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UNCLASSIFIED

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

NICARAGUA
PROJECT PAPER
FVO CO-FINANCING

AID/LAC/P-640

PROJECT NUMBER: 524-0313

UNCLASSIFIED

PROJECT AUTHORIZATION

Name of Country: Nicaragua
Name of Project: PVO Co-Financing
Number of Project: 524-0313

1. Pursuant to Section 104 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the PVO Co-Financing Project for Nicaragua involving planned obligations not to exceed Fifteen Million United States Dollars (\$15,000,000) in grant funds over the period from the date of obligation through a Project Assistance Completion Date of June 30, 1996, subject to the availability of funds in accordance with the AID/OYB allotment process, to help in financing foreign exchange and local currency costs for the project.

2. The project consists of one, a series of Operational Program Grant (OPGs) to registered U.S. Private Voluntary Organizations (PVOs) to carry out development activities in the fields of health, family planning, microenterprise, employment generation, and environmental protection; two, the establishment and operation of a Project Management Unit to oversee these grants; and three, a Personal Services Contract with a U.S. citizen to manage all implementation aspects of the project for USAID/Nicaragua. USAID will implement these activities pursuant to a Project Grant Agreement with the Government of Nicaragua and subsequent amendments thereto.

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

Drafted: PDIS: LSwaskin:	<u>[Signature]</u>	Date: 6-12-91
Cleared: GDO: LAyalde:	<u>Ayalde</u>	Date: 6/18/91
PEPS: RVBurke:	<u>[Signature]</u>	Date: 4/20/91
LA: MVelazquez:	<u>[Signature]</u>	Date: 6/19/91
CO: JCorley:	<u>[Signature]</u>	Date: 6/26/91
OFIN: JAvila:	<u>[Signature]</u>	Date: 6/24/91
DDIR: KGSchofield:	<u>[Signature]</u>	Date: 6/27/91

ACTION: AID INFO: AMF DCM ECON

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17-MAY-91 TOR: 12:44
CN: 37819
CHRG: AID
DIST: AID
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F.O. 12356: N/A
TAGS:
SUBJECT: CONGRESSIONAL NOTIFICATION ALERT

REF: STATE 126940

1. THE FOLLOWING CONGRESSIONAL NOTIFICATION EXPIRED WITHOUT OBJECTION ON MAY 8, 1991. OBLIGATION MAY BE INCURRED ON MAY 9, 1991.

524-0313, PVO CO-FINANCING - DOLS 4,000,000 ESP, DOLS 2,500,000 HEALTH AND DOLS 1,500,000 CHILD SURVIVAL.

2. AS DISCUSSED IN NICARAGUA OYB CABLE, REFTEL, ALL HEALTH FUNDS OBLIGATED BY NICARAGUA ARE TO BE USED FOR CHILD SURVIVAL ACTIVITIES. PURSUANT TO THIS, LAG/DPP HAS INCREASED NICARAGUA'S CHILD SURVIVAL LEVEL AND DECREASED HEALTH LEVEL. SINCE THE PURPOSE OF THESE FUNDS REMAINS THE SAME AS PREVIOUSLY NOTIFIED, MISSION MAY OBLIGATE UP TO DOLS 4,000,000 CHILD SURVIVAL FUNDS FOR THIS PROJECT WITHOUT FURTHER NOTIFICATION. EAGLEBURGER
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#2627

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Due Date: 5/20/91
Action Taken:
Initials:

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT DATA SHEET

1. TRANSACTION CODE: A (Add), C (Change), D (Delete) Amendment Number: _____ DOCUMENT CODE: 3

COUNTRY, ENTITY: Nicaragua 3. PROJECT NUMBER: 524-0313

4. BUREAU/OFFICE: USAID/Nicaragua 5. PROJECT TITLE (maximum 40 characters): PVO Co-Financing

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM DD YY 06 30 96 7. ESTIMATED DATE OF OBLIGATION (Under 8: below, enter 1, 2, 3, or 4)
A. Initial FY 911 B. Quarter 4 C. Final FY 914

8. COSTS / \$000 OR EQUIVALENT \$1 =

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	4,000		4,000	15,000		15,000
Grant	4,000		4,000	15,000		15,000
Loan						
Other						
U.S.						
Host Country	0		0	5,000		5,000
Other Donors	500		500	4,520		4,520
TOTALS	4,500		4,500	19,520	5,000	24,520

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION PURPOSE CODE	B. PRIMARY TECH CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) PH	510	510				1,385		10,000	
(2) CS	510	510				2,615		5,000	
(3)									
(4)									
TOTALS						4,000		15,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 440 160 840 850

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code	BRW	BVW	ENV	PVOV	TNG
B. Amount	6,500	6,500	3,800	13,500	300

13. PROJECT PURPOSE (maximum 480 characters):
To expand the availability of primary health care and family planning services and employment opportunities for lower income families, and to promote sustainable natural resource management.

14. SCHEDULED EVALUATIONS: Interim MM YY 07 93 Final MM YY 07 95

15. SOURCE/ORIGIN OF GOODS AND SERVICES: Nicaragua & CACM
 300 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP. Amendment)

17. APPROVED BY: Signature Janet C. Ballantyne, Title Director, USAID/Nicaragua, Date Signed 07 09 91

18. DATE DOCUMENT RECEIVED IN AID/W. OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION: MM DD YY

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NICARAGUA PVO CO-FINANCING PROJECT PAPER

(524-0313)

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PVO CO-FINANCING PROJECT PAPER

I. SUMMARY AND RECOMMENDATION

A. The Problem

Nicaragua's need for social services in the areas of health, family planning, employment, microenterprise and protection against environmental degradation increased dramatically in the last decade as the result of gross mismanagement by the highly ideological government that held power until April, 1990. As the result of that government's neglect of both normal governmental and indigenous private sector capacity to render essential social services, Nicaragua requires extensive assistance from foreign donors, both official and private, to restore those services to an adequate level. Numerous Private Voluntary Organizations (PVOs) wish to participate in the furnishing of such aid; this Project will assist them in so doing.

B. Brief Description of the Project

The Project seeks to increase the involvement of the PVO community, United States and local, in the development of Nicaragua in such a way as to complement A.I.D. sectoral activities and Government of Nicaragua (GON) priorities, with special emphasis on such areas as primary health care, family planning, employment generation, microenterprise development and environmental protection.

Many PVOs have already approached USAID/Nicaragua for assistance. During its first year of operation, the Mission has been contacted by approximately 50 U.S.-based PVOs, and has received about 20 Concept Papers.¹ One or more of those will be funded in the remainder of FY 1991. However, evaluating all of the submissions now in hand or expected, choosing all of those suitable for funding, and managing each one selected as a separate project would at this time be beyond the present administrative capacity of this newly-established USAID Mission. USAID has therefore decided to channel PVO assistance over the longer term through an institutional contractor serving as a Project Management Unit (PMU). This will mitigate the Mission's administrative burden while facilitating an adequate level of USAID control, visibility, evaluation capability and contact with beneficiaries of project-funded activities.

¹ For purposes of this Project Paper, the term "Concept Paper" refers to an initial proposal from a PVO for a grant from USAID. "Proposal" refers to a more fully developed document usually prepared in response to USAID's comments on the initial Concept Paper.

This PMU will be staffed through a direct A.I.D. contract with a for-profit firm chosen through full and open competitive procedures. The PMU will be responsible for oversight and management of all PVO subprojects funded under this PVO Co-Financing Project. Grants will be given only to U.S. PVOs registered with A.I.D. However, grantees will be strongly encouraged - though not required - to work with communities and locally-based organizations, particularly local PVOs (LPVOs). This will enable the U.S. PVOs to tap local knowledge about the needs of the target population and strategies for meeting those needs, strengthen democratic grassroots organizations, forge links with the beneficiary populations, and assist the LPVOs to develop their management and accounting capabilities. It is expected that during the life of this Project, such assistance will help develop within some of the LPVOs the capacity to implement direct grants either from other donors or under a follow-on PVO Co-Financing Project.

Given the need for competitive procurement of technical assistance, USAID does not expect that the PMU contractor will arrive on site until January 1992. Yet in view of the pressing problems facing Nicaragua, the mission does not intend to wait until then to begin implementation of this Project. Accordingly, in the fourth quarter of Fiscal Year (FY) 1991, USAID will award at least one Operational Program Grant (OPG) to one of the United States Private Voluntary Organizations (U.S. PVOs) that have already presented Concept Papers to the mission. Then, in the first quarter of FY 1992, the mission will award as many as two additional OPGs prior to the arrival of the PMU contractor.

Funds for these OPGs will come from this Project. To review these proposals and select those that merit funding, USAID will convene a formal Project Review Committee composed of representatives from the General Development (GDO), Project (PDIS), Program (PEPS), Contracts (CO), Legal (LA), and Financial Management (OFIN) Offices.² This Committee will review the Concept Papers already on hand and select several either for award or further development (if necessary) into a formal Proposal. Once the Committee has made its selection and the PVO (or PVOs) in question has completed a full-scale Proposal acceptable to USAID, GDO will prepare and circulate a PIO/T asking the Contracts Office negotiate an OPG with that PVO.

² Appropriate technical offices (e.g. Agriculture and Rural Development, Private Sector) will sit on the Committee when it reviews subproject proposals in their areas of expertise.

PVO subproject³ proposals are expected to address a wide range of special development concerns. Preference will be given to those subprojects that direct activities to priority development areas (health/family planning, rehabilitation, employment, microenterprise and protection against environmental degradation) conforming to established A.I.D. policy objectives, complement USAID/Nicaragua sectoral objectives, have high impact and visibility, indicate some possibility of sustainability without further USAID assistance, and involve LPVOs. To be considered, proposals from PVOs must also fully demonstrate strong community involvement in design and implementation. The criteria for selecting subprojects are detailed in Section III.C below. Except under compelling special circumstances, the minimum sized subproject to be considered will be US\$500,000; the maximum will be \$3 million.

This Project will augment other AID-funded projects with related development goals. In particular, it will complement USAID's ongoing and proposed projects in Natural Resources Management, Private Sector Support, and Emergency Employment Generation. All of these have components or subprojects which could be undertaken with the assistance of PVOs, or with which independent PVO activities, properly coordinated, would be complementary.

This Project also contains an institutional strengthening aspect to encourage - though not require - U.S. PVOs to assist LPVOs to improve their capacity to design, administer, and manage the finances of small-scale development activities.

C. Recommended Action

The Project Committee recommends that the Director of USAID/Nicaragua authorize the grant assistance described in this Project Paper for an amount not to exceed \$15.0 million. An initial obligation of \$4,000,000 composed of \$2,615,000 in Child Survival (CS) funds and \$1,385,000 from the Health (HE) account will be made in FY 1991. USAID expects that subsequent obligations totalling \$11.0 million will be made from various Development Assistance accounts in FYs 1992-94. Additionally, the GON will contribute the local currency equivalent of \$5.0 million over the Life of Project beginning in FY 1992, and PVO grant recipients will contribute a total of approximately \$4,520,000. Thus, the total Life of Project cost from all sources is estimated at \$24,520,000. The Project Assistance Completion Date will be June 30, 1996.

³ In this PP, the term "subproject" refers to the activities to be carried out by U.S. PVOs under the auspices of Operational Program Grants. The term "Project" refers to the PVO Co-Financing Project as a whole.

II. PROJECT BACKGROUND

A. Overall Scope of the Problem

There is a dramatic need for the efforts that the PVO Co-Financing Project will support, for the provision of social services in Nicaragua is at an extremely low point. Health care, education and environmental conditions all declined severely under the prior regime, and many qualified Nicaraguans fled the country. Nicaragua is emerging from a period of highly ideological government that sapped private initiative and inhibited productive employment in favor of Marxist programs under the control of political authorities. Thus, in addition to its primary objective of providing immediate beneficial services in these sectors, the Project faces the longer-term challenge of stimulating local capacity to address social needs.

B. Critical Sectoral Needs

Although the GON has expressed a commitment to basic health care for all, the population faces limited access to potable water and basic sanitation, a high rate of infant and maternal mortality, rising incidence of infectious diseases, increasing deterioration of medical facilities, serious shortages of medical equipment, supplies, and drugs, and a fundamental shortage of medical personnel directed to primary health care services.

During the last decade little effort was made to control population growth in Nicaragua. The rate of population increase is estimated to be in excess of 3.3%, the highest in Latin America. Contraceptive methods, moreover, are little known to the population and largely unavailable outside of Managua. Nevertheless, there appears to be a growing demand for these methods, the provision of which should be incorporated within primary health care program activities.

Employment is one of Nicaragua's most pressing needs. The number of unemployed in 1989 was estimated at 400,000, or 33% of the economically active population. Recent economic stabilization efforts and the repatriation of some 70,000 ex-combatants have pushed unemployment even higher. This critical situation is echoed in Nicaragua's ranking as the hemisphere's third poorest country with a GDP per capita of \$424 in 1989. Low levels of employment and income contribute significantly to the low social welfare indicators in Nicaraguan society as a whole.

One means of generating employment is through the development of microenterprise. The importance of these microenterprises in terms of employment lies in the sustainability of the jobs they offer. These jobs may prove crucial to any serious strategy for addressing long term poverty in rural and, particularly, urban areas of Nicaragua, where large numbers of informal sector participants struggle to support families on limited means. By targeting training and technical assistance (primarily to existing micro-entrepreneurs who have already demonstrated their interest and capability in small business), the PVO efforts funded by this Project may not only help small firms survive, but might also make it possible for many of them to expand employment opportunities beyond the immediate family of the proprietor.

Deteriorating economic conditions have brought Nicaragua's environment and natural resources under severe pressure. The exploitation of firewood has become more intense as productivity and profits from the practice of traditional agriculture have fallen, while the availability of commercial fuels has been reduced by a chronic lack of hard currency. Consequently, the focus of local natural resource use has shifted from cropping to exploitation for family use and short-term income generation. The long-term stability of the Nicaraguan economy, however, can only be guaranteed by a stable resource base that provides reasonable income opportunities in the short term but preserves an adequate level of water, soil, and forest resource quality over the longer run.

C. Limitations on the GON Ability to Respond to Needs

While the intentions of the new Government of Nicaragua are exemplary, its capacity to carry out anything approaching the necessary level of social and economic programs is severely constrained. Although the recent monetary devaluation - if it holds - will ease the stresses caused by hyper-inflation, the economy remains in parlous state, limiting the public and/or indigenous private resources available to address even the most immediate social and socio-economic problems, let alone environmental damage. Moreover, the actions of the prior regime in stripping governmental bodies of equipment, supplies and even files have further restricted GON capabilities. Finally, the ideological excesses of the prior government, coupled with the disastrous economic situation, drove many of the most capable and productive Nicaraguans into an exile from which many are reluctant to return until political stability and economic opportunity are firmly assured. In summary, the GON will be strong but its capacity limited.

D. PVOs' Role in Nicaraguan Development

Private Voluntary Organizations (PVOs), which have a history of contributing to the development of Nicaragua, may offer an alternate means of providing the types of services that the GON desires but is itself unable to furnish. Indeed, PVOs are recognized by the GON as being especially appropriate for reaching those disadvantaged populations that are not being reached by the public sector.

In 1981, the American Council of Voluntary Agencies for Foreign Service listed 48 U.S.-based PVOs (U.S. PVOs) working in Nicaragua, 22 of which were registered with AID. Local PVOs (LPVOs) are even more numerous. A November 1990 Directory published by the Center for Support of Programs and Projects (CAPRI) listed 175 local PVOs with nominally non-political socio-cultural development goals in Nicaragua. These organizations operate or plan to operate in the following areas: development, technical assistance, culture, ecology, community education and social communication, ethnicity, research, youth, women, justice and human rights, rehabilitation, religious groups with socio-economic projects, health, and regionally-oriented groups.

E. Relationship of Project to GON Strategy

This Project reflects and responds to the GON's strong interest in providing more and better social services, creating more and higher value-added jobs, and revitalizing the country's private democratic institutions to meet the needs of those portions of the population socially and economically most at risk.

The GON Social Emergency Plan singles out several groups for assistance: children under 8 years of age, poor women heads of household, un- or under-employed heads of household, indigent aged, and the incapacitated and other special groups. That Plan recommends that priority be given to efforts to reach these groups.

In addition to identifying the priority groups to whom assistance should be given, the GON has also identified those sectors of the economy in which the need for assistance is greatest:

- o **Health:** The Concertación, the GON's strategy statement of October 1990, stresses the need to concentrate on Health and Education programs in the social sector by giving those two areas budget priority.
- o **Employment Generation:** Both the Concertación and the Social Emergency Plan note the need for a prompt and major reduction of unemployment.

- Microenterprises: The Concertación notes the need for technical assistance and training for small enterprises. Microenterprise programs can provide such assistance to micro-entrepreneurs to improve their businesses, increase productivity and generate additional employment.
- Environment: The GON is now developing a Natural Resource Strategy. Its objectives are expected to include the establishment of a land use planning and management system; the promotion of rational and sustainable use of renewable natural resources; control and management of watersheds; the creation of a system of natural reserves and parks; control and prevention of environmental contamination; and effective environmental education. PVO activities supported by this Project in this sector will be consistent with and supportive of these GON objectives.

F. Relationship of Project to A.I.D. Strategy

The PVO Co-Financing Project will contribute to meeting A.I.D. objectives at the Congressional, Bureau, and Mission levels.

- Congressional Mandate: The Project will assist both U.S. PVOs and LPVOs in their development activities, and will strengthen the human and institutional resources of those organizations. It thus responds to the Congressional mandate to work closely with PVOs, and is consistent with the Agency's and the LAC Bureau's PVO strategy and policies.
- LAC Bureau Objectives: The Project will contribute to the LAC Bureau objectives of support for broadly-based, sustainable economic growth; assistance in meeting critical social needs; helping essential family planning programs; supporting the evolution of stable, democratic societies; and advancing the Agency agenda on natural resources management. The Project will move toward these objectives as follows:
 - Achievement of broadly based, sustainable economic growth: The Project will encourage increased economic participation by the historically disadvantaged and support conservation and sustainable use of the natural resource base. Grants to PVOs will support such activities as generation of employment in productive activities, development of microenterprises, and environmental sanitation and conservation.
 - Assistance in meeting critical social needs: The Project will support improved health care and family planning availability for the poorest and most geographically/socially isolated segments of the population by funding appropriate PVO interventions.

- Supporting the evolution of stable democratic societies: The Project will strengthen grass-roots democratic organizations. Subprojects which are financed through U.S. PVOs will be implemented with extensive community involvement, either directly or through local PVOs. The Project will also provide training to strengthen the management capabilities of community-based organizations.
- Advancing the agenda set forth in the A.I.D. Initiative on the Environment to guide future natural resource and environmental interventions by financing appropriate PVO activities in tropical forests and biodiversity; watershed management; and coastal zone management.
- USAID/Nicaragua Strategy: The current Country Strategy Statement affirms that "the USAID Mission sees the present and future role of Private Voluntary Organizations as essential in carrying out high visibility impact programs." This Project gives substance to this USAID vision of the role of PVOs. Additionally, the Project will address Mission concerns in the health, family planning, employment, environment, and private sectors in the following ways:
 - Employment: The Project is expected to award grants that will help generate employment, including the strengthening of microenterprises.
 - Democratic Initiatives: Grantees will be encouraged to work directly with communities and/or LPVOs, thus fulfilling the Mission's strategy of promoting "expanded participation by grass-roots organizations."
 - Health: The Project will help fulfill the Strategy's pledge to provide "continued support to health-oriented PVOs currently operating with AID financing in Nicaragua and . . . financing of up to \$10.0 million to encourage additional PVOs to operate in the health care sector in the country."
 - Natural Resources and Conservation: The USAID Strategy sets forth a program for the conservation and rational utilization of renewable natural resources based on a number of reforms such as private sector institutional development and technology transfer. The activities that PVOs will be encouraged to undertake as part of this Project will support these objectives in a manner consistent with this approach.
 - Private Sector: The Project will contribute to the Mission's objective of strengthening "institutions meeting the needs of microenterprises..."

III. PROJECT RATIONALE AND DESCRIPTION

A. Project Objectives

1. Project Goal and Purpose

The Project's goal will be to promote broad based, sustainable economic growth and improve the health of Nicaragua's population. Its purpose will be to expand the availability of primary health care and family planning services and employment opportunities for lower income families, and to promote sustainable natural resource management.

2. End Of Project Status

By June 1996, the efforts of U.S. PVOs supported by this Project (with assistance from local PVOs where appropriate) should have resulted in the following in the communities in which subproject activities were implemented:

- o A significant expansion of local primary health care and appropriate family planning services.
- o A significant increase in the number of microenterprises and/or new employment opportunities.
- o The initiation of reforestation activities and/or development of local resource management plans.
- o A significant strengthening of the capacities of local, democratically-organized institutions to design and implement community-initiated development activities.

B. Project Description

1. General Project Strategy

This Project seeks to increase the involvement of PVOs in improving social and environmental conditions and economic opportunities in this newly emerging democracy. The Project will be implemented under the aegis of a five-year, \$15.0 million Project Grant Agreement with the GON's Ministry of External Cooperation. As part of this Agreement, the GON will contribute the local currency equivalent of \$5.0 million over the Life of Project beginning in FY 1992, and PVO grant recipients will contribute a total of approximately \$4,520,000. Thus, the total Project cost from all sources is estimated at \$24,520,000.

To implement the Project, USAID will award grants to registered U.S. PVOs for development activities in the areas of primary health care/family planning, employment generation and

microenterprise development, and natural resource management. This approach reflects A.I.D.'s view that U.S. PVOs can reach the poor effectively and that, through association with A.I.D., those PVOs will improve their capacity to manage and evaluate their programs and finances. By working with local communities and organizations, U.S. PVOs will tap their knowledge about local needs and ways to meet those needs, strengthen grassroots democratic organizations, and forge links with the beneficiary population.

Following is a description of the various entities that will be involved in project implementation and the responsibilities they will be expected to assume.

2. The Project Management Unit (PMU)

To maintain control, visibility, and the ability to evaluate an expanded U.S. PVO program in Nicaragua while keeping USAID's workload within acceptable limits, the Mission will establish a Project Management Unit (PMU) to assist it in reviewing, monitoring, and evaluating U.S. PVO subprojects. This Unit, which is expected to be in place by January 1992, will be staffed through a direct-A.I.D. contract with a for-profit consulting firm chosen through full and open competitive procedures. The PMU will operate under USAID's guidance, and will consist of eight professionals (notionally two expatriates and six local hire) and support staff. It will be responsible for:

- o Receiving and reviewing Concept Papers and Proposals from PVOs interested in participating in the Project.
- o Presenting to the USAID Project Review Committee (see below) those that meet the minimum criteria for approval set forth in this Project Paper.
- o Making a preliminary recommendation to that Committee as to the action USAID should take in response to each proposal.
- o Assisting, as directed by USAID, PVOs in preparing or revising Concept Papers and Proposals to meet USAID requirements.
- o Drafting, under USAID's direction, basic A.I.D. documentation required for grants.
- o Monitoring and reporting to USAID upon all aspects of subproject implementation. This will include reviewing quarterly progress reports and conducting on-site reviews.
- o Assisting in the collection and analysis of baseline data.

- o Receiving local currency funds from the special GON account to be established for this purpose in Nicaragua's Central Bank and distributing (as directed by USAID) these local currency funds to U.S. PVOs for use in subprojects funded under this Project.
- o Assisting grantees and subgrantees in financial management and coordination. This will include assisting grantees in the design and implementation of systems to ensure proper use of and reporting on both dollar and local currency funds made available to those grantees under this Project.
- o Liaising, subject to policy guidance from USAID, between the PVOs, USAID, the GON line ministries and other donors to facilitate operational information sharing and coordination.

USAID's experience, as well as its discussions with sources familiar with the human resources available locally, indicate ample availability of qualified Nicaraguans to staff many of the positions within the PMU at the salary levels budgeted.

Proposed criteria for contractor selection, a detailed Scope of Work, and staffing requirements are set forth in Annex G, "Administrative/Implementation Arrangements".

3. Role of USAID

USAID will be responsible for reviewing, revising, and approving PVO proposals for subproject activities. Beginning in January 1992, the Mission will carry out this responsibility with the assistance of the PMU as described above. In view, however, of Nicaragua's urgent need for assistance with critical problems in the health, employment, and natural resource sectors, USAID cannot wait for the PMU to begin operations upon completion of the competitive procurement process. Accordingly, in FY 1991 and early FY 1992, the Mission will begin the Project by awarding as many as three OPGs. USAID will work with prospective PVO grantees to develop Concept Papers already on hand into fundable Proposals. The mission expects to make these awards in the fourth quarter of FY 1991 and the first quarter of FY 1992.

To select those proposals that merit funding, USAID will establish a formal Project Review Committee. This Committee will be composed of representatives from the General Development (GDO), Project (PDIS), Program (PEPS), Contracts (CO), Legal (LA), and Financial Management (OFIN) Offices, and from other technical offices as appropriate. The Committee will review

documentation presented by PVOs⁴ and recommend whether the subproject proposal should be approved, developed further in collaboration with the PMU and the originating PVO, or rejected. Once the Committee has made its selection and the PVO in question has completed a full-scale Proposal acceptable to USAID, the Contracts Office will negotiate an OPG with that PVO.

Within USAID, GDO will be responsible for managing the Project. GDO will carry out this responsibility through a PVO Coordinator hired under a Personal Services Contract and housed in the Mission. This PVO Coordinator will be responsible for overall administration and monitoring of PVO activities, including:

- o Monitoring implementation through site visits and reports.
- o Maintaining effective financial supervision of both U.S. dollar and local currency budgets.
- o Supervising baseline data collection, activity monitoring and periodic evaluation.
- o Conducting close-out procedures to ensure formal conclusion of subprojects.
- o Assisting the Chief of GDO in coordinating policies with the GON Ministry of External Cooperation, with line Ministries involved in sectors of Project activity, and with other donors.
- o Coordinating with the relevant USAID technical offices concerning subprojects in their areas of expertise.

A detailed Scope of Work for the PVO Coordinator is set forth in Annex G, "Administrative and Implementation Arrangements".

Other divisions of USAID will be involved as follows:

- o Project Development and Implementation Support (PDIS) will assist GDO in preparing official documentation (Requests for Proposals, Implementation Letters, Orders, etc.), in monitoring compliance with the Project Grant Agreement, and in preparing the Scopes of Work for and carrying out the planned mid-term and final evaluations. PDIS will also sit

⁴ Once the PMU is established, USAID will ask that PVOs submit initial Concept Papers and supporting documentation through the PMU. The PMU will then, as described above, pass on to USAID those Concept Papers that meet the minimum criteria set forth in this PP. As described in Annex G, the PMU may also elect to return Concept Papers to the proposing PVOs for further development. The PMU will of course be expected to inform USAID of any such action.

on the Project Review Committee.

- o The Contracts Officer (CO) will sit as a member of the Project Review Committee. Additionally, s/he or the Mission Director will negotiate and sign the planned PVO grants.⁵
- o The Office of Financial Management (OFIN) will retain ultimate responsibility for managing all project funds, both dollar and local currency, and for assuring that adequate financial controls and audit coverage are in place. OFIN will also sit on the Project Review Committee.
- o USAID's Legal Advisor (LA) will be a member of the Project Review Committee and participate in the review of all grant proposals.

Additionally, technical offices (e.g. Agriculture and Rural Development, Private Sector) will sit on the Project Review Committee as it considers proposals in their respective areas of expertise. These offices will also play a key role in monitoring those subprojects once they reach the implementation stage.

4. U.S. PVOs

To receive grants from this Project, USAID will require that U.S. one, be registered with A.I.D.; and two, have received official recognition from the GON as a Private Voluntary Organization, authorized to carry out activities in Nicaragua. If a U.S. PVO has not yet received such recognition from the GON at the time it submits its initial Concept Paper or Proposal, USAID will require that the PVO document that it has applied for recognition. No award will actually be made, however, and no funds transferred to the PVO, until such legal recognition is conferred by the GON. The Project Grant Agreement will require that the GON grant this recognition to any U.S. PVO registered with A.I.D. that applies for an award from this Project.

U.S. PVOs will be responsible for the preparation and initial submission of subproject Concept Papers and/or Proposals. While USAID, directly or through the PMU, may assist in the refinement or redesign of Concept Papers or Proposals deemed to have merit, such refinement or redesign is primarily the responsibility of the PVO proponent. The PVOs will likewise be responsible for consulting the appropriate GON agencies to ensure that their concerns are addressed in the subproject proposals.

⁵ Per Redelelegation of Authority 149.1.1, the Mission Director may execute grants not exceeding \$5 million in value.

PVO grant recipients will also be responsible for subproject management, implementation, and reporting pursuant to USAID guidance presented primarily through the PMU. These responsibilities will include the following:

- o Consulting and establishing collaborative linkages with intended beneficiaries and appropriate local government agencies;
- o Insuring that subprojects are implemented in conformance with and complementarily to appropriate GON or local government plans; and
- o Insuring the improvement or termination of approaches or activities determined to be of insufficient merit for continuation.
- o Designing and implementing systems to ensure proper use of and reporting on both dollar and local currency funds made available under this Project.

For U.S. PVOs that implement activities partly through subgrants to unregistered LPVOs, additional responsibilities will include:

- o Overall accountability for the performance of and financial management by their subgrantees of both dollar and local currency funds;
- o Provision of technical, organizational and logistical training and other guidance necessary to improve the capabilities of the subgrantee LPVOs; and
- o Resolution of problems and conflicts that may arise out of subgrantee LPVO operations.

In addition to these implementation responsibilities, U.S. PVOs receiving OPGs under this Project will be required to contribute or to arrange for a contribution of at least 25% of total subproject costs, preferably in cash but otherwise in kind, from sources other than the U.S. Government. Exceptions to this criterion may be made where a subproject supports specific legislative provisions (e.g. Congressionally earmarked funding or mandated programs), or where a subproject at the outset and for an undetermined future will have no independent source of income (e.g. rehabilitation of municipal infrastructure for purposes of employment generation; non-self sustaining environmental interventions). Other cases for possible exception from the 25% contribution requirement could include subprojects generated by PVOs at the behest of USAID in pursuance of special Mission interests for which the PVO does not have sufficient resources to comply with this criterion. Exceptions to the 25% requirement will require a waiver approved by the USAID Director.

5. Local PVOs

Due to severe institutional limitations currently affecting local PVOs, this Project will only award grants to registered U.S. PVOs. However, to increase USAID's relationship with LPVOs, whose activities are generally smaller and more community-oriented, and to assist in augmenting the capacities of those LPVOs, USAID will:

- o Strongly urge - though not require - U.S. PVO grantees to conduct a portion of their subproject operations in collaboration with appropriate LPVOs.
- o Urge grantees to provide their LPVO associates with technical assistance and training to augment the overall administrative and accounting capabilities of those LPVOs.
- o Conduct a pilot technical assistance and training program through the PMU to provide additional guidance and help to LPVOs in developing their own capabilities. As discussed in Annex D, "Technical/Institutional Analysis", this guidance will include assistance and training in subproject design and cost estimating; cost-effectiveness analysis; evaluation and baseline data collection; subproject implementation management; and financial management and accounting. In time, administrative inputs from both U.S. PVOs and the PMU to these LPVOs are expected to be reduced as some of them become capable of fulfilling A.I.D. requirements and possibly even of branching off to other financial backers.

6. Role of the Government of Nicaragua

In policy dialogue with USAID officials, the GON has expressed a strong interest in close collaboration in providing assistance to PVOs. Accordingly, this project grant agreement is being signed with the GON. Under the planned bilateral Project Grant Agreement with USAID for this Project, the GON will agree to contribute the local currency equivalent of \$5.0 million to the Project. USAID expects that the GON will derive much if not all of this contribution from local currency generated under the aegis of future planned cash transfer assistance from A.I.D.'s Economic Support Fund.

The GON will participate in the Project by:

- o Designating a counterpart official who will serve as the contact point for project implementation issues and problems.
- o Granting official legal recognition and any and all permits, approvals, tax exemptions, and other like documents needed to allow an organization to carry out development activities

in Nicaragua to U.S. PVOs registered with A.I.D. that apply for an award from this Project.

- o Designating a representative to serve as a member of the evaluation team during overall project evaluations.

Negotiations with the GON's Ministry of External Cooperation concerning the Grant Agreement for this Project are underway. Since the GON is strongly in favor of efforts to provide development interventions to the poor through PVOs, USAID expects that the Grant Agreement will allow the Mission to issue PIO/Ts and award grants without advance GON approval of each subproject. Conditions Precedent will be limited to the standard legal opinion and specimen signatures.

C. Criteria and Procedures for Subproject Approval

1. Focus and Size of Subprojects

USAID expects that subprojects will be developmental in nature and targeted on the disadvantaged segments of Nicaraguan society in one of the priority sectors discussed above -- health/family planning, employment generation, or natural resource management. USAID and the PMU will work with the U.S. PVOs that initiate subproject proposals to assure that the activities as implemented have a direct and demonstrable impact on the intended beneficiaries and positive benefits for the communities in which they take place. USAID will expect subproject grantees to carry out these activities in a mutually participatory and consultative fashion. Environmental soundness, including attention to potential impact on endangered species, will be considered in the review of all proposed subprojects.

In general, subprojects should be completed within three years. Extensions will be considered only when necessary to achieve particular longer term objectives. Proposals for follow-on subprojects will be judged on their individual merits as per the standard PMU/USAID review procedures. Except under compelling special circumstances, the minimum subproject will be \$500,000; the maximum will be \$3 million.

Specific criteria against which the PMU and the USAID Project Review Committee will evaluate each subproject proposal are set forth below.

2. Criteria for Subproject Approval

To be considered by USAID, all subprojects will have to comply with the following minimum criteria:

- o The proposing organization must be registered with A.I.D. as a U.S. Private Voluntary Organization.

- o The proposal must be in general accordance with or complement the parameters of the GON Development Plan and the USAID Country Strategy.
- o Planned activities must contribute to achievement of the Project Purpose.
- o The proposal must be technically, administratively, financially, economically, socially and environmentally sound;
- o The proposal must contain precise financial and implementation plans;
- o Planned activities must be developmental rather than welfare-oriented;
- o The proposal must demonstrate the willingness and organizational capacity of the prospective grantee to:
 - contribute 25% of the total cost of proposed subproject activities;
 - implement, monitor, and report on all program activities;
 - generate gender-disaggregated data;
 - evaluate people-level impact of activities;
 - evaluate and manage subgrant activities with LPVOs;
 - assure that some degree of activity will continue after the completion of USAID assistance; and
 - deliver politically neutral benefits.

When USAID is required to make difficult choices from among many worthy proposals competing for scarce Project resources, the Mission will give higher priority to proposals that also meet some or all of the following activity criteria:

- o Demonstrate the prospective grantee's particular expertise or competence with the proposed activities.
- o Are participatory in nature, involving to the degree possible beneficiaries and local organizations in design and implementation;
- o Involve LPVOs in program implementation through subgrants or contracts;
- o Are directed toward improvements in living conditions of the poor; and
- o Encourage the participation of women.

- o Include a Logical Framework, Decision Tree, or similar schematic identifying subproject objectives, assumptions, intended beneficiaries and expected impact on those beneficiaries.

Higher priority will likewise be given to proposing PVOs that meet some or all of the following organizational criteria:

- o Have an established record that demonstrates the PVO's possession of financial, managerial, and analytical skills related to the activity to be undertaken.
- o Have a capable professional staff who are career employees or are otherwise committed to significant long-term involvement in the activities of that PVO.
- o Have an institutional philosophy of commitment to development and to democratic principles.
- o Have staff located in the regions of planned activity, or otherwise able to monitor activities adequately.
- o Have other programs commensurate with the scope and level of its proposed activities under this Project, and have funding for its core staff in Nicaragua from sources other than A.I.D.

Proposals should also document links between planned subproject activities and community, provincial, national, PVO, USAID or other donor efforts in the same geographic or technical area.

Proposals that involve any of the following kinds of activities will not be approved for Project financing:

- o Beautification, recreation or other civic, nondevelopmental activities;
- o Development activities whose intended beneficiaries are not in keeping with the project's target income groups;
- o Political activities or activities that discriminate among beneficiaries on a political basis or are otherwise inconsistent with the promotion of democratic institutions and values;
- o Activities that discriminate among beneficiaries on basis of gender, religion or ethnicity;
- o Construction or any other activities that have a negative environmental impact.
- o Support for or promotion of abortion in any manner.

3. Preparation and Submission of Proposals

To maximize the likelihood that subprojects will meet A.I.D. requirements without need for excessive revision, USAID will encourage PVOs to submit their ideas in Concept Paper form rather than as a completed Proposal. However, some PVOs will either have already completed their Proposal(s) or simply feel they work more effectively using that procedure. The PMU/USAID review process for either will be the same, except for level of detail.

4. Review and Approval Process

The review and approval process for Concept Papers and/or Proposals is set forth in Annex G. The principal elements of the process will be as follows.

- o PVOs submit Concept Papers or Proposals to PMU, and the PMU advises the USAID PVO Coordinator that it has received the document.
- o The PMU studies the submission and either rejects it as not meeting the minimum criteria set forth above, returns the submission to the PVO for further development, or forwards it to USAID with a positive or negative recommendation.
- o USAID's Project Review Committee reviews the PVO submission, considers the PMU's recommendation, and (either conditionally or absolutely) approves or rejects the submission.
- o If in the view of the USAID Project Review Committee the documentation submitted by the PVO requires further development (e.g. from a Concept Paper to a full-scale Proposal), the Committee will return it to the PVO through the PMU with suggestions for its revision.

5. Illustrative Subprojects

Annex D, "Technical/Institutional Analysis" lists a number of PVO Concept Papers already in hand which can be considered for Project financing. USAID plans to begin selecting from among these as soon as possible following signature of the Project Grant Agreement, and to award as many as three OPGs prior to arrival of the PMU contract team in January 1992. Among the most promising of the concepts presented to date are:

<u>PVO:</u>	<u>Sector:</u>	<u>Estimated Proposed Amount:</u>
International Medical Corps	Health	\$5.8 million*
Mennonite Economic Development Associates	Microenterprise	\$1.2 million
CARE	Environment	\$1.0 million
Catholic Relief Services	Health	\$1.5 million

D. Implementation Alternatives Considered

Before choosing to use the PMU mechanism discussed above, USAID seriously considered employing a PVO or PVO Consortium as an umbrella grantee to perform the same or similar functions. USAID rejected this alternative, and will instead staff the PMU through a contract with a for-profit firm, because it believes that such a firm will be better able to handle the pressure imposed by the tremendous demand for funds from this Project than would an umbrella PVO. The rationale for this belief is as follows:

- o A for-profit firm will be more clearly recognized as USAID's agent and not as an independent entity. Public understanding of the U.S. role in assisting Nicaragua will thus be enhanced, as USAID will be more closely identified with the subprojects (and their benefits) than it would if its role were filtered through an intermediate PVO.
- o Such a firm is more likely to have access, whether through its permanent staff or its associates, to the greatest variety of and best-qualified talent.
- o For-profit firms will be more likely to follow USAID instructions rigorously, since they do not typically have an agenda of their own that they might seek to promote.
- o A firm will not, either in actuality or perception, be in competition with other PVOs for funding from this project. Its objectivity will therefore be less open to question.
- o A for-profit firm will be less vulnerable than an umbrella PVO grantee to pressure from other PVOs to give a favorable review to questionable proposals.
- o The personnel of a for-profit firm will be able to devote full-time attention to the PMU. By contrast, the staff of an umbrella grantee would have to apportion its time between PMU functions and other activities of its organization.
- o As shown in Annex F, the cost of contracting with a for-profit firm will not be significantly greater than that of

* To be reduced with guidance from USAID.

granting funds to an umbrella PVO. USAID estimates that the cost of former approach will approximate \$5,560,000 over the life of the Project, whereas the latter would cost approximately \$4,590,000. This difference is principally due to the fact that a for-profit firm will charge the Project for backstopping support, home office overhead and profit, while such costs would be somewhat lower under an umbrella PVO arrangement.⁷ Thus, at a total marginal cost of less than \$1 million, or less than 5% of the combined USAID/GON contribution to the Project, USAID will both assure itself of getting the best personnel available and avoid the significant political complications that the PVO umbrella option would impose. USAID believes that these extra costs are justified given the urgent need to begin project activities quickly and correctly.

USAID recognizes, however, that an umbrella PVO approach could have considerable appeal as an implementation mechanism for a follow-on project already in steady state operation. It might also facilitate outreach to LPVOs. Accordingly, the mid-term evaluation of this Project discussed below will examine whether such a management mechanism for any follow-on project would improve cost-effectiveness and efficiency of operation.

USAID also considered the possibility of implementing this Project through a team of Personal Services Contractors operating directly out of the Mission. Annex F suggests that this alternative would result in considerable cost savings: the LOP cost of a team of two expatriate and four FSN PSCs would approximate \$3,776,000 as compared to the estimated \$5,560,000 LOP cost of the PMU. However, after careful analysis, it was determined that going this added step to implement such a significant PVO operation would place an unreasonable burden on the administrative capacity of this new USAID Mission and thus was not feasible.

⁷ Other costs (commodities, equipment and supplies, office rental, local travel and per diem, local PVO training, and evaluation and audit) would not vary significantly.

IV. COST ESTIMATE AND EXPENDITURE PROJECTIONS

A. Total Life of Project (LOP) Contribution from All Sources

The total LOP cost from all sources of the PVO Co-Financing Project will approximate \$24,520,000. The A.I.D. contribution will be \$15,000,000, or 61.17% of that total. The Government of Nicaragua will contribute the local currency equivalent of \$5.0 million (20.39% of the total). The GON will make its contribution in cash by making regular deposits of local currency into a special account at its Central Bank reserved for this purpose. Funds from this account will then be advanced regularly to the PMU for onward disbursement to PVO grantees. A written assurance from the GON of its intention to make this contribution will be received prior to or as part of the Project Agreement. Finally, U.S. PVOs that receive grants from the Project will contribute the equivalent of \$4,520,000 (18.43% of the total) from their own resources. USAID will expect PVOs to make their contributions in cash rather than in-kind whenever possible. The amount of AID funds to be used for local currency purposes will be determined and reviewed as individual grant proposals are reviewed. At this time a breakdown between AID FX and LC cannot be done. All funds contributed by the GON will be allocated to the local costs of grants in the health, employment, microenterprise, and natural resource sectors. Similarly, all funds contributed by participating PVOs will be devoted to such grants. Of the A.I.D. contribution, 57%, or \$8,560,000, will be budgeted for grants to PVOs, while the remaining 43% (\$6,440,000) will cover the costs of project oversight and management (specifically, the U.S. PSC PVO Coordinator and his/her secretary; the Project Management Unit; and the costs of evaluation and audit). 4.05% will be reserved to cover contingencies and inflation. Table I below summarizes the total cost of the PVO Co-Financing Project by input category and funding source.

TABLE I: Summary Cost Estimate by Input Category and Funding Source (U.S. \$ '000 or equivalent)

Input Category:	A.I.D.:	U.S. PVOs:	GON:	Total:	% of Total
Technical Assistance	4,539	0	0	4,539	18.51
Commodity Procurement	75	0	0	75	0.31
Training	270	0	0	270	1.10
Local Costs of PMU	426	0	0	426	1.74
Evaluation and Audit	250	0	0	250	1.02
Grants to PVOs	8,560	4,520	5,000	18,080	73.74
Sub-Total	14,120	4,520	5,000	23,640	96.41
Contingency	298	0	0	298	1.22
Inflation (5%)	582	0	0	582	2.37
Total Costs:	15,000	4,520	5,000	24,520	100.00

Table II makes the same estimate by project element:

TABLE II: Summary Cost Estimate by Project Element and Funding Source (U.S. \$ '000 or equivalent)

Project Element:	A.I.D.:	U.S. PVOs:	GON:	Total:	% of Total
Project Coordination	950	0	0	950	3.87
Proj. Management Unit	4,360	0	0	4,360	17.78
Evaluation and Audit	250	0	0	250	1.02
Grants to PVOs	8,560	4,520	5,000	18,080	73.74
Sub-Total	14,120	4,520	5,000	23,640	96.41
Contingency	298	0	0	298	1.22
Inflation (5%)	582	0	0	582	2.37
Total Costs:	15,000	4,520	5,000	24,520	100.00

The totals in both the above tables disagree slightly due to rounding of the A.I.D. contribution. See Annex F, "Detailed Budget Estimate and Expenditure Projections", Tables F-4.1 and F-4.2, for exact figures. Annex F also provides further detail on planned expenditures, and discusses how these budget projections were made and the assumptions that underlie them.

B. Expenditure Projections

Table III below provides annual expenditure projections for the A.I.D. contribution by project element.

TABLE III: Expenditure Projections by Fiscal Year (U.S. \$ '000 or equivalent)

Project Element:	1991:	1992:	1993:	1994:	1995:	1996:	Total:
Project Coordination	47	190	190	190	190	143	950
Project Management Unit	0	852	945	945	920	698	4,360
Evaluation and Audit	5	20	95	20	95	15	250
Sub-Total, Non-Grant	52	1,063	1,230	1,155	1,205	855	5,560
Contingencies	3	73	62	58	60	43	298
Inflation @ 5%	0	0	65	124	199	193	582
Total Non-Grant	55	1,136	1,356	1,337	1,465	1,091	6,440
Grants to PVOs	75	1,432	2,506	2,778	1,421	347	8,560
TOTAL, ALL COSTS	130	2,568	3,862	4,115	2,886	1,438	15,000

Tables I-III above assume that project activities will begin July 1, 1991, and continue through the Project Assistance Completion Date (PACD) of June 30, 1996. A contingency factor of approximately 5%, and an inflation factor (compounded annually) of 5% beginning in FY 1993 has been applied to all figures outside the planned grants to PVOs. The PVO grant proposals themselves will be expected to include line items for contingency and inflation.

C. Methods of Implementation and Financing

**TABLE IV: Methods of Implementation and Financing
(U.S. \$ or equivalent)**

Budget Item:	Method of Implementation	Method of Financing	Approximate Amount
PVO Coordinator	AID Contract	Direct Pay	875,000
PSC Secretary	AID Contract	Direct Pay	75,000
PMU	AID Contract	Direct Pay	4,360,000
Evaluation & Audit	IQC Contracts	Direct Pay	250,000
Grants to PVOs	OPGs	Letter of Credit or Direct Pay	8,560,000
Sub-Total:			14,120,000
Contingency and Inflation:			880,000
TOTAL:			15,000,000

The table above presents the implementation and financing methods to be used for the Project. All proposed financing methods for the dollar assistance are preferred methods. It is anticipated that the recipients of the OPGs will execute all contracting and procurement actions under \$100,000 and will pay directly. Pre-award surveys of the implementation and financial capabilities of the grantees will be conducted by an accounting firm or the USAID Controller's Office. Disbursements to the recipients will be conditioned on a positive assessment.

There is a line item in the table above for evaluations and audits. It is anticipated that an independent accounting firm, contracted under an IQC, will conduct the audits. The Office of the Regional Inspector General, based in Tegucigalpa, will supervise the non-federal audits in conjunction with the USAID Controller. Progress on implementing recommendations or any problems concerning financial affairs will be closely monitored.

D. A.I.D. Obligation Schedule

USAID/Nicaragua plans to obligate the funds required to make this contribution as per the schedule summarized below in Table V:

TABLE V: A.I.D. Obligation Schedule vs. Planned Expenditures
(U.S. \$ '000)

<u>Fiscal Year:</u>	<u>Planned Obligation:</u>	<u>Estimated Expenditures:</u>	<u>Anticipated Pipeline:</u>
1991	4,000	130	3,870
1992	4,000	2,568	5,302
1993	4,000	3,862	5,440
1994	3,000	4,115	4,325
1995	0	2,886	1,439
1996	0	1,439	0
	=====	=====	=====
TOTAL:	15,000	15,000	0

Planned obligations should thus be sufficiently timely to meet the project's expenditure requirements.

V. IMPLEMENTATION ARRANGEMENTS

A. Project Implementation Schedule

Project implementation will be conducted on a time phased basis covering three periods. The key actions scheduled to take place during those periods, and the actors who will be responsible for taking those actions, are summarized in tabular form below. Annex G, "Administrative/Implementation Analysis", discusses this plan in more detail.

1. Pre-Implementation Actions (April - June 1991)

Prior to implementation, the following actions must be completed:

<u>Action:</u>	<u>Action Agent:</u>	<u>Elapsed Time:*</u>	<u>Estimated Date:</u>
PP Completed	USAID	0 days	06/91
Project Authorized	USAID	30 days	07/91
Initial Grant Proposals Reviewed	USAID	40 days	07/91
Project Agreement Signed	USAID/GON	45 days	07/91
Conditions Precedent Met	GON	60 days	08/91

2. Start Up Phase (July - December 1991)

<u>Action:</u>	<u>Action Agent:</u>	<u>Elapsed Time:</u>	<u>Estimated Date:</u>
PIO/T for PVO Coordinator	USAID	5 days	07/91
Publicize PVO Coordinator	USAID	7 days	07/91
PIO/T for PMU Contractor	USAID	10 days	07/91
Publicize RFP for PMU Contractor	USAID	15 days	07/91
Preliminary 1991-92 Workplan Approved	USAID	30 days	08/91
First (non-PMU) OPG Awarded	USAID	30 days	08/91
RFP for PMU Issued	USAID	50 days	08/91
Contract PVO Coordinator	USAID	70 days	09/91
PMU Proposals Received	USAID	110 days	10/91
Issuance of M.O. on PVOs	USAID	120 days	11/91
2nd Group of (non-PMU) OPGs Awarded	USAID	130 days	11/91
PMU Technical and Business Proposals Evaluated	USAID	140 days	11/91
PMU Contract Awarded	USAID	170 days	12/91
PMU Contract Team Mobilized and Performing	PMU	200 days	01/92

* Calendar days.

3. Full Project Implementation Phase (January 1992 - December 1994, Project Years 2-4)

By January 1992, the PMU contract team will be in place and will be proceeding to orient, interact with, and receive proposals from the PVOs expected to participate in the project. The remaining grants will be approved and launched during this phase, with final selections occurring no later than July 1993. Grant implementation will continue on the basis of annual workplans with continuous monitoring and refinement, submission of quarterly reports, and annual reviews and periodic evaluations. Major actions during this phase will be as follows:

<u>Action:</u>	<u>Action Agent:</u>	<u>Elapsed Time:</u>	<u>Estimated Date:</u>
PVO Promotional Campaign Begins	PMU	210 days	02/92
PMU Submits Commodity Procurement Plan to USAID	PMU	210 days	02/92
Revised Project Workplan for 1992 Approved	PMU/USAID	220 days	02/92
USAID Approves PMU Procurement Plan	USAID	230 days	02/92
Review of 3rd Group of PVO Proposals Begins	PMU/USAID	240 days	03/92
PMU solicits commodity offers	PMU	240 days	03/92
3rd Group of PVO Grants Awarded	USAID	270 days	04/92
PMU Begins LPVO TA/Training Programs	PMU	300 days	05/92
PMU Commodities Arrive	PMU	330 days	06/92
Review of 4th Group of PVO Proposals Begins	PMU/USAID	420 days	09/92
4th Group of PVO Grants Awarded	USAID	450 days	10/92
Workplan for 1993 Approved	PMU/USAID	540 days	01/93
Review of 5th Group of PVO Proposals Begins	PMU/USAID	570 days	02/93
5th Group of PVO Grants Awarded	USAID	630 days	04/93
Review of Final Group of PVO Grants Begins	PMU/USAID	660 days	05/93
Final Group of PVO Grants Awarded	USAID	720 days	07/93
Mid-Term Evaluation	USAID/PMU	720 days	07/93
Workplan for 1994 Approved	PMU/USAID	900 days	01/94
Workplan for 1995 Approved	PMU/USAID	1260 days	01/95

4. Phase-Down or Redesign Phase (January 1995 - June 1996)

In the 4th Quarter of Fiscal Year 1995, a second evaluation of the Project will be conducted to make, inter alia, a final recommendation as to the desirability of a follow-on Project. This will allow USAID to incorporate the findings of this evaluation into the design of any follow-on project (if USAID decides to launch such a project). If USAID elects to proceed with a follow-on project, its design would take place in FY 1996, and implementation would begin slightly before or immediately upon completion of this first Project.

<u>Action:</u>	<u>Action Agent:</u>	<u>Elapsed Time:</u>	<u>Estimated Date:</u>
Second Evaluation	USAID/PMU	1440 days	07/95
PID for follow-on Project*	USAID	1530 days	10/95
PP for follow-on Project*	USAID	1620 days	01/96
Follow-on Project Authorized*	USAID	1710 days	04/96
PACD of PVO Co-Financing		1800 days	06/96
Implementation of Follow-on Project Begins*	USAID	1800 days	06/96

*If USAID elects to proceed with such a project.

B. Procurement Plan

1. Procurement of Technical Assistance

This Project will procure technical assistance through two separate processes. One process will involve competitive solicitation, review, and award of a direct-A.I.D. Personal Services Contract to an individual who will serve as USAID/Nicaragua's PVO Coordinator. The second, simultaneous process will involve solicitation, evaluation and selection of a for-profit Institutional Contractor to staff the Project Management Unit.

Procurement of the PVO Coordinator will be the responsibility of USAID and be coordinated by the GDO Office. The General Development Officer will develop the Scope Of Work for the contract, and draft and obtain USAID approval of the required PIO/T. The availability of the position will be advertised locally and elsewhere as appropriate. Applications received in response to this advertisement will be reviewed by a USAID technical committee. The USAID Contracts Officer will then begin negotiations with and (if these are successful) award the contract to the most technically qualified individual as determined by that committee.

USAID will select the PMU contractor through full and open competition among eligible U.S. firms. The General Development Officer will develop the Scope of Work for the contract, evaluation criteria, and will draft and obtain USAID approval of the required PIO/T. U.S. firms who have had experience in managing PVO activities such as those planned for this Project will be located through AID/W technical offices and an advertisement in the Commerce Business Daily. The USAID Contracts Officer will then issue a Request for Proposals to these organizations. The replies to this RFP will be reviewed by a USAID technical committee. The Contracts Officer will then begin negotiations with and (if these are successful) award the contract to the firm offering the most advantageous proposal to the U.S. Government.

Gray Amendment entities will be encouraged to participate in the competition for this contract. In any case, pending finalization of revised Gray Amendment contracting procedures, the RFP will contain a provision requiring at least 10% subcontracting to Gray Amendment firms.

2. Procurement of Commodities

a. For the PVO Coordinator:

Procurement of household furnishings, as well as office equipment and supplies in support of the PVO Coordinator, will be a USAID responsibility. Funds for these items will be included in the PIO/T for these services. USAID will purchase these items on the contractor's behalf using the Mission's standard procedures for project-funded PSCs. USAID will also provide this contractor with the services of a local-hire secretary. The Project budget set forth in Section IV of this PP and in Annex F reserves funds for this position.

b. For the Project Management Unit:

The technical assistance contractor selected to staff the Project Management Unit will be responsible for the procurement of all commodities needed to ensure the start-up and successful implementation of the Unit. Funds for this purpose will be included in the institution's contract with A.I.D. for this Project. To assure compliance with applicable A.I.D. regulations, USAID will require that this contractor submit a commodity procurement plan for the Mission's review and approval before initiating any procurement actions. As part of this review, USAID will seek guidance from AID/W/IRM before approving procurement of any computers and/or software.

The authorized Geographic Code for these procurement actions will be 000 plus Nicaragua and the Central American Common Market countries. It is expected that only three four-wheel drive

vehicles will be purchased from the United States. Most items will be purchased locally, notably photocopiers and certain small value office supplies. These purchases will be valued under \$25,000 per transaction. The origin of these goods will be Code 000 whenever possible. The contractor will be required to use appropriate solicitation documents (IFB/RFQ) when soliciting quotations from local vendors.

A preliminary list of the commodities to be procured by the contractor for use by the PMU is set forth in Annex K to this Project Paper.

VI. MONITORING, EVALUATION AND AUDIT

A. Overall Project Evaluations

The overall Project evaluations will examine the Project as a whole to determine whether it is attaining its basic purposes. The primary users of the information gathered will include USAID, the PMU, the PVOs themselves, and AID/Washington.

The principal task of these evaluations will be to assess the Project's progress towards its purpose of expanding the availability of primary health care and family planning services and employment opportunities for lower income families and promoting sustainable natural resource management. The evaluators will also be asked to suggest, if and as necessary, corrective measures to improve progress toward these ends.

The impact of subproject activities on beneficiaries cannot be assessed in any substantial way until a particular activity has been in implementation for one or more years, although it would be possible to derive useful data from similar projects undertaken under regular PVO project processes. Thus evaluation of the effect of the Project as a whole from this perspective will be based substantially on the results of the evaluations of individual subprojects as they are completed. It will be possible even during implementation to assess the beneficiaries' own perceptions of whether activities are having a favorable impact on their lives. While this approach is not conclusive, it can be extremely informative if conducted by perceptive, experienced persons.

To keep survey and monitoring costs within reasonable limits, it may be desirable to rely on beneficiary perceptions rather than on 'hard' data comparisons. For example, the complete evaluation of environmental impacts of project grants may require detailed meteorological, pluviological and runoff data, whose collection may well be beyond the capabilities of Project grantees. In such cases, it will be necessary to rely on beneficiaries' reports regarding changing conditions, or their perception of the

effectiveness of the grant activities. Such analyses must be designed to ensure that questions and responses are clearly related to the implementation activities in question.

To satisfy USAID/Nicaragua country objectives, PVOs receiving grants from this Project will make periodic efforts to evaluate beneficiaries' awareness of USAID support in the grant programs and to verify the non-political nature of program implementation.

Another, although distinctly secondary, objective of the PVO Co-Financing Project is to develop sustainability of PVO-type activities through strengthening the capacities of LPVOs to plan and manage development projects and to improve their linkages with government agencies. The assistance and training in subproject design and cost estimating, cost-effectiveness analysis, evaluation and baseline data collection, subproject implementation management, and financial management and accounting, as well as the guidance materials that the PMU will distribute to grantees and LPVOs on these subjects, can be expected to make a significant impact on LPVO effectiveness and accountability.

Progress in these areas can be assessed informally as the Project is implemented as a normal by-product of monitoring subproject execution. However, it will also be assessed at two points during Project implementation in a more coherent and objective manner. Specifically, USAID will undertake two evaluations of overall Project effectiveness during the life of the PVO Co-Financing Project.

The first will take place in or around July 1993, approximately two years after USAID is scheduled to award the first Operational Program Grant under this Project and some 18 months after the PMU contractor is scheduled to be on site. This will allow adequate accumulated experience with grantee activities. This first mid-term evaluation will also examine the functioning of the PMU, and make a preliminary recommendation to USAID as to whether or not this mechanism should be continued in any follow-on project.

The second evaluation will take place approximately two years later; i.e., in or around July 1995, just less than one year before the scheduled Project Assistance Completion Date (PACD). In addition to assessing progress toward the Project Purpose and Outputs, USAID will ask these evaluators to recommend to the Mission whether or not a follow-on PVO Co-Financing Project is warranted. The timing of this evaluation will allow USAID to incorporate its findings into the design and authorization of any follow-on project (if USAID decides to launch such a project). If the evaluation recommends (and if USAID concurs in that recommendation), design of such a follow-on project would take place in FY 1996, and implementation would begin slightly before or immediately upon completion of this first Project. This would

avoid any hiatus in new starts of A.I.D.-funded PVO activities.

Finally, if funds allow, a post-project evaluation of this Project should be undertaken approximately one year after the PACD. In addition to making a final judgement on the success or failure of PVO Co-Financing in reaching its purpose, this post-project evaluation should assess the ultimate economic and financial viability of subprojects supported.

B. Subproject Evaluations

The standard provisions of all OPGs will call for the grantee to conduct a baseline survey and prepare a report on the survey for the USAID. They will also require the grantee to prepare an evaluation plan.

Thus, the primary responsibility for evaluating individual subprojects will lie with the PVO grantees. The PMU, however, will assist the PVO staffs in developing evaluation plans and will participate in subproject mid-term reviews and evaluations. In addition, AID/W has produced a guidebook, Monitoring and Evaluation of PVO Projects, to assist PVOs in devising evaluation and monitoring plans.

While it would be reassuring to state that the efforts by PVOs and USAIDs invariably result in reliable baseline data and well designed evaluations, this is not always the case. Some organizations, particularly the large and highly professional U.S. PVOs, do well in establishing objective and verifiable indicators that can be used for later impact evaluations, but many of the smaller U.S. PVOs and most LPVOs do not. It is important to keep in mind that projects similar to this one frequently involve working, directly or indirectly, with small and often unsophisticated organizations with limited capabilities. It is not realistic to expect them to conduct extensive pre-project analyses for small grants with modest objectives. Therefore, USAID will have to conduct some of its impact evaluations on the basis of limited baseline data and objective indicators established in advance.

For this reason, the PMU will be expected to place considerable emphasis on the timely acquisition of meaningful baseline data so that evaluations will, in fact, provide useful analyses of actual subproject effect. USAID will press for realistic and meaningful evaluations.

C. Monitoring

Timely periodic monitoring is critical in determining the progress made in project implementation and will, therefore, be accomplished on a continuing basis throughout the life of this

project. Monitoring activities will involve the gathering of information regarding Inputs, Outputs, and actions that are essential to project success. GDO and the PSC PVO Coordinator, acting primarily through the PMU, will have the primary responsibility for monitoring all subprojects a minimum of four times a year by actual on-site visits. These responsibilities shall be carried out as follows:

1. USAID/PMU

- o PMU Consultants, supported as and when necessary by USAID personnel, will periodically conduct site visits to monitor PVO subprojects. Monitoring functions in the field will include: (1) short briefings by the PVO Grantee on subproject status, (2) one-on-one discussions with target beneficiaries to verify the extent of accomplishment of Grant objectives and actual effectiveness of subproject activities, (3) discussion with the PVO Grantee focusing on recommendations for improvement and conflict resolution if required.
- o PMU personnel backstopping subprojects will review all quarterly reports submitted by PVO Grantees to effectively track down the use of funds, flow of subproject activities, compliance with the terms and conditions of the Grant, and possible areas of conflict.
- o The PMU will periodically check PVO subprojects to: (1) determine if required financing from both USAID and PVOs are being provided in a timely and coordinated manner; (2) review PVO Grantees' books, ledgers, and records to insure that subproject funds are being utilized as planned, and (3) determine if individual PVO Grantees have adequate financial systems in place. USAID's Office of Financial Management will review and verify the results of these periodic checks.
- o One-on-one consultations with PVOs will also be conducted where implementation problems have been identified.

2. PVOs

- o The range of responsibility for monitoring will vary from PVO to PVO depending on its organizational structure and the size of subproject staff. Generally, the primary responsibility for overall monitoring of the subproject will be assigned to the Project Manager or Project Director. Methods of monitoring will include staff meetings, field visits to the target communities, preparation of reports required by USAID, periodic review of the terms and conditions of the Grant, and consultations with the PMU Consultant and/or USAID Project Officer.

D. Audit

A concurrent audit through an IQC accounting firm will review progress under this project on an ongoing basis. This non-Federal audit will be financed with funds from the line item for this purpose set forth in Annex F, Table F-4.1, "A.I.D. Contribution by Project Element and Fiscal Year."

VII. SUMMARIES OF PROJECT ANALYSES

A. Overview

The nature of the PVO Co-Financing Project requires that analyses consider both the Project as a whole and the individual subprojects. Since the specifics of the latter will only become available as actual subproject proposals are submitted, reviewed and accepted, certain aspects of the analysis presented in the Annexes and summarized here must necessarily be general. The analytical limitations are strongest and most obvious in the cases of the Economic and Financial Analyses (and, necessarily, their Summaries) since these would require analyses of currently unknown future subprojects and their methodologies, costs and benefits. Meaningful analyses can be made, however, in the Technical/Institutional, Administrative/Implementation and Social areas, since these are integral aspects of the overall Project and only dependent to a limited degree on prospective subproject decisions.

With regard to the analyses to be required in the subproject approval process, the Project will be guided by Handbook 3, Chapter 4:

"The substantive requirements for a PP [i.e. a subproject proposal in the case of the PVO Co-Financing Project] for a small project will be generally the same as described in Chapter 3, although the level of effort given to various analyses should be commensurate with the substantive importance of the project."

Other than the financial and economic analyses, which are required to be prepared in accordance with prescribed formats, all other analyses will be presented in the form of a succinct narrative unless there are compelling reasons to present more than essential information.

B. Technical/Institutional Analysis

For the PVO Co-Financing Project as a whole, it is the institutions involved that constitute the technical input to the Project. Likewise, the technical feasibility of the individual

subprojects, which can only be determined at the time they are submitted, will depend primarily on the institutional capabilities of the organizations presenting them. Therefore the Technical and Institutional Analyses for this Project are not presented separately, but combined as Annex D.

The Analysis demonstrates that:

- o U.S. PVO priorities tend to be broad and flexible; they are highly adaptable to funding opportunities and well disposed to orient their activities within USAID guidelines, as long as these can be harmonized with their broad developmental and social welfare improvement goals.
- o All U.S. PVOs have access to technical assistance, although of variable quantity and quality. Particularly in the area of natural resources, there seems to be a reserve of technical resources which may be tapped.
- o There is a strong PVO interest and capability in the areas of health and natural resources on the part of both U.S. and local PVOs.
- o Considerable levels of interest are also seen in the area of microenterprise by U.S. PVOs, and great interest in this area has been expressed on the part of the LPVOs.
- o Capabilities for program execution are highly variable: the LPVOs have suffered institutionally over the past decade, but U.S. PVOs continue to exhibit a fairly sophisticated level of monitoring and evaluation capabilities.
- o U.S. PVOs maintain heterogeneous relations with LPVOs, ranging from those which create "chapters" to mediate relations between local beneficiary groups and the Managua-based U.S. PVO structure to those which work directly with local groups.
- o Several LPVOs seem appropriate recipients of PVO Co-Financing support, whether indirect through urging U.S. PVOs to work through them, direct through PMU assistance, or both. Registration, however, and thus direct assistance from USAID, are not seen as a meaningful options in the near term. Since no Nicaraguan PVOs are registered with USAID, a "grant-subgrant" structure between U.S. PVOs and LPVOs will be required.
- o The grant-subgrant structure will also minimize paperwork at the Mission level. OPGs will be made to registered U.S. PVOs with the strong suggestion that portions of these grants be subgranted by the grantee to local organizations.

- o The U.S. PVOs consider the grant-subgrant structure as their preferred mode of work, and pride themselves on their ability to work with LPVOs and contribute to their institutional development.
- o On balance, the U.S. PVOs are not enthusiastic about the PMU's role in the Project, since it is perceived as having the potential to be one more bureaucratic layer in the entire funding and implementation process.
- o On the other hand, to the extent that the PMU is perceived as a provider of services, its role is better accepted. Specifically, U.S. PVOs are attracted to the idea that the PMU could relieve them of part of their reporting burden, and that it could assist in the training of LPVOs.
- o A program of technical assistance and training for the LPVOs, furnished through the PMU, will do a great deal to enhance the effectiveness of subproject design, implementation and monitoring/evaluation.

C. Economic Considerations

Annex E, "Economic Considerations" concludes that the Project will result in a variety of quantifiable and non-quantifiable benefits, depending on the actual mix of subprojects proposed and funded, and on both counts produce a positive economic effect. At the minimum, it will infuse an additional \$15.0 million into the Nicaraguan economy, as well as result in enhanced productive capabilities due to better health and improved employment opportunities. The emphasis of the Project on the sustainable management and use of natural resources will help ensure the sustainability of Project benefits.

D. Detailed Cost Estimate and Budget Analysis

Annex F, "Detailed Cost Estimate and Budget Analysis" breaks out planned expenditures per Fiscal Year by both project element and input category. It demonstrates that the planned obligation schedule will be sufficient to cover the Project's costs, and discusses the assumptions underlying cost estimates.

As noted, this Annex does not attempt to assess the financial viability of the project as a whole, since to do so would require analyses of currently unknown future subprojects and their methodologies, costs and benefits. The Annex does, however, set forth criteria for financial management and reporting against which each prospective grant application will be assessed.

E. Administrative/Implementation Analysis

Annex G, "Administrative/Implementation Analysis" amplifies the material set forth in Sections V and VI of the PP.

F. Social Soundness Analysis

Annex H, "Social Soundness Analysis" lays out the overall social picture in Nicaragua as it will be subject to consideration in the course of implementation of the Project. The analysis demonstrates that:

- o The development assistance activities that will be financed under the PVO Co-Financing Project are socially and culturally feasible.
- o The structure of the project does not permit a detailed examination of beneficiary impacts at the outset; specific social impacts can only be analyzed when grant proposals are clearly defined.
- o Project beneficiaries can be identified in each sector of activity as people who receive improved health and sanitation services, benefit from job creation, or profit from improved natural resource management, particularly improved potable water supply, sustainable agricultural and agro-forestry opportunities and greater availability of fuelwood.
- o Access to benefits can be equitably distributed by gender, and constraints to the full participation of women to social services, job creation, training, and technical assistance opportunities can be addressed and overcome through explicit Project strategies.
- o There appears to be a growing demand for family planning information and commodities, the provision of which can be incorporated into primary health care program activities, where appropriate.
- o Microenterprise is a key aspect of a serious strategy for addressing poverty in rural and, particularly, urban areas. In any such activities undertaken under the auspices of this Project, USAID will seek to direct training and technical assistance to micro-entrepreneurs.
- o There are a variety of forestry and resource management initiatives ongoing in Nicaragua, which will be a source of technical experience to guide PVO activities in the future.
- o Needed inputs in the area of sustainable agriculture can be provided through the appropriate development of grassroots,

private farmers' associations of the type that will benefit from PVO activities in their geographic and sectoral areas.

G. Environmental Analysis

A Categorical Exclusion has been recommended for the primary health care, family planning, microenterprise, and democratic initiative portions of this Project. For the employment generation and environmental portions of the Project, a deferred Negative Determination is recommended. Prior to project start-up, USAID will develop procedures to ensure that subprojects in these two areas do not have a significant harmful effect on the environment. See Annex I, "Initial Environmental Examination".

VIII. NEGOTIATING STATUS, CONDITIONS, AND COVENANTS

Negotiations with the GON concerning this Project, the proposed Project Grant Agreement, and the timing of the GON's contribution to the Project are underway, as evidenced by USAID's receipt of a letter from the GON formally requesting authorization of this Project (see Annex B). The GON is in favor of efforts to provide assistance to Nicaragua's poor through private, non-Governmental organizations.

USAID expects that the Project Grant Agreement will contain no Conditions Precedent to disbursement other than the standard legal opinion and specimen signatures. Covenants will be limited to the GON's commitment to provide a local currency contribution to the Project equivalent to \$5.0 million. USAID also expects that the GON will agree to the insertion of a provision in the Project Grant Agreement allowing USAID to approve PIO/Ts for proposed subproject activities, and thus to award Operational Program Grants to registered U.S. PVOs, without prior GON approval. To facilitate this process, the GON will covenant to grant official recognition to any U.S. PVO registered with A.I.D. that applies for a grant from this Project.

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS:
<p>Goal: ----- To promote broad-based, sustainable economic growth and improve the health of Nicaragua's population.</p>	<p>1. Increased income from expanded job market. 2. Significant reductions in disease and illness. 3. Notable reduction in environmental degradation.</p>	<p>1. IMF national income data; GON labor data. 2. MINSAs data. 3. IREMA & MINAG data on water pollution, tree</p>	(Goal to Supergoal)
<p>Project Purpose: ----- To expand the availability of primary health care and family planning services & employment opportunities for lower-income families and to promote sustainable natural resource management.</p>	<p>In communities in which lead PVO or LPVOs active: 1. Primary health care and appropriate family planning services expanded. 2. Significant increase in no. of microenterprises & employment opportunities. 3. Initiation of reforestation activities and/or implementation of local resource management plans. 4. Capacity of local institutions to implement dev. activities significantly strengthened.</p>	<p>1. Significant increase in health care outlets and patients treated. 2. Number of businesses; number of hours worked. 3. Number of reforestation and local management plans approved and operational. 4. Person-months of training and technical assistance received by local organizations.</p>	(Purpose to Goal)
<p>Outputs: ----- At least one lead PVO with assistance from LPVOs where appropriate implementing or having completed subprojects in each of the following sectors: 1. Primary health care and family planning. 2. Employment Generation/microenterprise development. 3. Natural resource management.</p>	<p>1. 1 grant to US PVO for health and/or FP efforts initiated or completed. 2. 1 grant to US PVO for microenterprise and/or employment generation initiated or completed. 3. 1 grant to US PVO for natural resource management initiated or completed.</p>	<p>1-3. PMU and PVO progress reports; site visits to areas in which project-funded grantees active.</p>	(Outputs to Purpose)

NARRATIVE SUMMARY	IMPLEMENTATION TARGETS:	MEANS OF VERIFICATION	ASSUMPTIONS:
Inputs:			(Inputs to Outputs)
1. PROJECT COORDINATION: A. PVO Coordinator (USPSC) B. PSC Controller (PSNPSC)	1. PROJECT COORDINATION: A. 60 Person-Months (PMs) B. 60 PMs	1. Contractor billings; contractor reports	1. Managerial & technical skills available locally in quantities sufficient to support USAID and PMU efforts.
2. PROJECT MANAGEMENT: A. PMU Staff: - Director (US) - Controller (US) - Accountant (LE) - Env./Sanitation (LE) - Mgt. Specialist (LE) - Training Specialist (LE) - Program Associates (LE) - Non-professional staff	2. PROJECT MANAGEMENT: A. PMU Staff: - 54 PMs - 54 PMs - 54 PMs - 54 PMs - 54 PMs - 54 PMs - 108 PMs - 378 PMs	2. Contractor billings; contractor reports; site visit to PMU offices	2. U.S. PVOs will submit sufficient number of technically sound proposals in target sectors. 3. U.S. PVOs willing and able to meet 25% contribution requirement.
B. Short-Term Tech. Asst.	B. 12 PMs		
C. U.S. Commodities	C. 3 Vehicles		
D. Local Costs	D. \$426,250		
E. Local PVO Training	E. \$270,000		
3. EVALUATION AND AUDIT: - Evaluation - Non-Federal Audit	3. EVALUATION AND AUDIT: - 2 evaluations during LOP - Ongoing, \$100,000	3. USAID records; contractor billings.	
4. GRANTS TO PVOS:	4. GRANTS TO PVOS:	4. Grantee billings and reports; visits to project sites.	
A. Health Sector	A. \$3,600,000		
B. Employment Generation/ Microenterprise	B. \$2,480,000		
C. Natural Resource Mgt.	C. \$2,480,000		

ANNEXES

- A. LOGICAL FRAMEWORK
- B. GON REQUEST FOR THE PROJECT (RESERVED)
- C. STATUTORY CHECKLIST
- D. TECHNICAL/INSTITUTIONAL ANALYSIS
- E. ECONOMIC CONSIDERATIONS
- F. DETAILED COST ESTIMATE AND BUDGET ANALYSIS
- G. ADMINISTRATIVE/IMPLEMENTATION ANALYSIS
- H. SOCIAL SOUNDNESS ANALYSIS
- I. ENVIRONMENTAL ANALYSIS
- J. NPD APPROVAL MESSAGE
- K. PRELIMINARY COMMODITY LIST



MINISTERIO DE COOPERACION EXTERNA

Managua, 27 de Junio, 1991.

RECEIVED
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USAID NICARAGUA
C & R

Doctora
JANET C. BALLANTYNE
Directora
Misión USAID
Managua, Nicaragua

OFFICIAL FILE COPY

Estimada Doctora Ballantyne:

En representación del Gobierno de Nicaragua, le solicito atentamente el financiamiento correspondiente para desarrollar el Proyecto No. 524-0313, CO-FINANCIAMIENTO DE LAS ORGANIZACIONES NO-GUBERNAMENTALES, en nuestro país.

Como se desprende el Proyecto citado, se requieren aproximadamente quince millones de dólares americanos (US\$15,000.00) para financiar sus actividades por un periodo de cinco años.

En términos generales, el proyecto tiene como objetivo general contribuir al fortalecimiento del sistema democrático en Nicaragua, a través de la implementación de actividades de desarrollo a nivel local las cuales complementan y apoyan las prioridades del Gobierno en los sectores específicos como son la generación de -- empleo, protección e administración de los recursos naturales y salud materno-infantil.

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

S. Ramirez
ING. ROBERTO ATHA RAMIREZ
Ministro, por la Ley
Ministerio de Cooperación Externa

cc:
Archivo
Cronológico

Due Date: 7/5/91
Action Taken:
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ANNEX C: Statutory Checklist

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE?

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. Host Country Development Efforts (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

The project will likely provide training and technical assistance to microentrepreneurs, thereby increasing private initiative and competition and discouraging monopolistic practices.

2. U.S. Private Trade and Investment (FAA Sec. 601(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

The project will encourage U.S. Private Voluntary organizations to launch new efforts in Nicaragua.

3. Congressional Notification

a. General requirement (FY 1991 Appropriations Act Secs. 523 and 591; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)?

Notification was sent to Congress on April 24. That notification expired without objection on May 9.

b. Notice of new account obligation (FY 1991 Appropriations Act Sec. 514): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

N/A

c. Cash transfers and nonproject sector assistance (FY 1991 Appropriations Act Sec. 575(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?

N/A

4. Engineering and Financial Plans (FAA Sec. 611(a)): Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Yes.

5. Legislative Action (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

No legislative action is required.

6. Water Resources (FAA Sec. 611(b); FY 1991 Appropriations Act Sec. 501): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, at seq.)? (See A.I.D. Handbook 3 for guidelines.)

N/A

7. Cash Transfer and Sector Assistance (FY 1991 Appropriations Act Sec. 575(b)): Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

N/A

8. Capital Assistance (FAA Sec. 611(e)): If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

N/A

9. Multiple Country Objectives (FAA Sec. 601(a)): Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

See Item A.1 above.

10. U.S. Private Trade (FAA Sec. 601(b)): Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

See Item A.2 above.

11. Local Currencies

a. Recipient Contributions
(FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

The GON will contribute the local currency equivalent of \$5.0 million to the Project. The U.S. owns no local currencies

b. U.S.-Owned Currency (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No.

c. Separate Account (FY 1991 Appropriations Act Sec. 575). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

N/A. This Project will not generate local currency.

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

N/A

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

N/A

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

N/A

Ab

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

N/A

12. Trade Restrictions

a. Surplus Commodities (FY 1991 Appropriations Act Sec. 521(a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

No.

b. Textiles (Lautenberg Amendment) (FY 1991 Appropriations Act Sec. 521(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

No.

13. Tropical Forests (FY 1991 Appropriations Act Sec. 533(c)(3)): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

No.

14. Sahel Accounting (FAA Sec. 121(d)): If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)?

N/A

15. PVO Assistance

a. Auditing and registration (FY 1991 Appropriations Act Sec. 537): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

Yes. All U.S. PVO grant recipients will be required to provide records upon request, and to be registered with A.I.D.

b. Funding sources (FY 1991 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

All U.S. PVOs that receive grants from this project will be required to obtain at least 20% of their total annual funding for international activities from sources other than the U.S. Government.

16. Project Agreement Documentation (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

N/A

17. Metric System (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the

Yes.

extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

18. Women in Development (FY 1991 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased?

Yes. Women will be among the principal beneficiaries both of the health sector and family planning grants funded by this project.

19. Regional and Multilateral Assistance (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

No.

20. Abortions (FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 525):

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

No.

b. Will any funds be used to lobby for abortion?

No.

21. Cooperatives (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?

Yes. The Project will encourage U.S. PVOs to subgrant funds to local PVOs, and to carry out development activities through local institutions such as cooperatives, church groups, and others capable of channeling aid to large numbers of beneficiaries.

22. U.S.-Owned Foreign Currencies

a. Use of currencies (FAA Secs. 612(b), 636(h); FY 1991 Appropriations Act Secs. 507, 509): Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.

See Item A.11.a above.

b. Release of currencies (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No.

23. Procurement

a. Small business (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

Yes. Small businesses will be able to compete equitably for the contract to staff the PMU and for all commodity procurements.

b. U.S. procurement (FAA Sec. 604(a)): Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him?

Yes.

c. Marine insurance (FAA Sec. 604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?

N/A

d. Non-U.S. agricultural procurement (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

N/A

e. Construction or engineering services (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible

No.

under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

f. Cargo preference shipping (FAA Sec. 603): Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? No.

g. Technical assistance (FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Yes. Technical assistance will be obtained from a U.S. private for profit firm.

h. U.S. air carriers (International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? Yes.

i. Termination for convenience of U.S. Government (FY 1991 Appropriations Act Sec. 504): If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? Yes.

j. Consulting services
(FY 1991 Appropriations Act Sec. 524): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

Yes.

k. Metric conversion
(Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

Yes.

l. Competitive Selection
Procedures (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes.

24. Construction

a. Capital project (FAA Sec. 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used?

N/A

b. Construction contract (FAA Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

N/A

G. Large projects, Congressional approval (FAA Sec. 620(k)): N/A
If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress?

25. U.S. Audit Rights (FAA Sec. 301(d)): N/A
If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

26. Communist Assistance (FAA Sec. 620(h)). Yes.
Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

27. Narcotics

a. Cash reimbursements (FAA Sec. 483): Yes.
Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated?

b. Assistance to narcotics traffickers (FAA Sec. 487): Yes.
Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance?

28. **Expropriation and Land Reform (FAA Sec. 620(g)):** Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? Land reform efforts will not be among the activities supported by grants to PVOs under this project.
29. **Police and Prisons (FAA Sec. 660):** Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes.
30. **CIA Activities (FAA Sec. 662):** Will assistance preclude use of financing for CIA activities? Yes.
31. **Motor Vehicles (FAA Sec. 636(i)):** Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes. All motor vehicles financed under this project will be manufactured in the U.S.
32. **Military Personnel (FY 1991 Appropriations Act Sec. 503):** Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? Yes.
33. **Payment of U.N. Assessments (FY 1991 Appropriations Act Sec. 505):** Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues? Yes.
34. **Multilateral Organization Lending (FY 1991 Appropriations Act Sec. 506):** Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? Yes.
35. **Export of Nuclear Resources (FY 1991 Appropriations Act Sec. 510):** Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? Yes.

36. Repression of Population (FY 1991 Appropriations Act Sec. 511): Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?

Yes.

37. Publicity or Propoganda (FY 1991 Appropriations Act Sec. 516): Will assistance be used for publicity or propoganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propoganda purposes not authorized by Congress?

No.

38. Marine Insurance (FY 1991 Appropriations Act Sec. 563): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate?

Yes.

39. Exchange for Prohibited Act (FY 1991 Appropriations Act Sec. 569): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?

No.

B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

1. **Agricultural Exports (Bumpers Amendment) (FY 1991 Appropriations Act Sec. 521(b), as interpreted by conference report for original enactment):** If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

N/A

2. **Tied Aid Credits (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund"):** Will DA funds be used for tied aid credits?

No.

3. **Appropriate Technology (FAA Sec. 107):** Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

Sub-projects that emphasize appropriate technology could be among those funded by this project.

4. **Indigenous Needs and Resources (FAA Sec. 381(b)):** Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

The project will encourage U.S. PVOs to subgrant funds to local PVOs, and to carry out development activities through local institutions such as co-operatives, church groups, and others capable of channeling aid to large numbers of beneficiaries.

5. Economic Development (FAA Sec. 101(a)): Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

6. Special Development Emphases (FAA Secs. 102(b), 113, 281(a)): Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

7. Recipient Country Contribution (FAA Secs. 110, 124(d)): Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

8. Benefit to Poor Majority (FAA Sec. 128(b)): If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

Yes. The ability of beneficiaries to continue subproject activities once the AID contribution has been completed will be a key factor in evaluating PVO proposals.

(a)-(c) The Project will encourage U.S. PVOs to subgrant funds to local PVOs, and to carry out development activities through local institutions such as cooperatives, church groups, and others capable of channeling aid to large numbers of beneficiaries.

(d) Women will be the primary beneficiaries of the health and family planning activities funded by the project.

(e) N/A

Yes.

Yes. Poor Nicaraguans in small urban and rural areas of the country will be the project's primary beneficiaries, and a major task of the Project Management Unit will be to monitor the effects of Project funded activities.

9. Abortions (FAA Sec. 104(f); FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 535):

a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions? No.

b. Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations? No.

c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? No.

d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? No.

e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? No.

f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? No.

g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization? No.

c. Forest degradation: Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

No.

d. Sustainable forestry: If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

No. Another A.I.D. Project in this sector, the Natural Resources Management Project, will assist the GON in developing such a sustainable program.

e. Environmental impact statements: Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment?

Yes. Prior to Project start-up, procedures will be developed to ensure that PVO grants in the areas of employment generation and natural resource management do not have a significant harmful effect on the environment.

14. Energy (FY 1991 Appropriations Act Sec. 533(c)): If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

N/A

15. Sub-Saharan Africa Assistance (FY 1991 Appropriations Act Sec. 562, adding a new FAA chapter 10 (FAA Sec. 496)): If assistance will come from the Sub-Saharan Africa DA account, is it: (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) to be used to promote sustained economic growth, encourage private sector development, promote individual initiatives, and help to reduce the role of central governments in areas more appropriate for the private sector; (c) being provided in accordance with the policies contained in FAA section 102; (d) being provided in close consultation with African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (e) being used to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take into account, in assisted policy reforms, the need to protect vulnerable groups; (f) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks,

N/A

10. **Contract Awards (FAA Sec. 601(e)):** Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes.

11. **Disadvantaged Enterprises (FY 1991 Appropriations Act Sec. 567):** What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

Ten percent of all direct A.I.D. contracts for technical services will be reserved for such institutions.

12. **Biological Diversity (FAA Sec. 119(g)):** Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

- a) Yes.
- b) No.
- c) The Project would consider funding such efforts if a U.S. PVO submits a proposal to do so.
- d) No.

13. **Tropical Forests (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c)-(e) & (g)):**

a. **A.I.D. Regulation 16:** Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?

b. **Conservation:** Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent

- a. Per A.I.D. Regulation 16, the Chief Environmental Officer for the LAC Bureau concurred in USAID/N's recommendation for a Categorical Exclusion for the health, family planning, and microenterprise activities of this Project, and for a deferred Negative Determination for its employment generation and environmental protection activities.

c b l

feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help and supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

The activities cited in sections (1)-(10) of FAA Sec.118(c) are all potentially among the types of efforts that the natural resource management component of this Project could promote. Final identification of those activities, however, and thus a definitive response to these questions, will depend upon the nature of grant proposals received from U.S. PVOs.

to maintain and restore the renewable natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

16. Debt-for-Nature Exchange (FAA Sec. 463): If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.

N/A

17. Deobligation/Reobligation (FY 1991 Appropriations Act Sec. 515): If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

N/A

18. Loans

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

N/A

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

N/A

c. Interest rate (FAA Sec. 122(b)): If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

N/A

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

N/A

19. Development Objectives (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

(1)-(3) See Item B.4 above.

(4) Women will be the primary beneficiaries of the health and family planning activities funded by the Project.

(5) N/A

20. Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 103A):

a. Rural poor and small farmers: If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

N/A

b. Nutrition: Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

N/A

c. Food security: Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

N/A

21. Population and Health (FAA Secs. 104(b) and (c)): If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of

PVO grant proposals that emphasize low-cost, integrated delivery systems and pay particular attention to the needs of mothers and young children will be given priority in the award of health sector grants under this Project.

mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

22. **Education and Human Resources Development (FAA Sec. 105):** If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

N/A

23. **Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106):** If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

Activities related to the production of energy are not among this Project's areas of emphasis.

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

67.8% of Project funds will be granted to U.S. PVOs to carry out development activities related to health, family planning, microenterprise, employment generation, and natural resource management.

c. research into, and evaluation of, economic development processes and techniques;

d. reconstruction after natural or manmade disaster and programs of disaster preparedness;

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

24. Sahel Development (FAA Secs. 120-21). If assistance is being made available for the Sahelian region, describe: (a) extent to which there is international coordination in planning and implementation; participation and support by African countries and organizations in determining development priorities; and a long-term, multidonor development plan which calls for equitable burden-sharing with other donors; (b) whether a determination has been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of projects funds (dollars or local currency generated therefrom).

c. The Project will fund mid-term and final evaluations that will examine, inter alia, the relative success of the various development techniques used by PVO grant recipients.

d. N/A

e. N/A

f. PVO grants issued under the Project will support employment generation and micro-enterprise activities that will assist the urban poor and that may include technical assistance and training to small, labor-intensive enterprises.

N/A

ANNEX D1 TECHNICAL/INSTITUTIONAL ANALYSIS

I. Overview

For the PVO Co-Financing Project, it is the institutions involved that will constitute the technical input to the Project. Likewise, the technical feasibility of individual subprojects, which can only be determined at the time they are submitted, will depend primarily on the institutional capabilities of the organizations presenting them. Therefore this Project Paper combines the Technical and Institutional Analyses.

Although it introduces a new management mechanism, this Project continues a program of U.S. PVO activities which has been underway for many years in many countries. Program evaluations of those activities carried out by A.I.D. and others have confirmed their general success in meeting activity objectives. The overwhelming majority of U.S. PVOs have thus demonstrated their capacity to prepare proposals and carry out development activities, as well as a capacity, though limited by the present inadequacies of the indigenous institutions, to help develop associated LPVOs. Many of those same U.S. PVOs have themselves benefitted at some time from the kinds of training and technical assistance that this Project will seek to have them provide to the LPVOs, and most of them have had experience in managing subgrants to smaller organizations.

This technical/institutional analysis will therefore address two principal questions: 1) what is the potential response on the part of Local and U.S. PVOs to the project opportunities presented by the proposed PVO Co-Financing project?; and 2) What capabilities or limitations might be encountered in executing the project through the proposed PMU - U.S. PVO - LPVO framework? This analysis concludes that it is technically and institutionally feasible to execute the PVO Co-Financing Project as long as the PVOs receive administrative and technical support from the PMU as well as from the U.S. PVOs.

A review of the USAID/Nicaragua PVO Coordinator's portfolio of projects and outstanding requests for assistance supports the conclusion of interviews with PVOs in Managua that there is a strong interest and capability in the areas of health and natural resources on the part of both U.S. and Local PVOs. Considerable interest is also seen in the area of microenterprise by U.S. and local PVOs.

Capabilities for program execution are highly variable. Local PVOs have suffered institutionally over the past decade due to a relaxation of administrative and financial controls, but U.S. PVOs exhibit a fairly sophisticated level of monitoring and evaluation capabilities. Furthermore, despite indications that some institutions would be reluctant to work with funding from the U.S. Government, these groups seem to be a clear minority.

Special administrative arrangements will be necessary to guarantee the collection and reporting of necessary information for USAID purposes. This information will be gathered through several levels of implementing institutions below USAID and its PSC PVO Coordinator. The highest of these will be the Project Management Unit (PMU), charged with overall project supervision. Directly below the PMU will be a small number (10-12) of U.S. PVOs that will receive substantial grants from USAID/Nicaragua to carry out specific development programs. These "lead" PVOs may, when appropriate, subgrant monies to local Nicaraguan PVOs (LPVOs) to carry out particular components of the program. If a full subgrant is not feasible due to institutional limitations on the part of the LPVO, it might still be possible and desirable for the U.S. PVO to contract the LPVO to carry out certain functions under more direct U.S. PVO supervision. While the PVO Co-Financing Project will not require U.S. PVOs to subgrant or contract any specified portion of their grant funds to LPVOs, such linkages will be encouraged and given favorable attention in grant proposal review. Finally, PVOs will carry out their sectoral development activities through local-level institutions, such as community development associations, cooperatives, church groups, and other organizations capable of channeling program aid rapidly to large numbers of beneficiaries.

II. Evidence of Current Interest in AID Support for PVOs

Since the re-establishment of U.S. bilateral assistance to Nicaragua, the new USAID mission has been approached by a total of 45 U.S. PVOs and 30 local PVOs either with concept papers or with expressions of interest. These are summarized in Table A-1 below. Concept papers that have been received but not yet developed into fundable proposals would amount to more than \$25 million in projects. With funds from sources outside this proposed PVO Co-Financing Project, USAID is currently funding more than \$24 million in PVO projects, through the General Development Office and other mission divisions.

It seems clear that there is a significant potential for PVO based development activities in Nicaragua, both through U.S. and national groups. Moreover, the current portfolio of projects suggests that a significant portion of the PVO community active or potentially active in Nicaragua has been able to approach AID with concepts adequate to warrant proceeding with further analysis and development.

Table D-1: Organizations, Concept Papers, and Amounts Submitted to USAID/Nicaragua

<u>Organization</u>	<u>Activity</u>	<u>Estimated Proposed Amount</u>
Sister Cities International	Social	\$0.6 million
Technoserve	Private Ent.	\$0.1 million
Catholic Relief Services	Health	\$1.5 million
International Medical Corps	Health	\$5.8 million
Freedom Medicine	Health	\$1.0 million
Mercy Corps International	Health	\$1.6 million
Mennonite Economic Development Associates	Microenterprise	\$1.2 million
Waukesha County Technical College	Training	\$1.0 million
Project Concern	Child Survival	\$0.2 million
Council for International Development	Microenterprise	\$3.0 million
Accion International	Microenterprise	\$1.0 million
INDE	Economic	\$2.3 million
FUNDE	Education	\$1.0 million
EDUCREDITO	Economic	\$0.5 million
FUNDE	Rehabilitation	\$0.6 million
CARE	Environment	\$1.0 million

Table D-2: Ongoing USAID-Funded PVO Activities

Project Hope	Health	\$2.5 million
CARE	Food	
	Monetization	\$4.0 million
Pan American Development Foundation	Health	\$1.4 million
Salesian Mission, Inc.	Trg./Employment Generation	\$1.7 million
World Rehabilitation Fund	Rehabilitation/Health	\$1.0 million
ADRA	Health	\$1.6 million
Profamilia	Health/Population	\$5.0 million
UPANIC	Economic	\$6.0 million
Partners of the Americas	Development	\$1.4 million

III. Current Conditions of PVOs in Nicaragua

There is a strong PVO presence in Nicaragua. However, the political context of the Sandinista years introduced a set of conditions which altered many of the characteristics of the PVO community, and which will continue to have impacts on their capabilities to be involved in the PVO Co-Financing Project.

PVOs were a major source of foreign exchange during the Sandinista regime, and in many cases came to be closely identified with government policies, politics and institutions. Furthermore, in the closing days of the Sandinista regime, a large number of "NGOs" were created through acts of the national legislature. Many of the NGOs were vehicles for the transferral of Sandinista activities out of the government into the private sector so as not to lose control of programs and financing. At the same time, it is also likely that there were cases of non-political PVOs, which had been operating without any clear legal statutes, formalizing their existence for the purpose of working in post-Sandinista Nicaragua (the Sandinistas had revoked legal recognition, known as personeria juridica, of all PVOs at one point, and then recognized or excluded PVOs from the country as they saw fit).

In retrospect, it seems clear that the Sandinista government required PVOs primarily to be ideologically "correct" and highly visible, and only secondarily to be technically or administratively effective. As a result, current LPVOs seem very capable in project identification, weaker in execution and extremely weak in reporting. If U.S. PVOs subgrant assistance from this Project to LPVOs, the PMU and the lead U.S. PVO grantees must be clearly aware of these strengths and weaknesses, and must set up their reporting and evaluation structures accordingly.

The ideological requirements imposed by the Sandinistas leave a confusing heritage for the PVO Co-Financing Project. All LPVOs which survived during the Sandinista period were required to recognize the Sandinista political program, and take it into account or publicly support it in their own execution. Since this was a requirement for institutional survival, there were varying levels of commitment to these pro-forma statements of political orientation within the LPVOs. While USAID clearly should not be involved in the promotion of Sandinista political programs, LPVO statements of purpose and goals made during the Sandinista period may not be reliable guides to judge a group's commitment to the developmental goals of this Project.

Several attempts have been made to classify and describe LPVOs in Nicaragua. The "Directorio de ONG de Nicaragua" (Directory of Non-Governmental Organizations in Nicaragua) is one such attempt, although as is stated in the introduction to the volume, the inspiration for the directory is to embrace the PVO program of the Sandinista period, and to a certain extent, to reject the introduction of new PVOs (and U.S. PVOs in particular). This study reports 370 organizations, of which it lists 175 PVOs divided into 14 activity categories; development, technical assistance, cultural, ecological, education and communication, ethnic, research, youth, women, judicial development, rehabilitation, religious, health, and regional. The

introduction to this guide describes the involvement of the NGOs immediately before and after the fall of Somoza, their role in the state, and the explanation for their sudden legalization after the 1990 elections;

"The majority of the NGOs acquired serious responsibilities which implied more than a little risk.

"It was by way of this dynamic that the NGO began to conquer legitimate spaces in the heart of the popular movement, which implied assuming risks and responsibilities which went much further than simple assistance or charity....

"We can summarize the principal factors which explain the phenomenon of the NGO growth [after the election of Violeta Barrios de Chamorro] in the following manner:...

"Forward looking individuals conceived of the creation of new NGOs as fundamental instruments for the development of the civil society under the rubric of strengthening democracy and a greater participation of social agents [sic] in the political, economic, social and cultural growth of the Nicaraguan nation.

"Some organizations with more experience and prestige which during the Sandinista Government operated under existing NGOs decided, in view of the new situation, to become independent in order to establish their own relations both inside and outside the country . . .

". . . many of the NGO which worked [in Nicaragua] in the 80s maintained a stable functional level with little or no concern with complying with legal regulations, since the Sandinista State permitted their functioning without interfering in their actions and without using the State's coercive powers to interfere with their work, under the premise that these organisms formed an integral part of [ongoing] social development. It was for this reason that these groups acquired their legal status only after the elections" (author's translation).

Another study has been contracted by USAID for the purpose of distinguishing between PVOs with developmental or assistance goals, and those with other sets of objectives. Preliminary results of this study report the existence of 250 NGOs, which are classified by type of activity, organization charter, objectives and independence of national political movements. Only 36 of the NGOs were identified as developmental organizations (as opposed to religious, political, or professional organizations); of

these, 14 were very closely identified with Sandinista political figures and politics, leaving 22 which seemed appropriate as potential recipients of PVO Co-Financing support.

What is clear from these studies, and from visits to LPVOs, is that there are a great number of PVOs, with a wide variety of capabilities. The great majority of these PVOs do not presently have either appropriate orientations or adequate experience for incorporation into PVO Co-Financing activities. However, it can be expected that many of these groups will find themselves adapting to new conditions which demand a developmental focus plus technical and administrative competence, just as they adapted to the political conditions promoted during the Sandinista period. This growing number of PVOs interested in development will present a dilemma in a certain sense, in that there is a clear need to reinforce their tendency to move toward more responsible patterns of program development, execution and reporting. Nevertheless, these numbers are very likely to exceed USAID's budget and administrative capacity for response, even through the proposed PMU mechanism. USAID may be well advised to provide a limited level of support to these organizations, such as training or information, which represent low cost but high visibility options.

IV. Implications of the Grant Implementation Structure

For the PVO Co-Financing project, a 'grant-subgrant' structure between U.S. PVOs and LPVOs is required, because no Nicaraguan PVOs currently are registered with USAID/Nicaragua or AID/W.¹ To avoid costs and delays involved with the registration of local PVOs, Operational Program Grants (OPGs) will be made only to registered U.S. PVOs. OPGs will include funding for training and technical assistance necessary to ensure proper reporting capabilities by the U.S. PVOs and LPVOs.

The "grant-subgrant" structure is also meant to minimize paperwork at the Mission level. OPGs will be made to one or more registered PVOs in the areas of health, employment generation, and environment as defined by the PMU funding guidelines. It is expected that portions of these grants will be "subgranted" to several local organizations by the grantee for implementation purposes.

Although not a major objective, one of the by-products of the grant-subgrant structure will be an improvement in the capabilities of LPVOs over the course of the Project. This could become an unwanted by-product, if LPVOs interpret their training

¹ One LPVO, Profamilia, is being registered. However, as Profamilia will receive a grant under a separate project, it is not expected to receive assistance through PVO Co-Financing.

by A.I.D. (through the PMU) as an indication that they have been chosen as longer term A.I.D. project execution conduits. The perception of A.I.D. as only one of many future sources of support, rather than the sole source, could be furthered by encouraging U.S. PVOs to undertake broader institutional strengthening efforts through training in proposal preparation and general accounting procedures, thus preparing funded groups to approach sources other than A.I.D.

V. Coordination with the Government of Nicaragua

Coordination of PVO Co-Financing activities with activities of other donors and Nicaraguan government initiatives will be done at the policy level by USAID through the Ministry of External Cooperation. The Ministry is currently receiving support from USAID to develop a computerized data base of donor-funded PVO projects, activities, amounts and locations. This coordination will help minimize duplication of efforts, and ensure an appropriate distribution of PVO activities throughout the country. On the operational level, the PMU will be expected to keep in touch with activities by Government agencies, other donors, non-Project PVOs, and other organizations that might affect ongoing or planned Project activities.

VI. U.S. PVO Activities and Capabilities

A. Current Activities and Priorities

While all U.S. PVOs interviewed in Nicaragua readily identified priorities, these priorities tend to be broad and flexible. Relief activities are recognized as being short-term measures, which need to be complemented by more fundamental development activities. With this broad structure of priorities, the U.S. PVOs are highly adaptable to funding opportunities and are well disposed to orient their activities within guidelines required by the PVO Co-financing project, as long as these can be harmonized with their broad developmental and social welfare improvement goals.

B. Institutional Capabilities and Structure

From the PVOs' perspective, the major limitations in the implementation of PVO Co-Financing programs will be A.I.D. reporting requirements and the extra staff time these will require. This is especially true of those U.S. PVOs which have found themselves relatively isolated from their home offices due to the political changes of the past decade. U.S. PVOs thus express concern about their understanding of A.I.D. reporting requirements, citing the long hiatus in A.I.D. activities in Nicaragua.

Another area identified by PVO's as a weakness concerns principles of grassroots group formation and management. Since project implementation may be through local semi-formal groups (community development associations, cooperatives, civic groups), these may be stymied by their lack of experience as groups. Although only one PVO has explicitly voiced this concern to USAID during the preparation of this Project Paper, the importance of this problem will be directly related to the reliance by PVO Co-Financing grantees on informal local action groups.

All U.S. PVOs have access to technical assistance, although of variable quantity and quality. Perhaps the most sophisticated system is that of CARE, with a Regional Technical Advisory Team (RTAT), consisting of technical specialists who are on call to all Central American CARE offices. Similarly, Catholic Relief Services (CRS) calls on individuals with specific skills from other countries (some from outside the Central American region) to support their activities. The International Salesian organization provides somewhat sporadic training in project preparation to their national groups through international courses; those trained then become trainers for their national operations. CRS also reports that it has held its own training course in project and budget preparation at INCAE for its local collaborators.

In the area of natural resources, there seems to be a reserve of technical resources which may be tapped. IRENA is presently involved in several research and implementation projects. One project is in collaboration with United Nations Food and Agriculture Organization (FAO), focusing on reforestation in the Cordillera de los Maribios Project. Save the Children seems to be benefitting indirectly from these activities in their conservation and reforestation efforts in that area. IRENA is also collaborating with CATIE (Center for Tropical Agriculture Training and Research) in six natural forest management and agroforestry experiments, which to date have limited implementation components attached, and no formal PVO ties. In addition, both IRENA and INETER have at least partially implemented Geographic Information Systems (GIS), which may serve as resources for technical recommendations based on agro-ecological zoning (an area identified as a potential focus of PVO based development work.)

C. Current Relations with LPVOs

U.S. PVOs maintain heterogenous relations with LPVOs. At one extreme are groups such as the Salesians or Partners of the Americas, which create "chapters" dispersed throughout the country to mediate relations between local beneficiaries or beneficiary groups and the Managua-based U.S. PVO structure. At the other extreme is Catholic Relief Services, which works directly with local groups, apparently with no mediation.

It seems common to tap into local organizations either indirectly or inadvertently, through individual collaborators identified for projects. For example, ADRA works with health "brigadistas" as their trainees and health providers, but considers them as community members rather than representatives of any particular organization. Similarly, CRS cites "internationalists" as individual sources of technical and implementation support. Both U.S. PVOs report these contacts as useful and do not find them to be problematic, despite their involvement in other organizational structures. Their interpretation is that these interlocutors are well-meaning individuals disposed to work with whatever vehicle promises to deliver social services to poor Nicaraguans.

D. Observations on PMU-Grant-Subgrant Structure

The U.S. PVOs do not find the grant-subgrant structure problematic, and identified it as their preferred mode of work. The U.S. PVOs pride themselves on their ability to work with LPVOs and to contribute to their institutional development. They see their roles as complementary, and some express the desire to "work themselves out of a job", by preparing LPVOs to manage all aspects of grant development, administration, and implementation.

As expected, U.S. PVOs are not enthusiastic about the PMU's role in the project, since it is perceived as one more bureaucratic layer in the funding process and a potential source of conflict or whimsical demands. On the other hand, to the extent that the PMU is perceived as a provider of services, its role is better accepted. Specifically, U.S. PVOs are attracted to the idea that the PMU could relieve them of part of their reporting burden, and that it could assist in the training of LPVOs in reporting procedures. U.S. PVOs also feel that there may be cases where the PMU can provide technical experts they themselves cannot locate (although the larger U.S. PVOs seemed to feel fairly self-sufficient in terms of technical assistance provision).

VII. Local PVO Activities and Capabilities

There is great variation in LPVO activities, capabilities, priorities, and attitudes. Moreover, the discussion of Nicaraguan PVOs is confused by an inversion in terminology with respect to English usage. According to Nicaraguan legislation, ONGs (Organizaciones No Gubernamentales) are a subset of the broader set of OPVs (Organizaciones Privadas Voluntarias). ONGs are distinguished by their dedication to civic service, while OPVs may include churches or professional associations. Nor is this distinction completely consistent; in at least one significant case (ABEN), a professional organization may also have an objective of civic service.

A. Current Activities and Priorities

Although there is a large number of LPVOs in Nicaragua, many were created in the period between the UNO electoral victory of February 25, 1990 and the formal accession of the new government two months later. Many of these organizations have been created specifically to provide conduits for funding earmarked for the FSLN by international funding sources. As a result, the majority of these PVOs have priorities which are more directly political than developmental. Of a total of 250 NGOs, the USAID-funded study mentioned above identified only 36 LPVOs with developmental interests; only 22 of these seem to be independent of the FSLN leadership objectives. The highly politicized nature of LPVOs may explain the relatively heavy emphasis of U.S. PVOs on direct community service which sidesteps Local PVO involvement.

B. Institutional Capabilities and Structure

Interviews with a limited sample of LPVOs confirm that LPVOs are especially deficient in financial management and administrative skills. Grants made to U.S. PVOs intending to subgrant to LPVOs will have to demonstrate to the PMU and USAID that grantees will provide adequate training and technical assistance to their subgrantees to comply fully with A.I.D. reporting and monitoring and evaluation needs. In spite of current deficiencies in LPVO administrative capacity, U.S. PVOs will be encouraged to establish subgrant or contractual relationships with LPVOs to develop their potential as full partners in development.

C. Problems in Receiving USAID Funds

Apparently most LPVOs are disposed to receive USAID funds, although they are likely to have difficulties in terms of reporting and control mechanisms. This will eliminate many of them directly through self-selection. Over time, however, it is expected that many of these will modify their stance and develop their capabilities in order to participate in the process of reconciliation and development. On the other hand, some essentially apolitical LPVOs appear likely to resent having to play a subsidiary (subgrantee) role behind registered U.S. PVOs. This is, to a degree, understandable in view of the many well-qualified Nicaraguan professionals now returning from exile. In an extreme case the proposed administrative structure is perceived as an unjustifiable political tool which demeans the technical capacity of LPVOs. Registration is seen to be an arbitrary requirement with no function other than denying direct access of LPVOs to project funds.

VIII. Project Management Unit (PMU)

The institutional interface between USAID and the PVO grantees will be the Project Management Unit. This unit will be charged with the responsibility for guaranteeing proper compliance with reporting and evaluation requirements of OPGs, and will have resources for field supervision and training of grantee and sub-grantee staffs.

One of the tasks of the PMU will be to assist LPVOs in improving their administrative, monitoring and evaluation capacities. This training and technical assistance fund will supplement any efforts the U.S. PVOs budget under their grants or subgrants. While favorable consideration will be given to grant proposals which indicate grantee ability to take charge of such strengthening functions, it is recognized that many of the smaller U.S. PVOs will have difficulty organizing such training efforts or securing well-qualified technical assistance. Funds provided for institution strengthening will primarily be used to assist grantees and subgrantees in more efficiently carrying out functions of a type required by the Project or by USAID/Nicaragua; they will not normally be used outside program areas to develop the LPVO sector as a whole.

IX. PMU Assistance to LPVOs

Technical assistance and training rendered through the PMU to LPVOs will be selected, as appropriate, from the following:

- o A.I.D. Orientation. Seminars will be held to familiarize prospective LPVO grantees with the goals and objectives of the PVO Co-Financing Project and the USAID Mission. A.I.D. policies, regulations and the provisions of the Grant Agreement will also be discussed and explained.
- o Baseline and Evaluation Data Collection. Guidelines will be presented for data collection to be used in gathering information for baseline, project monitoring and evaluation purposes.
- o Subproject Cost-Effectiveness Analysis. Workshops will be held to provide LPVO field staffs with necessary information on the financial and economic viability of subprojects. These will present analytical tools that can be utilized for measuring the cost-effectiveness of subprojects during their design, implementation and evaluation stages.

- o Community Development Seminar. The objectives of this seminar will include presentation and discussion of the community development aspects of ongoing PVO projects; identification and discussion of problems in community development; and how community development expands access to local resources for activity sustainability.
- o Training for LPVO Managers. This will be a full-time, intensive course to be offered to LPVO managers to increase their management capabilities and over-all professionalism.

The PMU will also furnish LPVOs with A.I.D. guidelines, sourcebooks, newsletters and other resource materials. Following is a list of publications either currently available or that will be produced during the course of the Project:

- o Brochure on USAID PVO Co-Financing Project. This will be a Spanish translation of a brochure for U.S. PVOs providing information on USAID activities in Nicaragua and how the PVO Co-Financing project will work.
- o Newsletter. A Spanish translation of a periodic publication to provide information about on-going PVO projects, selected technical information for PVOs' use in the field, and current information on available resource materials.
- o Sourcebook on Income-generating Projects. A guide on how to plan and implement income-generating projects, designed to move more LPVO subactivities toward sustainability.
- o Monitoring and Evaluation of PVO Projects. A guidebook on clarifying the project framework and the "how/what/when" of monitoring and evaluation of PVO projects.
- o List of Registered PVOs. A current list of registered U.S. and LPVOs their addresses, telephone numbers and names of contact persons.

Given the need to build maximum institutional sustainability into PVO activities through strengthening and training of indigenous organizations, particularly LPVOs, the above is seen as a sound and cost-effective method of moving toward those ends.

X. Impact and Visibility Implications of PVO Co-Financing

The PVO Co-Financing Project will attract the attention of the PVO community in Nicaragua, both U.S. and local. Although precise figures are not available, the Ministry of External Cooperation is presently coordinating PVO projects with a value of some \$20 million annually. Members of the PVO community estimate that the total value of PVO funding in Nicaragua may be

\$40 to \$80 million per year. With a budget of \$20 million over 5 years, PVO Co-Financing will become a factor, though not necessarily a leader, in the PVO environment almost immediately. Given the high visibility of this Project, it will be important to frequently announce, and carefully adhere to the PVO Co-Financing commitment to non-discrimination among beneficiaries of all political persuasions.

XI. Issues

Several issues arise with regard to the visibility of the Project, and some response will be required. A critical issue will be how to confront the criticism of PVO Co-Financing that is sure to come from the most politically active sectors. As suggested in the CAPRI NGO guide, PVO Co-Financing funding patterns will be criticized as partisan by left-leaning elements (despite the obvious hypocrisy).

Another issue will be the increased expectations of funding within the Nicaraguan PVO community. While some of the LPVOs will be involved in PVO Co-Financing activities through subgrants, expectations for funding support are likely to outrun project capabilities.

Consideration should be given to taking a pro-active role in these issues, to avoid being put on the defensive when they arise. One approach to the broadside of criticism sure to come would be to hold PVO conferences or round-tables addressing key issues such as the politicization of PVO aid, evaluation of social impacts, etc. While this measure will require some time and effort on the part of the Project, it will provide a much more favorable forum than periodic responses to a constant barrage of sniping from left-leaning media. If this were to be done, it would be primarily a responsibility of the USAID itself, both because of the obvious political sensitivity and because it should be begun before the PMU is on line.

PVO "outreach" services (including conferences, courses, etc.) will allow USAID to provide high visibility support to the PVO community, and at the same time deflect the perception of AID as the only source of funding. Seminars held jointly with major PVOs for proposal preparation and identification of funding sources would be a tangible demonstration of AID's desire to support the PVO community as a whole.

In each of the above activities, large U.S. PVOs may be willing to shoulder the burden of executing these programs with A.I.D. financing as a means to increase their own visibility in the PVO community, thereby reducing demands on the PMU staff.

XII. Conclusion

The finding of the Technical/Institutional Analysis is that the PVO Co-Financing Project is feasible. Several areas of concern exist, however, stemming from the pattern of PVO activities in Nicaragua over the past decade, which will be addressed through the structure and activities of the PMU.

USAID should proceed with some caution to the funding of PVOs in Nicaragua, in order to familiarize itself with the current capabilities of Nicaraguan PVOs and their willingness to cooperate within the framework of USAID country objectives. To this end, PVO projects should be executed under the responsibility of registered U.S. PVOs. This arrangement will avoid delays that may be associated with the registration of Local PVOs, and it will enable those PVOs to refamiliarize themselves with A.J.D. procedures.

The lack of basic administrative skills on the part of LPVOs argues for a strong leadership by the PMU in defining and supporting monitoring and evaluation activities. Training in procedures and supervision of their execution and provision will require significant staff time and effort. Nevertheless, this task can be streamlined through the use of simple, well designed procedures.

Finally, a pro-active strategy is recommended to deal with politically motivated criticism which will accompany PVO Co-Financing's high visibility.

ANNEX E1 ECONOMIC CONSIDERATIONS

In light of the primarily social benefits of most aspects of the Project, USAID/Nicaragua believes that it would be inappropriate to attempt to calculate an "economic" rate of return for the Project as a whole. As a practical matter, moreover, such a calculation is effectively impossible. The only general consideration that can be clearly projected is that the Project will result in a variety of quantifiable and non-quantifiable benefits, depending on the actual mix of subprojects proposed and funded, that will on both counts produce a positive economic effect. At the Project level, at a minimum, it will serve to infuse an additional \$15.0 million into the Nicaraguan economy, most of which will directly benefit target beneficiaries, i.e. the poor. Enhanced productive capabilities due to better health, and improved employment opportunities should multiply the economic benefits. The Project's emphasis on the sustainable management and use of natural resources will help ensure the sustainability of the benefits gained. Further multiplier effects will result from the increased purchasing power, savings and investment generated by the initial Project investments.

As this Project Paper deals with Proposals as yet unmade, by organizations with substantial differences in operating costs and overhead rates, it is not possible to calculate such cost-effective indicators for this Project. Where possible, putative grantees should include such an analysis in their proposals; in every case, proposals should include a least-cost analysis. PVOs generally have proven to be a low-cost way to deliver development services. Evaluations of other PVO Co-Financing projects and experience with PVOs here in Nicaragua have found that administrative and overhead costs average between 7% and 10% for LPVOs and between 6% and 25% for U.S. PVOs. USAID's Project Review Committee should expect the proposals it receives to fall within, or close to, this range. Technical assistance and training provided under this Project will, in the long run, further enhance LPVO efficiency and effectiveness.

ANNEX F1 DETAILED COST ESTIMATE AND BUDGET ANALYSIS

I. Sources of Funding

The total life-of-project (LOP) cost of the PVO Co-Financing Project will approximate \$24,520,000. These funds will come from three sources. First, \$15,000,000, or 61.17% of the total, will be granted by A.I.D. Second, the Government of Nicaragua will contribute the local currency equivalent of \$5.0 million (20.39% of the total). The GON will make its contribution in cash by making regular deposits of local currency into a special account at its Central Bank reserved for this purpose. Funds from this account will then be advanced regularly to the PMU for onward disbursement to PVO grantees. A written assurance from the GON of its intention to make this contribution will be received prior to or as part of the Project Agreement. Finally, U.S. PVOs that receive Operational Program Grants (OPGs) will be expected to contribute approximately \$4,520,000, or 18.43% of the LOP total, from non-Federal resources. These PVO contributions will represent 25% of the total cost of grant-funded activities. Some PVOs will contribute more; some (upon approval by the USAID Director of a waiver of this requirement) less. USAID/Nicaragua will expect all PVOs to make their contributions in cash rather than in-kind whenever possible.

II. Breakdown of A.I.D. Contribution

A. By Project Element

As Table F-1 on the following page illustrates, \$8.56 million, or 57.07%, of the A.I.D. contribution will be devoted to direct grants to U.S. PVOs to carry out project activities in the health, employment, microenterprise, and natural resource sectors. \$6.44 million, or 42.93%, will be reserved for what might be termed support or administrative costs -- a U.S. Personal Services Contractor within USAID to oversee this project on the Mission's behalf, a direct-A.I.D. contract with a for-profit firm to staff and operate a Project Management Unit (PMU) that will manage this activity on a day-to-day basis, and evaluation, audit, contingency, and inflation costs.

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TABLE F-1: A.I.D. Contribution by Project Element
(U.S. \$ '000)

Project Element:	Total Estimated Cost:	% of AID Total:
Project Coordination	950	6.33%
Project Management	4,360	29.07%
Evaluation and Audit	250	1.67%
Sub-Total, Support Costs:	5,560	37.07%
Contingencies:	298	1.99%
Inflation @ 5%:	582	3.88%
Sub-Total, All Non-Grant:	6,440	42.93%
PVO Grants	8,560	57.07%
Total, All Costs:	15,000	100.00%

B. By Type of Input

Table F-2 below illustrates that the non-grant portion of the A.I.D. contribution will be heavily weighted toward technical assistance. Approximately \$4,539,000 (30.26% of the total A.I.D. contribution and 70.48% of the non-grant A.I.D. contribution) will finance long- and short-term personnel. The largest other single non-grant item will be the costs of providing direct assistance to local PVOs. These are estimated at \$270,000, or 1.8% of the total A.I.D. contribution (and 4.19% of the non-grant portion). Commodity costs through direct A.I.D. procurement will be minimal -- only \$75,000 for three vehicles. The great bulk of commodity purchases under this project will be made under the auspices of each PVO grant.

TABLE F-2: A.I.D. Contribution by Type of Input
(U.S. \$ '000)

Input Category:	Total Estimated Cost:	% of AID Total:
Technical Assistance	4,539	30.26%
Commodities	75	0.50%
Training	270	1.80%
Local Costs	426	2.84%
Evaluation and Audit	250	1.67%
Sub-Total, Support Costs:	5,560	37.07%
Contingencies:	298	1.99%
Inflation @ 5%:	582	3.88%
Sub-Total, All Non-Grant:	6,440	42.93%
PVO Grants	8,560	57.07%
Total, All Costs:	15,000	100.00%

c. By Fiscal Year

USAID expects to obligate and disburse funds to and from the PVO Co-Financing Project on the following schedule:

TABLE F-3: Expenditure Projections by Fiscal Year
(U.S. \$ '000 or equivalent)

Project Element:	1991:	1992:	1993:	1994:	1995:	1996:	Total:
Project Coordination	48	190	190	190	190	143	950
Project Management	0	853	945	945	920	698	4,360
Evaluation and Audit	5	20	95	20	95	15	250
Sub-Total, Non-Grant	53	1,063	1,230	1,155	1,205	855	5,560
Contingencies	2	73	62	58	60	43	298
Inflation @ 5%	0	0	65	124	199	193	582
Total Non-Grant	55	1,136	1,356	1,337	1,465	1,091	6,440
Grants to PVOs	75	1,432	2,506	2,778	1,421	347	8,560
TOTAL, ALL COSTS	130	2,568	3,862	4,115	2,886	1,438	15,000
Planned Obligation:	4,000	4,000	4,000	3,000	0	0	15,000
Anticipated Pipeline:	3,870	5,302	5,440	4,325	1,438	0	0

It is clear from the above that planned obligations should be sufficiently timely to meet the project's expenditure requirements.

Table F-4 below provides a more detailed presentation of the expected A.I.D. contribution.

III. Assumptions Underlying Cost Estimates

The above tables are based in part on several sets of assumptions. The most important of these are explained below.

A. Contingency and Inflation

These budgets include a contingency factor of approximately 5% of base expenditures, and an inflation factor (compounded annually) of 5% beginning in FY 1993. These factors have been applied to all line items outside the planned grants to PVOs. The PVO grant proposals themselves will be expected to provide for contingencies and inflation. The FY 1992 contingency provision is slightly higher than 5%, thus allowing the total LOP cost to be expressed in an even number.

b. Technical Assistance Costs

The budget estimates used in this Project Paper assume that two PSCs (a PVO Coordinator and his/her secretary) within USAID will

both serve for five person years; i.e., from July 1, 1991 through the PACD of June 30, 1996. The estimates assume that all PMU personnel will serve from on or about January 1, 1992, through the PACD, for an approximate total of 54 person months each. The cost estimates of \$175,000 per year for U.S. PSCs and \$250,000 per year for expatriate institutional contractors, and \$25-35,000 per year for local-hire institutional contractors, are consistent with USAID's recent experience in Nicaragua. For presentational purposes, the costs of five local non-professional positions (two secretaries and three drivers) on the PMU staff are included within the technical assistance budget.

Short-term technical assistance personnel from the U.S. will include specialists in each of the project's sectors of emphasis, as well as persons with more general skills such as accountants. Funds are budgeted for 12 person months of short-term assistance at approximately \$15,000 per month. Like the estimated long-term costs cited above, this figure is consistent with USAID's recent experience in Nicaragua.¹

c. Grants

The estimated cost of Operational Program Grants included in these budgets is highly illustrative. In these budgets, the A.I.D. contribution to grants in the health sector is arbitrarily fixed at \$75,000 per quarter, while the estimated cost of grants in the employment and natural resource sectors varies from \$68,000 to just under \$70,000 per quarter. Additionally, the PMU will channel to each grantee local currency contributed by the GON. The value of these local currency contributions should average approximately 60% of the A.I.D. contribution.

While these figures are not inconsistent with USAID/Nicaragua's experience, it is impossible to predict what the overall cost or disbursement rate of any one grant will be until solid formal proposals for such grants are received from interested PVOs. The reader should not assume that the grant totals and disbursement schedules set forth here will be reflected in the project's actual experience; indeed, it is overwhelmingly likely that reality will diverge significantly from these estimates.

Nonetheless, these estimates are included to provide at least a notional idea of the rate at which grant funds will be disbursed. For planning purposes, these budget tables assume that USAID will award a total of 10 OPGs: one in FY 1991, five more in FY 1992, and four in FY 1993. The actual number of grants made could be much larger than this; if so, their average size will be smaller.

¹ If the necessary skills can be obtained locally, the cost will be considerably lower, and the person months of assistance obtained correspondingly higher.

IV. Anticipated Financial Viability of PVO Subprojects

USAID will require that each subproject proposal submitted by PVOs demonstrate its capacity to meet the financial management and financial reporting requirements set forth in A.I.D. Handbook 13, Chapter 1, Sections L and M, and in Chapter 4, Sections E and F. In addition, each submission should include, at a minimum, the same types of budget analyses as those set forth in this Project Paper. Specifically, each submission should present:

- o A detailed budget broken down by input category and Fiscal Year for each expected subproject activity. These budgets should distinguish between technical assistance, training, commodity, and other costs, and should illustrate the schedule by which the prospective grantee expects to disburse funds.
- o A description of the expected sources of all non-Federal contributions to the planned activities, the schedule by which these contributions will be obtained and disbursed, and the form in which these contributions will be made.
- o A description of how the grantee will monitor and evaluate the impact of each subproject activity.
- o A description of the steps that the grantee plans to take to promote the financial and institutional sustainability of each subproject activity.

Grantees should, if possible, also present cost-benefit analyses of their proposals. When this is not possible, grantees should present a least-cost analysis instead.

In this context, it is important to note that USAID/Nicaragua expects that few (if any) subproject activities will become financially self-sustainable during the life of this project. Nonetheless, it is vital that each grantee demonstrate (except in the case of emergency, non-recurrent activities such as some employment generation efforts) that it is taking actions designed to build the capacity of the various implementing agents to continue those activities once A.I.D. assistance ends. Financial sustainability may be beyond the reach of this project; institutional sustainability (as measured in terms of employees trained and technology transferred) is not.

To begin the process of building sustainability in both these senses, this project will assist local institutions both through grants to U.S. PVOs and through direct training of local PVOs in subjects such as subproject design and cost estimating; analysis of cost-effectiveness; data collection; implementation management; and financial management and accounting.

TABLE F-4: DETAILED BUDGET ESTIMATES AND EXPENDITURE PROJECTIONS

May 28, 1991

TABLE F-4.1: A.I.D. CONTRIBUTION BY PROJECT ELEMENT AND FISCAL YEAR

Description:	Unit Price	Unit	FY 91 (3 Mo)	FY 92 (12 Mo)	FY 93 (12 Mo)	FY 94 (12 Mo)	FY 95 (12 Mo)	FY 96 (9 mo)	LOP Total
I. PROJECT COORDINATION (1)									
A. PVO Coordinator (USPSC)	175,000	Yr	43,750	175,000	175,000	175,000	175,000	131,250	875,000
B. Secretary for USPSC	15,000	Yr	3,750	15,000	15,000	15,000	15,000	11,250	75,000
TOTAL, PROJECT COORD.:			47,500	190,000	190,000	190,000	190,000	142,500	950,000
II. PROJECT MANAGEMENT UNIT									
A. PMU Staff Salaries (2)									
- Director (US)	250,000	Yr	0	187,500	250,000	250,000	250,000	187,500	1,125,000
- Controller (US)	250,000	Yr	0	187,500	250,000	250,000	250,000	187,500	1,125,000
- Accountant (LH)	35,000	Yr	0	26,250	35,000	35,000	35,000	26,250	157,500
- Env./Sanitation Spec. (LH)	35,000	Yr	0	26,250	35,000	35,000	35,000	26,250	157,500
- Executive Mgt. Spec. (LH)	35,000	Yr	0	26,250	35,000	35,000	35,000	26,250	157,500
- Trng./Outreach Spec. (LH)	35,000	Yr	0	26,250	35,000	35,000	35,000	26,250	157,500
- 2 Program Associates (LH)	25,000	Yr	0	37,500	50,000	50,000	50,000	37,500	225,000
- 2 Secretaries (LH)	18,750	Yr	0	28,125	37,500	37,500	37,500	28,125	168,750
- 3 Drivers (LH)	10,000	Yr	0	22,500	30,000	30,000	30,000	22,500	135,000
Sub-Total, PMU Staff:			0	568,125	757,500	757,500	757,500	568,125	3,408,750
B. Short-Term Tech. Asst.	15,000	Mo	0	45,000	45,000	45,000	30,000	15,000	180,000
C. U.S. Commodities:									
- Vehicles (3)	25,000	ea	0	75,000	0	0	0	0	75,000
D. Local Costs:									
- Vehicle Ops. & Maint.	10,000	Yr	0	7,500	10,000	10,000	10,000	7,500	45,000
- Equipment & Supplies			0	60,000	10,000	10,000	10,000	10,000	100,000
- Office Rental	3,125	Mo	0	28,125	37,500	37,500	37,500	28,125	168,750
- Local Travel	5,000	Yr	0	3,750	5,000	5,000	5,000	3,750	22,500
- Per Diem	20,000	Yr	0	15,000	20,000	20,000	20,000	15,000	90,000
Sub-Total, Local Costs:			0	114,375	82,500	82,500	82,500	64,375	426,250
E. Local PVO Training:			0	50,000	60,000	60,000	50,000	50,000	270,000
TOTAL, PROJECT MANAGEMENT:			0	852,500	945,000	945,000	920,000	697,500	4,360,000
III. EVALUATION AND AUDIT									
A. Evaluations			0	0	75,000	0	75,000	0	150,000
B. Non-Federal Audit	20,000	Yr	5,000	20,000	20,000	20,000	20,000	15,000	100,000
TOTAL, EVALUATION AND AUDIT:			5,000	20,000	95,000	20,000	95,000	15,000	250,000

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TABLE F-4.1: A.I.D. CONTRIBUTION BY PROJECT ELEMENT AND FISCAL YEAR (CONT.)

Description:	Unit Price	Unit	FY 91 (3 Mo)	FY 92 (12 Mo)	FY 93 (12 Mo)	FY 94 (12 Mo)	FY 95 (12 Mo)	FY 96 (9 mo)	LOP Total
SUB-TOTAL NON-GRANT COSTS:			52,500	1,062,500	1,230,000	1,115,000	1,205,000	855,000	5,560,000
Contingencies: (3)			2,625	73,337	61,500	57,750	60,250	42,750	298,212
Inflation (5%): (4)			0	0	64,575	124,307	199,435	193,471	581,788
TOTAL NON-GRANT COSTS:			55,125	1,135,837	1,356,075	1,337,057	1,464,685	1,091,221	6,440,000
Check:			55,125	1,135,837	1,356,075	1,337,057	1,464,685	1,091,221	6,440,000
IV. GRANTS TO PVOS									
A. Health/Child Surv./Rehab.									
- Grant One (starts 7/91)	75,000	Qtr	75,000	300,000	300,000	225,000	0	0	900,000
- Grant Two (starts 11/91)	75,000	Qtr	0	300,000	300,000	300,000	0	0	900,000
- Grant Three (starts 4/92)	75,000	Qtr	0	150,000	300,000	300,000	150,000	0	900,000
- Grant Four (starts 10/92)	75,000	Qtr	0	0	300,000	300,000	300,000	0	900,000
Sub-Total, Health/CS:			75,000	750,000	1,200,000	1,125,000	450,000	0	3,600,000
B. Employment/Microenterpris									
- Grant One (starts 11/91)	68,000	Qtr	0	272,000	272,000	272,000	0	0	816,000
- Grant Two (starts 4/92)	69,000	Qtr	0	138,000	276,000	276,000	138,000	0	828,000
- Grant Three (starts 10/92)	69,667	Qtr	0	0	278,667	278,667	278,667	0	836,000
Sub-Total, Employment/Micro:			0	410,000	826,667	826,667	416,667	0	2,480,000
C. Natural Resources									
- Grant One (starts 10/92)	68,000	Qtr	0	272,000	272,000	272,000	0	0	816,000
- Grant Two (starts 4/93)	69,000	Qtr	0	0	138,000	276,000	276,000	138,000	828,000
- Grant Three (starts 7/93)	69,667	Qtr	0	0	69,667	278,667	278,667	209,000	836,000
Sub-Total, Natural Resources			0	272,000	479,667	826,667	554,667	347,000	2,480,000
TOTAL, PVO GRANTS:			75,000	1,432,000	2,506,333	2,778,333	1,421,333	347,000	8,560,000
GRAND TOTAL, ALL COSTS:			130,125	2,567,837	3,862,408	4,115,390	2,886,018	1,438,221	15,000,000

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TABLE F-4.2: A I.O. CONTRIBUTION BY TYPE OF INPUT

Type of Input:	FY 91 (3 Mo)	FY 92 (12 Mo)	FY 93 (12 Mo)	FY 94 (12 Mo)	FY 95 (12 Mo)	FY 96 (9 mo)	LOP Total
I. Technical Assistance:	47,500	803,125	992,500	992,500	977,500	725,625	4,538,750
II. Commodities:	0	75,000	0	0	0	0	75,000
III. Training:	0	50,000	60,000	80,000	50,000	50,000	270,000
IV. Local Costs	0	114,375	82,500	82,500	82,500	64,375	426,250
V. Evaluation and Audit	5,000	20,000	95,000	20,000	95,000	15,000	250,000
SUB-TOTAL NON-GRANT COSTS:	52,500	1,062,500	1,230,000	1,155,000	1,205,000	855,000	5,560,000
Contingencies: (3)	2,625	73,337	61,500	57,750	60,250	42,750	298,212
Inflation (5%): (4)	0	0	64,575	124,307	199,435	193,471	581,788
TOTAL NON-GRANT COSTS:	55,125	1,135,837	1,356,075	1,337,057	1,464,685	1,091,221	6,440,000
VI. Grants to PVOs:	75,000	1,432,000	2,506,333	2,778,333	1,421,333	347,000	8,560,000
TOTAL, ALL COSTS:	130,125	2,567,837	3,862,408	4,115,390	2,886,018	1,438,221	15,000,000

BUDGET NOTES:

- (1) Assumes PVO Coordinator and secretary work July 1, 1991 through June 30, 1996.
- (2) Assumes PMU operates January 1, 1992 through June 30, 1996.
- (3) Five percent of base total non-grant costs for all years except FY 1993. FY 1993 contingency costs are slightly higher to allow overall project budget to be rounded to an even number.
- (4) Five percent of base total non-grant costs and contingencies beginning in FY 1993. Compounded annually thereafter.

V. Anticipated Cost of Alternative Implementation Mechanisms

As discussed in Section III.D and in Annex G of this Project Paper, USAID elected to solicit the services of a for-profit consulting firm to staff the planned Project Management Unit (PMU) only after careful consideration of two other possibilities: the use of an "Umbrella" PVO grantee or the employment of a team of U.S. and FSN Personal Services Contractors (PSCs) working within USAID. Table F-5 below compares the expected cost of these alternatives.

TABLE F-5: Comparison of Costs to Project of Planned PMU vs. Umbrella PVO and U.S. PSC Alternatives

<u>Mechanism</u>	<u>Estimated Life of Project Cost (\$ U.S.)</u>
I. <u>PMU OPTION:</u>	
A. USAID Project Coordination	
1. PVO Coordinator (USPSC)	\$ 875,000
2. Secretary	<u>75,000</u>
Sub-Total, USAID Project Coordination	950,000
B. PMU Staff	
1. Expatriate Staff	2,250,000
2. Local Professional Staff	855,000
3. Local Support Staff	<u>303,750</u>
Sub-Total, PMU Staff:	3,408,750
C. Short-Term TA (12 PMs)	180,000
D. Other Costs (Commodities, Local Costs, Local PVO Training, Evaluation and Audit)	<u>1,021,250</u>
TOTAL, PMU OPTION:	\$ 5,560,000
II. <u>UMBRELLA PVO OPTION:</u>	
A. USAID Project Coordination	
1. PVO Coordinator (USPSC)	\$ 875,000
2. Secretary	<u>75,000</u>
Sub-Total, USAID Project Coord.	950,000
B. Umbrella PVO Staff	
1. Expatriate Staff	1,575,000
2. Local Professional Staff	630,000
3. Local Support Staff	<u>270,000</u>
Sub-Total, Umbrella PVO Staff:	2,475,000

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C. Short-Term TA (12 PMs)	144,000
D. Other Costs (Commodities, Local Costs, Local PVO Training, Evaluation and Audit)	1,021,250 -----
TOTAL, UMBRELLA PVO OPTION:	\$ 4,590,250

III. U.S. PSC Option:

A. USAID Project Coordination	
1. PVO Coordinator (USPSC)	\$ 875,000
2. Asst. PVO Coordinator	875,000
3. FSN PVO Coordinators (4)	600,000
3. Secretaries (3)	<u>225,000</u>
Sub-Total, USAID Project Coord.	2,575,000
B. Short-Term TA (12 PMs, Contract)	180,000
C. Other Costs (Commodities, Local Costs, Local PVO Training, Evaluation and Audit)	1,021,250 -----
TOTAL, U.S. PSC OPTION:	\$ 3,776,250

This table suggests that the support functions provided through the PMU will be more costly than would the same functions provided through either an umbrella PVO or a team of PSCs. It shows that total base project management costs (excluding contingencies and inflation) will approximate \$5,560,000 under the PMU arrangement. Under an umbrella PVO arrangement, those costs would be approximately \$4,590,000; using a group of PSCs housed within USAID, they would approximate \$3,776,250.

These differences are principally due to the fact that a for-profit firm will charge the Project for backstopping support, home office overhead and profit. Such costs would be lower under an umbrella PVO arrangement, and would not be imposed at all were USAID to implement the project through a group of U.S. PSCs. The costs of both long- and short-term technical assistance will therefore be greater if those services are obtained from a for-profit firm rather than through other means. Other costs (commodities, equipment and supplies, office rental, local travel and per diem, local PVO training, and evaluation and audit) would not vary significantly.

For reasons described elsewhere in this document, USAID believes that the extra costs that the PMU arrangement will impose are justified given the urgent need to begin project activities quickly and correctly.

ANNEX G: ADMINISTRATION/IMPLEMENTATION ARRANGEMENTS

I. Implementation Mechanisms to be Utilized

The Project will be managed through the following individuals or entities with the functions explained below.

A. The USAID PVO Coordinator (GDO/PVO)

The PVO Coordinator within the General Development Office will serve as Project Officer for the PVO Co-Financing Project and be responsible for overall administration of PVO activities and funding. His/her Scope of Work will be as follows:

- o Draft, with guidance provided by USAID's General Development Officer and by other technical and support Offices of USAID, a Mission Order on the review and approval of PVO proposals.
- o Receive on behalf of USAID Concept Papers and Grant Proposals forwarded by the PMU and process these as appropriate.
- o Coordinate the USAID Project Review Committee's review of Concept Papers and Grant Proposals and serve as member of that Committee.
- o Assure coordination of approval, implementation and evaluation processes among the PMU and the USAID Project Review Committee.
- o Continuously review criteria for selection of grantees and provide feedback on this subject to the USAID General Development Officer (GDO).
- o Monitor subproject implementation through site visits and reports. This contractor's monitoring efforts should be carried out in coordination with, but should not be viewed as replacing, those of the PMU.
- o Oversee the PMU Contractor's administrative, technical and financial performance (including the PMU's capacity to monitor and report on the use by Project grantees of both dollar and local currency funds) and prepare documentation for certification and approval by GDO.
- o Supervise baseline data collection, activity monitoring and periodic evaluation.
- o Assist the GDO in coordinating policies with the GON Ministry of External Cooperation (plus line Ministries that have a role in sectors of Project activity) and with other donors.

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- o Coordinate with the relevant technical offices within USAID concerning subprojects being implemented in their areas of expertise.
- o Maintain close contact with U.S. and local PVO communities.
- o Oversee the PMU's provision to PVOs of A.I.D. guidelines and assistance on subproject design, implementation and financial management;
- o Review vouchers, recommend their administrative approval to the GDO Officer, and facilitate their processing through USAID to assure timely payments to PVOs.
- o Assist the PMU in designing, and oversee the conduct of, seminars for LPVOs on Financial Management (in coordination with USAID's Office of Financial Management).
- o Assist the USAID General Development Officer in overseeing technical assistance provided by the PMU to LPVOs.
- o Draft USAID's Semi-Annual Activity Reports (SARs) on the status of this Project using guidance provided by the GDO, PDIS, OFIN, and other appropriate technical offices within USAID.
- o Draft, with guidance from the GDO and other USAID offices as appropriate, USAID responses to any audit recommendations that may be made by the A.I.D. Inspector General's Office concerning this Project or any of its subprojects.
- o Assist USAID's GDO and PDIS offices in drawing up Scopes of Work for the scheduled mid-term and final evaluations of the Project, and take principal responsibility within USAID for facilitating the work of these evaluation teams.
- o Coordinate actions required to effect the issuance of OPG amendments by working closely with the PMU, the PVO grantee, and appropriate USAID officers.
- o Conduct close-out procedures to ensure formal conclusion of subprojects.

B. The Project Management Unit (PMU)

To maintain control, visibility, and the ability to evaluate an expanded U.S. PVO program in Nicaragua while keeping USAID's workload within acceptable limits, the Mission will establish a Project Management Unit (PMU) to assist it in reviewing, monitoring, and evaluating U.S. PVO subprojects. This Unit, which is expected to be in place by January 1992, will be staffed through a direct-A.I.D. contract with a for-profit consulting firm chosen through full and open competitive procedures. The PMU will operate under USAID's guidance, and will consist of some

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eight professionals and support staff. The criteria for contractor selection, Scope of Work and staffing requirements are set forth below.

1. Scope of Work

The PMU will be responsible for:

- o Receiving Concept Papers and Proposals from PVOs interested in participating in the Project.
- o Conducting a preliminary review of these PVO proposals and presenting them to the USAID Project Review Committee. This preliminary review should include technical and social feasibility analyses of the Concept Papers or Proposals submitted by prospective grantees, as well as institutional and financial appraisals of the applicants.
- o Returning to the proposing PVOs those Concept Papers that do not meet the minimum criteria for approval set forth in this Project Paper.
- o Making, for those Concept Papers that do meet these minimum criteria, a recommendation to the USAID Project Review Committee as to the action USAID should take in response to each proposal.
- o Assisting, as directed by the Project Review Committee, PVOs in preparing or revising Concept Papers/Proposals to meet USAID requirements.
- o Drafting, under USAID's direction, basic A.I.D. documentation required for grants (e.g., the needed Project Implementation Orders and the Statement of Work to be attached to such Implementation Orders).
- o Receiving local currency funds from the special GON account to be established for this purpose in Nicaragua's Central Bank and distributing (as directed by USAID) these local currency funds to U.S. PVOs for use by Project-funded grantees in their subproject activities.
- o Monitoring and reporting to USAID upon all aspects of subproject implementation. This will include reviewing quarterly progress reports and conducting on-site reviews in order to: (a) assure adequate PMU/USAID familiarity with the subproject; (b) ensure that progress toward subproject objectives is being attained in general accordance with the subproject implementation plan; (c) ensure that the subproject is being implemented in compliance with the terms and provisions of its Grant Agreement; and (d) ensure that Project grantees are properly using, and reporting

accurately on the use of, both dollar and local currency funds made available to them under the auspices of this Project. In this context, the PMU will set up schedules for and undertake site visits to subprojects, and facilitate the same for USAID staff.

- o Assisting in the collection and analysis of baseline data.
- o Preparing a Management Information System for the overall Project, and assisting Project-funded grantees in preparing such Systems for each individual subproject.
- o Assisting grantees and subgrantees in financial management and coordination, including the use of and reporting on both dollar and local currency funds made available to them under this Project, and in this process facilitating USAID's financial monitoring of the Project.
- o Preparing on USAID's behalf a Periodic Newsletter on PVOs in Nicaragua.
- o Organizing seminars for local PVOs on project development, design, implementation, financial management and reporting, and arranging for and coordinating the provision of necessary logistical support for these seminars.
- o Liaising, subject to policy guidance from USAID, between the PVOs, USAID, the GON line ministries and other donors to facilitate operational information sharing and coordination.
- o Assisting USAID in drafting Scopes of Work for and conducting scheduled Project evaluations.

2. Selection Criteria

The contractor selected should have the following areas of capability:

- o Access to technical expertise in the sectors of environment, health, family planning and employment generation;
- o Management experience working with PVOs and with small community organizations;
- o Experience in training and technical assistance on a community level; and,
- o Experience actually working in Latin America, ideally in Nicaragua.

The PMU will operate under Mission guidance exercised by the GDO Office through the PSC PVO Coordinator.

3. PMU Staff Composition

For design purposes, this Project Paper has notionally assumed that the PMU's professional staff will consist of two expatriates (a Chief of Party/MIS Specialist and a Controller) and six Nicaraguans (an Accountant, an Environmental/Sanitation Specialist, an Executive Management Specialist, an Training/Outreach Specialist, and two Monitoring and Evaluation Associates). Each of these technicians would serve for 54 months; i.e., from January 1, 1992 through the PACD of June 30, 1996. USAID's own experience, as well as its discussions with sources fully familiar with the human resources available locally, indicate ample availability of qualified Nicaraguan personnel at the salary levels budgeted. USAID will expect, however, each firm bidding for the technical assistance contract for the PMU to propose the mix of skill positions and expatriate versus local staff that it considers appropriate to carry out the Scope of Work set forth above.

For illustrative purposes, the following describes what USAID expects the team members and their specific individual functions might be.¹

- a. Chief-of-Party/MIS Specialist/Monitoring & Evaluation Specialist (E):
 - o Supervise all substantive operations of the PMU.
 - o Develop a Management Information System for the overall PVO Co-Financing Project and supervise and assist in the preparation and operation of PVO subproject MISs.
 - o Develop an overall Project Monitoring & Evaluation Plan and supervise vetting of subproject monitoring and evaluation efforts.
 - o Prepare annual PMU workplans for review and approval by USAID.
- b. Executive/Administrative Officer (Local Hire):
 - o Manage all operations and logistics of the PMU office.
 - o Supervise the PMU's local staff.
 - o Serve as the PMU's personnel officer.

¹ Note that this description of the individual responsibilities is meant only to supplement, not supplant, the description of the PMU's collective Scope of Work set forth above.

- o Direct all paper flow, drafting documents as needed.
- c. Controller/Financial Manager/Contracts Specialist (E):
 - o Review all Concept Papers and Proposals submitted to the PMU by U.S. PVOs, and comment upon the financial and economic viability of each.
 - o Prepare an annual PMU budget in collaboration with the Chief of Party's development of annual workplans. This budget should include projected expenditures for both dollar and local currency funds.
 - o Assist PVO grantees in designing common financial monitoring, control, and reporting systems as needed to meet USAID's requirements, including its requirement for the tracking of both dollar and local currency funds made available to grantees under this Project.
 - o Review all proposals from U.S. PVOs for subgrants to local PVOs.
 - o Analyze PVO requests for quarterly cash advances of both dollar and local currency funds to assure that: (a) estimated funding requirements are reasonable to cover a 90-day period; (b) the projected use of the advanced funds is in accordance with the approved budget of the Grant; and (c) the liquidation report for the previous quarter has been received and approved prior to issuance of any further cash advances.
 - o Analyze quarterly liquidation reports to assure that both USAID and GON funds are being expended for authorized uses in accordance with the budget implementation plan and the terms and provisions of the Grant agreement.
 - o Prepare for USAID's review and approval requests to the GON's Central Bank for periodic disbursements of local currency funds from the special GON account to be established for this Project in Nicaragua's Central Bank, and (upon USAID's approval) submit these requests to the Central Bank.
 - o Receive disbursements from this Central Bank account on behalf of the PMU and distribute (as directed by USAID) these local currency funds to U.S. PVOs for use in subprojects funded under this Project in accordance with approved annual workplans and budget estimates.

- d. Accountant/Financial Management Associate (Local Hire):
 - o Assist Controller/Contract Specialist in all of his/her functions.
 - o Develop working relationships with PVO financial/accounting personnel and assist these personnel as needed.
- e. Environmental/Sanitation Expert (Local Hire):
 - o Review all Concept Papers and Proposals submitted to the PMU by U.S. PVOs for subprojects involving environmental, natural resources, and/or sanitation activities, and comment upon the technical and social viability of each.
 - o Assist U.S. PVOs as required in responding to USAID's guidance for the revision and refinement of Concept Papers and/or Proposals for subprojects involving environmental, natural resources, and/or sanitation activities.
 - o Prepare required environmental analyses and advise on environmental consequences of all proposed subprojects.
 - o Vet all subprojects in process for environmental soundness.
 - o Assume primary responsibility within the PMU for monitoring and reporting to USAID (through the Chief of Party) on subprojects involving environmental, natural resources, and/or sanitation activities.
- f. Training/Outreach Specialist (Local Hire):
 - o Under the general guidance of the Chief of Party, develop curriculum for and supervise the conduct of seminars for local PVOs on project development, design, implementation, financial management and reporting, and arranging for and coordinating the provision of necessary short-term technical assistance and logistical support for these seminars.
 - o Prepare outreach material on the above topics for LPVOs and other grass roots institutions.
 - o Assist grantees in training monitoring and evaluation personnel in data collection and reporting.

- g. Monitoring & Evaluation Associates (2, Local Hire):
- o Assist Chief of Party in all Monitoring & Evaluation functions.
 - o Assume primary responsibility within the PMU for monitoring and reporting to USAID through the Chief of Party on subprojects involving employment generation, microenterprise, health, and/or family planning activities.
 - o Remain in close contact with grantees to assure timely and correct reporting of necessary implementation data to the PMU.
 - o Conduct small-scale (rapid reconnaissance) evaluation studies on a random basis.

The institutional contractor selected to staff the PMU will be expected to establish a PMU office in Managua. PMU technical staff will be assisted by necessary secretarial and other support staff. The PMU will have three all-terrain vehicles with drivers in order to function effectively, plus office equipment and computers. Procurement of these commodities will be the responsibility of the institutional contractor. See Annex K for an initial list of the commodities to be procured.

II. Implementation Alternatives Considered

Evaluations of similar attempts in other countries to develop efficient PVO management approaches offer important lessons. First, the mechanism should not create distortions in the local PVO environment by overstressing a local PVO or Consortium to play an "umbrella" role with levels of funding and administrative requirements it cannot handle. Secondly, the system should carefully consider potential political factors which would affect project integrity or effectiveness. Finally, such projects require a great deal of attention and caution at start-up. All of these are reasons USAID chose to staff the PMU through a for-profit firm.

Before this choice was made, USAID gave serious consideration to employing a PVO or PVO Consortium as an umbrella organization. USAID Missions have often used one or more U.S. PVOs or LPVOs in some sort of collaborative organization to reduce the management burden imposed by PVO activities. This approach can have the major advantage of utilizing an organization with extensive hands-on experience in actual operation in the local environment and a good awareness of local political, social and institutional realities. This was the initial model for consideration as design of this Project began.

This PVO umbrella approach, however, also assumes that the umbrella organization will have both the interest in and the capabilities required to undertake all of the varied tasks involved, and will follow the criteria set forth by the USAID for approval of proposals, project selection and implementation, and monitoring and evaluation. Review of other Mission PVO programs has shown this scenario often encounters difficulties in terms of the USAID's limited degree of control over implementation as well as the frequent unwillingness or inability of the PVO(s) to implement the project according to the accepted criteria.

An additional weakness of this approach is that popular recognition of USAID's role in financing the activity is greatly attenuated by the existence of the PVO umbrella as intermediary, coupled with the natural tendency of that PVO umbrella organization to speak of the activity as its own.

After considering all the above factors, USAID has opted for use of a for-profit contractor. The most important factors underlying this choice may be summarized as follows:

- o A for-profit firm would be more clearly recognized as USAID's agent and not as an independent entity. USAID would thus be more closely identified with the subprojects (and with their beneficial effects) than would be the case were its role to be filtered through that of another, intermediate PVO, and public understanding of the U.S. role in assisting Nicaragua would be enhanced.
- o Such a firm is more likely to have access, whether through its permanent staff or its associates, to the greatest variety of and best-qualified talent.
- o For-profit firms will be more likely to follow USAID instructions rigorously, since they do not typically have an agenda of their own that they might seek to promote.
- o A firm would not, either in actuality or perception, be in competition with other PVOs for the limited funding available from this project. Its objectivity would therefore be less open to question.
- o A for-profit firm would be less vulnerable than an umbrella PVO grantee to pressure from other PVOs to give a favorable review to questionable proposals.
- o The personnel of a for-profit firm would be able to devote full-time attention to the PMU. By contrast, the staff of an umbrella grantee would have to apportion its time between PMU functions and other activities of its organization.
- o The cost of contracting with a for-profit firm would not be

significantly greater than that of granting funds to an umbrella PVO. USAID estimates that the cost of the former approach will approximate \$5,560,000 over the life of the Project, whereas the latter would have cost approximately \$4,590,000. This difference is principally due to the fact that a for-profit firm will charge the Project for backstopping support, home office overhead and profit, while such costs would be somewhat lower under an umbrella PVO arrangement.² Thus, at a total marginal cost of less than \$1 million (the difference between the PMU option and the PVO umbrella option), or less than 5% of the project budget, USAID will help both to assure itself of getting the best personnel available and to avoid the significant political complications that the PVO umbrella option would impose. USAID believes that these extra costs are justified given the urgent need to begin project activities quickly and correctly.

USAID recognizes, however, that an umbrella PVO approach could have considerable appeal as an implementation mechanism for a follow-on PVO Co-Financing Project already in steady state operation. It might also prove an effective means of facilitating outreach to LPVOs. Accordingly, the mid-term evaluation of this Project discussed below will examine whether such a management mechanism for any follow-on project would improve cost-effectiveness and efficiency of operation.

Since the Mission recognizes the importance of direct and visible contact with the PVO community, both U.S. and Local, USAID also considered the possibility of implementing this Project through a team of Personal Services Contractors operating directly out of the Mission. A team of two U.S. PSCs and four FSN PSCs, for example, might be able to carry out the same functions as would the for-profit contractor. Annex F suggests that this alternative would result in considerable cost savings: the LOP cost of such a PSC team would approximate \$3,776,000 as compared to the estimated \$5,560,000 LOP cost of the PMU. However, after careful analysis, it was determined that going this added step to implement such a significant PVO operation would place an unreasonable burden on the administrative capacity of the Mission and thus was not feasible. In addition, the absence of the PMU and its support functions would greatly increase the burden imposed on the USAID Contracts and Financial Management Offices in dealing with PVO grants.

² Other costs (commodities, equipment and supplies, office rental, local travel and per diem, local PVO training, and evaluation and audit) would not vary significantly.

III. Preparation and Submission of Proposals

To maximize the likelihood a given project will meet A.I.D. requirements without the need for excessive revision, PVOs will be encouraged to submit their subproject ideas in Concept Paper form rather than as completed Proposals. However, some PVOs will either have already completed their proposal(s) or simply feel they work more effectively using that procedure. The PMU/USAID review process for either will be the same, except for the level of detail.

The preparation and submission of subproject Concept Papers and Proposals will be the responsibility of the PVOs. The GDO, through the PMU, will provide a Project Proposals Handbook designed to help PVOs to develop proposals that will meet USAID guidelines. Part One of the Handbook provides an overview of the different sections of a project proposal as well as the guidance for the initial submission. The initial submission, whether Concept Paper or Proposal with only the level of detail varying, should include sections covering the problem to be addressed, description of the project design in the form of a Logical Framework or Decision Tree (goal, purpose, inputs and outputs), intended beneficiaries and expected impact on beneficiaries. Proposals should also include: implementation plan, monitoring, baseline and evaluation plan, a comprehensive budget, and a listing of major assumptions. A summary of analyses (i.e., technical, social, financial, economic, administrative, and, if applicable, environmental) done or proposed to be done during project development should be presented. Links between the project and community, provincial, national, PVO, USAID or other donor activities should be documented.

IV. Review and Approval Process

The review and approval of Concept Papers and/or Proposals will be a competitive process in which the proposals are evaluated in comparison with each other for limited funding on their own merits plus the previous performance of the PVO proposing them. The process, involving all major offices of the USAID, will be coordinated by the GDO, with the PMU serving as its major staff arm. The process will proceed as described below.

The PVO will submit its Concept Paper or Proposal to the PMU.³ The PMU, on receipt of the submission, will forward a copy to USAID, noting the date of receipt for control purposes, and proceed to review it to insure its compliance with the USAID guidelines and to identify any weak areas.

Within thirty working days after the receipt of the submission, the PMU will be required to take one of the following actions:

1. If the Concept Paper or Proposal does not meet the minimum criteria for approval set forth in this Project Paper, and therefore does not warrant further consideration for funding under this Project, the PMU will be responsible for so notifying the proposing PVO and for returning the submission to the PVO. The PMU will be required to send a copy of this notification to USAID.
2. Even if the Concept Paper or Proposal does meet these minimum criteria, the PMU may, on its own initiative, recommend to the PVO modifications or improvements in the submission, with a copy of its recommendation(s) to USAID.
3. If the Concept Paper or Proposal meets the minimum criteria and is in the view of the PMU ready for review by the USAID Project Review Committee, the PMU will submit the document to that Committee with its comments and recommendations.

To avoid undercutting the screening function of the PMU and returning the full burden to USAID, a Mission policy determination must be made, publicized and upheld that no alternative method of Concept Paper or Proposal submission will be acceptable.

Once a PVO Concept Paper or Proposal has been forwarded to USAID with PMU comments and recommendation, GDO disseminates it to members of the USAID Project Review Committee for review and analysis. The Committee will meet to review PVO submissions on the basis of a schedule published well in advance so PVOs may know the time frame in which submissions will have the best chance of prompt consideration. Submissions will not be considered out of phase except in exceptional circumstances. The Project Committee's review will be held together with the PMU so as to give full credence to its recommendation and comments.

The USAID Project Committee will be responsible for taking one of three actions in response to the documents it receives from the PMU:

³ Until the PMU begins operations in January 1992, PVOs will continue to submit concept papers and proposals to USAID through the Mission's PVO Coordinator.

1. If the Committee considers the submission totally unacceptable or acceptable only with substantial modification, it will instruct the PMU to return the submission to the PVO with the appropriate comments reflecting the Committee's findings. It will then be the responsibility of the PVO to drop the proposal or modify it for later re-submission.
2. If the Committee considers a Concept Paper acceptable, it will submit the Paper, the issues identified during the review, if any, and a draft letter setting forth the Committee's recommendations for changes in the proposal to the USAID Mission Director for a decision on threshold approval as recommended, or disapproval. Threshold approval means that USAID considers the Concept Paper to have sufficient merit to justify development to the Proposal level. This determination does not guarantee funding, although it is expected that USAID will eventually fund most of the Proposals based upon Concept Papers given threshold approval. If the Mission Director gives threshold approval, the PVO will then proceed to develop the Proposal more fully in a format acceptable to USAID.⁴ PMU and USAID staff may also be made available, to the extent possible and needed, to help the PVO in this task. PMU staff (invariably) and USAID staff (usually) will make site visits during this refinement period. Finally, upon submission of a final Proposal based on a Concept Paper that has received threshold approval by USAID, an abbreviated version of the review process will take place dealing only with material not treated in the course of the Concept Paper review.
3. If the Committee considers a Proposal totally or conditionally acceptable, it will submit the Proposal, the issues identified during the review, if any, and its recommendation to the USAID Mission Director for a decision on subproject approval as recommended, or disapproval.

When an approved subproject Proposal has been refined, all required analyses have been completed and major Issues have been resolved, GDO will prepare a PIO/T for clearance by appropriate Offices and submission to the USAID Contracting Office. That Office will then draft a Grant Agreement in accordance with AID Handbook 13, "Grants".

Prior to submission of the Grant Agreement for final approval and signature, it will be cleared by the following USAID offices: GDO, PDIS, Legal, Program, the technical office (if necessary)

⁴ Part Two of Project Proposal Handbook provides guidelines for analyses of the Proposal, which should be completed after threshold approval has been given.

within which the type of activity falls, Financial Management, and Contracts. The Grant Agreement may be signed by either the Mission Director or the USAID Contracting Officer within their respective limits of authority to sign such agreements.

V. Project Implementation

A. Overview

USAID GDO, working through the PSC PVO Coordinator and using the PMU as its staff arm, will coordinate the management of the PVO Co-Financing Project. Other USAID offices, such as Financial Management, Project Development and Implementation Support, Contracts, Legal, and the various Technical Offices will provide administrative, and technical services as needed to support project activities. USAID will delegate to the PMU maximum possible authority for the direct oversight and monitoring of grantees as a means of minimizing USAID management burdens, while nevertheless maintaining a satisfactory level of substantive control and beneficiary recognition.

USAID will continue to seek, develop and employ innovative techniques for remote management. Monitoring of projects by the PMU will be a new factor in Nicaragua, and is undertaken here in somewhat different form from that used in other PVO Co-Financing countries. Utilization of the PMU as discussed in this PP is expected to enhance effective project management.

PVO grantees will be directly responsible for managing all aspects of their subprojects. All grantees will be required to designate a project manager who is responsible for the direct management of that PVO's subproject.

The PVO Project Manager, the USAID GDO and PSC PVO Coordinator, and the PMU Contractors will have the common goal of attaining agreed Project objectives and success. They will represent different entities, however, and have different assigned roles. It is therefore important that their respective roles, responsibilities, functions, and interface with each other be clearly defined and understood.

B. The Role of the PVO Project Manager

The PVO Project Manager will be the designated official of the recipient PVO charged with overall management of a given AID-financed PVO subproject. This principle is consistent with the "collaborative style" of U.S. economic assistance. The precise role of the PVO Project Manager will be a matter determined largely by the PVO Grantees. Generally, that role will be to implement the project, supervise and make operational decisions. The extent of this role, including the level of responsibility,

degree of supervision making, will vary from project to project and is limited only by the PVO Grantee itself and the parameters of USAID's Grant Agreement with that PVO.

C. Performance Monitoring and Evaluation System

The monitoring and evaluation of grantee progress toward people-level impact objectives will be an important aspect of the Project. Such monitoring must go beyond simple enumeration of outputs leading to achievement of purpose-level objectives. Output achievement will be monitored through the MIS system established by the PMU.

Grantee organizations must be willing to participate in the measurement of the impacts of program activities on target populations in selected areas. Such measures may be either direct or indirect (proxy) indicators of achievement of desired welfare impacts. While some may be generated by selected interviews with direct beneficiaries of grantee programs, such as recipients of employment generation and microenterprise activities, others should be collected through rapid reconnaissance household surveys in targeted areas.

The following output and impact data should be collected by the PMU. In the area of primary health care, all construction, rehabilitation, re-equipping, and medical supply of health posts must be recorded as outputs. In order to examine the people-level impact of such activities, interviews with the local population should be undertaken. It is important to verify that Project-funded services are being delivered to the population without regard to prior or actual political affiliation.

Selection of health care workers for training must also be evaluated for its apolitical nature. Data on trainees should also be gender-disaggregated. In addition, an evaluation of the effectiveness of the training should be part of the impact monitoring function of the PMU.

In employment generation subprojects, numbers of jobs created and hours worked can be recorded as project outputs. In order to evaluate household or community impact of job creation through income multiplier effects, special small-scale surveys should be administered by the PMU on a periodic basis. The same is true for appraising the impact of microenterprise support activities, such as credit, training, and technical assistance. While credit recipients must be recorded by gender and size of loan for ordinary accountability, follow-up interviews with micro-entrepreneurs need to be conducted to evaluate overall firm impact and potential sustainability of such assistance. Such interviews can be part of special, rapid reconnaissance surveys conducted by program associates of the PMU.

For natural resource management subprojects, outputs are likely to be in terms of participants trained, trees or hectares planted, and local groups formed with resource management functions. An evaluation of developmental impact, however, must employ indicators to gauge the functioning of such groups over time and to measure the degree of resource conservation.

To satisfy USAID/Nicaragua country objectives, periodic efforts should be made to evaluate beneficiaries' awareness of USAID support in the grant programs, and to verify the non-political nature of program implementation.

D. Reporting Requirements

A variety of one-time and recurring reports from PVO grantees will be required to allow USAID to monitor and appraise projects and to maximize the benefits derived from the lessons learned.

1. Initial Reporting Requirements

All of the material discussed below shall have been presented in summary form in the subproject Proposal. The additional reports to be required will firm up and detail the previous presentation.

- o Implementation Plan: Within two months following the effective date of the Grant, grantees shall prepare and submit to USAID a detailed Life-of-Project Implementation Plan listing scheduled activities by quarter. The Implementation Plan shall specify project activities, such as the gathering of baseline data, and list the individuals responsible, time frame, related budget line items from both USAID and counterpart funds and other resources needed to support the activity. Grantees shall update the Implementation Plan as part of the Quarterly Progress Report.
- o Evaluation Plan: Within two months following the effective date of the Grant, grantees shall submit to USAID an Evaluation Plan describing the subproject evaluations planned, when they are scheduled, what aspects of the project will be evaluated, who will participate in the evaluation, and an evaluation design indicating the purpose of the evaluation and the methodology that will be used to carry it out. The grantees may decide to undertake a series of evaluations to meet program requirements.
- o Financial Review Plan: Within two months following the effective date of the Grant, grantees shall submit to USAID a Financial Review Plan describing how they will periodically review financial management of project resources (both U.S. dollar and local currency),

compliance with reporting requirements under the Grant Agreement and maintenance of adequate internal controls.

- o Baseline Report: Within six months following the effective date of the Grant, grantees shall submit to USAID a Baseline Report providing a socio-economic profile of the project beneficiaries in relation to the broader population. The Baseline Report should focus on key indicators necessary for evaluating and monitoring the progress, results and impact of the subproject.

2. Quarterly Reporting Requirements

- o Quarterly Progress Reports: Grantees shall submit to USAID Quarterly Progress Reports. These will include a discussion of the status of project implementation and describe project activities, making a comparison between planned and actual activities.

- o Quarterly Financial Reports:

- (a) Request for Cash Advance: Grantees may request advances of funds.

- (b) Expenditure/Liquidation Report: Grantees will prepare Expenditure/Liquidation Reports indicating in detail the expenditures of dollar, GON local currency, and grantee-provided counterpart funds. The formats for these financial reports are set forth in A.I.D. Handbook 13, copies of which will be made available to all Grantees.

3. Final Reporting Requirements

Within ninety (90) days after the subproject completion date, grantees shall submit to USAID a Project Assistance Completion Report covering:

- o The status of various project elements (e.g. procurement, construction, training).
- o A final financial report including a summary of contributions made by USAID, the GON, the grantee, and the beneficiaries (i.e. planned versus actual inputs) and disposition of assets obtained under the grant.
- o A brief description of project accomplishments in light of indicators at the commencement of the subproject, the original subproject design and modifications of project design during implementation (including a

comparison of projected and actual outputs).

- o Identification and discussion of the sustainability of benefits and of project activities that need to be carried forward. This section should describe the extent to which grantees will continue to implement activities begun under the subproject.
- o A review and analysis of baseline, monitoring, and evaluation data.
- o Summary of lessons learned that might be relevant to replication of subproject activities.
- o An assessment of the impact the project has had or will have on subproject beneficiaries.

E. Project Close-Out Procedures

Uniform closeout procedures will be applied to all PVO subprojects. The term "close-out" refers to the process whereby USAID: (1) determines whether the provisions of the Grant Agreement have met and the activities outlined in the Grant Agreement have been completed satisfactorily; and (2) determines the amount, if any, of the unreimbursed costs for which reimbursement is owed by USAID and or the GON to the grantee and the amount, if any, of disallowed costs for which refund is owed by the grantee to USAID and/or the GON. Close-out procedures will be as follows:

- o Unreimbursed Costs: Upon the written request of the grantee, USAID shall pay the grantee the amount, if any, of any allowable and reasonable cost for which reimbursement has not previously been provided.
- o Refund by Grantee: Except as USAID may otherwise agree in writing, immediately following the subproject completion date the grantee shall refund to USAID and/or the GON the amount, if any, advanced or paid to the grantee by USAID and/or the GON and not irrevocably committed to third parties for allowable, allocable and reasonable costs under the grant.
- o Reports: Within ninety (90) days after the Grant completion date, the grantee shall submit to USAID all financial, evaluation and other reports required by the Grant Agreement.
- o Grant-Financed Property: The Grantee must account for any property received by the grantee from the U.S. or the Nicaraguan Governments or acquired with funds provided by USAID or the GON.

ANNEX H: SOCIAL SOUNDNESS ANALYSIS

I. Overview

The development assistance activities to be financed under the PVO Co-Financing Project are socially and culturally feasible. However, the structure of the Project does not permit a detailed examination of beneficiary impacts at the outset. Grant programs to be executed will be defined by U.S. PVOs following a general set of guidelines, so that specific social impacts can only be analyzed when grant proposals are clearly defined. Nevertheless, enough is known now about basic population needs within the areas of focus to draw preliminary profiles of participants and beneficiaries and of the nature and spread of their benefits.

The social and economic need for PVO Co-Financing services is dramatic. Over 400,000 Nicaraguans (33% of the work force) are unemployed, and the GDP per capita (\$424) is the third lowest in the western hemisphere. Health services, education, public health, and environmental conditions have all suffered declines, accompanied by a flight of many qualified Nicaraguans from the country. Nicaragua is emerging from a period of highly ideological Marxist governance, which sapped private initiative in favor of either national or international efforts under the control of political authorities. In addition to its primary goal of providing services and support for local-level activities, the PVO Co-Financing Project faces the complex problem of addressing social needs, while at the same time stimulating a new pattern of motivations and rewards for providing human services.

II. Beneficiary Impacts

A. Beneficiary Definition

1. Project Beneficiaries

Beneficiaries of grant activities can be identified in each sector in which subprojects are expected to be implemented. These will be people who receive improved health and sanitation services, benefit from job creation, or profit from improved natural resource management, particularly improved potable water supply, sustainable agricultural and agro-forestry opportunities, and greater availability of fuelwood. Enumeration of beneficiaries and the magnitude of their benefits will be determined through a comparison of baseline data with end of project conditions, to determine changes in the availability of each particular type of benefit.

2. Project Participants

Benefits to participants and agents of grant activities should be considerable, and they will have extensive long-term socio-economic consequences, since they represent investment in human

capital formation. Participants and agents will include employees of grantee PVOs and members of local-level organizations involved in carrying out project activities. While they will clearly benefit from this project, they are not the target beneficiaries, who constitute the poorest population of Nicaragua.

3. Impact on Women

A.I.D. policy requires that all assistance activities explicitly assure the full integration of women as participants and beneficiaries. In order to verify such integration all tracking of participants and beneficiaries will be required to disaggregate data by gender. Such monitoring and reporting should be part of the overall social and economic impact assessment undertaken by grantees and the Project Monitoring Unit. In this way, access to benefits can be equitably distributed by gender, and constraints to the full participation of women to social services, job creation, training, and technical assistance opportunities may be addressed and overcome through explicit strategies by participating PVOs and community-based organizations.

B. Monitoring and Evaluation of People-level Impacts

The monitoring and evaluation of grantee progress toward people-level impact objectives will be an important function of the PMU. Such monitoring must go beyond simple enumeration of outputs leading to achievement of purpose-level objectives; output achievement will be monitored through a project-wide MIS system to be established by the PMU.

The evaluation of the human impacts of PVO Co-Financing activities will initially suffer from the general lack of reliable, baseline social and economic information. While some data may be available at the local level, this can only be determined in the case of each implementation activity. It is expected that a baseline survey will have to be carried out at the initiation of many grantee activities. This process can be facilitated by the generation of a baseline social impact survey methodology, with specific data to be collected and methods to be used, including sampling strategy and sample size recommendations. Grantees and subgrantees will be responsible for implementing the baseline survey and monitoring the status of social and economic impact indicators.

In order to keep survey and monitoring costs within reasonable limits, it may be desirable to rely on beneficiary perceptions rather than on 'hard' data comparisons. For example, the complete evaluation of environmental impacts of subproject grants may require detailed meteorological, pluviological and runoff data, whose collection may well be beyond the technical and

logistical capabilities of PVO Co-financing project grantees. In such cases, it will be necessary to rely on beneficiaries' reports regarding changing conditions, or their perception of the effectiveness of the grant activities. Such analyses must be designed to ensure that questions and responses are clearly related to the implementation activities in question.

In the cases of employment generation or microenterprise activities, numerical indicators will be more readily obtained through income or employment surveys or local reviews of micro-enterprise activities. Nevertheless, it may be necessary to develop and use special survey techniques in these areas as well, to account for varying patterns of remuneration and economic relations between Nicaraguans. The types of surveys used should be those broadly known as 'rapid reconnaissance.'

The evaluation of health impacts may also require beneficiary perceptions to augment output data on the availability of medical staff, facilities, supplies, and service delivery, due to changing patterns of health care. As in the cases above, the definition of specific impact indicators can only be done once grant activities have been defined.

To satisfy USAID/Nicaragua country objectives, periodic efforts should be made to evaluate beneficiaries' awareness of USAID support in the grant programs and to verify the non-political nature of program implementation.

III. Beneficiary Impact by Grant Activity

A review of current and proposed A.I.D.-funded PVO activities suggests a set of activities within key sectors toward which grants should be directed. This does not mean that proposed activities must conform to those discussed below; these should be seen as illustrative of important activities which may be funded under the PVO Co-Financing project. While each assistance activity has its own specific, beneficiary groups, target beneficiaries will generally be from the poorer socio-economic levels of Nicaraguan society, where precariousness of subsistence is greatest.

A. Primary Health Care

1. Areas of Need

Although the Nicaraguan government in 1979 declared a commitment to basic health care for all, such care has deteriorated seriously over the last decade due to the flight of skilled medical personnel, population displacement, civil war, economic collapse, and continuing monetary and fiscal instability.

The Nicaraguan population today faces nutritional shortfalls, limited access to potable water and basic sanitation, a high rate of infant and maternal mortality, rising incidence of infectious diseases, increasing deterioration of medical facilities, serious shortages of medical equipment, supplies, and drugs, and a fundamental shortage of medical personnel directed to primary health care services.

2. Expected Project Activities in Primary Health Care

The PVO Co-Financing Project will focus on responses to urgent needs in the primary health care sector. Particular attention will be placed on rehabilitating primary health care facilities in urban and, especially, rural areas. Moreover, once rehabilitated such health facilities must receive a full complement of medical equipment, supplies, and medicines, plus assistance in obtaining the institutional support to keep the facilities functioning effectively.

a. Infrastructural Support

The deterioration of health facilities is part of the general degeneration of national infrastructure over the past decade. There is great need for the improvement of local health care facilities, particularly in rural areas. Equally importantly, efforts must be made to stock dispensaries with donated or subsidized medical supplies - and then provide for operation of the facilities over the long term. Current economic conditions in Nicaragua will support neither expanded government purchases of supplies through the Ministry of Health, nor the replenishment of supplies using fees for services.

b. Training

The national health system, which depended to an important extent on internationalist doctors and community health workers, must adapt to new realities and improve its level of service delivery. Training of primary health care personnel is especially important, particularly at the level of the health post, the designated site of primary health care activities. These posts are staffed by auxiliary nurses, who have extremely limited training in preventive medicine, patient education, and community education.

Community health workers (CHW) have made great contributions to the success of governmental health campaigns over the last ten years. In rural areas 70% of CHW are women who focus on maternal and child health care. In urban areas, however, the average age is 18 and turnover is high.

Community health workers have a strong tradition of dedication to community-based primary health care activities and are an ideal target for training. They have not been integrated into the other structures of the health care system, however, nor have they been organized to refer patients to the health posts. Their role in community health care should be expanded and improved through appropriate training, and they can be expected to have significant future impact on improving maternal health and child survival, as well as in the domain of environmental sanitation.

Health centers receive patients referred from health posts. The major functions of the centers are outpatient visits, supervised births, and minor surgery. However, health center personnel often fail to support primary health care activities of the surrounding health posts. This is due to a lack of formal training in primary care practice, lack of training and appreciation of the value of patient and community preventive health education, low level of administrative and management skills, limited laboratory facilities, and non-existent reference library and teaching materials. Training of physicians, nurses, and auxiliary nurses in the health centers should be undertaken under grants made available in the PVO Co-Financing project.

c. Family Planning

During the last decade little, if any, effort was made to control population growth in Nicaragua. The present rate of population increase is about 3.3%, one of the highest rates in Latin America. Contraceptives, moreover, are little known to the population and are largely unavailable outside Managua. Nevertheless, there appears to be a growing demand for these methods, the provision of which should be incorporated into primary health care program activities, where appropriate. The possibility of using the 10,000 traditional birth attendants at the community level to spread information on contraception should be seriously examined.

d. Beneficiaries of Primary Health Care Activities

Beneficiaries in the broadest sense will be the users of primary health care services in both rural and urban areas of Nicaragua. Special benefits will accrue to mothers and their children, those most at risk of disease in the population. Family planning services will also benefit women and their children by allowing birth spacing and smaller overall family size. By channeling funds to the improvement of primary health care facilities rather than to urban hospitals, the PVO Co-Financing project will target a broad base of poorer Nicaraguans, particularly those with fewest resources, known often as the "ultra poor."

In a more specialized sense, beneficiaries will include all health system personnel trained or employed during project activities. Trainees will include doctors, nurses, auxiliary nurses, traditional birth attendants, and community health workers. While exact numbers of such beneficiaries cannot yet be given, it is expected that U.S. PVOs can channel funds quickly and effectively to upgrade the skills of over a thousand such health providers in several regions of Nicaragua during the length of project.

B. Employment Generation and Microenterprise

1. Areas of Need

Employment generation may well be the single most pressing need in Nicaragua. The rate of unemployment in 1989 was estimated at 400,000, or 33% of the economically active population. Recent attempts at economic stabilization and the repatriation of 70,000 ex-combatants have pushed unemployment even higher. This critical employment situation is both cause and effect of Nicaragua's position as the hemisphere's third poorest country with a GDP per capita of \$424 in 1989. Moreover, low levels of employment and personal income may be seen as contributing significantly to the dismally low social indicators in other sectors of Nicaraguan society: infant mortality stands at 42/1000, average educational levels are falling, caloric intake dropped by 30% between 1985 and 1989, and 85% of the rural population and 24% of the urban population have no potable water.

Increasing employment and income rapidly improves the ability of families to address their most critical needs, as the government infrastructure for social services slowly rebuilds over the coming years. Increasing demand for basic social services and the rising ability to cover some costs will help stimulate the growth of private providers and can form an important element of a generalized economic recovery.

The strategy of rapidly targeting employment generation and microenterprise development activities is dictated by the need to directly reach those most severely affected by current economic conditions. Among those most affected are unemployed female heads of household. Women form 33% of the economically active population; 30% of working women are also heads of households.

2. Expected Project Activities in Employment Generation/Microenterprise

a. Employment Generation as Cross-cutting Benefit

Employment generation as an objective of the PVO Co-Financing project cross-cuts all sectors of activity: primary health care, natural resources management, and microenterprise development.

In primary health care, grant activities focusing on rehabilitation of physical facilities will result in significant short to medium-term job creation and local-level income generation. It is important to focus job creation in this and other sectors on the most disadvantaged of the unemployed, and attention must be paid to the full integration of women, where appropriate, into such employment schemes, in view of the high level of female-headed families in Nicaragua.

In the domain of natural resource management, improved management of fuelwood resources, including replanting with fuelwood species, will generate both short and long-term employment and small business activities. Reforestation and infrastructure improvement projects, such as feeder road repair or construction focused on improved marketing of crops, should result in substantial, if non-permanent, job creation. Increased income through marketing efficiencies should be a by-product of such grant activities.

b. Microenterprise Development

The importance of microenterprise development activities lies in the sustainability of such enterprise. This compares favorably with the temporary nature of most job creation under other sectoral activities, such as road repair and health post rehabilitation. Microenterprises, defined as small firms with no more than ten employees, can be the keystone of a serious strategy for addressing poverty in rural and, particularly, urban areas, where large numbers of informal sector participants struggle to support families on limited means. By carefully targeting training and technical assistance to existing micro-entrepreneurs, not only can small firms survive but many will expand employment opportunities beyond the nuclear family.

A.I.D. currently has successful microenterprise activities in most of its mission portfolios in Latin America, and the experience gained has been significant. AID/Washington resources are also substantial through the S & T Bureau GEMINI project. Consequently, there is every indication that a large grant to one or more U.S. PVOs can have a substantial impact on poverty in Managua and in other areas of Nicaragua. Care must be taken, however, to coordinate A.I.D.-sponsored microenterprise initiatives through this and other projects with schemes launched by other donors, particularly UNDP and BID.

It is important to note that the PVO Co-Financing Project does not plan to offer lines of credit to microenterprises. The provision of such credit is properly the responsibility of Nicaragua's nascent private banking sector. Over the life of the PVO Co-Financing Project, other project and non-project activities in USAID/Nicaragua's portfolio will continue to devote a great deal of effort toward assisting the reestablishment and

operation of this sector. PVO Co-Financing would only support subproject activities providing microenterprise credit when and if it becomes evident that the private banking sector is unable to do so.

In launching any microenterprise credit activities, regardless of the funding source, it is important that real rates of interest be positive and that credit be extended to groups organized around the principle of collective responsibility. It is likely that many such groups can be found in urban Managua and in rural communities, where local action groups can be organized or mobilized. Women's groups are especially active, since women often find themselves as primary wage earners when sole heads of household or obliged to generate a second income if their husbands become unemployed.

c. **Beneficiaries of Employment Generation and Microenterprise:**

Income generation grantee activities will be directed toward fully unemployed men and women from the most disadvantaged level of the population. Male or female heads of families with obviously severe difficulty in meeting minimal nutritional requirements should be considered first for jobs. Microenterprise activities, on the other hand, will tend to benefit individuals and families from a higher socio-economic level, where minimal nutritional and shelter requirements are being met, but who are unable to generate increased income without assistance in their entrepreneurial activities. Such assistance can be seen, moreover, as investment in sustainable human productivity.

C. Natural Resource Management

Deteriorating economic conditions in Nicaragua have brought natural resources under considerable pressure. The exploitation of firewood has become more intense as production and profits from traditional agriculture have fallen, while the availability of commercial fuels has been reduced by a chronic lack of hard currency to finance imports. As a consequence, the focus of local natural resource use has shifted from cropping to exploitation for short-term income generation. The long-term stability of the Nicaraguan economy, however, can only be guaranteed by a stable resource base, which provides reasonable income opportunities in the short run but preserves the quality of water, soil, and forest resources over the longer term.

The implementation of natural resource management projects will introduce a difficult set of considerations. From a social impact perspective, environmental benefits are often diffuse and delayed. Projects require special follow-up efforts to ensure that plantations reach maturity, that resource management efforts

are sufficiently comprehensive to realize their impacts, and so on. Incomplete execution of these projects would greatly diminish both their environmental and social impact, although in many cases the heaviest investments will have already been made at the initiation of the project. In a word, the institutional requirement for sustainability becomes doubly important.

Special efforts will also have to be made to determine that patterns of land tenure do not limit project success. When project activities occur on 'community lands', there must be a clear definition of rights and responsibilities. When working on private land, preference should be given to owners or individuals with high likelihood of permanence. While these considerations are fairly obvious, new socio-economic conditions in Nicaragua may require a careful review of specific cases to ensure the probability of success.

Fortunately, there are a variety of forestry and resource management initiatives in Nicaragua, largely coordinated through the Office of Investigation in IRENA. Production and protection projects are being carried out with the U.N. Food and Agriculture Organization (FAO), the Center for Tropical Agriculture Training and Research (CATIE), and the Swedish International Development Agency (SIDA). These projects contain large research components and will be a source of technical experience which can guide PVO activities in the future. The ROCAP-funded forestry training program for multi-purpose trees will be another potential source of support, although some clarification may be necessary regarding the costs of such training.

1. Reforestation and Agro-forestry

a. Reforestation

Reforestation offers an alternative combining increased employment with environmental protection. It may be particularly useful in protecting critical watersheds. An opportunity under the PVO Co-Financing Project lies in the watershed of Lake Managua, where deforestation of headwaters has disrupted water flow patterns and increased siltation of the lake. Another grant activity may be to rescue the micro-climate of the Carazo highlands, which has been altered by the reduction of shade trees for coffee. Smaller-scale, more localized watershed protection needs can be identified for community water supply.

For any such subproject activities, special attention should be given to the harvesting of wood products, when the project is not on individual private property. Unresolved questions and disputes may lead to overexploitation or damaging neglect of the reforested area. Issues here are: how soon will grazing be allowed?; who will have rights to extract wood, and how much?; and in cases of commercial extraction, who receives profits?

b. Agroforestry

Grant activities which support agroforestry may have significant impacts on local environments and income opportunities. Agroforestry techniques combined with annual or perennial crops offer a number of advantages, such as micro-level soil stabilization and regeneration. Tree crop combinations also represent potential income in the form of fruits or other forest products, such as fuelwood, fodder, posts, rough building material, and seed, within two to four years. Grant activities can support the introduction or propagation of appropriate species, demonstrate or disseminate tree management techniques, and seek to improve local patterns of tree management.

c. Fuelwood Production for Sustainable Employment

The improvement of firewood production techniques offers possibilities for a broad range of sustainable income-generating, commercial development, and conservation activities. Nicaraguans are rapidly clearing remaining forest areas in the western part of the country in search of firewood; the majority of all Nicaraguans cook with fuelwood, which gives rise to a large, semi-formal commercial activity, involving fuelwood producers, transporters and distributors. Unfortunately, difficult economic conditions have forced greater numbers of individuals into fuelwood and increased exploitation with more destructive techniques.

Reforestation programs for fast growing firewood species combined with training programs to improve plantation management will increase employment and the skills of workers. Improved techniques will increase the productivity of land for fuelwood and broaden income opportunities to include other wood products on a sustainable basis. The major environmental benefit will be the reduced pressure on the remaining natural forest areas, especially in areas of high population density.

Improved plantation management adds value to wood production, not only by increasing levels of production per area, but by increasing the quality of production. Denser, longer burning woods have higher market values. The use of appropriate species which regenerate after harvest produces a commercially sustainable activity on a fixed land base, while improved techniques offer the possibility of diversifying production into higher value wood products, such as posts or building materials.

d. Beneficiaries of Reforestation and Agro-forestry Activities

Immediate beneficiaries of reforestation and agro-forestry schemes sponsored under this project will be a large number of local workers engaged to plant trees for watershed protection,

agro-forestry, and fuelwood production in widespread areas of Nicaragua. Training of local producers of fuelwood species will also involve numerous local-level organization memberships.

Beyond the labor needs involved in planting watershed and new species in agro-forestry and fuelwood production endeavors, beneficiaries over the longer term will be innovating farmers and the farm workers they employ to sustain these new activities. A microenterprise activity focused on fuelwood could strengthen these production efforts by guaranteeing markets and reasonable prices for these forestry efforts.

Externalities from environmental measures will affect the wider community of potable water and fuelwood users. Many of the indirect beneficiaries of this type will be women, who are charged with gathering local firewood for cooking and water for domestic use.

2. Sustainable Agriculture

The most urgent environmental need in the agriculture sector is to identify and promote patterns of resource use which guarantee both short and long-term viability. PVO grantees can provide valuable assistance in several aspects of this effort.

a. Improved Agricultural Techniques

Appropriate use of chemical inputs could make possible increased production and improved income. Improved use measures, in addition to collateral changes in agro-processing techniques, may also reduce contamination threats. The combination of increased production, careful use of chemical inputs, and improved management of wastes can generate income, employment, and environmental protection.

b. Infrastructural Improvement

Increased efficiency of transportation infrastructure could generate employment, improve agricultural incomes, and avoid environmental problems through improved construction techniques. The repair of bridges and all-weather roads would permit easier market access by farmers or middlemen, reducing transportation costs and product losses. Employment generation through road improvement projects should be timed to avoid labor bottlenecks during peak production periods in agricultural areas.

c. Improved Agroclimatic Database

The diversification of agriculture into new products and the planning of most appropriate land use strategies could be facilitated by the development of an improved agroclimatic database, combining soils data, rainfall, luminosity, and so on.

Such objectives might potentially be carried out through a sub-grant to a LPVO with environmental capabilities and knowledge of agricultural needs. Special attention should be paid to the dissemination of information from the database to potential users.

d. Beneficiaries of Sustainable Agricultural Activities

Beneficiaries of improved agricultural techniques would include the farmers themselves and farm workers employed to manage the increased demands of higher-yielding farms. Infrastructural improvement would yield large numbers of short-term beneficiaries as jobs are created in road or bridge rehabilitation. Over the longer term, farmers would benefit from increased profits, as they become able to move into more profitable production areas and reduce farm-to-market costs. The wider population of surrounding local communities would enjoy improved communication and reduced transport costs for personal or commercial activities. Finally, development of an agro-climatic database would benefit large numbers of farmers throughout Nicaragua to the extent that information can be made available to them through local-level extension efforts. Many of these extension services could be provided through the appropriate development of grassroots, private farmers' associations.

ANNEX I: INITIAL ENVIRONMENTAL EXAMINATION

Project Location: Nicaragua
Project Title: PVO Co-Financing
Project Number: 524-0313
Funding: \$20,000,000
Life of Project: Five Years (FY 1991-1996)
IEE Prepared By: Richard L. Owens
USAID/Nicaragua

RECOMMENDED THRESHOLD DECISION

A. Project Description

The Project will establish a mechanism through which USAID/Nicaragua will award subgrants to qualified PVOs for development activities. PVO grants to be funded will generally be small scale development activities in six priority areas: microenterprise, employment generation, primary health care, family planning, environmental protection, and support to grassroots level democratic institutions. The Project's goal will be to promote broad based, sustainable economic growth and improve the health of Nicaragua's population. Its purpose will be to expand the availability of primary health care and family planning services and employment opportunities for lower income families, and to promote sustainable natural resource management. AID resources will be used to finance subgrants to PVOs, technical assistance and training, project administration, and evaluations and audits.

B. Recommendation

Grants for PVO activities in the areas of support to grassroots level democratic institutions, microenterprise, primary health care, and family planning qualify for a Categorical Exclusion under 22 CFR 216.2 (c) (2) (i), "Education, technical assistance, or training activities except to the extent such programs include activities directly affecting the environment (such as construction of facilities, etc.)", and 22 CFR 216.2 (c) (2) (viii), "Programs involving nutrition, health care or population and family planning services except to the extent designed to include activities directly affecting the environment (such as construction of facilities, waste water treatment, etc.)". Based on the fact that grants to PVOs in these areas will not directly affect the environment, it is recommended that no further environmental study be undertaken for these activities and that a "Categorical Exclusion" be approved.

For subgrants to PVOs in the areas of employment generation and environmental protection, a deferred negative determination is recommended. Prior to Project start-up procedures will be developed for, and included in, the PVO Co-Financing Project that will ensure that PVO grants in these two areas do not have a significant harmful effect on the environment. The procedures to be developed will stipulate that all PVO grant proposals receive an environmental review that evaluates the particular site specific circumstances of each grant, that mitigation measures addressing the environmental concerns arising from the review of each proposed subgrant be developed and implemented, and that a process will be developed for establishing accountability and for evaluating the success in implementing proper environmental procedures under all PVO grants in the areas of employment generation and environmental protection.

Concurrence:

Janet C. Ballantyne
Janet C. Ballantyne
Director
USAID/Nicaragua

Date:

May 2, 1991

Drafted: ARDO: RLOWens:
Cleared: GDO: LAyalde:
PDIS: JCloutier:

LAyalde

Agency for International Development
Washington, D.C. 20523

LAC-IEE-91-44

ENVIRONMENTAL THRESHOLD DECISION

<u>Project Location</u>	:	Nicaragua
<u>Project Title</u>	:	PVO Co-Financing
<u>Project Number</u>	:	524-0313
<u>Funding</u>	:	\$20 million
<u>Life of Project</u>	:	Five years (FY 1991-1996)
<u>IEE Prepared by</u>	:	Richard L. Owens USAID/Nicaragua
<u>Recommended Threshold Decision</u>	:	<u>Categorical Exclusion</u> for grants to PVOs in support of grassroots level democratic institutions, microenterprise, primary health care, and family planning. <u>Negative Determination</u> for grants to PVOs in support of employment generation and environmental protection activities.
<u>Bureau Threshold Decision</u>	:	Concur with Recommendation
<u>Comments</u>	:	Grants for PVO activities in the areas of support to grassroots level democratic institutions, microenterprise, primary health care, and family planning qualify for a Categorical Exclusion (C.E.) under 22 CFR 216.2. This C.E. is given subject to the condition that the above grants will not provide financing for activities that directly affect the environment (e.g., construction of facilities, waste water treatment, etc.). For grants for PVO activities in the areas of employment generation and environmental protection, a Negative Determination is given based on

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condition that environmental review procedures will be developed to ensure that grants in these two areas do not have a significant negative environmental effect. These procedures will stipulate that all PVO grant proposals receive an environmental review that evaluates the particular site specific circumstances for each grant, that mitigation measures addressing the environmental concerns arising from the review of each grant are developed and implemented, and that a process for establishing accountability and for evaluating success in implementing proper environmental procedures is implemented. Given the nature of the PVO activities proposed, there should be no significant harmful environmental effects if the procedures to be developed are followed. A project covenant will be established that the above procedures will be developed and instituted during the first year of project implementation.

Copy to : Janet C. Ballantyne, Director
USAID/Nicaragua

Copy to : Lilia Ayalde, GDO
USAID/Nicaragua

Copy to : John Cloutier, PDO
USAID/Nicaragua

Copy to : Richard L. Owens, USAID/Nicaragua

Copy to : Mark Silverman, LAC/OR/CEN

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: Wayne Williams, REA/CEN

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: IEE File

John O. Wilson Date MAY 17 1991

John O. Wilson
Deputy Chief Environmental Officer
Bureau for Latin America
and the Caribbean

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ANNEX I: INITIAL ENVIRONMENTAL EXAMINATION

Project Location: Nicaragua
Project Title: PVO Co-Financing
Project Number: 524-0313
Funding: \$20,000,000
Life of Project: Five Years (FY 1991-1996)
IEE Prepared By: Richard L. Owens
USAID/Nicaragua

RECOMMENDED THRESHOLD DECISION

A. Project Description

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B. Recommendation

Grants for PVO activities in the areas of support to grassroots level democratic institutions, microenterprise, primary health care, and family planning qualify for a Categorical Exclusion under 22 CFR 216.2 (c) (2) (i), "Education, technical assistance, or training activities except to the extent such programs include activities directly affecting the environment (such as construction of facilities, etc.)", and 22 CFR 216.2 (c) (2) (viii), "Programs involving nutrition, health care or population and family planning services except to the extent designed to include activities directly affecting the environment (such as construction of facilities, waste water treatment, etc.)". Based on the fact that grants to PVOs in these areas will not directly affect the environment, it is recommended that no further environmental study be undertaken for these activities and that a "Categorical Exclusion" be approved.

For subgrants to PVOs in the areas of employment generation and environmental protection, a deferred negative determination is recommended. Prior to Project start-up procedures will be developed for, and included in, the PVO Co-Financing Project that will ensure that PVO grants in these two areas do not have a significant harmful effect on the environment. The procedures to be developed will stipulate that all PVO grant proposals receive an environmental review that evaluates the particular site specific circumstances of each grant, that mitigation measures addressing the environmental concerns arising from the review of each proposed subgrant be developed and implemented, and that a process will be developed for establishing accountability and for evaluating the success in implementing proper environmental procedures under all PVO grants in the areas of employment generation and environmental protection.

Concurrence:

Janet C. Ballantyne
Janet C. Ballantyne
Director
USAID/Nicaragua

Date:

May 2, 1991

Drafted: ARDO: RLowens:
Cleared: GDO: LAyalde:
PDIS: JCloutier:

J. Cloutier

Agency for International Development
Washington, D.C. 20523

LAC-IEE-91-44

ENVIRONMENTAL THRESHOLD DECISION

Project Location : Nicaragua

Project Title : PVO Co-Financing

Project Number : 524-0313

Funding : \$20 million

Life of Project : Five years (FY 1991-1996)

IEE Prepared by : Richard L. Owens
 USAID/Nicaragua

Recommended Threshold Decision : Categorical Exclusion for grants to PVOs in support of grassroots level democratic institutions, microenterprise, primary health care, and family planning.

Negative Determination for grants to PVOs in support of employment generation and environmental protection activities.

Bureau Threshold Decision : Concur with Recommendation

Comments : Grants for PVO activities in the areas of support to grassroots level democratic insitutions, microenterprise, primary health care, and family planning qualify for a Categorical Exclusion (C.E.) under 22 CFR 216.2. This C.E. is given subject to the condition that the above grants will not provide financing for activities that directly affect the environment (e.g., construction of facilities, waste water treatment, etc.).

For grants for PVO activities in the areas of employment generation and environmental protection, a Negative Determination is given based on

condition that environmental review procedures will be developed to ensure that grants in these two areas do not have a significant negative environmental effect. These procedures will stipulate that all PVO grant proposals receive an environmental review that evaluates the particular site specific circumstances for each grant, that mitigation measures addressing the environmental concerns arising from the review of each grant are developed and implemented, and that a process for establishing accountability and for evaluating success in implementing proper environmental procedures is implemented. Given the nature of the PVO activities proposed, there should be no significant harmful environmental effects if the procedures to be developed are followed. A project covenant will be established that the above procedures will be developed and instituted during the first year of project implementation.

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USAID/Nicaragua
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USAID/Nicaragua
- Copy to : John Cloutier, PDO
USAID/Nicaragua
- Copy to : Richard L. Owens, USAID/Nicaragua
- Copy to : Mark Silverman, LAC/DR/CEN

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Copy to : Wayne Williams, REA/CEN
Copy to : IEE File

John O. Wilson Date MAY 17 1991

John O. Wilson
Deputy Chief Environmental Officer
Bureau for Latin America
and the Caribbean

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ACTION: AID INFO: AMB DCM ADMIN

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PP RUEH40
DE RUEHC #5135/01 3420107
ZNR UJUUU 22H
P 092105Z DEC 90
FM SFCSTATE WASHDC
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TCR: 14:15
CV: 14559
CHRG: AID
DIST: AIDA
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ANNEX J:

AIDAC

E.O. 12355: N/A

PAGE:

SUBJECT: NPD REVIEWS -- PRIVATE AGRICULTURAL SERVICES (524-2315); PVO COFINANCING (524-2313); FAMILY PLANNING EXPANSION AND REGIONALIZATION (524-2312); EXPANDED PROGRAM OF IMMUNIZATION (524-2321)

1. ON NOVEMBER 23, 1990, LAC STAFF REVIEWED SUBJECT NPD'S. AID/W GUIDANCE AND DECISIONS RELATING TO EACH PROJECT ARE PROVIDED BELOW.

2. PRIVATE AGRICULTURAL SERVICES (524-2315)

A) LAC GRANTS PROGRAM CONCURRENCE FOR THE MISSION TO PROCEED WITH FURTHER DEVELOPMENT OF THIS PROJECT AND THE MISSION DIRECTOR IS HEREBY DELEGATED AUTHORITY TO APPROVE THE PID IN THE FIELD.

B) SINCE THIS PROJECT WILL FINANCE THE DELIVERY OF PRIVATE AGRICULTURAL SERVICES FOR ONLY FIVE YEARS, SELECTION CRITERIA TO BE APPLIED TO THE ALLOCATION OF PROJECT FUNDS SHOULD BE DESIGNED IN SUCH A WAY AS TO FAVOR PRIVATE AGRICULTURAL ORGANIZATION (PAO) ACTIVITIES WHICH PRESENT THE GREATEST POTENTIAL FOR COSTRECOVERY

AND SUSTAINABILITY: THE PID/PP SHOULD ANALYZE THE SUSTAINABILITY POTENTIAL OF PAO SERVICES AND PROJECT BENEFICIARIES SHOULD ASSUME NO FURTHER SUPPORT BEYOND THE PACD.

C) AID/W UNDERSTANDS THAT PAO MEMBERSHIP (AND THEREFORE PROBABLE PROJECT BENEFICIARIES) WILL BE BETTER IDENTIFIED THROUGH THE COURSE OF FURTHER PROJECT DESIGN. BASED ON THE RESULTS OF THIS CLARIFICATION, IT MAY BE APPROPRIATE FOR PROJECT DESIGN TO INCORPORATE PRIVATE PRODUCERS WHO ARE NOT CURRENTLY ACTIVE PAO MEMBERS. THE MISSION SHOULD ENSURE THAT POORER FARMERS AND NON-TRADITIONAL PRODUCERS MIGHT ACCESS NECESSARY SERVICES FINANCED THROUGH THIS PROJECT AND THAT BENEFICIARIES ARE NOT LIMITED TO THE LARGER MORE INFLUENTIAL PRODUCERS:

3. PVO COFINANCING (524-2313)

Date Rec'd		
12/10/90		
C & R Section		
USAID/Costa Rica		
	Act	Info
MDIR		
DDIR		
EXO		
DMO		
ADP		
POO		
PROG		
GDO		
TO		
ATAC-II		
EAO		
CONT		
RLA		
OPS		
ADO	/	
RAJO		
ROCAP		
CHRON		/
RF		/
Due date: 12/13/90		
Action taken:		
Initials:		

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A) LAC GRANTS PROGRAM CONCURRENCE FOR THE MISSION TO PROCEED WITH FURTHER DEVELOPMENT OF THIS PROJECT. DUE TO THE RELATIVELY SIMPLE DESIGN OF THIS UMBRELLA PROJECT AND ITS SIMILARITY TO OTHER INITIATIVES ALREADY BEING IMPLEMENTED THROUGHOUT THE REGION, THE MISSION DIRECTOR IS HEREBY DELEGATED AUTHORITY TO AUTHORIZE THE PROJECT USING NON-STANDARD DOCUMENTATION. SPECIFICALLY, THE MISSION MAY PROCEED DIRECTLY TO THE DEVELOPMENT OF THE PROJECT PAPER WITHOUT AN INTERMEDIATE PROJECT IDENTIFICATION DOCUMENT.

B) IF THE PROJECT IS TO BE OBLIGATED BY MEANS OF A BILATERAL GRANT AGREEMENT WITH A GON MINISTRY, THE PP SHOULD CLEARLY SPECIFY THE ROLE AND RESPONSIBILITIES OF THAT MINISTRY IN THE SELECTION AND COORDINATION OF PVO ACTIVITIES.

C) AID/W UNDERSTANDS THAT, INITIALLY, ONLY J.S.-BASED PVO'S WILL RECEIVE FINANCING THROUGH THIS PROJECT; THEREAFTER, AS THE INSTITUTIONAL CAPACITIES OF LOCAL PVO'S ARE DEVELOPED AND THESE PVO'S ARE REGISTERED WITH USAID, THEY TOO WILL BE LIKELY RECIPIENTS OF A.I.D. RESOURCES.

D) WHILE AID/W UNDERSTANDS THAT PVO ACTIVITIES WILL BE SELECTED THROUGHOUT THE LOP, THE PROJECT PAPER SHOULD OUTLINE THE PROJECTED PROGRAM LEVEL IMPACTS OF LIKELY ACTIVITIES TO BE FINANCED (E.G. INCREASED INCOME LEVELS, EMPLOYMENT GENERATED, HEALTH INTERVENTIONS, ETC.).

4. FAMILY PLANNING EXPANSION AND REGIONALIZATION (524-2512)

LAC GRANTS PROGRAM CONCURRENCE FOR THE MISSION TO PROCEED WITH FURTHER DEVELOPMENT OF THIS PROJECT AND DELEGATES AUTHORITY TO THE MISSION DIRECTOR TO APPROVE THE PID IN THE FIELD.

5. EXPANDED PROGRAM OF IMMUNIZATION (524-2321)

A) LAC GRANTS PROGRAM CONCURRENCE FOR THE MISSION TO PROCEED WITH FURTHER DEVELOPMENT OF THIS PROJECT; IN RECOGNITION OF THE URGENCY OF IMPLEMENTING THIS PROJECT AND DUE TO THE FACT THAT THE OBLIGATION MECHANISM WILL BE A BUY-IN TO AN ONGOING REGIONAL PROJECT WITH PAHO (AND A SUBSEQUENT BUY-IN TO A FOLLOWON PAHO PROJECT), THE MISSION DIRECTOR IS HEREBY DELEGATED AUTHORITY TO AUTHORIZE THE PROJECT USING NONSTANDARD DOCUMENTATION.

SPECIFICALLY, THE MISSION MAY PROCEED DIRECTLY TO THE DEVELOPMENT OF A PROJECT PAPER/BOJAN INTERMEDIATE PROJECT IDENTIFICATION DOCUMENT.

B) PRELIMINARY PROJECT DESIGN ENVISIONS & BJJIN TO A MULTIDONOR PAFO ACTIVITY AND INCLUDES A.I.D. FUNDING FOR VEHICLES. UNDER A SUCH AN ARRANGEMENT, PAFO WOULD NORMALLY APPLY ITS OWN PROCUREMENT PROCEDURES. THIS COULD RESULT IN THE PROCUREMENT OF NON-U.S. VEHICLES WITH A.I.D. FUNDS. WE DO NOT WANT TO FINANCE THE PROCUREMENT OF NON-U.S. VEHICLES FOR THIS PROJECT EXCEPT UNDER EXCEPTIONAL CIRCUMSTANCES (WHICH WOULD RESULT IN USAID ISSUING A WAIVER). TO AVOID PROCUREMENT OF NON-U.S. VEHICLES WITH A.I.D. FUNDS, USAID SHOULD EITHER PICK UP OTHER PROJECT COSTS LEAVING OTHER DONORS TO FUND VEHICLES, PROCURE THE VEHICLES DIRECTLY INSTEAD OF THROUGH PAFO, OR ENSURE THAT PAFO BUYS ONLY U.S. VEHICLES UNLESS USAID ISSUES A WAIVER.

S. CONGRESSIONAL NOTIFICATIONS ARE CURRENTLY BEING PROCESSED FOR THE FAMILY PLANNING EXPANSION AND REGIONALIZATION (524-3312) AND THE EXPANDED PROGRAM OF IMMUNIZATION (524-3321) PROJECTS. LAC/DPP WILL NOTIFY MISSION VIA FAX WHEN CN'S HAVE COME TO CONGRESS AND VIA CABLE WHEN THE CN'S HAVE EXPIRED: BAIR

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ANNEX K: PRELIMINARY COMMODITY LIST

<u>Item</u>	<u>Qty.</u>	<u>Prob #/Q</u>	<u>Proc. Agent</u>	<u>Amount (CIF)</u>
6 passenger 4WD vehicles	3	000/000	PMU	\$75,000
Computers	3	Nic./000	PMU	15,000
Printers	3	Nic./000	PMU	6,000
Software		Nic./000	PMU	3,000
Typewriter	1	Nic./000	PMU	1,000
UPS (1,000 KVA)	3	Nic./000	PMU	2,000
Office Furnishings		Nicaragua	PMU	10,000
Photocopier	1	Nic./000	PMU	4,000
Fax Machine	1	Nic./000	PMU	1,000
Audio visual equipment	-	Nic./000	PMU	5,000
Small Value Office Supplies		Nicaragua	PMU	53,000

TOTAL VALUE, COMMODITIES:				\$175,000

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