and irresponsible criticism by the FSLN media. The purpose is to upgrade the professionalism and effectiveness of Radio Nicaragua and DIPP staff.

Assumptions - The principal assumption is that enough day-to-day political and economic stability will be achieved to permit staffers to take time away from work pressures to participate in an in-house training program. A second assumption, believed to be substantially assured, is that the Minister of the Presidency and the Directors of Radio Nicaragua and the DIPP will accept the short-term sacrifices of releasing staff for training.

Outputs - The outputs are (1) for Radio Nicaragua, a more skilled news and general program staff and a management both committed to and capable of converting Radio Nicaragua into a modern public radio station; and (2) for the DIPP, a tailored, part-

time, training course with possible on-the-job practical applications, to upgrade the skills of about 25 DIPP public information specialists. Training should be completed for all participants within one year.

Inputs - The inputs will include seven academic specialists, twelve ARNET/teleconferencing programs; six extended internships (Radio Nicaragua); six international visitor grants; and books, materials, and other miscellaneous items.

Budget

Seven academic specialists	\$ 70,000
Twelve teleconference programs	36,000
Six extended internships	72,000
Six international visitor grants	42,000
Books, materials	<u>10,000</u>
TOTAL	\$230,000

Implementation - The activity will be implemented through a Participating Agency Service Agreement with USIA.

Evaluation - An evaluation will be carried out after the activity is completed to assess the impact of the training and assistance through interviews with the participants and the Radio Nicaragua and DIPP directors, as well as feedback from the public and other government officials.

4. Protection of Human Rights

Respect for and legal protection of human rights constitute the foundation of democracy. While the principal responsibility for the protection of human rights rests with the government, including the court system, private groups play a crucial role in monitoring human rights and in mobilizing public opinion to assure that the government fulfills its responsibilities consistently and impartially. Both public opinion and government accountability must be strengthened to ensure sustained progress in the protection of human rights in Nicaragua.

While the human rights situation has improved since the Chamorro Government assumed power in April 1990, human rights violations have persisted as the Sandinista Police and Sandinista People's Army continue politically motivated abuses. Cases of arbitrary detention, police complicity in mob violence, attacks against demobilized members of the Nicaragua resistance and threats against human rights activists have been documented.

This component of the project will strengthen Nicaragua's private human rights organizations, the *Comision Permanente de Derechos Humanos de Nicaragua (CPDH)* and the *Asociacion Nicaraguense Pro Derechos Humanos (ANPDH)*.

Background - The human rights situation in Nicaragua has improved since the Chamorro Government took power in April 1990. Freedom of expression, arbitrarily restricted under the Sandinista regime, is exercised openly and vigorously across the

political spectrum. Criticism of the government is prominent in newspapers, television, and radio, which operate without government censorship. Freedom of association is exercised by diverse political groups, without the systematic repression that was evident under the Sandinistas. The right of organization and collective bargaining by workers is respected; independent unions, as well as the powerful workers' front which answers to the opposition Sandinistas, operate unrestrained.

However, human rights violations have persisted. Local independent monitors report politically motivated abuses by the Sandinista Police and the Sandinista People's Army, particularly in the rural regions. Cases of arbitrary detention, police complicity in mob violence, attacks against demobilized members of the Nicaraguan Resistance, and threats against human rights activists have been documented. Nicaragua's judicial system -- politicized and dysfunctional -- has failed to respond to a series of violations of human rights or to uphold basic tenets of justice.

Given the slowness or inability of the government to confront these abuses, two independent Nicaraguan human rights groups are playing critical roles in investigating and publicizing violations of human rights. By drawing public attention and gathering evidence in such cases, these groups have pressed the government to respond to allegations. For over a year, the Comision Internacional de Apoyo y Verificacion (CIAV) also has played a vital protection role for demobilized Resistance members, who have often been the target of recent abuses.

Assistance to two independent human rights groups is proposed:

- **The Comision Permanente de Derechos Humanos (CPDH)** was founded late in the Somoza years and quickly earned its reputation as an uncompromising, outspoken advocate for human rights. Throughout a decade of Sandinista rule, despite systematic harassment, CPDH continued to investigate and publicize widespread human rights abuses by the government. In recent months, CPDH has investigated abuses by the police, including the alleged cover-up of a murder and maltreatment of detainees.
- **The Asociacion Nicaragüense pro Derechos Humanos (ANPDH)** was founded in 1986 by Nicaraguan exiles to monitor and improve the human rights conduct of the Resistance. ANPDH, with U.S. assistance, trained combatants in the Geneva Convention and other aspects of human rights and fielded monitors to report abuses by both sides of the conflict. The organization has compiled an exhaustive list of political prisoners and disappeared persons and has a record of activism. ANPDH opened an office in Nicaragua in late 1989 to monitor conditions during the elections. The organization now has a professional staff of 12 persons as well as over 100 activists in key regions of the country.

Goal and Purpose - The goal of this activity is to encourage the development of a democratic society, in which fundamental human rights are recognized and respected. The purpose is to support independent organizations that promote respect for human rights and monitor, investigate, and report abuses. The activity will be implemented with the goal of eventual consolidation of these organizations.

Assumptions - The key assumption is that these human rights groups will be able to function freely and openly in Nicaragua.

Outputs - These two human rights groups, functioning independently but coordinating their geographic coverage and activities, will maintain offices and professional staffs capable of monitoring human rights performance and reporting on abuses.

CPDH will focus its work on urban areas of the country, establishing regional offices with required professional and support staff. CPDH will monitor, investigate, and report on human rights conditions and will implement civic education programs.

ANPDH will focus on rural areas, where human rights abuses have been particularly prevalent. This work will be facilitated through the establishment of several regional offices as well as periodic visits to the Atlantic Coast. ANPDH will conduct *in situ* investigations of alleged abuses, document these cases and, through its legal staff, present complaints and evidence to appropriate administrative, judicial, or military authorities. ANPDH will conduct training through its regional offices for community leaders (mayors, council members, teachers, judges, etc.) who will serve as examples in respecting human rights.

Inputs - Support will include technical assistance, perhaps by international organizations, support for described activities, one-time commodity purchase, and direct management costs.

Budget - The total cost of assistance to human rights organizations over a three-year period will be \$1,550,000.

For CPDH, the estimated cost is:

Technical Assistance and Management	\$ 100,000
Budget Support	
Personnel and Operations	250,000
Seminars, training, etc.	<u>150,000</u>
Total	\$ 500,000

For ANPDH, the estimated cost is:

Technical Assistance	\$ 100,000
Budget Support	
Personnel and Operations	750,000
Seminars, training, etc.	200,000

Total \$1,050,000

Implementation - This activity will be carried out through an appropriate intermediary which will provide subgrants to the CPDH and ANPDH. Progress will be monitored through regular contractor reports.

Evaluation - An evaluation will be conducted during the third year by an independent evaluator experienced in human rights monitoring and advocacy. The effectiveness and efficiency of grantees will be addressed as will progress toward unification of the two organizations.

D. Contingency Fund

The uncertain and rapidly-moving nature of political forces in the Nicaraguan environment underscores the need to respond flexibly and rapidly to democratization problems and opportunities as they emerge. This project provides for appropriate responses to key arenas in which significant forces for democratization are emerging. There remain other important arenas which are not so well developed, and in which the Mission has not had adequate resources to engage in constructive dialogue.

The Mission consequently will establish a Contingency Fund in the amount of \$1,400,000, or 10% of total project costs, to supplement the funding of planned activities or to initiate additional activities. Additional activities may be carried out, both to follow up on studies undertaken under the project, and in response to unforeseen opportunities which may arise from within the country team; unanticipated requests from the GON, and/or proposals from the dynamic private organizations which are hard at work in Nicaragua to support the transition to democracy. The contingency fund may absorb other project resources if planned activities fail to materialize, or final budgets fall below the planned level, or if some components are discontinued for political, technical, or other reasons.

E. Project Management Support

The SDI will be administered by a team of two personal services contractors with experience in democratization activities. Project management experience with A.I.D. and knowledge of Nicaragua will be sought. The team will monitor project implementation, initiate implementation activities as necessary, organize and oversee the conduct of studies undertaken and follow-up actions required, coordinate the actions required to assure accountability and program evaluation, and undertake other responsibilities as required. The SDI Management Support activity will fund the evaluation and audits of the project.

The budget for the Management Support activity is as follows:

Two personal services contractors (salary and allowances)	\$ 600,000
Evaluation activities	250,000
Audit activities	200,000
Other support costs	<u>75,000</u>
TOTAL	\$1,125,000

F. Flexibility Among Components

The environment in which the SDI Project will be operating for the next four years requires flexibility in project implementation. USAID requests the authority to increase activities up to 25% of budgeted amounts included herein and to shift unutilized funds to the Contingency Fund. The uncertain and changing political climate in Nicaragua also requires flexibility within the sub-components of the activities described in Section III above. Depending on political conditions, some activities may be expanded somewhat and others may be delayed or modified during the life of the project.

IV. Cost Estimates and Financial Plan

A. Cost Estimates

The project will be obligated through a bilateral grant agreement with the Government of Nicaragua and will be implemented through a series of A.I.D. direct buy-ins to centrally-funded contracts, a PASA with USIA, a grant to the National Endowment for Democracy (NED) which in turn will subgrant to PVOs or NGOs, and grant to other similar organizations. In addition, a separate AIFLD component will be managed by LAC/DI.

Cost estimates for the project were developed on the basis of proposals received from prospective grantees and subgrantees, including some of the private sector institutions which the project intends to strengthen. These cost estimates were reviewed and adjusted in light of A.I.D. experience with similar activities. Proposals were received for the following project activities: Civic Education in Schools, Labor Unions and Human Rights. Cost estimates for Grass Roots Civic Education and Political Parties were based on similar prior experience and on discussions with the uniquely qualified organizations with relevant experience: e.g. the National Endowment for Democracy, which has worked in Nicaragua since 1984, and AIFLD.

For public sector activities, cost estimates were based on discussions and assessments by outside consultants. The Consortium for Legislative Development conducted an assessment of the National Assembly in late 1990, which was utilized in conjunction with discussions with the President of the National Assembly and other government officials, to develop a plan of assistance. USIA developed a plan and cost estimate for assistance to Radio Nicaragua and the Department of Information and Press (DIPP), in collaboration with appropriate officials from those entities. The two studies to be carried out on judicial reform and municipal development will be funded through buy-ins to regional projects established to provide assistance in those specialized areas. Cost estimates are based on the usual costs for similar assessments.

The cost of the Project Management Support component is based on established average costs of personal service contractors and on audit and evaluation costs of the type and magnitude detailed in the project description.

Finally, the Contingency Fund has been established at 10% of total project costs. The Fund will cover contingencies and will also be available to fund opportunities which may arise in the rapidly evolving political situation in Nicaragua, or to follow up on studies undertaken under the project. The Contingency Fund may be supplemented if necessary from other project components. If activities which do not fit into the project categories described in this paper are funded, then the project will be amended to authorize the utilization of funds for the intended purpose.

B. Counterpart Contributions

Counterpart contributions are not required because this is an ESF-funded project. Furthermore, A.I.D. has waived the requirement for counterpart contributions from

both the NED and AIFLD; and counterpart contributions are not required for buy-ins from LAC/DI regional projects. If the project provides assistance through grants to other U.S. PVOs, the 25% contribution will be required.

The government will make only in-kind contributions of staff time and substantive involvement with the studies and the reforms which will be carried out to strengthen the National Assembly, judicial reform, and municipal development. The latter two studies might evolve into separate projects, in which case the counterpart contributions will be worked out in the context of the overall project. The recurrent costs associated with the maintenance of improved services through training, equipment, libraries and office infrastructure will, of course, be borne by the government.

The Media Matching Fund, which will be critical to support free and independent media in the democratic process, will provide assistance to profit-making, private media enterprises. The matching funds generated through the Fund will constitute a portion of the overall counterpart contribution to the project. These contributions will be in addition to daily operating costs which maintain profitable enterprises.

C. Financial Plan

The table below summarizes the financial plan for the project. It also provides an estimate of project commitments by calendar year.

Owing to the complex nature of democratic governance, which is reflected in the diversity of project components and the difficulty of evaluating specific project outputs apart from improved institutional performance, membership and services provided, it is not meaningful to prepare a detailed input/output table. The funds allocated to each of the project components can be attributed to strengthened institutions and improved services in each of the four project categories.

Summary Financial Table
(\$000)

Activity	Year 1			Year 2			Year 3			Total		
	\$	LC	Total									
<u>Private Inst. of Pluralism</u>												
Media Marching Fund	330	30	360	235	30	265	50	10	60	615	70	685
Labor Unions	150	840	990	250	740	990	150	710	860	550	2290	2840
Political Parties	100	50	150	100	150	250	100	150	250	300	350	650
<u>Effective Government</u>												
National Assembly	520	150	670	470	125	595	240	95	335	1230	370	1600
Judicial Reform	180	20	200	-	-	-	-	-	-	180	20	200
Municipal Development	90	10	100	-	-	-	-	-	-	90	10	100
Radio Nicaragua, DPP	180	-	180	50	-	50	-	-	-	230	-	230
<u>Human Rights Protection</u>												
CPDII/ANPDH	100	430	530	100	400	500	100	420	520	300	1250	1550
<u>Democratic Values</u>												
Civic Ed.: Schools	275	400	675	260	300	560	165	200	365	700	900	1600
Civic Ed.: Grass Roots	170	550	720	100	550	650	100	550	650	370	1650	2020
<u>Contingency Fund</u>	130	360	490	130	340	470	140	300	440	400	1000	1400
<u>Project Management Support</u>	290	20	310	290	25	315	475	25	500	1055	70	1125
TOTAL	2515	2860	5375	1985	2660	4645	1520	2460	3980	6020	7980	14000

D. Methods for Implementation and Financing

Budget Item	Method of Implementation	Method of Financing	Approximate Amount
NED	Grant	Treasury L/Credit	\$4,955,000
AIFLD	Coop Agreement	Treasury L/Credit	2,840,000
Contractor*	Grant	Direct Pay	1,550,000
Contractor**	LAC/Buy-in	Treasury L/Credit	1,900,000
PASA-USIS	PASA	Treasury L/Credit	230,000
PSCs (2)	AID Direct	Direct Pay	675,000
Evaluation	IQC Contract	Direct Pay	250,000
Audit	IQC Contract	Direct Pay	200,000
Contingencies & Inflation			1,400,000
TOTAL			\$14,000,000

*Human rights.

**Includes contracting buy-ins through LAC for studies for the National Assembly, judicial reform, and municipal development.

The above presents the implementation and financing methods to be used for the project. All proposed financing methods for dollar assistance to be used in the project are preferred methods.

No assessment of the implementing and financial capability of the host country is necessary because all U.S. Dollar contracts will be executed directly by AID. A preaward survey of the implementation and financial capability of the PVOs and other recipient institutions, if necessary, will be completed as part of the sub-grant process. Disbursements to these institutions will be conditioned on a positive assessment.

The table above reflects line items for program evaluation and audit. It is anticipated that an IQC will conduct an evaluation of the project. This evaluation would be performed at the mid point and the end of the project.

The Office of the Regional Inspector General based in Tegucigalpa will supervise the non-Federal audit in conjunction with the USAID Controller. Progress on implementing recommendations from the concurrent audit or any problems concerning financial affairs will be closely monitored.

E. Obligation Schedule

All project funds are from the ESF account and will be obligated through a bilateral project grant agreement over a period of three fiscal years subject to the availability of funds as follows:

<u>FY 91</u>	<u>FY92</u>	<u>FY93</u>	<u>Total</u>
\$3.0 m	\$6.0 m	\$5.0 m	\$14.0 m

F. Implementation Schedule

Details of the implementation schedule are included in the Implementation and Procurement Plans within the following Implementation Planning section. Individual implementing mechanisms will be phased in based on their relative priority. The AIFLD budget transfer to the AID/W AIFLD core grant will occur as soon as project funds are obligated and the AID/W contracting officer completes negotiations with AIFLD. General discussions with NED have begun and, pending the signing of the project agreement in June, a proposal from NED is expected by late June/early July 1991. The consortium buy-in for the legislative strengthening component will begin in June/July. The PASA with USIS will be executed in early fiscal year 92. Initial contracting actions for the PSCs, including full advertising, will begin within two months after the signing of the project grant agreement. Other activities such as the judicial study and municipal development studies will be conducted after the above mentioned activities are well underway.

V. Implementation Planning

A. Implementation Strategy

A key challenge in the SDI design is to minimize the number of implementation units and thus keep the management burden for the Mission to a minimum. This has been done by channeling discrete project components through qualified and experienced entities such as NED and USIS, and by taking advantage of centrally funded contracts for the implementation of other activities.

Even with these implementation arrangements, the Mission recognizes that the management burden is significant owing to the sensitive nature of most project activities which will require unusually close oversight and evaluation. The management burden on the Mission is compounded by the special audit and accounting requirements which characterize U.S. assistance to Nicaragua.

In view of these special requirements, the Mission intends to follow the following strategy to implement the project:

1. Establish a project management unit as described in the Management Support section of the Project Description. The two contractors who comprise this unit will be recruited soon after the project is authorized.
2. Prioritize project components and time-phase the initiation of components, as set forth in Section V.E. below. Some components such as studies may be initiated only after project management staff are recruited.

B. Conditions Precedent

This Project is basically a program of grants to NED, which in turn will make sub-grants; of contracts managed through buy-ins to regional democratic initiatives projects; and of a PASA arrangement with USIA.

The only conditions precedent which will be required are those necessary for all project assistance: e.g. the designation of authorized representatives and required legal opinions. The signing of the project agreement constitutes sufficient commitment to both the public and private sector components of the project. The government will be kept informed of the status of project implementation through the provision of contractor progress reports.

C. Obligation

All funds will be obligated under a single grant agreement with the Government of Nicaragua. Funds for AIFLD will be authorized under this project, obligated in the grant agreement with the GON, and then transferred to AID/W for inclusion in LAC/DI's regional core grant with AIFLD.

D. Project Implementation Plan

The primary implementing entities are described below. In the uncertain Nicaraguan political environment, adjustments to activity design may be necessary as activities are implemented. The various agreements, contracts, etc. described below will serve as sub-obligating documents:

1. **USIA PASA.** A single PASA will be executed with USIA for activities in support of Radio Nicaragua and the Department of Information and Press (DIPP). Under the PASA, USIS/Nicaragua will be responsible for the program and financial management of these activities and will provide reports to USAID/Nicaragua as set forth in the PASA.

2. **AIFLD.** The labor activity will be managed under AIFLD's regional core grant. LAC/DI will be responsible for program and financial management and will advise USAID of significant developments. The program will be monitored in Nicaragua by the General Development Office in collaboration with the Embassy Labor Attache.

3. **NED.** Several SDI components will be implemented under a single grant to the National Endowment for Democracy: the Media Matching Fund, political parties, civic education in the schools, and grass roots civic education organizations. The agreement with NED will serve as the earmarking/commitment document. NED will be responsible for executing agreements with eligible subgrantees to carry out authorized activities. In the case of grants to grass-roots organizations, USAID will clear each sub-activity. NED and its subgrantees will be responsible for direct program and financial management and will make regular reports to USAID/Nicaragua on progress made toward program objectives and financial status.

4. **National Assembly.** Assistance to the National Assembly will be implemented through a buy-in to a regional LAC/DI project with the Consortium on Legislative Development. USAID/Nicaragua will define the scope of work and provide activity oversight, but financial management will remain with LAC/DI.

5. **Studies; Buy-Ins.** The judicial reform and municipal development studies will be implemented through buy-ins to existing AID/W contracts or grants. The judicial reform activity will be implemented through the Regional Administration of Justice project, managed by LAC/DI. Municipal development activities will be implemented through the International City Management Association (ICMA), administered by the Regional Housing and Urban Development Office (RHUDO) located in Honduras.

6. **Human Rights.** The human rights component will be implemented through an appropriate institution yet to be determined.

7. **Contingency Fund.** USAID will directly manage the Contingency Fund. USAID will determine what new activities merit funding, decide how to implement them, and prepare appropriate documentation. Depending on the activity, USAID will determine whether to utilize an appropriate buy-in or to undertake a specific agreement. Each contract, grant agreement, buy-in or memorandum of understanding will serve as the

earmarking/commitment document.

8. **Project Support.** Two full-time personal service contracts, negotiated and executed by USAID/Nicaragua, are anticipated for the oversight and management of the project. At least one of these will have extensive experience in internal AID documentation to expedite the preparation of such documents as PIO/Ts, buy-ins, contracts, grant agreements, PILs, memoranda of understanding, and other implementation documents.

E. Procurement Plan

The opportunities in the Nicaraguan political environment call for a rapid start of the SDI Project. USAID will request an experienced project implementation officer or manager with experience in democratic initiatives to assist in expediting the preparation and processing of critical start-up documents once the SDI Project has been approved.

The procurement plan is based on the priority accorded to specific project components. The procurement plan is set forth below.

- a) **NED Grant:** Invite proposal in May 1991; negotiate and sign contract by August 1991.
- b) **Project Support Staff.** USAID will advertise positions and initiate search for candidates in June 1991. Personnel are expected to be in place by October 1991.
- c) **\$800,000 of the AIFLD component will be transferred to AID/W as soon as the funds are obligated with the GON. LAC/DI will sign the amendment by August 1991. Additional funding will be transferred in the following fiscal years.**
- d) **USIA/PASA will be negotiated and signed by July 1991.**
- e) **National Assembly.** USAID/N will prepare scope of work in May 1991 for Consortium on Legislative Development and will forward to LAC/DI for buy-in to regional Legislative Development Project.
- f) **Municipal Development.** RHUDO/CA will send a team to Managua in June/July 1991 to prepare a SOW for the study.
- g) **A grant will be signed for the human rights activities by August 1991.**
- h) **Other project activities will be implemented by the Project Management Unit, after the contract staff is recruited.**

F. Flexibility in Implementation

USAID requests the authority to increase funding for project components up to 25% of budgeted amounts and to shift unutilized funds to the Contingency Fund.

G. Monitoring

The USAID General Development Office will manage and monitor the SDI Project, depending principally on the two personal service contractors recruited with project funds. Financial monitoring will be the responsibility of the Mission Controller's Office, with the exception of project components such as AIFLD and the Legislative Consortium, which will be monitored by AID/W. Implementation backstopping assistance will be provided by the Project Development Office.

H. Gray Amendment

There is limited potential for opportunities for the Gray Amendment in this project, owing to its unique nature and the lack of normal contractor activities. The project is being implemented through specialized institutions such as NED and AIFLD, and through buy-ins to existing contracts, some of which have been competitively bid. Most project activities consist of subgrants to Nicaraguan institutions, primarily in the private sector. To the extent that project assistance is implemented through other contractors, the USAID officers responsible for project implementation will seek to provide potential opportunities for the Gray Amendment and other minority owned organizations.

I. Women In Development

Women will benefit from the overall opening up of the political process that the Project will attempt to facilitate. Beneficiaries of civic education programs, including that for Radio Misquite, will specifically enhance the involvement of women in the political process. The Movimiento de Mujeres Nicaraguenses is being considered for a sub-grant from NED. Some civic education activities are expected to address women's concerns and facilitate women's participation.

VI. Evaluation and Audit Arrangements

A. Evaluation Arrangements

Evaluation arrangements will be incorporated into each component of the project, with the exception of studies. Each implementing organization such as the NED, AIFLD, and the Legislative Consortium will be responsible for periodic evaluation of their assistance programs. Stand-alone activities may be evaluated as required at the initiative of the project management unit.

An overall mid-term project evaluation is planned early in the third year of the project. This independent evaluation will be carried out in collaboration with the GON. It will assess the progress and impact of each project component. The evaluation will also provide a sectoral overview or assessment of the progress and the challenges of instigating democratic governance in Nicaragua. Its principal purpose will be to get a general sense of overall impact and to assess opportunities for possible future interventions in the democratic institutions area. The evaluation will determine whether the critical constraints to democratic governance are being effectively addressed by the project and will recommend adjustment if necessary to maximize the impact of the project, taking into account other projects and other donor activities in this sector.

A final project evaluation will be conducted at the beginning of the fifth year of the project and will review each component with respect to effectiveness and impact, as well as its contribution to overall progress toward democratic governance. The findings of the final evaluation will be incorporated into the design of follow-on activities, as appropriate.

The SDI Project will terminate two years before the 1997 elections. As stated in the Background section, the survival of Nicaragua's democratic experiment depends fundamentally on the Nicaraguans themselves. The SDI can be helpful and can potentially play a crucial supportive role to the extent that the political will to move towards democracy is demonstrated among the key actors. If the experiment fails, it would be unreasonable to conclude that the SDI had failed.

There is no accurate way to evaluate the overall impact of this wide-ranging program with precision. The evaluations and periodic reports of individual activities will provide a general impression of impact. Because the SDI Project involves a number of mutually-reinforcing activities, the impact could be greater than the sum total of the individual activity evaluations. Evaluation and monitoring will be an ongoing process, tailored to needs as they arise.

Approximately \$250,000 has been allocated to cover the costs of independent, external evaluation, and to supplement the costs of evaluation by entities implementing specific project components.

B. Audit

The project will benefit from concurrent audit in accordance with the provisions of the Dire Supplemental legislation under which the project is funded. The Regional Inspector General in Tegucigalpa, Honduras will provide oversight for the audits as an integral component of its current audit arrangements. Project management support includes \$200,000 to cover audit functions.



MINISTERIO DE COOPERACION EXTERNA

Junio 15, 1991

Dra. Janet C. Ballantyne
Directora
Misión USAID
Managua, Nicaragua

Estimada Dra. Ballantyne:

En representación del Gobierno de Nicaragua, le solicito atentamente el financiamiento correspondiente para desarrollar el proyecto No. 524-316, "FORTALECIMIENTO DE LAS INSTITUCIONES DEMOCRÁTICAS" (FID) en nuestro país.

Como se desprende, en el Proyecto citado, se requieren catorce millones de dólares americanos (\$14,000,000) para financiar su operación por un período de cuatro años.

En términos generales, el Proyecto tiene como objetivo contribuir al fortalecimiento del sistema democrático en Nicaragua, a través de la implementación de diferentes actividades como son las siguientes:

--- Desarrollo de un programa de educación cívica con el objeto de promover valores democráticos;

--- Apoyo en equipo y entrenamiento a diversas instituciones privadas integradas en forma pluralista como los medios de comunicación y partidos políticos;

--- Respaldo al Gobierno a través de asistencia técnica, suministro de equipo, entrenamiento de personal y asesoramiento en el desarrollo de estudios, los cuales beneficiaran directamente al Gobierno central a través de sus oficinas y medios de información y a la Asamblea Nacional, el poder Judicial y los gobiernos locales o municipalidades; y

--- Asistencia técnico-financiera a las instituciones privadas que se dedican a la protección de los derechos humanos.

En relación al COMITE ASESOR, su propuesta de solución contenida en su carta recibida por nosotros el 14 de los corrientes, es aceptable en el claro entendido de que dicho COMITE tendrá facultades normativas y consultivas.



MINISTERIO DE COOPERACION EXTERNA

Agradeciéndole de antemano su amable atención y colaboración en nuestra gestión, aprovecho la oportunidad para reiterarle la mas distinguidas muestras de mi consideración y estima.

Atentamente,

Roberto Atha

Ing. Roberto Atha Ramirez
Ministro, Por Ley del MCE

TH/

ACTIVITIES UNDER THE MEDIA MATCHING FUND SUBCOMPONENT OF THIS PROJECT (SEE SECTION 5B BELOW), THE MISSION HAS DECIDED NOT TO USE USIS TO IMPLEMENT THIS SUBCOMPONENT.

4C. NATIONAL ENDOWMENT FOR DEMOCRACY (NED) - THIS PROJECT PROPOSES TO USE THE NED TO IMPLEMENT ACTIVITIES IN THREE OF THE FOUR PROJECT ACTIVITIES, THUS MANAGING OVER DOLS 6 MILLION OF PROJECT FUNDS. THE DAEC DISCUSSED THE ISSUES OF OVERSIGHT AND ACCOUNTABILITY OF FUNDS WHEN WORKING WITH THE NED, SPECIFICALLY CITING THE UNIQUE NATURE OF THIS AUTONOMOUS ORGANIZATION. THE MISSION DIRECTOR EXPLAINED THAT SHE IS NEGOTIATING WITH THE NED TO OPEN A LOCAL OFFICE IN NICARAGUA TO BETTER MONITOR PROJECT ACTIVITIES (THERE IS MONEY IN THE PROGRAM TO ALLOW FOR THE OPENING OF A LOCAL OFFICE). THE MISSION PLANS TO MONITOR NED ACTIVITIES CLOSELY TO ENSURE PROJECT IMPLEMENTATION FOLLOWS PROPER A.I.D. STANDARDS.

4D. REGIONAL JOURNALISM PROJECT - AT THE DAEC REVIEW, IT WAS CLARIFIED THAT WHILE A.I.D. AND THE STATE DEPARTMENT SUPPORT THE REGIONAL JOURNALISM PROJECT'S OBJECTIVES, STATE DOES NOT CONSIDER IT APPROPRIATE TO IMPLEMENT THE PROJECT AS CURRENTLY CONCEIVED IN NICARAGUA. THEREFORE, THE REGIONAL JOURNALISM PROJECT WILL NOT BE PART OF THIS EFFORT. THE COUNTRY TEAM MAY RE-EVALUATE THIS DECISION AT A LATER DATE.

5. THE FOLLOWING ISSUES WERE DISCUSSED CONCERNING SPECIFIC SUBCOMPONENTS OF THE PROJECT:

5A. GRASS ROOTS CIVIC EDUCATION SUBCOMPONENT -- IN THE PP THERE IS NO INDICATION OF HOW THIS COMPONENT WILL ADDRESS THE LACK OF INSTITUTIONAL STRENGTH AND PROFESSIONAL EXPERTISE OF GRASS ROOTS DEMOCRACY ORGANIZATIONS. THE MISSION CLARIFIED THAT ACTIVITIES UNDER THIS COMPONENT WILL FOCUS ON KEY ORGANIZATIONS WHICH EXHIBIT THE POTENTIAL TO BECOME SUSTAINABLE INSTITUTIONS OVER TIME. THE SCOPE OF WORK WILL INCLUDE ASSISTING THESE INSTITUTIONS TO GAIN THE PROFESSIONAL EXPERTISE NECESSARY TO CARRY OUT OPERATIONS ON THEIR OWN.

5P. LA PRENSA/MEDIA MATCHING FUND SUBCOMPONENTS - DUE TO CONCERN WITH THE PROPOSAL TO GIVE PREFERENTIAL TREATMENT TO ONE NEWSPAPER IN NICARAGUA, THE DAEC DECIDED THAT THE MEDIA MATCHING FUND SUBCOMPONENT SHOULD BE COMBINED WITH THE LA PRENSA SUBCOMPONENT TO DEVELOP A

for these activities, and that a "Categorical Exclusion" be approved.

For the small scale social infrastructure activities to be carried out under the independent labor unions component of the project, a deferred negative determination is recommended. Prior to start-up of this project component, procedures will be developed that will ensure that activities funded in this area will not have a significant harmful effect on the environment. The procedures to be developed will stipulate that all small scale social infrastructure activities funded under the project receive an environmental review that evaluates the particular site specific circumstances of each proposed activity, that mitigation measures addressing the environmental concerns arising from the review of each proposed activity be developed and implemented, and that a process will be developed for establishing accountability and for evaluating the success in implementing proper environmental procedures for all small scale social infrastructure activities funded under this project component.

Concurrence:

Jahet C. Ballantyne
Jahet C. Ballantyne
Mission Director
USAID/Nicaragua

Date

: March 27, 1991

DOES NOT INCLUDE
THE NECESSARY PROCUREMENT, AUDIT, EVALUATION, AND
FINANCIAL PLANS AS REQUIRED IN HANDBOOK 3. PRIOR TO
FINAL APPROVAL, THIS INFORMATION WILL BE ADDED TO THE PP.

9. PROJECT BUDGET - THE NUMBERS USED TO DESCRIBE
SEVERAL COMPONENTS OF THE PROJECT DO NOT ALL MATCH THE
NUMBERS USED IN THE BUDGET SUMMARY TABLE. IN THE
REVISED FINANCIAL PLAN THE NUMBERS SHOULD BE RECONCILED.

10. CONGRESSIONAL NOTIFICATION - THE CONGRESSIONAL
NOTIFICATION FOR THIS PROJECT WILL BE FAXED TO THE
MISSION ONCE IT HAS BEEN SENT TO THE HILL. EAGLEBURGER
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ANNEX C

INITIAL ENVIRONMENTAL EXAMINATION

Project Location : Nicaragua
Project Title : Strengthening Democratic Institutions
Project Number : 532-0316
Funding : \$14,000,000
Life of Project : Four years
IEE prepared by : Richard L. Owens
USAID/Nicaragua

Recommended Threshold Decision:

A. Project Description:

The project goal is to contribute to the development of a stable, enduring democratic system in Nicaragua that protects human rights, promotes justice, encourages participation and facilitates higher levels of material and social well-being. The project purpose is to strengthen democratic institutions and the values and attitudes that nurture them. In order to achieve the project goal and purpose, the following project funded activities will be undertaken: (A) Support for Private Pluralistic Institutions including private media, independent labor unions and political parties; (B) Effective Government to include support for the National Assembly, Judicial Reform and Municipal Development Studies, and support for Government Media; (C) Protection of Human Rights focused on support for Independent Human Rights groups and the Nicaraguan Bar Association; and (D) Promotion of Democratic Values through support for Civic Education Programs in the Education System and through Grass Roots Organizations.

A.I.D. resources will be used to finance limited operational costs, commodity procurement, technical assistance, observation tours and training, studies and assessments, evaluations and audits, and a very limited amount of development/rehabilitation of social infrastructure (rural electricity, rural water and sanitation, health clinics, etc.)

B. Recommendations:

All activities to be financed under this project, with the exception of the small scale social infrastructure activities to be carried out under the independent labor unions component, qualify for a Categorical Exclusion under 22 CFR 216. 2(c) (2) (i), "Education, technical assistance, or training program except to the extent such programs include activities directly affecting the environment (such as construction of facilities, etc)." Based on the fact that all project activities other than the small scale infrastructure activities will not directly affect the environment, it is recommended that no further environmental study be undertaken

MORE BROAD BASED STRATEGY IN PROMOTING INDEPENDENT REPORTING IN THE PRIVATE MEDIA. COMBINING THESE TWO SUBCOMPONENTS WILL ENABLE THE MISSION TO MAKE LARGER GRANTS TO THE PRESS AND MEDIA THAN WAS ORIGINALLY ENVISIONED. AS DISCUSSED ABOVE, FOLLOWING THE DAEC THE MISSION DECIDED NOT TO INCLUDE ACTIVITIES UNDER THIS SUBCOMPONENT IN THE USIS PASA. RATHER, THE MISSION PLANS TO IMPLEMENT THIS EXPANDED SUBCOMPONENT THROUGH ANOTHER ORGANIZATION (TO BE DETERMINED AT A LATER DATE).

C. JUDICIAL REFORM STUDY SUBCOMPONENT - THE DAEC DISCUSSED THE NEED TO DEVELOP AN INDIGENOUS JUDICIAL REFORM PROCESS IN NICARAGUA. DURING THE MEETING IT WAS RECOGNIZED THE PROPOSED STUDY WILL BE INADEQUATE TO MEET ALL OF THE NEEDS FOR JUDICIAL REFORM IN NICARAGUA. THEREFORE, IT IS IMPORTANT FOR THE MISSION TO PLAN CONTINUED EFFORTS IN THIS AREA. FOLLOW-ON STUDIES SHOULD FOCUS ON A STRATEGY FOR STIMULATING AN INDIGENOUS DEMAND FOR JUDICIAL REFORM. THE MISSION SHOULD WORK WITH LAC/DI AND THE REGIONAL AGJ PROJECT TO DETERMINE THE BEST NEXT STEPS IN THIS AREA. IN ADDITION, THE SET OF OUTPUTS LISTED ON PAGE 23 OF THE PROJECT PAPER WILL BE REVISED TO CLARIFY THAT THESE OUTPUTS WILL BE RECOMMENDATIONS FOR REVISIONS OF LAWS, NOT ACTUALLY REVISIONS.

D. RADIO NICARAGUA AND DEPARTMENT OF INFORMATION AND PRESS SUBCOMPONENT - THE PURPOSE OF THIS SUBCOMPONENT WILL BE CHANGED TO DELETE THE REFERENCE TO "STAFF LOYAL TO THE GOVERNMENT".

E. ASSISTANCE TO HUMAN RIGHTS ORGANIZATIONS SUBCOMPONENT - GIVEN THE SENSITIVE NATURE OF HUMAN RIGHTS ACTIVITIES, THE MISSION AGREED TO EXPLORE OPTIONS FOR IMPLEMENTING THIS ACTIVITY THROUGH AN ESTABLISHED INTERNATIONAL HUMAN RIGHTS GROUP SUCH AS THE IIDE, RATHER THAN THROUGH THE NED.

6. CONTINGENCY FUND - THE PROPOSAL TO BUILD IN A DOLS 1 MILLION INFLATION/CONTINGENCY FUND TO COVER POSSIBLE INCREASES IN FUNDING FOR PROJECT ACTIVITIES OR TO RESPOND TO NEW INITIATIVES WITHIN THE DEMOCRATIC INITIATIVE'S FRAMEWORK WAS APPROVED.

7. COUNTERPART CONTRIBUTIONS - THE STATUTORY REQUIREMENT FOR A 25 PERCENT HOST COUNTRY CONTRIBUTION DOES NOT APPLY TO THIS PROJECT BECAUSE IT IS ENTIRELY SELF FUNDED. IN ADDITION, AS THE PROJECT IS CURRENTLY STRUCTURED, A.I.D.'S POLICY OF REQUIRING A 25 PERCENT NON-A.I.D. CONTRIBUTION TO PVO GRANTS WILL NOT APPLY, BECAUSE THAT REQUIREMENT HAS BEEN PREVIOUSLY WAIVED FOR AIFLD AND NED, THE PRIMARY IMPLEMENTING ENTITIES, AND IS NOT APPLICABLE TO BUY-INS TO LAC/DI REGIONAL PROJECTS. IF IMPLEMENTATION ARRANGEMENTS CHANGE FROM THOSE DESCRIBED IN THE PP TO INCLUDE OTHER GRANTS TO PVOS OR DA FUNDING, THE MISSION WILL KEEP IN MIND THE 25 PERCENT REQUIREMENT.

ANNEX D - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded with Development Assistance loans; and B(3) applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1990 Appropriations Act Sec. 523; FAA Sec. 634A. If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified? Yes.
2. FAA Sec. 611(a). Prior to an obligation in excess of \$500,000, will there be:
(a) engineering, financial or other plans necessary to carry out the assistance;
and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? Yes
3. FAA Sec. 611(a)(2). If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance? No legislative action required.

4. FAA Sec. 611(b); FY 1990 Appropriations Act Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.) N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively? N/A
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. N/A
7. FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to:
(a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions. Project will encourage free enterprise and strengthen labor unions.
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). The Project will utilize private channels to carry out assistance to the maximum extent practicable. Project activities are geared towards reforms that will be favorable to private enterprises.

9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars. Host country contributions, if any, shall be set forth in the agreement for the Project.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No.
11. FY 1990 Appropriations Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? N/A
12. FY 1990 Appropriations Act Sec. 547. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel? N/A
13. FAA Sec. 119(g)(4)-(6) & (10). Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other N/A

wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

14. FAA Sec. 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)? N/A
15. FY 1990 Appropriations Act, Title II, under heading "Agency for International Development." If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? Yes. Some of the PVOs involved in this project may be exempt from the 20 percent requirement through the provisions of PD-16(NED).
16. FY 1990 Appropriations Act Sec. 537. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? Yes
17. FY 1990 Appropriations Act Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures? N/A

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18. State Authorization Sec. 139 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision). N/A
19. Trade Act Sec. 5164 (as interpreted by conference report), amending Metric Conversion Act of 1975 Sec. 2. Does the project use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Yes
20. FY 1990 Appropriations Act, Title II, under heading "Women in Development." Will assistance be designed so that the percentage of women participants will be demonstrably increased? Yes
21. FY 1990 Appropriations Act Sec. 592(a). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies, has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account? The bilateral project agreement will require that local currencies generated by this assistance, if any, be placed in a separate account and used for purposes agreed to between the Parties.

Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

Yes

Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

AID will do so

If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

Yes

2. Development Assistance Project Criteria
(Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

c. FAA Sec. 122(b). Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

3. Economic Support Fund Project Criteria

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

Yes

b. FAA Sec. 531(e). Will this assistance be used for military or paramilitary purposes?

No

c. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

N/A