



P A D C O

MUNICIPAL AUTONOMY AND DEVELOPMENT PROJECT



HURRICANE MITCH DAMAGED INFRASTRUCTURE RECONSTRUCTION

*STATUS REPORT
AS OF JUNE 30, 2001*

Prepared for
La Agencia de los Estados Unidos
Para el Desarrollo Internacional
Contract
No. 524-0314-C-00-6002-00

Prepared by
PADCO, Inc.

MUNICIPAL AUTONOMY AND DEVELOPMENT PROJECT
HURRICANE MITCH DAMAGED INFRASTRUCTURE RECONSTRUCTION

STATUS REPORT

as of June 30, 2001

TABLE OF CONTENTS

A- NARRATIVE	PAG.
1 PROJECT OBJECTIVES	1
2 EXPECTED RESULTS	2
3 CURRENT MAJOR ACTIVITIES	2
4 MAJOR ACCOMPLISHMENTS AND OVERALL STATUS	3
5 ACTIVITIES NEXT QUARTER (July-September)	13
6 PROBLEMS AND DELAYS	13
 B- ADMINISTRATIVE INFORMATION	
1. GRANT INFORMATION	14
2. MANAGEMENT CONTRACT INFORMATION	14
3. PROJECTED EXPENDITURES NEXT QUARTER	14

ANNEXES

MUNICIPAL AUTONOMY AND DEVELOPMENT PROJECT
HURRICANE MITCH DAMAGED INFRASTRUCTURE RECONSTRUCTION
STATUS REPORT

as of June 30, 2001

A. NARRATIVE

The present report covers the activities implemented during the third fiscal year quarter 2001.

1 PROJECT OBJECTIVES

Not since the 18th century had Central America experienced as punishing a natural disaster as Hurricane Mitch. In addition to widespread loss of life, crops and housing, Mitch took a heavy toll on basic infrastructure in about 85 municipalities located primarily in the northern and northwestern areas of the country. The hurricane inflicted heavy damage to urban streets and rural roads, flood prevention and stormwater drainage works, and water and wastewater networks.

As part of US Program Grant Agreement to assist the Government of Nicaragua in post-Mitch reconstruction, USAID has contracted PADCO, Inc. to provide management and monitoring services for Component 6 Basic Infrastructure in Selected Mitch-Affected Municipalities Repair. The Component calls for the preparation and implementation on a grant basis of at least 20 basic infrastructure subprojects in selected Mitch affected municipalities. The subprojects will be implemented by three implementing Agencies, as follows:

- Fondo de Inversión Social de Emergencia (FISE), for all subprojects excluding those located in the Municipalities of León and Matagalpa.
- Municipality of León, for subprojects located in Leon;
- Municipality of Matagalpa, for subprojects located in Matagalpa.

The eligible sectors for subproject implementing are: repair of roads, streets, bridges and sidewalks; rehabilitation storm drainage system; cleaning streambeds within urban areas; restoration and reinforcement of culverts, embankments and retaining walls; and rehabilitation of water and sewer systems.

The total amount of funding initially obligated for all subprojects, including design, supervision and administration costs, was US\$3,570,000. Later USAID cancelled the construction of 12 sub-projects and reduced the funding by US\$1.5 million to US\$2,070,000.

2 EXPECTED RESULTS

Following the disaster caused by hurricane Mitch, USAID approved a US\$3.57 million dollar grant (later reduced to US\$2,070,000) in order to finance the reconstruction of the infrastructure damaged in the poorest municipalities of Nicaragua. PADCO was contracted to provide technical assistance in the selection, coordination and supervision of the execution of the sub-projects included in this Project. The Project expected results are:

- 2.1 Subproject designs are technically appropriate.
- 2.2 The Construction documentation and contracting arrangements are complete and legally binding.
- 2.3 The rehabilitation projects are properly supervised and inspected by FISE.
- 2.4 All works are progressing on time.
- 2.5 All problems and bottlenecks are resolved.

3 CURRENT MAJOR ACTIVITIES

This section contains a summary of the main achievements in the reporting period.

- 3.1 Finalize the construction of two projects.
- 3.2 Monitor and oversee contracted projects three times a week for each project.
- 3.3 Provide technical support to FISE for the solution of technical project problems.
- 3.4 Provide technical support to the contractors for the solution of project technical problems.
- 3.5 Prepare periodical reports to USAID on project progress/status.

4 MAJOR ACCOMPLISHMENTS AND OVERALL STATUS

This section contains the accomplishments as programmed, as well as, other non-programmed accomplishments resulting from anticipated or non expected activities.

As indicated in our previous report, the USAID Mission advised FISE and PADCO in late February that it was canceling 12 of the 23 initial sub projects and reducing the financing by \$ 1.5 million. The canceled sub projects included the 5 sub projects recommended for cancellation by PADCO, and 7 additional sub projects (Telica, Chinandega, Ciudad Dario, San Juan de Limay, Macuelizo, Ocotal And Santamaria) The decision to cancel the additional sub projects was taken based on the advice of the USACE that the 7 sub projects could not be completed before December 31, 2001. The Mission did not consult with PADCO before it made its decision.

Following that USAID decision, only eight sub-projects are currently under construction, since three had been already completed.

The situation of the programmed activities for the quarter is as follows:

4.1 Finalize the construction of two projects.

Two projects were completed by the end of the quarter: the Yalaguina rural road repair was completed as of 6/15/01 and the San Lucas rural road was completed by 6/30/01. This project will need additional work in order to protect the investment. Replacement of some base material will be needed due to excessive plasticity.

4.2 Monitor and oversee contracted projects three times a week for each project.

The eight projects were closely monitored by PADCO's engineers. PADCO has three engineers with their responsibilities well defined, allowing them to visit the projects frequently: Ing. Rafael Medina is in charge of the San Lucas, Yalagüina and Palacagüina sub-projects. He travels to the area once a week and stays in Somoto, allowing him to have a close contact with these three projects. Eng. Javier Valdivia is in charge of Wiwilí river deck and El Tuma-La Dalia Street paving sub-projects. He is based in Jinotega and visits the two subprojects frequently. Eng. Bernardo González, based in Leon is responsible for Quezalguaque storm drainage and Esteli storm drainage sub-projects. He travels two or three times a week to both sub-projects.

4.3 Provide technical support to FISE for the solution of technical project problems.

The PADCO Chief of Party meets with FISE staff three or four times a week to discuss project problems and delays. Also PADCO technical staff work in coordination with all FISE's supervisors. They usually meet

at FISE once a week and at the project sites whenever FISE supervisors visit the sub-projects.

- 4.4 Provide technical support to the contractors for the solution of project technical problems.

PADCO has been working with all contractors to resolve technical problems. Quezalguaque needed to modify the water discharge. In Tipitapa PADCO worked with IAGSA to identify the providers of concrete blocks (adoquines) that produce materials of the quality required. Together with the contractors, PADCO identified the need for road widening at San Lucas and rural road protection in Yalaguina. In summary, PADCO staff is in permanent contact with sub-projects contractors.

- 4.5 Prepare periodical reports to USAID on project progress/status.

Weekly reports were prepared for USAID containing the progress of the eight projects under construction.

The following is general and status information on each particular sub-project:

PROJECT INFORMATION

- *Municipality:* *Tipitapa*
- *Project Description:* *Reconstruction of 1,265.4 m of Street Paving (“adoquin”) in Urban Areas*
- *Cost:*
 - Design C\$ 238,865.10
 - Supervision C\$ 178,930.59
 - Construction C\$2,406,348.05
 - **Sub Total C\$2,824,143.74**
 - Change orders 0 *
 - **Total C\$2,824,143.74**
- *Contractor:*
 - Design: CORASCO
 - Construction IAGSA
- *Supervisor* *Ing. Mariano Martínez*
- *Date started* 1/8/01
- *Expected Completion date:* 4/21/01 terminated by FISE
- *Extended to:*

* A change order for additional work is pending.

Project implementation situation at the end of the quarter:

Since the last report (January- March), this project has experienced severe difficulties. The Contractor has failed to comply with the quality of the materials contracted and has resorted to different excuses for not providing the quality concrete blocks as contained in the project specifications. The month of April was especially complex and FISE, as required by PADCO, had several meetings with IAGSA and the insurance company, La Metropolitana, with very limited results. Finally on May 21st, FISE decided to cancel the contract with IAGSA and called for proposals from other construction companies to finish the work. FISE had a new contractor (SECSA) identified to complete the work when IAGSA sued FISE requesting a judicial ruling to prohibit the contracting of any other company but IAGSA until the legal problem was resolved. This request was granted and the determination stopped all project activities to date. The Project’s legal situation has not yet changed.

Even though the project was stopped for more than one month now, the infrastructure built has not deteriorated.

PROJECT INFORMATION

- *Municipality:* Estelí
- *Project Description:* Storm Drainage in the Urban Area The length of the drainage pipe is 1,300 m in an excavated and backfield trench.
- *Cost:*
 - Design C\$ 88,874.24
 - Supervision C\$ 113,419.00
 - Construction C\$1,148,848.66
 - **Sub Total C\$1,351,141.90**
 - Change orders 0 *
 - **Total C\$1,351,141.90**
- *Contractor:*
 - Design: PROISA. PADCO completed the design for this project
 - Construction DIPRECO
- *Supervisor* Ing. Gilberto Chavarría
- *Date started* 4/2/01
- *Expected Completion date:* 7/1/01
- *Extended to:* 7/31/01

* A change order for additional work is pending.

Project implementation situation at the end of the quarter:

The construction and supervision was contracted in late March.

The rains have had a damaging effect on this project. The soil type is extremely difficult to work with and will have to be removed and exchanged with loaned material. A change order has been signed authorizing the contractor to import material from a lending bank.

The project discharge has been modified to protect the channel from erosion at the end of it. A change order is being processed by FISE to amend the contract.

At the present, the physical advance is 41% and the time elapsed is 100%. However, FISE has to amend the project and extend the time to recognize rains and delays due changes in earthwork and the discharge.

PROJECT INFORMATION

- *Municipality:* Quezalguaque
- *Project Description:* Storm Drainage in the Urban Area The length of the paved open channel is approximately 300m and 1,250m of ditch to be deepened.
- *Cost:*
 - Design C\$ 18,430.35
 - Supervision C\$ 95,000.00
 - Construction C\$ 989,923.71
 - **Sub Total C\$1,103,354.06**
 - Change orders 0 *
 - **Total C\$1,103,354.06**
- *Contractor:*
 - Design: GPM and was reformulated. by other contractor
 - Construction COIAGSA
- *Supervisor* Ing. Ignacio Zamora
- *Date started* 3/30/01
- *Expected Completion date:* 6/30/01
- *Extended to:* 7/15/01

* A change order for additional work is pending.

Project implementation situation at the end of the quarter:

The construction and supervision were contracted in late March for a 90 days duration period.

The project has a 90% implementation rate. This Contractor has also been impacted by the FISE change of schedule, creating difficult financial conditions to the project. However, the contractor could complete the project on time, recognizing a 10 days extension due to rains impact reported earlier.

It is necessary to modify the project's discharge of the channel in order to prevent future erosion. An amendment will be issued by FISE asking the contractor to build the additional work. This additional work will delay the completion of the project a couple of weeks. It's expected that by the middle of July the work will be finished.

PROJECT INFORMATION

- *Municipality:* Wiwili
- *Project Description:* Reconstruction of River Dock and connecting streets
- *Cost:*
 - Design C\$ 102,071.85
 - Supervision C\$ 262,232.00
 - Construction C\$2,622,320.84
 - **Sub Total C\$2,986,624.69**
 - Change orders 0 *
 - **Total C\$2,986,624.69**
- *Contractor:*
 - Design: PROISA. PADCO completed the design of the project using a different consultant.
 - Construction CONAMERICA
- *Supervisor* Ing. Henry Darce
- *Date started* 4/24/01
- *Expected Completion date:* 7/22/01
- *Extended to:*

* A change order for additional work is pending

Project implementation situation at the end of the quarter:

This project continues to be affected by the slow pace of implementation as reported in the previous report. Even though the contract time is still not expired, PADCO estimates that, at the present implementation pace, the contractor will take until September to complete the work. This is not acceptable and this fact was communicated to FISE. The physical progress is approximately 33% and the time elapsed is 82%. The recent change order to improve the quality of the streets may require some time extension, but still the contractor pace is too slow.

The main problem continues to be the lack of adequate equipment and both the PADCO and FISE's supervisor have brought it to the contractor's attention, albeit without positive response.

Fortunately the rains have had very little impact on the project's infrastructure. The work inside the river has been completed at a 95% eliminating the possibility of rain damages. If the contractor reacts to FISE /PADCO pressure, the project could be completed by the middle of August.

PROJECT INFORMATION

- *Municipality:* Palacagüina
- *Project Description:* Street Paving in Urban Areas (4,200m²)
- *Cost:*
 - Design C\$ 67,854.90
 - Supervision C\$ 164,451.00
 - Construction C\$1,727,466.03
 - **Sub Total C\$1,959,771.93**
 - Change orders 0 *
 - **Total C\$1,959,771.93**
- *Contractor:*
 - Design: CORASCO
 - Construction CODESA
- *Supervisor* Ing. Denis Largaespada
- *Date started* 3/7/01
- *Expected Completion date:* 6/7/01
- *Extended to:* 7/15/01

* A change order for additional work is pending

Project implementation situation at the end of the quarter:

The physical advance of this project is 88%. However, the Contractor's financial situation is affecting the completion of it. The remaining 12% could be completed in one week, but the contractor lacks the resources to buy concrete blocks and other supplies. FISE has extended the time, recognizing some impacts from the rains, but not more than 20 days. After June 30th the contractor will be fined by FISE.

PADCO estimates that the project will be completed by the middle of July

PROJECT INFORMATION

- *Municipality:* El Tuma/La Dalia
- *Project Description:* Street Paving (adoquinado) of 6,423 m2 in the Urban Area
- *Cost:*
 - Design C\$
 - Supervision` C\$ 196,601.55
 - Construction C\$1,714,773.65
 - **Sub Total C\$1,911.375.20**
 - Change orders 0 *
 - **Total C\$1,911.375.20**
- *Contractor:*
 - Design: Alcaldia de El Tuma/La Dalia
 - Construction EMCONORSA
- *Supervisor* Ing. Mariano Martínez
- *Date started* 3/8/01
- *Expected Completion date:* 6/5/01
- *Extended to:* 7/30/01

* A change order for additional work is pending

Project implementation situation at the end of the quarter:

Physical advance is approximately 70%. The progress has been slow for the following reasons: 1) the rains have affected the implementation pace, impeding the earth work and damaging previous work; 2) Contractor's financial situation has been affected by the FISE's change in work schedule. The contractor lacks the financial resources to buy concrete blocks and other supplies.

To help the Contractor, in late June FISE guaranteed the contractor's purchases of concrete blocks with the provider. However, this change has not yet produced its expected results.

The project 's expected to be completed by mid July.

PROJECT INFORMATION

- *Municipality:* San Lucas
- *Project Description:* Reconstruction of Rural Road San Lucas- Las Playitas (11km)
- *Cost:*
 - Design C\$ 17,,250.00
 - Supervision C\$ 179,866.66
 - Construction C\$1,979,895.99
 - **Sub Total C\$2,177,012.65**
 - Change orders 0 *
 - **Total C\$2,177,012.65**
- *Contractor:*
 - Design:
 - Construction CAFÉ. SA
- *Supervisor* Ing. Carlos Fonseca Gutiérrez
- *Date started* 3/12/01
- *Expected Completion date:* 5/14/01
- *Extended to:* 7/7/01

* A change order for additional work is pending

Project implementation situation at the end of the quarter:

This project has been completed as of June 30th. However, the last rains have produced additional damages to the project and an additional change order has to be negotiated with the contractor to improve some sections of the road, if we want to guarantee a durable work. The soil in that part of the country is extremely difficult to work with because of its high plasticity. Additional material has to be imported from outside banks, as a means to protect the investment. FISE and PADCO are analyzing the situation with the contractor to make a decision on the replacement materials.

If additional work takes place, the new completion date could be July 10th.

PADCO is initiating the preparation of maintenance manuals and training materials. PADCO met with the Mayor to start meetings with the community.

PROJECT INFORMATION

- *Municipality:* Yalagüina
- *Project Description:* Rural Road Reconstruction in the sector Yalagüina- El Empalme
- *Cost:*
 - Design C\$ -
 - Supervision C\$ 58,999.99
 - Construction C\$ 939,140.91
 - **Sub Total C\$ 998,140.90**
 - Change orders 0 *
 - **Total C\$ 998,140.90**
- *Contractor:*
 - Design: FISE
 - Construction IDEPSA
- *Supervisor* Ing. Carlos Fonseca Gutiérrez
- *Date started* 3/8/01
- *Expected Completion date:* 5/14/01
- *Extended to:* 6/14/01

* A change order for additional work is pending

Project implementation situation at the end of the quarter:

This project has been completed on June 15th and received by FISE to the Contractor.

PADCO and the Municipality are now working on the maintenance system.. A preliminary meeting with the Community took place on June 17th to discuss the participation of the community and its contribution. The Mayor's preparing a second meeting to assign maintenance sections and PADCO is working on the maintenance manuals to train not only community members but also municipal staff.

5 ACTIVITIES NEXT QUARTER (July-Sep. 2001)
--

- 5.1 If the Tipitapa legal problem is solved, 6 projects will be completed by the middle of the quarter. Until the USAID Mission reaches another determination, PADCO will continue to pursue a resolution for the problem..
- 5.2 Prepare maintenance training materials for 6 projects and initiate staff and community training in coordination with FISE.
- 5.3 Complete final liquidation of 4 sub-projects in coordination with FISE.
- 5.4 In accordance with USAID, prepare an inauguration plan and implement at least two.

6 PROBLEMS AND DELAYS

- 6.1 Lack of financial capacity of contractors. All contractors have had difficulties due to their financial situation. The change in FISE's work schedule has changed the constructors pay period from one week to two (at least). This situation has had a damaging effect on contractors' performance. The common characteristic of contractors seems to be the dependency on client resources to execute the projects.
- 6.2 Contractors have reluctantly accepted PADCO's quality control and close supervision, affecting the implementation of sub-projects due to contractors' claims. Apparently FISE has never close supervised and controlled quality, so contractors resent PADCO's intervention.
- 6.3 The Nicaraguan judicial system has prevented the completion of the Tipitapa sub-project. This sub-project continues to damage the image of PADCO and USAID.

B- ADMINISTRATIVE INFORMATION

1 Grant information

a- Total Grant	US\$ 2,070,000 *
Expenditures this period	392,341
Cumulative expenditures	1,514,380
Remaining balance	555,620

b- Implementation rate 73.1%

c- Projected expenditures next quarter US\$ 432,730

2 Management Contract Information

a- Total estimated cost	US\$ 640,453
Expenditures this period	65,000 **
Cumulative expenditures	579,156
Remaining balance	126,296

b- implementation rate

Time elapsed	75.0%8 (extended)
Expenditures	90.5%

c- Projected Expenditures Next Quarter

July-Sept.	US\$ 60,000
------------	-------------

* USAID reduced the project funding by \$1.5 million

** Estimated for June

ANNEX 1

**HURRICANE MITCH
DAMAGED INFRASTRUCTURE
RECONSTRUCTION PROJECTS**

**STATUS REPORT
as of June 30, 2001**

ANNEX 2

**DISBURSEMENTS SCHEDULE
PREPARED BY FISE.**

ANNEX 3

**PROJECTED DISBURSEMENTS
BY QUARTER**