

524010/10

PD-000-482  
 04-30-76

**INTEREST**  
 8/31/76

PROJECT APPRAISAL REPORT (PAR)

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1. PROJECT NO. 524-L-028	2. PAR FOR PERIOD: 3/75 TO 6/76	3. COUNTRY NICARAGUA	4. PAR SERIAL NO. 77-2
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8. PROJECT TITLE  
 Program Loan

6. PROJECT DURATION: Began FY 1973 Ends FY 1976	7. DATE LATEST PROP 1/31/73	8. DATE LATEST PIP NA	9. DATE PRIOR PAR NA
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10. U.S. FUNDING	a. Cumulative Obligation Thru Prior FY: \$ 15,000,000	b. Current FY Estimated Budget: \$ NA	c. Estimated Budget to completion After Current FY: \$ NA
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11. KEY ACTION AGENTS (Contractor, Participating Agency or Voluntary Agency)

a. NAME Various contracts with local and U.S. construction companies INCAE	b. CONTRACT, PASA OR VOL. AG. NO. Various
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I. NEW ACTIONS PROPOSED AND REQUESTED AS A RESULT OF THIS EVALUATION

A. ACTION (X)			B. LIST OF ACTIONS	C. PROPOSED ACTION COMPLETION DATE
USAID	AID/W	HOST		
			Terminal PAR, no new actions proposed. However, there will be annual review of the activities financed under the loan for the next 2-5 years to determine whether facilities and equipment are being maintained as required.	

D. REF. PLANING REQUIRES

REVISOR OR NEW:  PROP  PIP  PRO AG  POT  PIG/C  IO/P

E. DATE OF MISSION REVIEW

July 20, 1976

PROJECT MANAGER: TYPED NAME, SIGNED INITIALS AND DATE

AGIL B. BIZIK, CDO. 7/20/76

MISSION DIRECTOR: TYPED NAME, SIGNED INITIALS AND DATE

Emerson J. Melaven, Acting Director

## A.I.D. LOAN NO. 524-L-028 - PROGRAM LOAN

### PURPOSE OF THE LOAN

The purpose of the loan, as set forth in the Loan Agreement Annex, was:

" . . . to help cover an unexpectedly large Nicaraguan budget deficit, principally in the investment component, resulting from substantial reductions in revenues and new spending requirements, both attributable to the earthquake which destroyed most of Nicaragua's capital city and economic center, Managua, on December 23, 1972. This design will be fulfilled through financing (1) public works activities mutually selected by the Borrower and A.I.D. which lend themselves to relatively swift implementation, fulfilling a pressing need in the overall recovery picture of Nicaragua and creating economic side effects which will strengthen the economy of Nicaragua and provide a basis for re-creation of revenue sources, and (2) other public investment and public investment related activities of Nicaragua, including, inter alia, local currency resources necessary to allow Borrower to make contributions required under A.I.D. loan commitments."

In support of the stated purpose of the loan, a strategy was developed for implementation. Quoting from the Capital Assistance Paper:

"It is in the short run, especially the next 6-9 months, that there is a particularly important role for A.I.D. emergency assistance: to help get people back to work, thereby facilitating the recovery of demand and stimulating business activity and confidence. A substantial injection, principally through the investment budget, will lead to further employment creation, the recovery of central government and autonomous institutions' revenues, and a general acceleration of re-construction. It will also reduce somewhat the size of the budget deficit.

"While both the ICB and the IBRD are moving rapidly, their assistance will have an essentially project orientation, and the resources thus made available will not enable the government to

undertake a short-run employment generation program. Thus, A.I.D. program assistance, particularly if it is made available promptly, can make a unique contribution to the acceleration of the recovery process. In addition to the speed with which we can act and the flexibility of the funds we can make available, we have the special advantage of having a full-time Mission on the spot, able to adjust the program to the lessons of experience in what inevitably will be a dynamic environment, one in which the ability to seize opportunities as they present themselves can pay major dividends."

The strategy was successful.

Immediately following approval of the loan, highly labor intensive projects were begun that primed the economic engine of the city and stimulated recovery. Upwards of 10,000 people from the lowest income groups were employed on labor intensive projects. The unusually strong performance of the private commercial sector provided an additional and vitally important stimulus both to revenues and to economic recovery in general. By 1974 Nicaragua's economy and performance had surpassed pre-earthquake levels in certain areas and had begun to stabilize overall.

The Mission believes A.I.D.'s ability to respond quickly with a flexible realistic program was key factor in enabling Nicaragua to recover so well from this major disaster in such record time.

A secondary, albeit also important goal was to enable the GON to continue its participation in the A.I.D.-supported long range development program without sacrificing the general principle of substantial host country counterpart contribution. As stated in the loan paper; "the planners and the international institutions must not lose sight of the process of long range development, a process which has been temporarily arrested and probably somewhat detoured, but a process which, nonetheless, will at some time in the future once again occupy center stage. For this reason, we propose to use some of the emergency program funds for financing the GON's contribution to development projects financed by A.I.D."

As a result of both this decision and of the continued determination of the GON to carry out its development program, the A.I.D. loan program in Nicaragua

was maintained and its goals were substantially met. GON Counterpart Contributions were provided under temporary 028 financing for four loans:

A.	Feasibility Study Project (524-L-024)	\$ 23,794
B.	Rural Electrification Cooperatives (524-L-025)	259,594
C.	Feeder Road Betterment (524-L-026)	59,304
D.	Education Sector Loan (524-L-027)	1,400,000
	Total:	<u>\$ 1,742,693</u>

In December of 1973, 028 financing of counterpart for these projects was closed-out after the Nicaraguan Government indicated that improving revenues from the exports tax bolstered by high world prices for their traditional export commodities would permit them to reassume responsibility for the remaining counterpart requirements. A total of US\$1.7 million had been provided for these projects. By allowing the GON to use A.I.D. loan proceeds as counterpart, these four projects had been continued with minimum disruption and will make a significant contribution to the overall success of A.I.D.'s long range development program in Nicaragua.

The following public works and related projects were carried out under the loan:

#### PROJECT ACTIVITIES

Hospital Warehouse Construction. Construction of four warehouses to facilitate the salvage of hospital equipment from El Retiro Hospital. 9,760 cu. meters of storage space.

Total Activity Cost: \$ 61,668

Velez Paiz Hospital Expansion, I. Construction of two wards and repair of the existing building. 1,976.55 meters of floor space.

Total Activity Cost: \$ 147,813

Technical and Administrative Support for Construcciones Nacionales. Provision of funds to expand the capabilities of the National Construction Agency to enable them to meet the demands of the reconstruction program.

Total Activity Cost: \$ 96,485

Medical Supply Warehouse - CAM. Construction of 381 sq. mts. of office space and 1,525 sq. mts. for storage.

Total Activity Cost: \$ 11,677

Repair of the Palacio Nacional. The repair of the principal Nicaraguan Government office building, housing the Ministry of Finance, National Archives and legislature.

Total Activity Cost: \$ 221,473

Hospital Construction. Construction of two 250 beds hospitals including medical and hospital equipment. 6,658 sq. meters of floor space in each hospital; a total of 13,316 sq. meters.

Total Activity Cost: \$ 2,652,472

Repair of Public Buildings. The repair of 17 selected public buildings to enable the GON to restore needed public services including schools, nursery hospitals and a major health center.

Total Activity Cost: \$ 176,327

Velez Paiz Hospital - Second Expansion. Construction of facilities for out-patients, an X-Ray room complex, emergency room, pharmacy, kitchen and dining room.

Total Activity Cost: \$ 170,529

Expansion of Facilities for the Physical Rehabilitation Center. Construction of a prosthetic shop (176 sq. meters) and physical therapy building (180 sq. meters).

Total Activity Cost: \$ 54,486

Construction of Customs Office and Warehouse: Construction of two office buildings and a customs warehouse to replace facilities destroyed by the earthquake.

Total Activity Cost: \$ 279,416

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Velez Paiz Hospital - Third Expansion. Construction of facilities including an operating room complex, central sterilization area, warehouses and related maintenance shop facilities. Additional out-patient areas, laboratories and a laundry. Also medical and hospital equipment was provided. Installation deficiencies involving certain equipment items are being corrected at contractor expense.

Total Activity Cost: \$ 1,509,421

Restoration of Managua's Major Drain Channels. Repair and lining of two major storm drains servicing the city; one on the eastern side with 6,880 mts. and one on the western side with 5,910 mts.

Total Activity Cost: \$ 1,465,932

Managua By-Pass. The paving of 3-1/2 kms. of the by-pass encircling Managua.

Total Activity Cost: \$ 178,623

Construction of Bridges. The paving of five vital bridges on newly constructed highway in Managua.

Total Activity Cost: \$ 152,814

Planning Group (INCAE Advisory Center). The provision of funds to establish a GON Planning Group under the direction of the INCAE.

Total Activity Cost: \$ 624,300

Program Implementation and Coordination Office. The Ministry of Finance, Office of Coordination and Implementation was established for the purpose of quickly implementing the projects financed under the loan.

Total Activity Cost: \$ 253,154

Hospital Equipment. Equipment for Managua's hospitals.

Total Activity Cost: \$ 784,416

Traffic Signal Control Project. The purchase and installation of traffic signals for 18 critical locations throughout the city of Managua.

Total Activity Cost: \$ 49,879

Demolition and Rubble Removal. 16 separate contracts, both with local and U.S. construction companies were issued for the removal of 391,662.17 cu. metric of heavy and common rubble and 336 structures were demolished.

Total Activity Cost: \$ 2,145,321

Salvage and Rubble Removal Operations by the Civilian Reconstruction Corps. The removal of rubble and the salvage of usable construction materials in the destroyed city by the Civilian Reconstruction Corps.

Total Activity Cost: \$ 1,182,581

#### COVENANTS

There were no special covenants.

The General Covenants were met as required by A.I.D. regulations.

The loan was audited on November 10, 1975 by the AG's office in Managua, and no exceptions were taken.

#### REPORTING REQUIREMENTS

Final reports have been received on all Project Activities as well as the loan. No further reports are required by the loan agreement. It is suggested, however, that an annual review of the activities financed under the loan be held for 2-5 years to determine if the GON is maintaining the facilities and/or equipment as required. No ongoing monitoring is recommended.