

Closeout Report

USAID/NICARAGUA Special Objective
Hurricane Mitch Reconstruction Program

May 31, 2002

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EXECUTIVE SUMMARY

Background

Hurricane Mitch was one of the worst natural disasters in Nicaragua's history. Over 3,000 people lost their lives, with the most tragic loss occurring in Posoltega where some 2,000 died in a huge landslide. About 870,000 people, or 18% of the total population, were seriously affected by the storm. The most damaging effect of this hurricane was to essential infrastructure in health, education, transportation and productive sectors. The productive sector was hit particularly hard with highest losses occurring in the poorest communities of Nicaragua. Total damages were estimated at US\$1.5 billion --70% of Nicaragua's 1998 Gross Domestic Product.

The United States Government response through USAID/Nicaragua was immediate providing \$22 million in emergency humanitarian and food assistance. In addition, the Mission reprogrammed \$8 million from regular on-going programs to jump-start reconstruction activities in critical areas in public health, agriculture and micro-finance prior to the passage of the supplemental funding for reconstruction in May 1999.

This report summarizes how more than \$103 million in U.S. government reconstruction assistance was successfully channeled and managed by USAID/Nicaragua. Another \$12 million of Mitch-funded activities executed by ten USG agencies were also coordinated by USAID. With nearly all USAID funds fully expended (99%), targets were met and in most cases surpassed. Many valuable lessons were learned on how to successfully implement a massive reconstruction program in a short period of time under difficult conditions.

Program Results and Achievements

USAID/Nicaragua's Hurricane Mitch Reconstruction and Recovery Program fully accomplished its main objective of helping to restore the living conditions of the population most affected by Hurricane Mitch. The Mitch Program reached a greater number of beneficiaries than expected, exceeded the targets set for program outputs and made an economic impact. A recent World Bank assessment of poverty in Nicaragua concluded that: *"The most important factors explaining poverty reduction between 1998 and 2001 seem to have been important contributions from the post-Mitch reconstruction efforts"*. The United States was by far the largest bilateral donor financing reconstruction efforts during the post-Mitch period when the poverty index for Nicaragua declined about 2.2%.

Highlights of the Reconstruction Program accomplishments are:

1. With 99.2% of budgeted funds expended, all programmed activities were implemented on time, surpassing most of targets, and with high quality standards.

2. More than 250,000 households, or more than twice the target, were reached by USG assistance. Beneficiaries were some of the poorest populations and the most affected by Hurricane Mitch.
3. Transparent and accountable use of all USAID reconstruction funds was confirmed by careful and continuous monitoring that included more than 90 audits and evaluations. The Mission had an excellent record in being the first to identify problems and bring them to the attention of the auditors. There were no open GAO or IG audit recommendations at the end of the program.
4. Some of the more notable outputs of the Reconstruction Program were: a) economic livelihood restored to more than 100,000 farmers, laborers and micro-entrepreneurs in rural areas affected by Hurricane Mitch; b) community and household level health education provided to more than 420,000 women, three quarters of whom are of reproductive age; c) need for water and sanitation met for approximately 200,000 persons in 250 rural communities; d) vulnerability to flooding and other natural disasters reduced in 130 communities benefiting more than 20,000 households; and e) more than 1,500 kms of tertiary roads improved or rehabilitated, benefiting more than 300,000 people living in 980 communities.

Program Implementation and Management

USAID/Nicaragua implemented its Hurricane Mitch Reconstruction and Recovery Program in all ten departments directly affected by Hurricane Mitch, concentrating efforts in the most needy communities and on the poorest populations in those departments. Most of the implementing partners selected were skilled in rural community-based projects, and those few partners that were new to Nicaragua, did a good job of contracting staff with the appropriate expertise needed for the program.

USAID/Washington and the Mission committed to a fast-track implementation calendar for the Reconstruction Program. Quarterly expenditure targets were estimated at the beginning of the program to assure all activities would be completed by December 31, 2001 as promised to Congress. The Mission was successful in meeting all targets through sustained and extraordinary efforts.

Due to the massive reconstruction needs confronting Nicaragua, and the difficulty of guaranteeing that the GON could maintain strict accountability and management of reconstruction funds, the Mission made an early decision to channel most of the supplemental funding through non-governmental organizations and direct contracts. This proved to be a wise decision for assuring that our assistance would be timely and effective in helping reconstruct Nicaragua while other donors delayed disbursements until they could settle questions of accountability.

The Hurricane Mitch Reconstruction Program was subject to intense scrutiny by multiple and overlapping program and financial audits. USAID/Nicaragua concluded its \$103.6 million program with no outstanding IG or GAO recommendations.

The participation of twelve other USG agencies and departments implementing reconstruction activities in Nicaragua was a unique feature of the USG response to Hurricane Mitch. Not all the other USG agencies had experience implementing projects overseas, which led to a heavy reliance on USAID help for logistical support and program coordination.

Key Lessons Learned

- **Program designs based on previous experience, knowledge of the country, and tailored to the disaster situation are the most efficient and practical.** The Mission studied its past history of successful development projects and looked at where USAID as a whole had proven designs that could be adapted rapidly to the Mitch situation, such as the case of water and sanitation. We assessed our own in-house technical capacity and then sought outside help to complement Mission expertise in designing activities that were not currently in our portfolio. We took existing activities and in some cases expanded geographical coverage to include Mitch-affected areas, and in other cases, focussed activities on the most affected communities. The Mission adapted our experience, expertise, and proven designs to cover specific gaps in reconstruction needs after consulting with other donors about their plans for assistance to Nicaragua. For example, the multilateral donors and the Spanish and Japanese governments announced they would be working to restore major highways, bridges, and other large infrastructure where they had long experience. Our short time frame precluded large infrastructure projects. Other bilateral donors indicated they were going to support housing and water systems for medium and large municipalities. Thus USAID identified its niche among all the critical needs facing Nicaragua after Hurricane Mitch.
- **Putting quality first was even more important than running against the expenditure clock.** USAID/Nicaragua succeeded in delivering high quality results within the desired timeframe and despite limited human resources. Under intensive auditing and evaluating procedures, the Reconstruction Program was implemented with transparency, financial propriety with full accountability, and proven results. USAID/Nicaragua demonstrated that it is possible to implement a quality large-scale reconstruction program and achieve optimum results, even surpassing targets, under difficult conditions in a short 30-month timeframe.
- **Choose reputable and experienced partners from among the most qualified PVOs and NGOs.** The Mission took advantage of the presence of existing partners in the Hurricane Mitch affected areas, including ADRA, Catholic Relief Services, World Relief Corp., PADCO, AED, PCI, Save the Children, and CLUSA. Within four months of receiving the Mitch funding, most partners were already implementing reconstruction

activities. With their broad expertise in development activities in Nicaragua, partners quickly organized and began responding to the reconstruction needs of the country.

- **Flexible and effective contracting instruments serve as a framework for efficient and transparent program implementation.** The Mission's decision to accelerate start-up by using existing mechanisms to obligate funds and implementing activities was a good one. Even before the official announcement of the approval of the CADERF supplemental funds, current partners were encouraged to submit proposals for projects under the Hurricane Mitch Program. As a result, within two months of receiving CADERF budget allocations, the Mission had approved many grant proposals and partners began implementing activities immediately under pre-award letters.

- **A responsive and capable contracting office is necessary to effectively implement a reconstruction program.** A proactive contracting office was a major asset for implementing the reconstruction program. However, the reconstruction programs lost momentum when the Contracts and Grant officer was transferred and the Mission had to depend on the Contracting Officer in Honduras. Because the Contracting Officer was located in Honduras, the site of the largest Mitch program, and was tasked with serving Nicaragua, with the second largest program, it was impossible to cover all the demands for services.

- **A Reconstruction Office fully dedicated to reconstruction efforts, working in tandem with the technical offices, was a valuable investment.** The Mission recognized that a reconstruction program of this magnitude and level of effort would require a separate unit fully dedicated to this program. The Mission organized the Reconstruction Office (RO) to coordinate, monitor and report on the Mitch Reconstruction Program, under direct supervision of the Deputy Mission Director who was the Special Objective team leader.

- **It takes a hard working and highly experienced staff to rise to the challenge of mounting a program three times the size of the regular development program.** The Mission staff took the challenge and met all benchmarks for implementing a large and complex reconstruction program in a short period of time. The undisputed evidence gathered by auditors and evaluators alike confirmed the dedication and efficiency of the entire Mission staff in performing a range of functions and services beyond those of conventional management and administration under a regular program. This was a key factor for converting a high-risk program into a major success story.

- **Practical hands-on management is a vital tool for implementing a major reconstruction program.** The Mission Director clearly instructed and gave full support for all Mission staff to dedicate their time and efforts to hands-on management of the reconstruction activities to assure the quality of our activities and adherence to deadlines. Close management required a large amount of support staff to keep the vehicles and people moving out to the field where Mission staff could ground-truth designs, make adjustments, and compared written progress reports with on-site monitoring of actual results.

- **A productive relationship with implementing partners requires close monitoring of activities, permanent communication, and accurate reporting.** Mission management and all staff were clearly committed to a close and proactive relationship with implementing partners as an essential factor for effective implementation of the Reconstruction Program. Implementing partners for the most part valued the close collaboration and partnership with the Mission staff. This operating style meant that problems in design and implementation were picked up early enough to resolve them promptly. Mission staff dedicated a large portion of their time to field visits, often in very difficult to access areas, for the purpose of monitoring program performance and verifying the pace of implementation.
- **A huge logistical capacity is needed to cover transportation and communication requirements.** One of the most serious effects of Hurricane Mitch was the unprecedented damage to transport infrastructure and public communications systems that made it incredible difficult to carry out reconstruction activities in very isolated affected areas. USAID/Nicaragua and partners employed mules, vehicles, boats and planes to reach many program sites, under extremely difficult conditions with no incidents of serious injury or loss of program property.
- **Doing business despite health hazards, potential violence, and dangerous transportation conditions was a challenge.** Half of Nicaragua's territory is very isolated with no communications to speak of, and rural roads in the rest of the country are very precarious. Nicaraguan rural areas present health hazards due to the lack of potable water and poor sanitation conditions. Despite these hazardous conditions, the Reconstruction Program suffered no major incidents due to the careful planning of implementation and monitoring activities.

On a final note, the success of the program ultimately depended on the people who committed to this huge undertaking. Special recognition should be given to the USAID team, all who worked under tremendous pressure for more than three years, beginning October 1998 with the emergency response, and running through the end of the reconstruction program in December 2001.

SECTION A. BACKGROUND

Rains from Hurricane Mitch caused widespread destruction and the loss of over 3,000 lives in Nicaragua during the last days of October 1998. It was one of the worst disasters in Nicaragua's history and more than 870,000 people were severely affected by the flooding which damaged crops and agricultural land, infrastructure, water and sewer systems, and interrupted social services. More than 400 health posts and 90 health centers were damaged, and over 500 primary schools suffered structural damages. The productive sector was hit particularly hard with highest losses occurring in the poorest communities. An estimated 11,550 hectares of agricultural land were destroyed, with 308,000 hectares (25% of total cropland) seriously damaged, and more than 60% of the year's crop lost. Total damages were estimated at US\$1.5 billion or about 70% of Nicaragua's Gross Domestic Product in 1998.

The United States Government response through USAID/Nicaragua was immediate providing \$22 million in emergency humanitarian and food assistance. In addition, the Mission reprogrammed \$8 million from regular on-going programs to jump-start reconstruction activities in critical areas in public health, agriculture and micro-finance prior to the passage of the supplemental funding for reconstruction in May 1999.

Based on disaster assessments, pledges from other donors and an analysis of USAID's capabilities, USAID/Nicaragua designed a hurricane reconstruction program captured in its Special Objective *Rapid Reconstruction and Sustainable Recovery in Mitch-Affected Areas* (520-005) approved in Washington in April 1999. Reconstruction activities focussed on five principal sectors: public health, economic reactivation, disaster mitigation and preparedness, schools, and local government. The geographic focus was Nicaragua's north and northwestern departments, and along the Rio Coco in the Atlantic Region. The specific intermediate results expected to be achieved were:

- Health Status of Mitch-affected families maintained or improved
- Economic livelihood of farmers, micro-entrepreneurs, and laborers in Mitch-affected areas restored
- Vulnerability to flooding and other natural disasters mitigated
- Conditions restored for primary students to learn
- Basic infrastructure in selected Mitch-affected municipalities repaired

In addition to these Intermediate Results, the Mission sought to achieve a cross-cutting result under the Special Objective:

- Donor funds channeled through the Government of Nicaragua managed honestly and effectively.

The short time frame for implementing the Reconstruction Program had implications for how the Mission would measure results. Because permanent impact cannot be gauged over a 30-month period, the Mission focussed on measuring performance outputs that could reasonably be expected to be achieved in the time allowed.

The total cost of the Special Objective was \$103.6 million in funds managed by USAID which included \$94.1 million of CADERF supplemental funds, \$5 million of special supplemental Child Survival funds, and \$4.5 million of PL 480 Title II resources. Other U.S. Government agencies and departments implemented reconstruction activities in Nicaragua that totaled approximately \$12 million and were closely coordinated with USAID. In all, the international donor community pledged an estimated \$1.2 billion to assist Nicaragua in its recovery. However, no other donor disbursed as much and as fast as the United States. Some of the promised funds from other donors were actually reprogrammed from on-going projects rather than adding a fresh injection of resources. Other donor funds were delayed while donors sought to assure funds accountability and transparency. Many still have not been disbursed to date.

USAID worked through local Non-Governmental Organizations (NGOs), U.S. Private Voluntary Organizations (PVOs), umbrella organizations, and institutional contractors, and coordinated with Government of Nicaragua entities. The Mission coordinated with nine other USG agencies and departments that received separate CADERF funding for activities in Nicaragua. The Mission signed PASAs with USACE, NOAA and USDA for agriculture rehabilitation, environmental protection and disaster mitigation activities.

Annex A.1 provides the original Results Framework for the Special Objective (SpO). Annex A.2 contains a final resource table which lists principal partners with direct grants or contracts, and a detailed SpO budget breakdown.

SECTION B. PROGRAM RESULTS AND ACHIEVEMENTS

USAID/Nicaragua implemented the Reconstruction Program as planned and on schedule. Despite the many challenges of doing rural reconstruction in Nicaragua, the program surpassed most of its targets with an efficient use of budgeted funds. The key results of the Reconstruction Program were: 1) With 99.3% of budgeted funds expended, all programmed projects and activities were implemented on time with high quality standards. 2) A transparent and accountable use of all the reconstruction funds was confirmed by careful and continuous monitoring including more than 90 financial audits as well as GAO and IG program evaluations. 3) The broad-based implementation of the program in rural areas benefited the most needy communities in the areas most affected by Hurricane Mitch.

Some of the more notable outputs of the Reconstruction Program were: a) economic livelihood restored to more than 100,000 farmers, laborers and micro-entrepreneurs in rural areas affected by Hurricane Mitch; b) community and household level health education provided to more than 420,000 women, three quarters of whom are of reproductive age; c) need for water and sanitation met for approximately 200,000 persons in 250 rural communities; d) vulnerability to flooding and other natural disasters reduced in 130 communities benefiting more than 20,000 households; and e) more than 1,500 kms of tertiary roads improved or rehabilitated, benefiting more than 300,000 people living in 980 communities.

The results framework remained basically unchanged during the life of the SpO with only minor fine-tuning of lower level results and very few performance indicators and targets. Mission quarterly progress reports submitted to LAC contained a summary of activities used to achieve the SpO and the major outputs in each sector described in text and presented graphically. The last activity to be approved was in support of the Mission's crosscutting objective to contribute to increased accountability and transparency in the Government of Nicaragua's management of reconstruction funds. To that end, USAIS/Nicaragua obligated and disbursed \$1 million to support the Inter-American Development Bank project to establish systems to increase efficiency and transparency in the GON's public procurement systems. USAID's contribution supports the establishment of an Inspectorate to monitor all procurement and contracting actions by the government including donor funds and national treasury funds.

The question of long-term sustainability of impact of the reconstruction activities was debated in the Mission during the design phase and continued through implementation. Our partners were asked to design programs that would terminate by December 31, 2001, the date USAID committed to Congress that supplemental funds would be expended. The emphasis on spending and quick results meant that sustainability was not the highest priority. The Mission understood that the supplemental funds were not to be used for regular development programs since Congress wanted to see immediate tangible outputs. Whenever possible, the Mission approved designs that could achieve some measure of sustainability but not at the expense of slowing implementation of the reconstruction programs. In most cases, the Mission chose projects that would be turned over to the communities at the end of two years leaving the responsibility for sustaining those projects in the hands of the beneficiaries. Thus training components were built into most project designs, to train beneficiaries on how to maintain and sustain the investments made under Mitch.

Despite the debate on the sustainability of the Mitch program results, USAID reconstruction efforts can be credited in part for a reduction in the poverty index for Nicaragua from 1999 to 2001. The World Bank concluded that the 2.2% decline in poverty during that period resulted from the important contributions from post-Mitch reconstruction efforts. The USG expended more funds more rapidly than any other donor during the period, exceeding even the multilateral donors' implementation rates.

Annex B.1 contains USAID/Nicaragua's December 2001 quarterly report on the Supplemental Reconstruction Program which gives more details on activities in each of the five sectors where USAID/Nicaragua focused its reconstruction efforts and the major outputs for each of the areas.

SECTION C. PROGRAM IMPLEMENTATION AND MANAGEMENT

With the devastating flooding that accompanied Hurricane Mitch in late October 1998, the United States Government responded immediately with emergency humanitarian and food assistance which totaled \$22 million in the seven months following Mitch. The

Mission reprogrammed another \$8 million from regular on-going programs before the CADERF supplemental funding for reconstruction was approved in May 1999.

During this initial period, the Mission technical offices each worked effectively in its own sector to oversee designs, review proposals, draft scopes of work, monitor implementation, track expenditures and meet reporting requirements. In the summer of 1999, the Mission decided to hire a Reconstruction Coordinator and create a small office that would help bring all the diverse elements of the program together, and to support the Deputy Mission Director in his role as SpO Team Leader.

Due to delays in recruiting a USPSC, the Reconstruction Office was not established until December 1999. Once functioning, the Reconstruction Office took a lead role in performance monitoring in the field, coordinating among the technical officers who retained direct management over reconstruction activities in their sectors, and working as the principal liaison with the GAO, RIG, and other auditors. In a limited number of cases, the Reconstruction Coordinator served as a troubleshooter for specific activities with high profile implementation problems.

The USG experimented with providing a comprehensive program to respond to Hurricane Mitch through an innovative partnership among a number of USG agencies and departments that do not traditionally implement foreign disaster assistance activities. Ten other USG agencies implemented activities in Nicaragua, and five established a presence here. The technical expertise offered by each of these USG agencies complemented USAID/Nicaragua's experience and knowledge. Most useful was the highly specialized support provided by NOAA, USDA, USACE, and USGS, with additional contributions for very specific interventions from CDC, EPA, and DOT, among others. The unified effort of the U.S. Government agencies created a dynamic synergy that greatly contributed to the successful implementation of the Mitch Program.

USAID coordination with the other USG agencies required major administrative and logistical support and intense performance monitoring from USAID/Nicaragua in particular, and from the U.S. Embassy as a whole. This involved coordinating the efforts of ten USG agencies, involving more than \$12 million in reconstruction assistance, several in-country coordinators with limited expertise and knowledge of the country, and countless temporary duty staff that needed efficient management and massive logistical support. In record time, these agencies were provided fully equipped offices at an Embassy facility "Casa Grande", excellent logistical support, and comfortable housing and furnishing for their families. Thus the working and living arrangements allowed for highly productive and safe tours in Nicaragua.

Given the short time frame for implementing the Mitch Program, the Mission made an early decision to bundle as many assistance and acquisition actions together as possible and to seek flexible contracting mechanisms. When possible, the Mission used existing instruments with current partners, and Global Bureau field support mechanisms especially in the health area. By including language that anticipated reconstruction activities in an Annual Program Statement (APS) issued in January 1999 for our regular

development program, the Mission was able to shorten the time to compete and award grants and cooperative agreements for economic reactivation activities. Pre-award letters proved to be another useful tool to speed the start-up of implementation.

The Mission expanded activities with NGO and PVO partners already implementing successful development activities and holding good track records for funds accountability and overall management. The Mission also explored many IQC options to obtain highly specialized expertise in a particular field, for example, crop diversification.

To fully comply with the intense monitoring and scrutiny of the Mitch funds mandated by the US Congress, the Mission initiated a rigorous performance monitoring process. As a result of intense field monitoring, most implementation problems were discovered and remedies proposed by the Mission ahead of the auditors and evaluators.

Given the highly positive audit and evaluation reports received during the first year of implementation, the Mission believes that the number of audits performed during the second year could have been reduced and the savings employed in other reconstruction activities. The cost of audits, reviews, assessments and evaluations in Nicaragua was approximately \$17 million, or 18% of the total Mitch program. In numerous cases, audits of Mitch activities were overlapping and duplicative.

Annex C.1 contains USAID/Nicaragua's response to a questionnaire developed by the GAO on the reconstruction programs.

Annex C.2 presents a table of all audits performed.

SECTION D. LESSONS LEARNED, INNOVATIONS, BEST PRACTICES

1. Program design, geographic coverage and sector focus. USAID/Nicaragua began working on reconstruction program design within 45 days of the disastrous flooding brought on by Hurricane Mitch and while implementing the emergency phase of our response. The Mission made some fundamental decisions regarding the sectors where it would work and the geographic areas to cover. Though the program design was focussed thus on five sectors and ten departments, at more than \$100 million, it was still required implementation over a wide geographical area with numerous partners. Because the great majority of the program interventions were located in rural areas where other donors were not working, USAID faced many extra challenges. USAID funded health, education, agricultural and micro-enterprise activities, and local government infrastructure projects, all activities for which USAID/Nicaragua had long years of experience. The Mission included water and sanitation, and disaster preparedness and mitigation initiatives in its reconstruction portfolio with the helpful expertise of USAID/Washington and other USG agencies and departments.

2. Maintaining high quality standards. While there was tremendous pressure to expend funds rapidly, the Mission committed to maintain high quality standards for all activities. Auditors and evaluators alike give the Reconstruction Program high marks for consistent performance. Achieving results often depended on partners hiring or training

staff to meet the quality demanded by USAID. The other factor which was key in assuring quality was the Mission's practice of making innumerable visits to the field to check firsthand on the work being carried out. The willingness of Mission staff to sacrifice personal comfort to make field trips to very remote and hard to access locations, was a tremendous asset to the program. An average monitoring trip was three days by vehicle on difficult roads, with some trips lasting up to two weeks by car, boat, mule and plane when visiting activities in the indigenous regions around the Rio Coco.

3. Choosing flexible procurement and assistance instruments. The Reconstruction Program was designed to be implemented within a very limited timeframe. The Mission made an early decision to use existing procurement and assistance mechanisms with current partners who were experienced with USAID program and accountability requirements. Health sector reconstruction activities were almost entirely implemented through Global Bureau field support mechanisms. In the economic reactivation component, creative use of the Annual Program Statement, IQCs, and pre-award authorities were critical for rapid start-up of projects.

Program implementation often required specialized technical assistance on a daily basis, which was acquired through PASAs with the US Army Corps of Engineers, NOAA, and the USDA. These agencies provided services in such areas as infrastructure reconstruction, watershed management, soil conservation, disease prevention and control, water and sanitation practices, and disaster prevention.

It would have been impossible to carry out all the procurement and assistance actions with the speed needed, if the Mission had not had its own Contracts and Grants Officer onboard. In the later part of implementation and in the closeout phase, the Mission was hampered by having to rely on a Regional Contracts Office in Honduras that was already overburdened with the size of the Mitch Program in that country.

4. Fast track implementation. Implementing a massive reconstruction program in a 30- month time frame was a new experience for USAID/Nicaragua and most of its partners. Seen another way, the Mission was required to spend a million dollars a week in the last 12 months of the program. The undertaking required dedication from all participants, extraordinary management efforts, and hundreds of hours of uncompensated time from staff. The Mission understood from the start that the Mitch program was not "business as usual". The decision to establish a special Reconstruction Office was a key factor in the resulting success of the program.

5. Impact of overlapping audit structure. The Mitch program received intense scrutiny as mandated by the US Congress, with more than 90 audits and evaluations performed by international auditing firms, DCAA, RIG, and GAO, among others. Because the Mission itself took the lead in identifying implementation problems, the Mission was able to offer solutions to most problems ahead of the auditors and evaluators. During the entire period of the program, the Mission was very open with the auditors and valued their contribution to making sure the program would yield the greatest impact possible.

The intense oversight contributed to assuring good accountability and transparency in the program. Audits, evaluations and quarterly reporting served to reinforce the discipline needed to keep on track. Mission staff established good working relationships with all auditors and evaluators, which significantly contributed to auditing effectiveness. The Mission completed the \$103.6 million Reconstruction program on time and with no open audit recommendations.

The Mission suggests that in future programs, some criteria be applied to review the need for an overlapping audit structure especially if early audits and assessments show programs are running well. The cost of auditing USAID/Nicaragua's Reconstruction Program was approximately \$17 million or 18% of audited funds, which is a rather high investment in relation to the funding for the program. In the second year of implementation, some of the funds dedicated to audits could have been well placed in other reconstruction activities more directly benefiting the families affected by Mitch.

6. Partner cooperation and coordination. About 40 partners were involved in the USAID/Nicaragua Reconstruction program with dozens of subcontractors and sub-grantees also engaged in implementation. In addition, USAID/Nicaragua expected all partners to use participatory methodologies to effectively draw communities, municipalities, and Government of Nicaragua entities into active roles in decision-making and commitment to reconstruction activities. As a result, the groups and communities that benefited took ownership of the reconstruction activities.

Early on, Mission management made it clear that this program needed to be implemented with a "hands-on" approach and in close coordination with partners, beneficiaries, and other donors. The Mission thus maintained a very productive relationship with partners using a proactive management approach without complaints of undue interference from the implementing partners. To the contrary, partners, auditors and evaluators cited this as a positive factor in assuring the success of the Reconstruction Program.

7. Sustainability. The Mission designed the Reconstruction Program to be implemented in a short period of time, with all activities to be completed no later than December 31, 2001. The emphasis on spending and quick results meant that sustainability was not the highest priority though whenever possible, sustainability was still treated as an important issue. The Mission made a particular effort to raise quality standards on reconstruction activities as a practical way to improve sustainability. A good portion of the Mitch activities, particularly in the agriculture sector, will have some degree of continuity under the continuing programs of the implementing NGO or PVO or follow-on programs under USAID/Nicaragua's regular development program. The Mission and its partners emphasized that beneficiaries needed to take proprietary responsibility for their reconstruction projects. At the end of the Mitch program, the Mission encouraged all partners to formally deliver the completed Mitch projects to beneficiaries and Government of Nicaragua authorities, including a requirement that they commit to maintain the projects.

After a reasonable time period, it would be desirable to follow-up with a post-reconstruction review to assess the sustainability of the program even though the nature of the reconstruction activities may not have emphasized long-term impact.

8. Close out procedures. Following USAID regulations on property disposition, all remaining inventories of assets were properly transferred to Mitch partners and other national NGOs, mainly to be used in USAID-funded activities under the Mission's regular development program in Nicaragua.

The Mission also coordinated and approved the disposition of all the property inventories of the other US Government agencies and departments implementing reconstruction activities in Nicaragua. Despite the extra effort that this required from the Mission, it was a good decision to delegate property disposition to the USAID field missions. The Mission knows best where the property could be appropriately employed to further US objectives in Nicaragua.

9. Formal delivery of the projects to beneficiaries. When reconstruction activities were completed, USAID requested partners to formally deliver the activities to the communities, municipalities and Government of Nicaragua entities that benefited from the particular activity. Usually a small ceremony was organized at the site and all parties signed a formal document that transferred ownership and responsibility to the recipient group. This served to publicize USAID's role in funding the project as well as making the communities aware that maintenance and the sustainability of the project depended on their commitment in the long term.

Even though this is not a procedure required normally under USAID closeout regulations, it worked well in the Nicaraguan setting and should be considered for other programs.

USAID/NICARAGUA-HURRICANE MITCH RECONSTRUCTION

Rapid Reconstruction and Sustainable Recovery in Mitch-affected areas

SPECIAL OBJECTIVE

INTERMEDIATE RESULTS:

IR1

Health status of Mitch-affected families maintained or improved

IR1 indicator: Number of cases of infectious diseases in target areas compared to pre-Mitch levels.

IR2

Economic livelihood of farmers, laborers, micro-entrepreneurs in Mitch-affected areas restored

IR2 indicator: No. of farmers microentrepreneurs, laborers in Mitch-affected areas reached USAID reconstruction assistance.

IR3

Vulnerability to flooding and other natural disasters mitigated

IR3 indicator: Number of exigency and non-exigency threat conditions corrected.

IR4

Conditions restored for primary school students to learn

IR4 indicator: Number of classrooms in Mitch-affected areas re-supplied, re-equipped and/or re-furnished.

IR5

Basic infrastructure in selected Mitch-affected municipalities repaired

IR5 indicator: Number of municipal infrastructure sub-projects completed.

LOWER-LEVEL RESULTS:

IR1.1: Increase access to health services in Mitch-affected areas.

IR1.2: Rural water and sanitation systems installed or rehabilitated in Mitch-affected areas

IR2.1: Environmentally sustainable agricultural practices adopted.

IR2.2: Agricultural land reclaimed and rehabilitated.

IR2.3: Critical watersheds stabilized.

IR 2.4: Farm-to-market roads restored.

IR2.5 Credit provided to microentrepreneurs.

IR3.1: Threats conditions identified.

IR3.2: Increased local capability to prepare for, and cope with, disasters.

**USAID/NICARAGUA
RESOURCE ALLOCATION TABLE (SPO) AS OF DECEMBER 31, 2001**

ANNEX A.2

INTERMEDIATE RESULTS/PROJECTS	Obligation	Sub-obligation	Available for sub-obligation	Accrued expenditures at 12/31//2001	% exp	Pipeline	Award period from/To	Comments
ECONOMIC REACTIVATION DISASTER MITIGATION (0366/0367)								
ADRA	945,027	945,027	0	944,961	100%	66	12/08/99 - 12/08/01	Recipient contracted audit
ALISTAR	1,435,000	1,435,000	0	1,434,918	100%	82	01/26/00 - 12/31/01	Recipient contracted audit
CARE Posoltega	761,371	761,371	0	761,258	100%	113	08/25/99 - 12/31/01	Recipient contracted audit
CARE Estelí	924,000	924,000	0	923,949	100%	51	12/23/99 - 12/20/01	Recipient contracted audit
CARE -CFW, Rural Roads	8,492,683	8,492,683	0	8,492,683	100%	0	10/14/99 - 11/30/01	Concurrent audit
CHISPA	677,000	677,000	0	677,000	100%	0	07/23/99 - 08/01/01	Recipient contracted audit
Chemonics RAISE IQC	6,798,042	6,798,042	0	6,797,975	100%	67	07/01/99 - 12/31/01	Annual DCAA audit
CLUSA	5,881,426	5,881,426	0	5,881,426	100%	0	10/27/99 - 10/28/01	Recipient contracted audit
Cooperativa Multisectorial Madriz R.L.	50,000	50,000	0	50,000	100%	0	11/10/99 - 11/10/01	NONE
CRS, Microenterprise	410,000	410,000	0	409,929	100%	71	07/26/99 - 07/31/01	A-133
CRS, Agriculture Rehabilitaton & Credit	6,698,020	6,698,020	0	6,697,994	100%	26	10/26/99 - 12/31/01	A-133
DAI / PROMESA	625,000	625,000	0	624,909	100%	91	02/22/99- 03/22/01	A-133
FAMA	450,000	450,000	0	450,000	100%	0	09/09/99 - 09/09/01	Recipient contracted audit
FINCA	405,000	405,000	0	404,944	100%	56	07/26/99 - 08/01/01	Recipient contracted audit
IICA - Agricultural Policy	1,251,288	1,251,288	0	1,251,274	100%	14	07/14/00 - 12/31/2001	Recipient contracted audit
IICA-Trip to Miami	29,101	29,101	0	29,101	100%	0	11/29/99 - 12/29/01	None
KATALYSIS	605,000	605,000	0	605,000	100%	0	10/01/99 - 09/01/01	Recipient contracted audit
Mujeres Agropecuarias Coop.	50,000	50,000	0	50,000	100%	0	11/10/99 - 11/10/01	None
NOAA-PASA	1,300,000	1,300,000	0	1,299,967	100%	33	01/19/00 - 12/31/01	A-133
PCI	760,519	760,519	0	760,453	100%	66	12/21/99 - 12/20/01	Recipient contracted audit
PRO-MUJER	123,000	123,000	0	123,000	100%	0	07/26/99 - 07/31/01	Recipient contracted audit
SAVE THE CHILDREN - REIMIPRE	2,449,761	2,449,761	0	2,449,663	100%	98	12/10/99 - 12/12/01	Recipient contracted audit
WRC. Agric. Reconst. To Posoltega	6,426,026	6,426,026	0	6,426,013	100%	13	10/28/99 - 12/31/01	Concurrent audit
WRC. Coffee-Agric.loan fund	1,302,826	1,302,826	0	1,302,826	100%	0	04/12/02 - 4/12/05	Financial Review
Concurrent Audits Programmed	408,455	408,455	0	408,455	100%	0		CARE, CRS, WRC
USACE-PASA (US ARMY CORPS ENG)	2,299,010	2,299,010	0	2,298,543	100%	467	12/20/99 - 12/20/01	
USDA-PASA	5,817,000	5,817,000	0	5,816,845	100%	155	12/20/99 - 12/20/01	A-133
Program Management	2,854,295	2,805,939	48,356	2,322,417	81%	531,878	12/20/99 - 03/2002	
TOTAL 0366/0367	60,228,850	60,180,494	48,356	59,695,503	99%	533,347		
	100%	100%	0%	99.1%		1%		

INTERMEDIATE RESULTS/PROJECTS	Obligation	Sub-obligation	Available for sub-obligation	Accrued expenditures at 12/31//2001	% exp	Pipeline	Award period from/To	Comments
SCHOOL REHABILITATION (0368)								
AED-Program Activities/ W&S*	2,526,176	2,526,176	0	2,526,173	100%	3	10/22/99-12/31/01	Concurrent by DCAA
AED-Commodity procur. And fixed fee*	1,861,250	1,861,250	0	1,861,241	100%	9	10/22/99-12/31/01	Concurrent by DCAA
AED Concurrent Audit by DCAA	89,724	89,724	0	89,632	100%	92	10/22/99-12/31/01	
TOTAL SCHOOL REHAB. (0368)	4,477,150	4,477,150	0	4,477,046	100%	104		
	100%	100%	0%	100%		0%		
MUNICIPAL RECONST. (0369)								
PADCO (Contract)	640,452	640,452	0	619,352	97%	21,100	08/19/99-08/19/01	Concurrent by DCAA
PADCO Conc. Audit by DCAA	51,280	51,280	0	51,242	100%	38		
FISE (Grant)	1,944,000	1,944,000	0	1,944,000	100%	0	09/08/99 - 12/31/01	Concurrent by DCAA
FISE Conc. Audit by DCAA	110,657	110,657	0	110,631	100%	26		
American red cross (Waspan flood)	27,611	27,611		27,600	100%	11		
TOTAL MUNICIPAL RECONST. (0369)	2,774,000	2,774,000	0	2,752,825	99%	21,175		
	100%	100%	0%	99%		1%		
PUBLIC HEALTH (0370)								
ALISTAR	281,936	281,936	0	281,920	100%	16	01/26/00 - 12/31/01	Recipient contracted audit
MSH/PROSALUD *	2,217,186	2,217,186	0	2,217,139	100%	47	10/01/99-11/01/01	Audit by DCAA
NICASALUD (Save the Children, CARE, ADRA, PCI)	1,100,000	1,100,000	0	1,100,000	100%	0	11/18/99 - 07/31/01	No mission audit responsibility
CMS/DTT	4,058,000	4,058,000	0	4,058,000	100%	0	09/26/00 - 07/31/01	No mission audit responsibility
EHP/CDM	283,388	283,388	0	283,300	100%	88		Audit by DCAA
Program Management	1,087,490	1,059,993	27,497	898,441	83%	189,049		Admin. Costs
TOTALPUBLIC HEALTH (0370)	9,028,000	9,000,503	27,497	8,838,800	98%	189,200		
	100%	100%	0%	98%		2%		
TRANSP. & ACCOUNT.(0372)								
Transparency and Accountability	1,000,000	1,000,000	0	1,000,000	0	0		
TOTAL TRANSP. & ACCOUNT. (0372)	1,000,000	1,000,000	0	100%	0%	0%		
TOTAL USAID/NICARAGUA	77,508,000	77,432,147	75,853	76,764,174	99%	743,722		
	100%	100%	0%	99%		1%		
Health Global Field Support (AID/W)	16,600,000	16,600,000	0	16,600,000	100%	0		
GRAND TOTAL	94,108,000	94,032,147	75,853	93,364,174	99%	743,826		
	100%	100%	0%	99.2%		1%		

INTERMEDIATE RESULTS/PROJECTS	Obligation	Sub-obligation	Available for sub-obligation	Accrued expenditures at 12/31//2001	% exp	Pipeline	Award period from/To	Comments
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MITCH OPERATING EXPENSES STATUS AS OF SEPTEMBER 29,2001

Appropriation	Obligation	Expenditures	% exp.	Pipeline
FOE99925524U000 (1999)	620,810	620,810	100%	-
FOE90025524U000 (2000)	283,527	283,527	100%	-
FOEM0025524U000 (2000)	194,619	194,619	100%	-
TOTAL	1,098,956	1,098,956	100%	-

\$24,845 was deobligated from FOEM0025524U000, FOE90025524U000

FUNDS UNEARMARKED AVAILABLE:	
SOURCE	Amount
Program Management 0366/0370	\$ 75,853
Total	\$75,853

To: Cinthia Pruett - Controller
R.Garner - Deputy Director
M.Kromhout (SMA)

D. Fernandez - OFIN
P.Rosales - OFIN
K. Anderson - DI

P.Greenhough - SMA
R.Baum - ERD
K.McDonald - HI

L.Bravo - OFIN
T.Membreño - RO

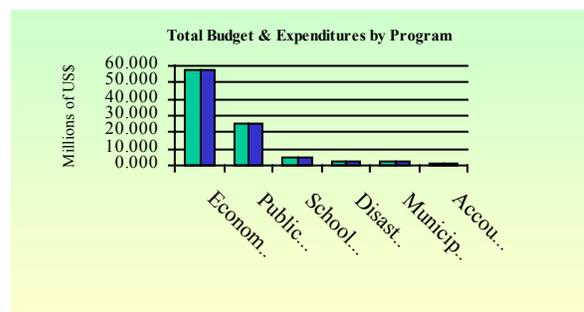
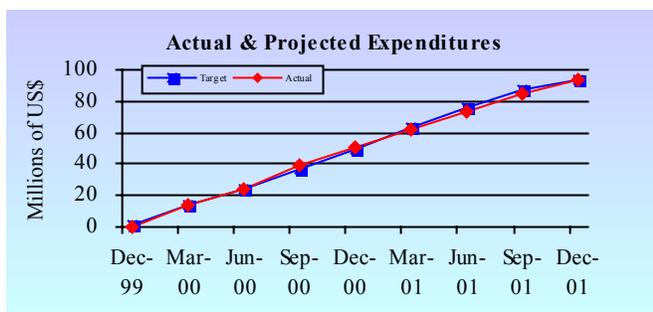
INTERMEDIATE RESULTS/PROJECTS	Obligation	Sub-obligation	Available for sub-obligation	Accrued expenditures at 12/31//2001	% exp	Pipeline	Award period from/To	Comments
Comercial Marketing Strategies/ Deloitte and Touche Thomatsu								
USAID/WASHINGTON	1,500,000	1,500,000	0	1,500,000	100%	0		
USAID/NICARAGUA	4,058,000	4,058,000	0	4,058,000	100%	0		
Total CMS/DTT	5,558,000	5,558,000	0	5,558,000	100%	0		
NICASALUD (Networks for Health) Save the Children, ADRA, CARE...								
USAID/WASHINGTON	5,000,000	5,000,000	0	5,000,000	100%	0		
USAID/NICARAGUA	1,100,000	1,100,000	0	1,100,000	100%	0		
Total NICASALUD	6,100,000	6,100,000	0	6,100,000	100%	0		
Family Planning Management Development (FPMD)								
USAID/WASHINGTON	400,000	400,000	0	400,000	100%	0		
John Hopkins University IEC/PCS								
USAID/WASHINGTON	2,000,000	2,000,000	0	2,000,000	100%	0		
Measure Macro International Carolina Population Center/ UOC								
USAID/WASHINGTON	900,000	900,000	0	900,000	100%	0		
Quality Assurance II Center for Human Services								
USAID/WASHINGTON	1,300,000	1,300,000	0	1,300,000	100%	0		
Food And Nutrition Technical Assistance (FANTA)								
USAID/WASHINGTON	200,000	200,000	0	200,000	100%	0		
EHP/Camp Dresser Mc Kee								
USAID/WASHINGTON	4,500,000	4,500,000	0	4,500,000	100%	0		
Child Survival Flagship-BASICS								
USAID/WASHINGTON	800,000	800,000	0	800,000	100%	0		
TOTAL AID/WASHINGTON	16,600,000	16,600,000	0	16,600,000	100%	0		
TOTAL AID/NICARAGUA	5,158,000	5,158,000	0	5,158,000	100%	0		
GRAND TOTAL	21,758,000	21,758,000	0	21,758,000	100%	0		

*EHP/CDM is technically managed by USAID/Nicaragua. It includes 5M of CS for a total contract amount of 9.5M

ANNEX B. 1

USAID Nicaragua Supplemental Reconstruction Programs Response to Hurricane Mitch, October 1998 Status as of December 31, 2001

MAY 1999 SUPPLEMENTAL RECONSTRUCTION FUNDS (CACEDRF)	TOTAL BUDGET	OBLIGATIONS	COMMITMENTS	EXPENDITURES
	\$94,108,000	\$94,108,000	\$94,045,895	\$93,412,247



Impact of Hurricane Mitch

Hurricane Mitch was the worst natural disaster in Nicaragua's history. Over 3,000 people lost their lives, with the most tragic loss occurring at Posoltega where some 2,000 died in one huge landslide. Eighteen percent of the total population, 870,000 people, were affected by the storm.

The productive sector was hit particularly hard. An estimated 11,550 hectares of agricultural land were destroyed. Another 308,000 hectares (25% of the country's total cropland) were seriously damaged. Potable water and wastewater systems serving 804,000 people suffered over \$560 million worth of damage. Ninety health centers and more than 400 health posts were damaged. Over 500 primary schools were damaged structurally. Total damages are estimated at U.S. \$1.5 billion – 70 percent of Nicaragua's 1998 Gross Domestic Product.

Initial USAID Response

Immediately after the hurricane struck, the United States provided nearly \$22 million in emergency humanitarian and food assistance. USAID reallocated an additional \$8 million to jump-start reconstruction activities in the public health, agriculture and micro-finance areas prior

to the passage of the Supplemental Reconstruction funds in May 1999.

Program summary

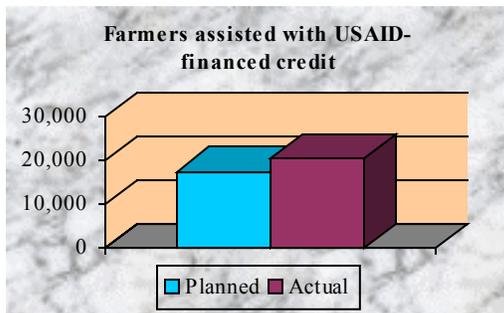
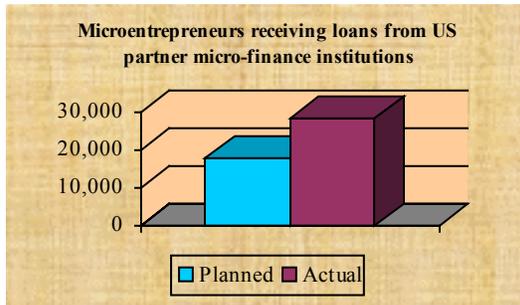
A completed program

USAID has implemented the Reconstruction Program as planned and on schedule. Despite the many challenges of doing rural reconstruction in Nicaragua, the program has surpassed most of its targets with an efficient use of budgeted funds. The key accomplishments for the Reconstruction Program are:

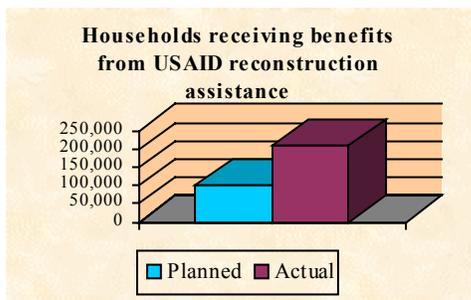
- With 99.2% of budgeted funds expended, all programmed projects and activities were implemented on time with high quality standards.
- A transparent and accountable use of all the reconstruction funds confirmed by careful and continuous monitoring including more than 75 audits. IG and GAO evaluations, resulted in no outstanding recommendations at the end of the program.
- A broad-based implementation of the program in rural areas, which benefited most of the municipalities in the departments affected by Hurricane Mitch.

The Programs included:

Economic Reactivation



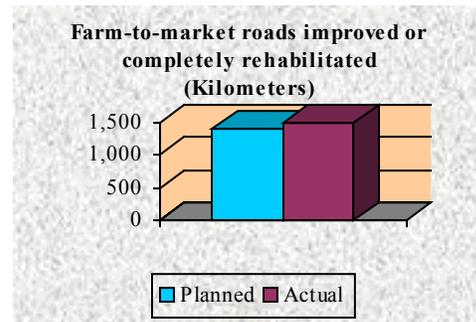
- Almost 210,000 households benefited from Mitch assistance -- more than twice the target. Of these, over 49,000 households participated in food-for-work or cash-for-work programs, primarily for road rehabilitation, and 70,500 households incorporated environmentally sustainable agricultural practices on their farms.



- Nearly 14,000 hectares of watersheds have been protected with stabilization efforts, exceeding the target of 8,000 hectares. In addition, 1,500 hectares of Mitch-damaged cropland were reclaimed.
- The six NGOs involved in micro-lending under the Mitch Program lent over \$9.6 million of reconstruction funds and loan

reflows to 28,409 micro-entrepreneurs. Almost 75 percent of the recipients were women. In addition, over \$9.1 million has been lent through private voluntary organizations to 20,552 agricultural producers.

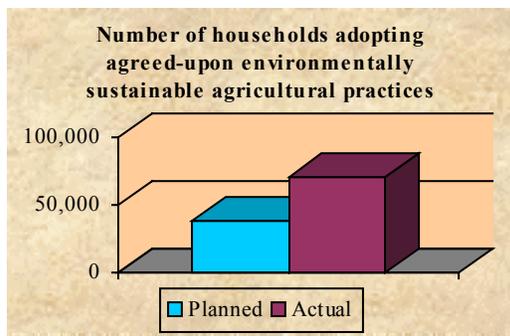
- More than 1,500 kilometers of roads have been improved or rehabilitated by CARE, the Adventist Development Relief Agency, Save the Children, Project Concern International, and World Relief. The road rehabilitation program benefited over 51,000 families living in 980 communities and opened up access to another 2,200 kilometers of roads cut off from the nation's network of roads.
- Residents of remote mountainous communities have been trained to repair tertiary roads themselves, increasing their self-reliance and resilience in the face of natural disasters.



- During this quarter, World Relief support enabled local farmers to plant 400 manzanas of a well-adapted hybrid corn in humid areas of northern Nicaragua. The hybrid produced more than three times the yield of local varieties, generating a fivefold increase in net incomes.
- 360 farmers in Nueva Segovia tripled bean yields with the use of improved varieties, soil inoculation, and small amounts of fertilizer.

Insert picture 1

- The design and construction of five portable mini-dams has demonstrated an innovative approach to irrigating vegetables and fruit trees. These temporary dams are set up during the dry season, and removed prior to the rainy season. These cheap and easy-to-install dams enable dry-land farmers to use water from streams previously too unreliable for agricultural purposes.
- The Mitch-funded agricultural policy project (PROVIA), working together with sixty-two producers from all major agricultural sectors in Nicaragua outlined a agricultural strategy for the GON covering agricultural technology, rural finance, trade policy, land markets, and the forestry sector. PROVIA also prepared studies of the tax structure and its implications for agricultural development. These are being used as basic working documents by the new Economic Cabinet.



Public Health

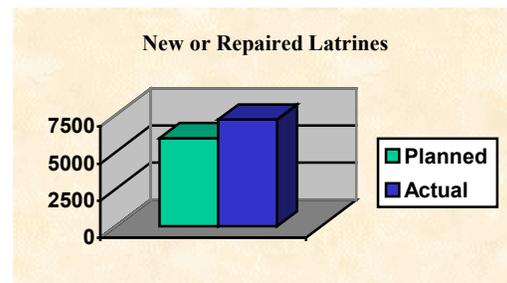
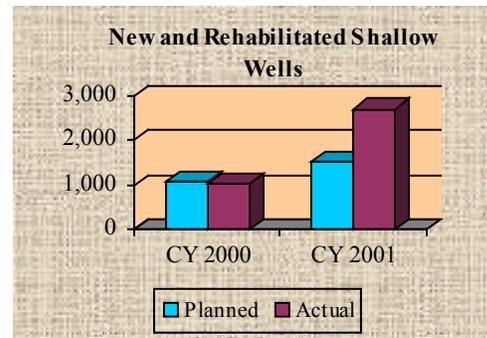
This component improved the health of families in Mitch-affected communities by increasing access to health services and rehabilitating or installing rural water and sanitation systems. Working in collaboration with the Nicaraguan Ministry of Health and the national water authority, ENACAL, USAID far exceeded even the new second year targets -- raised after our successes in the first year -- for the construction and rehabilitation of wells and latrines.

In addition, the USAID Environmental Health Project provided 40 remote health posts in rural Matagalpa and Jinotega with new or improved access to water and sanitation facilities. The project included the formation and training of community based water committees to ensure adequate maintenance and administration of the

infrastructure, and provided health and hygiene education to improve family health habits related to water and sanitation. In total, the project attended the need for water and sanitation in 250 rural communities and benefited approximately 200,000 persons affected by Hurricane Mitch. The following charts reflect the targets and results for water and sanitation infrastructure at the completion of the project.

Environmental Health:

- Built or rehabilitated a total of 2,700 hand-dug and 300 deep drilled wells.
- Built a total of 7,200 latrines.
- Completed 830 wastewater collection pits and small environmental projects.



Health Center and Post Rehabilitation:

Key activities included:

- 50 Health units constructed or rehabilitated.
- Medical and laboratory equipment and furnishings provided to 60 rural health facilities;
- 220 radios and six repeater stations installed at 150 health posts;
- Communities trained in the use of 40,000 domestic water filters; and
- Communities trained in the use of 12,000 pesticide impregnated bed nets.

The NicaSalud Network of 20 PVOs and NGOs, in coordination with the Ministry of Health, distributed medical supplies and equipment for health posts, surgical tools and other supplies and materials for improving maternal and childcare. They provided community and household level health education for more than 420,000 women, three-quarters of whom are of reproductive age.

NicaSalud established a uniform monitoring and evaluation system that showed the following changes:

- Mothers who received at least one pre-natal checkup increased from 46% to 61%.
- Mothers who received iron daily during pregnancy increased from 71% to 86%
- Births attended by trained personnel increased from 57 to 75%
- Exclusive breastfeeding during the first six months increased from 63% to 77%
- Complete vaccination coverage for infants under six months increased from 71% to 82%

In December 2001, the National Assembly of Nicaragua formally recognized NicaSalud as a legally registered Nicaraguan non-governmental federation. This legal recognition will permit it to function as an independent entity receiving funding from other donors. NicaSalud is now a sustainable development organization that will live beyond the USAID Hurricane Mitch program.

The Franchised Clinic Network Project improved the health status of Mitch-affected families and increased access to health services in Mitch-affected areas. The model has increased private sector participation in delivering essential health services.

The project achieved these goals through the creation of a franchised, and largely self-financing network of six private sector clinics. These state-of-the-art clinics provide high quality, low cost preventive and curative care to approximately 250,000 lower to middle income Nicaraguans. PROFAMILIA now manages the network of clinics, and has instituted quality control systems to ensure high quality of care in the clinics.

A staff of 75 has provided services to 17,000 clients in six municipalities. Services include

curative and preventive care, ranging from free services: prenatal visits, preventive dental care, immunizations, oral rehydration therapy, malaria treatment, and TB treatment, to paid services: specialized medical visits, laboratory services, deliveries, family planning, and emergency services.

This “one stop shop” approach to health care has proven to be marketable in Nicaragua. The network is 72% sustainable after less than one year. PROFAMILIA has already converted one of its clinics to the franchise system, and it plans on converting the remaining 11 clinics as well.

School Rehabilitation

USAID provided basic school supplies, instructional materials, classroom equipment, and sports equipment to 220 schools. The assistance also included: 5,500 pieces of classroom furniture, constructed with community participation; 20 school repairs, also in collaboration with communities; new/repaired wells and latrines at 150 schools; and psychological recovery assistance for teachers and children in two communities severely affected by Mitch.

- The last delivery included erasable writing boards for students. The specially-designed boards can be written on with a No. 2 pencil, erased with a plastic foam eraser, and re-used indefinitely. The boards provide schools with sturdy, ecologically friendly and sustainable equipment to use in place of conventional notebooks.
- A Nicaraguan NGO provided psychological recovery training for 390 teachers, principals, and local education officials. Of these, USAID awarded certificates to 290 participants who completed all aspects of the training in helping students recover from stress- and trauma-related personal and emotional problems. The services, scheduled to end in September, were extended two months at the request of teachers, students, and community members. Vocational training and after-school alternatives were also extended through November for 220 at-risk students in the Nueva Vida school.

- Because field monitoring data indicated that a large percentage of teachers did not know how to make the best use of the USAID donation, 925 teachers from ERC beneficiary schools were trained in the use/management of the donated learning materials, equipment and supplies. Teachers were trained in how to create materials to enrich learning activities and how to make maximum use of classroom materials (e.g. maps, globes, human anatomy and science posters, reference books, dictionaries, mathematics learning games). As a result of this training, teachers and their 25,000 students will now receive the maximum learning benefits from USAID's Mitch donation.
- Community members worked with local sub-contractors to build classroom furniture to replace furniture destroyed by flooding. 5,500 units (desks and chairs) have been completed and delivered to 69 of 70 beneficiary schools. 2,785 teachers and students in the Rio Coco region will benefit.
- Construction work on water and sanitation installations continued through much of December. 12,000 students and 350 teachers will benefit from these facilities. Structures include 40 drilled wells completed. In addition, 18 existing wells were repaired, 8 wells were excavated in the Rio Coco region, and 75 rope-operated hand pumps were installed.

Insert picture 2

- 270 dry-pit latrines were constructed and 50 existing latrines repaired. This component suffered delays caused by heavy rains, difficult terrain and security problems at Rio Coco schools; slow turn-around times by local laboratories conducting water purity tests; and bankruptcy by one of the local sub-contractors, leaving construction incomplete at several schools.

Disaster Mitigation

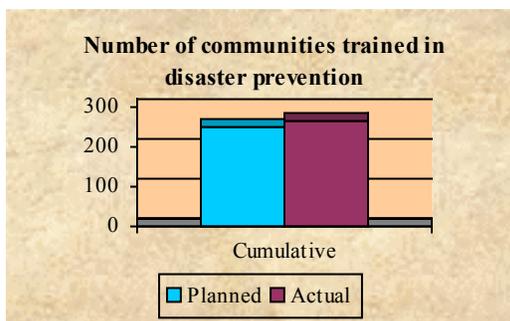
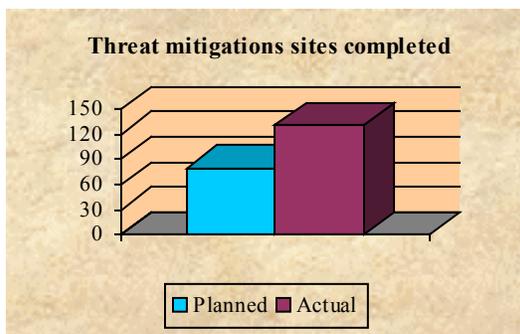
The Mitch-funded disaster mitigation program encompassed both disaster prevention and mitigation, including construction of drainage and flood control structures, clearing waterways, and soil conservation activities in areas that are prone to flooding, landslides, or other natural disasters. US agencies involved included USAID, the National Oceanic and Atmospheric Administration (NOAA), the United States Geological Survey (USGS), the Federal Emergency Management Agency (FEMA), the United States Army Corps of Engineers (USACE), and the United States Department of Agriculture (USDA). The USAID program reduced vulnerability to flooding and other natural disasters at 130 sites -- and provided training in disaster preparedness to 265 communities, benefiting more than 20,000 households.

Insert picture 3

The USDA provided \$750,000 to the Union of Agricultural Producers of Nicaragua (UPANIC) to finance small-scale rehabilitation activities at 130 locations.. The activities, which were carried out by 24 subgrantees, included clearing and stabilizing of stream channels, reforestation, and recovery of agricultural land -- and benefited 12,500 households. For example:

- An NGO on the Atlantic Coast used a \$47,000 USDA/UPANIC grant to rehabilitate agricultural land along the banks of the Rio Coco, constructing nearly 6,000 meters of terraces, reforesting 170 acres with nearly 100,000 forest and fruit trees, and establishing 25 acres of grass to stabilize slopes and gullies. This project benefited 720 families in ten communities along the river.
- An NGO in Chinandega used a \$48,000 USDA/UPANIC grant to construct three small "box" bridges and rehabilitate six stream channels in the Estero Real watershed, benefiting 1,920 families.
- The Club of Young Environmentalists in Matagalpa used a \$43,700 USDA/UPANIC grant to repair drainage channels and install footbridges in Matagalpa, benefiting 1,000 families.

- POLDES, an NGO based in Nueva Segovia, used a \$54,000 USDA/UPANIC grant to construct three large "shoal" bridges in the Rio Coco watershed, repairing damage caused by Hurricane Mitch and improving the drainage of the channels. This project benefited 1,500 families.
- The USDA Program also provided \$1 million to finance larger activities at six sites, carried out by the Fondo de Inversion Social de Emergencia (FISE), a Nicaraguan municipal development organization. These projects included construction of dikes to prevent the flooding of a regional hospital at La Trinidad, construction of a bridge at El Hatillo, and stream bank stabilization to prevent flooding.



Municipal Restoration

The role of local governments in reconstruction will be strengthened by USAID's preference to channel funds through local governments. Eleven projects have been completed. (The target of 20 was not met because local construction firms were unable to meet USAID quality standards in a timely fashion.)

The completed projects include:

- repair of the Posoltega dike,
- construction of a containment wall in Matagalpa to control flooding by the Rio Grande River,
- construction of storm drains for a 20-block area in the city of Leon,
- construction of rural roads in the municipalities of Yalaguina and San Lucas.
- storm drainage systems in the municipalities of Quezalguaque and Estelí,
- street paving in the municipalities of Palacaguina, El Tuma-La Dalia, and Tipitapa, and
- reconstruction of a river deck and platform in the municipality of Wiwilí.

Insert picture 4

Transparency and Accountability

USAID has obligated and disbursed \$1 million to support the Inter-American Development Bank (IDB) project to establish systems to increase efficiency and transparency in the Government of Nicaragua's public procurement system. USAID's contribution supports the establishment of an Inspectorate to monitor all procurement and contracting actions by the GON regardless of the source of funding.

Program Monitoring and Management

- Private audit firms and the Defense Contract Audit Agency have completed sixty-seven audits, with only one material finding with a total value of \$2,658 of questionable costs.

Certified, Improved Seeds Increase Yields for Farmers

Guadalupe Abajo, Nicaragua—While many of his neighbors lost their bean crops from drought at the beginning of the 2001 planting season, Mario Lopez stood proudly, nearly knee high in bean plants, surveying his flourishing crop. Lopez is one of 30 farmers in this rural community who participated in a USAID-financed program to produce certified seed.

The \$625,000 Seed Improvement Project, known by its Spanish acronym, PROMESA, promoted the planting of improved, certified seeds to increase yields. Under the program, hundreds of seed producers in Nicaragua's northern departments produced certified seed of improved varieties on more than 1,700 acres of farmland in the year 2000. Producers using the more drought and disease resistant seeds have been able, in many cases to triple yields.

On her small one and a half acre plot, Thelma Bendaña harvested 17 hundred-weights of beans under drought conditions after planting certified seeds. Before, even under the most favorable conditions, the most she could expect from a harvest was five hundredweights of beans.

"We had a great harvest. These beans are a thousand times better than what we were planting before," said Bendaña.

Mario Lopez's farm is one of the best examples in Guadalupe Abajo of the benefits of planting certified seeds. Lopez has been able to recover his losses from Hurricane Mitch and the profits from sales allowed him to fix his house and help put four children (at the same time) through college.

Although some aspects of the PROMESA project under USAID's Hurricane Mitch Reconstruction Program ended December 31, 2001, the program left behind the beginnings of a national seed policy that promotes the private sector production of high quality, certified seeds.

Insert picture 5

Wiwili Profile

The mountain town of Wiwili, located on the Coco River 270 km north of Managua, was severely damaged by Hurricane Mitch in October 1998. More than 600 homes were destroyed when the Coco River rose 30 meters above its banks. The water covered the town's hospital, destroyed schools and washed away crops. Several days later, 500 bodies, carried downstream by the river's currents, floated in front of the devastated community.

Now, a little over three years after the disaster, the town shows signs of recovery. Boats from upriver communities land at a new dock to unload sacks of coffee and other products on their way to market while passengers wait to board the small outboard motor crafts that serve as the main form of transportation along the river. A new hospital will soon open its doors to the public; and crops once again cover the land.

Many of these activities received assistance from USAID. The new dock, financed by USAID, provides indigenous communities located along the Coco River a way to bring products to market and to receive provisions. The concrete mooring area and paved access road facilitates loading and unloading, which has increased commerce in the community.

Immediately after the destruction by Hurricane Mitch, U.S. Army troops built a temporary medical facility with a 30-bed capacity. The Nicaraguan government has since built a permanent new medical center. USAID funded the water and sanitation system for the new facilities and built housing for medical staff. In addition, USAID repaired three other health posts in the municipality of Wiwili and constructed medical staff housing in four outlying communities. All the facilities received medical equipment to

provide basic maternal and child health care services. Furthermore, in cooperation with the U.S. Army, USAID's PROSALUD project facilitated the donation of hospital equipment that will permit the new hospital in Wiwili to open. USAID also provided radio communication systems for all the health facilities and solar energy systems in all the staff housing and health posts to guarantee a source of energy 24 hours a day.

Approximately 3,300 households in the Wiwili area are receiving assistance through a USAID-funded World Relief agricultural project. The agricultural resource center set up by the program in the community of Cruz Laguna in Wiwili promotes higher-value alternative crops. The 57-acre testing farm grows more than 38,000 plants of a wide variety including cinnamon, macadamia nuts, pepper, avocado, passion fruit and other exotic fruits. The site also tests new varieties of plantains and bananas that will give producers higher yields and promotes the use of improved, certified seeds.

Ivania Morán, one of the participants in the World Relief project, more than doubled her corn yield by using improved seed. Morán, a mother of two, has diversified her crops by planting cinnamon and rambutan fruit, plants that she obtained through the USAID-financed agricultural resource center.

insert picture 6 insert picture 7

USAID/Nicaragua

Response to the GAO Questionnaire on the Mitch Program

1. Did the December 31, 2001 expenditure deadline affect your planning for reconstruction activities? If so, how (i.e. given the short deadline, to what extent were agreements reached and/or projects designed differently than they otherwise would have been in a regular DA program)

Yes, given the short timeframe for implementing the program, the Mission made a strategic decision to rely primarily on organizations that were already working with USAID/Nicaragua, and those with a permanent base in the country. The Mission also sought to achieve greater efficiency by bundling more activities into one procurement/assistance package than normally had been done under the regular program.

USAID relied on the active participation of partners in designing the projects. The implementing partners contributed their knowledge of the country and were committed to producing practical designs that could be implemented on time.

The Mission amended existing agreements and contracts, and made broad use of GPHN Cooperating Agencies to short-circuit downtime spent on procurement. The bulk of the program was consequently programmed through cooperative agreements with U.S. Private Voluntary Organizations that have a presence in the country, including: CARE (four agreements), Save the Children (two agreements), CLUSA, Catholic Relief Services, ADRA, World Relief, ALISTAR and PCI; and through contractors including AED, PADCO and MSH. In the micro-enterprise sector, the Mission made use of a previously issued Annual Program Statement to make additional awards.

When analyzing the short deadline, several constraints for implementing a major reconstruction program in Nicaragua stand out.

First, USAID has limited expertise and experience in doing fast track reconstruction programs. The Mission's assets, staff and procedures, were less than adequate for a quick response with a tight deadline. As a government agency, USAID was requested to speed up implementation of the Reconstruction Program, and at the same time follow rigid procedures and implementation mechanisms.

Second, the Mission had to use procedures applicable to normal Development Assistance (DA) funded programs in the absence of specific procedures for a reconstruction program. These DA procedures sometimes slow down a rapid response program.

Third, the situation in Nicaragua, even before Mitch, presented major challenges for reconstruction work when compared to the other countries affected by hurricanes Mitch and George. Nicaragua lacks basic infrastructure for implementing rural development programs. Roads are inadequate with almost 50% of its territory isolated.

Communications are almost non-existent particularly for the autonomous regions RAAN and RAAS, and there is very limited access to electricity overall. In addition, the fact that Nicaragua has an incipient democratic government, subject to major stress in the elections process, meant that U.S. reconstruction efforts could have suffered drastic changes due to political considerations.

Fourth, during the past decade the Nicaraguan Government has demonstrated very limited capacity to coordinate donor community reconstruction efforts. Especially marked was the problem of assuring accountability and transparency in the use of donor funding. Due in part to the potential for misuse of funds, the Mission made the tactical decision to implement the Mitch reconstruction activities through private voluntary organizations and direct contracts.

2. Does the Mission expect the December 31, 2001 expenditure deadline to affect the sustainability of reconstruction activities? If so, how?

The funding recipients were asked to design programs that would terminate by the December 31, 2001 deadline with the clear warning that funding would not continue past 2001. The emphasis on spending and quick results meant that sustainability was not the highest priority. The Mission was told many times over that the Mitch supplemental funds were not provided by Congress to carry on business as usual, that is, to carry out regular development programs. We understood that the Congress wanted to see quick, tangible outputs and while the longer-term sustainability of projects is always desirable, it was not the main focus of the CACDERF appropriation. Basically, the Mission was interested in projects that would be turned over to the communities at the end of two years leaving the sustainability responsibility in the hands of the beneficiaries. For most projects, a training component was built into the project to train the beneficiaries on how to maintain and sustain the investments made under Mitch.

Nevertheless, the nature of the rural reconstruction activities primarily related to environmental protection, agriculture and water and sanitation, combined with the steep reduction in PVO staff, will undoubtedly have an adverse impact on sustainability for most projects. A gentler transition path would have been much better. This remains an open question, and certainly should be a major consideration when designing other reconstruction programs.

3. How did the Mission decide to use the following partners and funding agreements? What were the pros and cons of using each? Which partners activities added value, and which did not? Which agreements work best?

1. How did the Mission decide to use the following partners and funding agreements?	
Existing partners:	Preference was given to PVOs, since cooperative agreements are meant to be less management intensive than contracts.
New partners:	New PVOs or contractors were used when partners demonstrated a distinctive capacity.
Host government:	Lack of transparency and good governance issues limited the use of the host government.
Other U.S. government departments and agencies:	Since several agencies received separate Mitch funding, the Mission established coordination mechanisms for Nicaragua-specific activities.
Interagency agreements:	The mission entered into several PASA agreements to complement the activities of the other USG agencies
Participating Agency Service Agreements (PASAs):	PASA agreements for agriculture rehabilitation, environmental protection, and disaster mitigation were signed with NOAA, USACE and USDA.
2. What were the pros and cons of using each?	
Existing partners:	<p>PROS</p> <ul style="list-style-type: none"> a) Cooperative Agreements are easier to manage. b) Partners have the expertise and experience in working in Nicaragua. c) Nicaragua very expedited process since some agreements were simply modified to include the Mitch projects. <p>CONS</p> <ul style="list-style-type: none"> a) Some partners were requested to perform activities that they did not have enough expertise or experience. b) In a couple of cases, the partners were not agile enough to carry out a fast track reconstruction program.

New partners:	<p>PROS</p> <ul style="list-style-type: none"> a) They brought expertise and experience from other countries. b) More competitive costs. <p>CONS</p> <ul style="list-style-type: none"> a) Lacked experience in the country. b) Time expended on getting settled.
Host government:	<p>CONS</p> <p>Transparency and accountability issues were very serious.</p>
Interagency agreements:	<p>PROS</p> <ul style="list-style-type: none"> a) Highly specialized staff in reconstruction activities. b) Great capacity to perform under pressure. c) Received separate Mitch funding to carry out their activities. <p>CONS</p> <ul style="list-style-type: none"> a) Lacked experience working in Nicaragua. b) Staff needed time to get security clearances and settle in.
Participating Agency Service Agreements (PASAs):	<p>PROS</p> <ul style="list-style-type: none"> a) Highly specialized staff in reconstruction activities. b) Great capacity to perform under pressure. <p>CONS</p> <ul style="list-style-type: none"> a) Lacked experience on working in Nicaragua. b) Staff needed time to get security clearances and settle in
3. Which partners activities added value, and which did not?	
Existing partners:	Agriculture reactivation and micro-enterprise activities
New partners:	Agriculture diversification and export promotion activities, and water and sanitation
Host government:	No comments
Other U.S. government departments and agencies:	Agriculture reactivation, and environmental protection

Interagency agreements:	Agriculture reactivation, rural infrastructure reconstruction, and reconstruction of health units.
Participating Agency Service Agreements (PASAs):	Agriculture reactivation, rural infrastructure reconstruction
4. Which agreements work best?	
Existing partners:	All processes from design to implementation work faster
New partners:	Generally have the required expertise to have a high quality program.
Host government:	Generally have the required expertise to have a high quality program.
Other U.S. government departments and agencies:	Received separate Mitch funding.
Participating Agency Service Agreements (PASAs)	Brought needed specialized expertise.

4. Did the Mission have difficulties in insuring competition among US contractors and grantees? If so, how did this affect the timeliness, quality, and cost of reconstruction projects?

Competition was not a limiting factor for reconstruction activities. Given the short time frame for implementing the program, the Mission made an early decision to avoid contracting actions that would require a long competition process. As mentioned previously, the Mission concentrated on using the existing mechanisms with our current partners and GPHN technical assistance instruments. As a second alternative, the Mission tried to contract services with PVOs working in Nicaragua, and PVOs and contractors with longtime experience in working with USAID in developing countries in similar activities and situations.

For the PVO cooperative agreements in the economic reactivation component, the Mission used an Annual Program Statement (APS) that had been issued in January 1999 for the DA program. The Mission had the foresight to include language in the APS that covered the anticipated Mitch Program. As the prospect of Mitch funding grew more certain, various PVOs began developing proposals. President Clinton signed the authorizing legislation in May 1999. The first APS deadline was June 1, 1999 and a number of applications were submitted at that time. The Mission reviewed them, requested some modifications, and then approved them for Mitch funding.

A second review of proposals that came after June was conducted in September 1999, and the remaining PVO funds were programmed at that time. Applications from SAVE, PCI, ADRA, and ALISTAR were approved (generally at funding levels less than requested). Seven applications submitted for this second review were not funded because most of the Mitch funds had been earmarked or programmed.

5. Did procurement requirements affect the Mission's procurement process and program planning? Were all available procurement waivers used, and if not, why?

Procurement requirements had limited effect on the Mission's procurement process since the Mission had broad use of a blanket waiver to expedite the process.

Specifically, the key factors to analyze in light of procurement procedures were:

First, use of GPHN instruments gave a quick response and yielded high quality service, but they are more expensive. Secondly, the potential for serious obstacles in procurement, particularly complying with source/origin requirements, were allayed by using a procurement waiver to speed up the procurement process. Third, the Mission made the conscious decision to avoid infrastructure projects involving large purchases of land, which in Nicaragua are troublesome and could have become major problems due to the complicated land titling situation that currently exists in the country.

Fourth, USAID/Washington had a good understanding of the procurement problems that the missions were facing in the field, and was very helpful in expediting the process in every way possible.

6. Was disaster mitigation included in reconstruction plans and activities? If so, how?

Disaster mitigation was one of the most important activities under the reconstruction program in Nicaragua and included well-designed projects and defined performance targets. From the early months of the design stage, a large amount of funds were earmarked for this activity. During the implementation period, the funds were fully expended and targets were met and in most cases surpassed.

In addition, there were plenty of resources from the other USG agencies and other donors for disaster prevention and mitigation. USDA was a lead agency in carrying out mitigation activities in most of the departments affected by the Hurricane Mitch.

7. Did the absence of full-time, in-country contracts and grants officers affect the reconstruction program, and if so, how? Did TDY staff satisfy the mission's needs for contracting and granting? Explain.

This was not a problem for Nicaragua during most of the contracting and implementation periods. However, it did become a problem at the end of Mitch, particularly during the closeout phase of the program, after the USDH contracting officer left post and was not replaced.

The TDY contracting officers that were hired encountered a number of problems that caused some activities to slow down at the end of the program.

8. Did the mission encounter any difficulties in quickly reassigning personnel to assist with the reconstruction efforts? If so, how did the mission overcome the difficulties?

Both USAID/Washington and the Mission underestimated the workload that the reconstruction program required. As noted above, the Mission's assets, staff and procedures, were less than adequate for a quick response with a tight deadline. An intense program of such a large magnitude requires a greater organizational effort thus putting more pressure on any Mission staff. This situation was not immediately apparent and the Mission was fortunate to have overcome this difficult situation and have a successful completion of the program.

In addition, State Department and USAID/Washington made the decision that the USAID missions in the field would serve as coordinators and facilitators of the reconstruction efforts of the other USG agencies. In Nicaragua, this represented a coordination effort of 10 USG agencies, involving more than \$10 million, several in-country coordinators with

limited expertise and knowledge of the country, and countless TDYers that needed efficient coordination and massive logistic support. This additional support, required a lot of effort from an already overloaded mission staff.

9. Prior GAO work found that the process required to hire PSCs and move them into the host country can be lengthy and entails various administrative procedures. Was the mission affected by this, and if so, how?

The Mission moved quickly to get the PSC help that was needed. Management made a special effort to start early in 1999 to hire the PSCs required for the reconstruction program. By January 2000, all PSCs were on board and working during the most intense period of implementation.

The PSCs that were hired had the expertise and experience for the job, and handled the workload well.

10. The supplemental legislation required USAID to use the funding to improve the capabilities of host countries to resist corruption and improve transparency and accountability. How did the mission comply with this requirement? What were the results of the mission's efforts?

Included in the reconstruction program, the mission programmed a total of \$1 million to enhance the Government of Nicaragua's capabilities for efficient accountability of public funds and to improve transparency in the management of public resources.

As part of this commitment, and in order to have a greater impact, the Mission decided to contribute to the transparency and accountability fund created by the donor community sponsoring the reconstruction effort and coordinated by the Interamerican Development Bank (IDB). The AID Mission in Honduras made a similar effort.

Unfortunately, this program had major delays and a very slow start before finally being formalized at the end of 2001. In the last days of December 2001, the Mission made the disbursement of the \$1 million as its contribution for this program.

Results of this program are expected to be evident during 2002.

11. What were the pros and cons of the additional auditing and oversight by the USAID/RIG, GAO, concurrent audits, etc.? Describe instances in which USAID took action to address concerns identified by the auditors.

Considering the intense scrutiny of the Mitch funds, mandated by the US Congress and US Government, the Mission was proactive in finding most problems ahead of the auditors and evaluators. Also, from the design stage on, the Mission recognized that implementing a reconstruction program of this magnitude was going to have numerous

problems, and that it was best to recognize them and try to resolve them as early as possible.

Since the beginning, implementation problems were openly discussed with the auditors no matter the magnitude or seriousness. The Mission believes that this resulted in a good working relationship with all the auditors and evaluators.

PROS

- The permanent and close audit process imposed on the reconstruction program made the Mission aware of the importance of effective implementation.
- The intense audit and evaluation process helped in discovering, at an early stage, problems that could affect the performance and accountability of the projects.
- The auditors and evaluators had a proactive attitude and were not hostile; they made a special effort to have a good working relationship with the Mission and the partners.
- In almost all cases, auditors and evaluators gained a reputation of being friendly and efficient. The Mission and the partners considered them as a “helping hand” or as another collaborator interested in the successful implementation of the programs.
- Also, it made a great difference to have auditors and evaluators periodically visiting project activities in the field, which resulted in a better understanding of the conditions and challenges faced by the Mission and its partners in implementing the reconstruction program.

CONS

- Given the highly positive audit and evaluation reports received during the first year of implementation, the Mission believes that the number of audits performed the second year was excessive. Audits continued being quite intense with the use of valuable funds that resulted in expenditures of about \$17 million, representing about 18% of the total program.
- In numerous cases, auditors and evaluators duplicated activities which led to a waste of scarce US government resources.
- These intense audits required additional effort from a reduced staff that was already overloaded with the implementation of the program.
- The Mission staff dedicated countless days and resources to coordinate the activities carried out by auditors and evaluators. In some instances, several teams of auditors and evaluators were visiting the Mitch program at the same time causing overload for the Mission staff.

Specific actions taken.

As noted above, the Mission was committed to a successful Mitch program and carried out an intense monitoring process, characterized by a “hands-on” approach with constant

site visits to program activities in all the rural areas. In most cases, the Mission detected and resolved problems before the auditors found them. The following are the most important actions taken:

a) Reprogramming of funds when slow performance occurred:

Municipal reconstruction project with FISE: \$1.5 million were reprogrammed due to the slow implementation performance demonstrated by PADCO-FISE during the design stage. According to the US Army Corps evaluations, some 13 projects had little possibility of being completed on time. For this reason, the Mission reprogrammed the funds to more effective activities.

b) Inadequate quality of work performed:

Municipal reconstruction project with FISE: the Tipitapa project was canceled on two occasions for inadequate quality of work and slow performance. A subsequent audit finding for about \$53,000 was fully paid by the implementing agency.

c) Improper or inadequate use of funds:

Agriculture reactivation loan fund with CLUSA: Due to inadequate use of the loan fund project, \$1 million of the available loan fund were reprogrammed from the CLUSA grant, and later went through a bidding process to be reassigned to another partner.

12. What were the pros and cons of using other partners monitoring, e.g., PADCO? Describe instances in which USAID took action to address concerns identified by its partners.

In this particular case, the Mission had a serious concern for PADCO's lack of monitoring that caused major problems in the implementation of the Municipal reconstruction program that PADCO was supposed to supervise. As noted above, this resulted in the Mission having to reprogram \$ 1.5 million of the funds programmed for this project to other activities under the Mitch program.

Second, there was a \$53,000 finding by the auditors that was finally paid by FISE.

13. Did the United States coordinate with other donors to ensure recovery and that reconstruction needs were addressed and not duplicated? If so, how?

At a national level, coordination among donors was less than satisfactory despite continuous efforts and time spent in meetings with other donors. The main problem was that the Government of Nicaragua failed to establish a useful coordination mechanism and never named a competent agency or person to whom donors would look for guidance and coordination.

The Mission made a serious effort to coordinate and was an active participant in all the donor coordination activities. A principal obstacle was the major concern expressed by the donor community on transparency and accountability issues related to the Government of Nicaragua. The lack of response to those issues by the Government of Nicaragua created a barrier to the donor effort in the reconstruction process.

The implementation of the Reconstruction program by the U.S. Government may be considered as a unique example, along with the Japanese and Spanish efforts.

Nevertheless, there was good field coordination among a few donors, including the U.S. funded programs, with implementation of projects at regional, and/or local level. This prevented duplication of efforts, and in many cases the efforts complemented each other, e.g., coordination with the World Bank in the reconstruction of schools, complementary funding with the Swedish and Dutch-funded programs in the reconstruction of rural infrastructure.

14. Did USAID coordinate with other US government agencies to ensure that recovery and reconstruction needs were addressed and not duplicated? If so, how?

Mission coordination with the U.S. Government agencies was very good, and was a key factor for the effective use of the Mitch funds. The USG agencies were particularly helpful in getting other partners to collaborate. USDA in-country staff made a special effort to coordinate with partners in the reconstruction of rural roads and in environmental activities. Also, NA-CDC assisted the central Ministry of Health Epidemiological division, since the Mission health projects were concentrated in the rural areas. At the Mission's request, the Army Corps of Engineers provided much needed technical assistance to MSH-PROSALUD and PADCO-FISE projects.

15. What lessons did USAID learn during its hurricane reconstruction efforts, and how could these lessons be applied to future reconstruction work, earthquake activities in El Salvador, or rebuilding Afghanistan?

1. USAID/Nicaragua demonstrated that a reconstruction program can be done effectively in a short time. The Mission managed to design and implement a comprehensive, high quality reconstruction program that exceeded expectations and has made a dramatic impact on improving the living conditions of Nicaraguans affected by the Hurricane.
2. USAID should rely to the extent possible on organizations that are working with USAID, particularly U.S. PVOs that are in place already. On the other hand, relying on the local government may not be possible considering the enormous task that governments face during an emergency and reconstruction period.
3. To expedite the programming of the funds it would be very helpful to have in place a broad Annual Program Statement though in actual awards, more specific designs and results would have to be agreed to by PVOs and contractors.

4. To assure a quick and effective response, USAID should concentrate in the areas where that particular Mission has some expertise and experience in the country. In case additional areas must be included, USAID should hire a good group of experts.
5. To improve monitoring and performance evaluation, the mission should standardize and simplify its targets and indicators, so that all of its partners are reporting results for which performance is measured in a consistent manner. In an emergency program, especially one with a limited duration, it is better to focus on “output” targets-indicators rather than “impact” targets-indicators.
6. Teamwork is critical and coordination in the Mission can make or break a reconstruction program, especially a fast track program.
7. To assure the effective implementation of a fast track reconstruction program, the Mission should use a hands-on approach and more than the usual monitoring of the implementing partners and agencies. Constant site visits to all the activities are needed. CTOs should be encouraged to take a proactive, hands-on approach when monitoring their partners’ activities. And, CTOs need to have the expertise and experience to recognize technical and management problems when they visit the partners’ activities.
8. When designing and implementing a reconstruction program, an effective balance between quality and speed is a constant challenge and is difficult to achieve. As more pressure is applied by the U.S. Government to speed up implementation and expenditures, the more mission employees and the partners will be tempted to cut corners in order to comply with their bosses’ requests. This could become a potentially dangerous situation where someone could be disciplined, penalized, or even fired for not following all the USAID rules and regulations.
9. USAID should look for venues to bring the Mission’s partners together during implementation. A close collaborative approach among partners, particularly those working in the same activities, can synergize the reconstruction program.
10. When doing reconstruction programs, USAID tends to ignore sustainability, institutional strengthening and beneficiaries’ ownership of the programs, which could seriously jeopardize the medium and long-term sustainability of the programs. A more responsible approach to assuring the effective use of taxpayers’ money is to assure the sustainability of the reconstruction programs.
11. When a mission is asked to implement both a reconstruction program and a DA programs at the same time, the mission should consider establishing a reconstruction office with technicians that have the expertise to efficiently carry out reconstruction programs.

16. Could and should USAID develop a “surge” capability to quickly respond to “emergency” reconstruction situations similar to the Mitch and Georges experiences? If so, how?

If USAID and the U.S. Government decide to be in the fast track of the reconstruction-development business, they need to prepare better if they are to be efficient and effective. In the last decade, we have seen more situations where USAID and U.S. Government agencies are asked by Congress to perform nearly impossible tasks, e.g., Hurricanes Mitch and George, earthquake in El Salvador, and now Afghanistan reconstruction. The

U.S. Government should prepare for these types of situations by developing adequate regulations and procedures designed to help the mission do efficient reconstruction work. Otherwise, missions in the field will be asked to perform under very difficult circumstances without proper procedures and mechanisms for emergency situations.

USAID/NICARAGUA
MITCH AUDITS STATUS AS OF MAY 20, 2002

RECIPIENT CONTRACTED AUDITS:

No.	ORGANIZATION	AUDITED FUNDS	AUDIT FIRM	OPEN RECC.	QUESTIONED COSTS	RECOMMD. STATUS	AUDIT REPORTS	LAST AUDIT REPORT	COMMENTS
1	ADRA	\$ 945,027.00	PWC	None	N/A	N/A	2	as of Sept.30, 2000	Draft Final Report in process
2	Alistar	\$ 1,435,000.00	PWC	One	\$ -	Closed	2	as of Dec. 31, 2000	Final Audit extension in process
3	CLUSA (Semiannual)	\$ 7,184,252.00	D&T	One	None	Closed	4	as of June 30, 2001	Draft Final Report in process
4	CARE Esteli Watershed	\$ 924,000.00	KPMG	None	N/A	N/A	2	as of Dec. 20, 2001	Final Audit Report accepted by RIG
5	CARE Posoltega	\$ 761,371.00	D&T	One	\$ -	Closed	2	as of May 30, 2000	Final Report received & sent to RIG
6	CHISPA (Local NGO)	\$ 677,000.00	KPMG	None	N/A	N/A	2	as of July 31, 2000	Final Audit Report accepted by RIG
7	FAMA (Local NGO)	\$ 450,000.00	KPMG	None	N/A	N/A	2	as of Aug. 09, 2001	Final Report received & sent to RIG
8	FINCA (USPVO)	\$ 405,000.00	D&T	One	\$ -	Closed	1	as of Aug. 31, 2000	Final Report received & sent to RIG
9	KATALYSIS (USPVO)	\$ 605,000.00	D&T	None	N/A	N/A	2	as of Sep.t 30, 2001	Final Audit Report accepted by RIG
10	Project Concern Int'l (PCI)	\$ 760,519.00	TSK&M	None	N/A	N/A	2	as of Dec. 21, 2001	Final Report received & sent to RIG
11	Pro-Mujer (Local NGO)	\$ 123,000.00	KPMG	None	N/A	N/A	2	as of Aug. 04, 2001	Final Audit Report accepted by RIG
12	IICA - Ag. Policy grant	\$ 1,251,228.00	D&T	None	N/A	N/A	1	Only one report	Final Audit in process
13	Save the Children-REIMIPRE	\$ 2,449,761.00	PWC	None	N/A	N/A	2	as of Dec 31, 2000	Final Audit in process
	TOTAL	\$ 17,971,158.00			\$ -		26		

CONCURRENT AUDITS:

1	CARE Cash for Work	\$ 8,492,683.00	PWC	None	N/A	N/A	8	as of Nov. 30, 2001	RIG's Final Audit Report Acceptance
2	CRS	\$ 6,698,020.00	KPMG	None	N/A	N/A	8	as of June 30, 2001	Draft Final Report in process
3	WRC	\$ 6,426,026.00	KPMG	None	N/A	N/A	8	as of June 30, 2001	Draft Final Report in process
4	FISE	\$ 1,944,000.00	DCAA	One	\$ -	Closed	8	as of Sep. 30, 2001	Draft Final Report in process
5	PADCO	\$ 640,452.00	DCAA	None	N/A	N/A	8	as of Dec. 31, 2000	Draft Final Report in process
6	AED	\$ 4,477,150.00	DCAA	None	N/A	N/A	8	as of Sep. 30, 2001	Draft Final Report in process
	TOTAL	\$ 28,678,331.00			\$ -		48		

ANNUAL BY DCAA THROUGH ENGAGEMENT LETTER:

1	Chemonics-RAISE IQC	\$ 6,798,042.00	DCAA	None	N/A	N/A	2	as of Dec. 31, 2000	Draft Final Report in process
2	MSH/PROSALUD	\$ 2,217,186.00	DCAA	One	\$ -	Closed	2	as of Dec. 31, 2000	Draft Final Report in process
3	EHP/CDM	\$ 283,388.00	DCAA	None	N/A	N/A	2	as of Sep. 31, 2000	Draft Final Report in process
	TOTAL	\$ 9,298,616.00			\$ -		6		

EVALUATIONS BY USAID, IG, AND GAC

1	USAID evaluations	3
2	IG/RIG evaluations	6
3	GAO evaluations	4
3		

GRAND TOTAL	\$ 55,948,105.00					93			
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